

City of

**MORRISTOWN**

Tennessee



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR 2018  
July 1, 2017 - June 30, 2018

*Prepared by Finance Department*



**CITY OF MORRISTOWN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**June 30, 2018**

**FINANCE DEPARTMENT**



# CITY OF MORRISTOWN, TENNESSEE

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## **INTRODUCTORY SECTION**

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# City of Morristown

*Incorporated 1855*



November 30, 2018

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

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), audited in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Morristown for the fiscal year ended June 30, 2018.

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, 2018, 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, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Morristown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Morristown's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Morristown was incorporated in 1855 and operates under a council-administrator form of government. It is located between two major Tennessee Valley Authority lakes approximately 40 miles northeast of Knoxville on Interstate-81 and approximately 60 miles southwest of the Tri-Cities area on the same highway. The City currently occupies a land area of approximately 22 square miles and serves a population of approximately 29,600. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation; however, changes by the state legislature are expected to significantly slow annexation initiatives.

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

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

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

## **Factors Affecting Financial Condition**

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

### **Local economy**

Based on its location, the City of Morristown is a regional employer and retail market. The City of Morristown, along with cooperative efforts by the Morristown Chamber of Commerce, Hamblen County Government, and its citizens has been one of the state's most successful recruiters of regional, national, and international industry despite being the third smallest in the State of Tennessee in terms of land size. The economy continues to have an impact on every segment of Morristown's largest taxpayers, especially the automotive industry. 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.

There are seven Fortune 500 companies and thirteen international companies that have elected to manufacture in Morristown. Over the past year, companies reported investing over \$113.0 million in building expansion and equipment while creating over 300 new jobs.

The City of Morristown has been experiencing a significant amount of retail development. National retail chains continue to locate to Morristown. This has stopped leakage of sales tax to other neighboring communities. Several retail developments are under construction. As a result of the retail development, local option sales tax is projected to continue to experience a slight increase around 1% in the 2018-2019 fiscal year.

Recently, the City of Morristown earned a fourteenth-place ranking in the country for job growth from 247wallst.com. Because of the growth discussed above a rise in income levels is occurring. A recent study published in USA Today ranked Morristown fifth as the fastest growing income in the country. Additionally, due to the growth, Morristown is experiencing a tight inventory of homes for sale. Due to the shortage of housing inventory, several major residential developments are coming to fruition.

## **Long-term Financial Planning and Major Initiatives**

The City of Morristown has a policy that requires an unassigned fund balance equal to 15-40% of General Fund expenditures. The City had an unassigned fund balance of \$7.5 million at June 30, 2018 in its General Fund. This represents approximately a 22% unassigned fund balance compared to expenditures. This compares to 20% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2017. Again, an indicator to City of Morristown's growth previously discussed and the commitment to be fiscally responsible.

The City of Morristown demonstrated its commitment to long-term planning with the adoption of its 2017-2018 fiscal year budget. The City of Morristown was proactive in that it appropriated \$2.4 million from fund balance for street paving and the development of a passive park. These funds were identified to meet the needs without issuing additional debt. It should be stressed that fund balance is only used for capital items and is not used for re-occurring expenditures. Council continued demonstrate effective long-term planning with the adoption of the 2018-2019 fiscal year budget. The City of Morristown was proactive in that it increased the property tax rate five cents to help support the debt service for a new bond issue. This strategic planning will allow for completion of the public works compound, and planning of a community center as well as much needed updates to the city center plaza /garage.

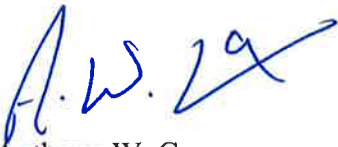
## **Awards and Acknowledgment**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Morristown for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Morristown also received the GFOA's Distinguished Budget Presentation award for its annual budget documented for the 2017-2018 fiscal year. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in the preparation of this report, especially Michelle Woods, Accounting Manager. Also, we would like to thank the Mayor and Council for their support for maintaining the highest standards of professionalism in the management of the City of Morristown's finances.

Respectfully submitted,

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

Anthony W. Cox  
City Administrator

A handwritten signature in blue ink, appearing to read "Joey Barnard", with a large loop at the end.

Joey Barnard, CGFM, CFE, MBA  
Assistant City Administrator



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Morristown  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO

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

**June 30, 2018**

**MEMBERS OF CITY COUNCIL**

Gary Chesney, Mayor

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

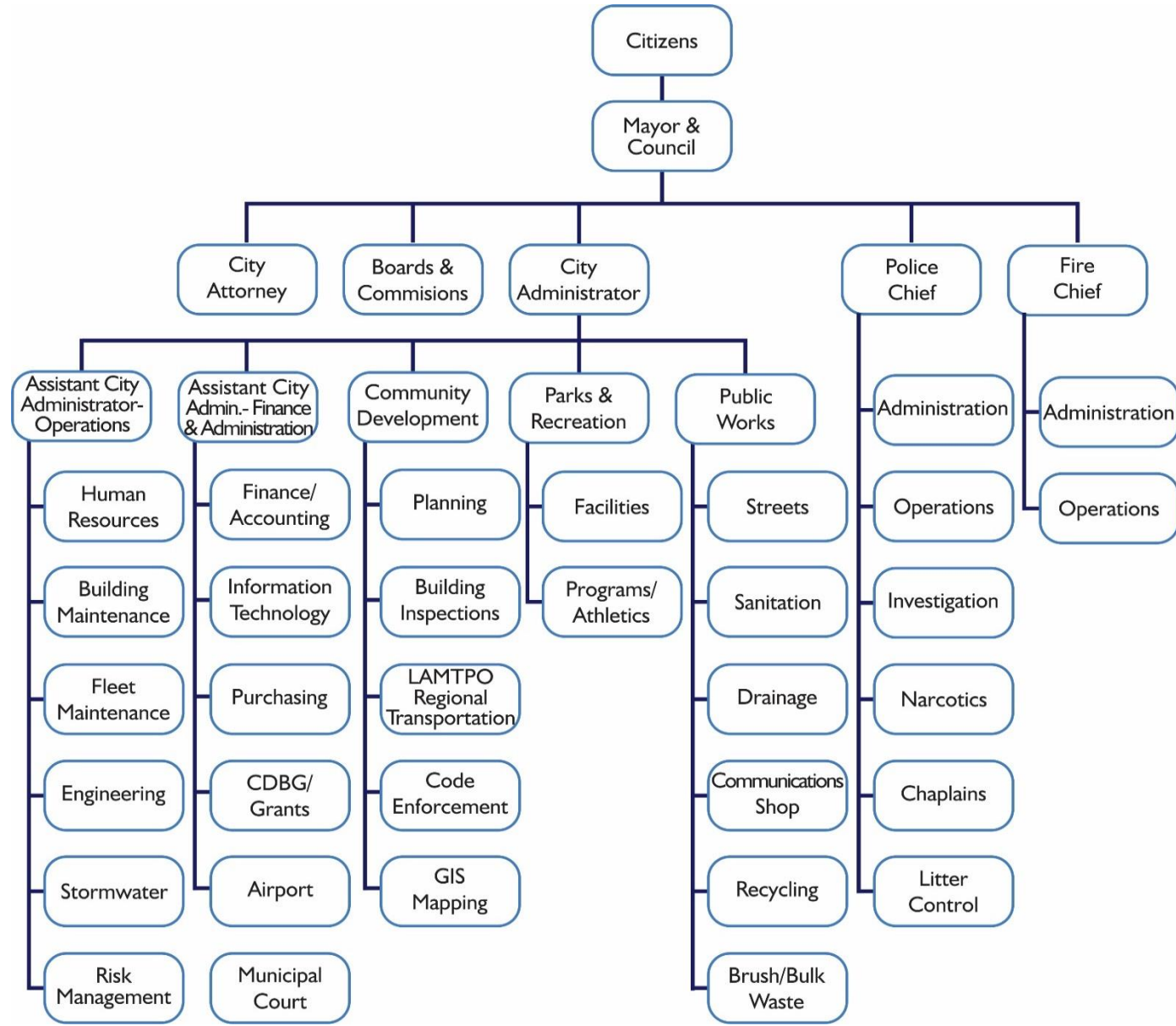
**GENERAL CITY GOVERNMENT**

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

**INDEPENDENT AUDITORS**

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

## ORGANIZATIONAL CHART







## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

## **Report on the Financial Statements (Continued)**

### *Auditor's Responsibility (Continued)*

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

### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statements for the general fund and the solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As described in Note 15 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
November 30, 2018



## 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, 2018. 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 1 through 3 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 \$196.1 million (net position). Of this amount, \$40.4 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 \$10.6 million. Charges for services, which are program specific revenues accounted for \$111.9 million in revenue or 74.9% of all primary government revenues. The majority (96.3%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$37.5 million or 24.9% of all primary government revenues.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of approximately \$33.4 million, a decrease of \$588,512 in comparison with the prior year. The decrease is attributed to increased expenditures in the Capital Projects Fund. Approximately 22.4% of this amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the City of Morristown's General Fund was approximately \$ 7.5 million, or approximately 22.2% of total General Fund expenditures and other financing uses.
- The City of Morristown's total outstanding long-term debt increased by \$2,168,370 during the current fiscal year.
- In 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The overall effect of this new standard is to reflect the City's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 15, and this has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

# Management's Discussion & Analysis

## Overview of the Financial Statements

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

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

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

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

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

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

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

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



## Management's Discussion & Analysis

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 15-19 of this report.

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

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

## Management's Discussion & Analysis

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

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-59 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Morristown's progress in funding its obligation to provide pension and OPEB benefits to its employees. A table of contents has been provided to locate this information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost \$196.1 million at the close of the most recent fiscal year.

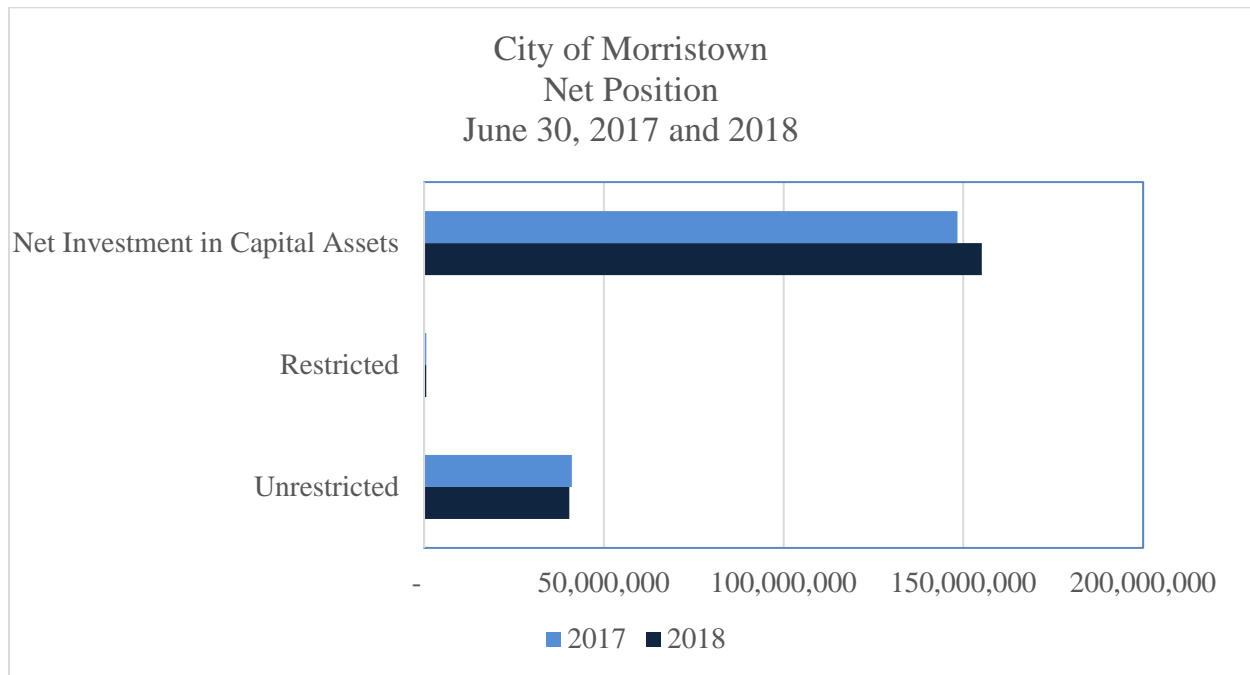
City of Morristown's Net Position						
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 50,064,735	\$ 49,206,031	\$ 43,355,387	\$ 50,139,880	\$ 93,420,122	\$ 99,345,911
Capital assets	64,156,532	61,906,919	226,728,190	209,222,214	290,884,722	271,129,133
Total assets	\$ 114,221,267	\$ 111,112,950	\$ 270,083,577	\$ 259,362,094	\$ 384,304,844	\$ 370,475,044
Total deferred outflows of resources	\$ 3,670,446	\$ 3,926,281	\$ 50,746	\$ 60,961	\$ 3,721,192	\$ 3,987,242
Long-term liabilities outstanding	\$ 39,292,738	\$ 38,716,019	\$ 118,740,237	\$ 114,334,947	\$ 158,032,975	\$ 153,050,966
Other liabilities	2,424,085	2,585,991	18,062,449	16,385,374	20,486,534	18,971,365
Total liabilities	\$ 41,716,823	\$ 41,302,010	\$ 136,802,686	\$ 130,720,321	\$ 178,519,509	\$ 172,022,331
Total deferred inflows of resources	\$ 13,383,318	\$ 12,058,215	\$ 50,160	\$ 276,921	\$ 13,433,478	\$ 12,335,136
Net position:						
Net investment in capital assets	\$ 44,366,928	\$ 44,128,853	\$ 110,725,993	\$ 104,788,569	\$ 155,092,921	\$ 148,917,422
Restricted	609,400	652,846	0	0	609,400	652,846
Unrestricted	17,815,244	16,897,307	22,555,484	23,637,244	40,370,728	40,534,551
Total net position	\$ 62,791,572	\$ 61,679,006	\$ 133,281,477	\$ 128,425,813	\$ 196,073,049	\$ 190,104,819

By far the largest portion of the City of Morristown's net position (79.1%) 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 (0.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$40,370,728 is unrestricted and may be used to meet Morristown's ongoing obligations to citizens and creditors.

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

## Management's Discussion & Analysis



However, the City of Morristown's overall net position increased by approximately \$10.6 million from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position of the governmental activities increased by \$5.1 million. This increase is attributed to the capital outlay and economic expansion that the City of Morristown is currently experiencing. The City continues to see significant economic growth in the retail market. National retail chains continue to locate stores in Morristown. This has stopped leakage of sales tax to other neighboring communities. Several retail developments are under construction. As a result of the retail development, local option sales tax increased 1.01% in the 2017-2018 fiscal year compared to the prior year.

## Management's Discussion & Analysis

<b>City of Morristown's Changes in Net Position</b>						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,775,957	\$ 2,634,403	\$ 109,103,026	\$ 107,598,364	\$ 111,878,983	\$ 110,232,767
Operating grants & contributions	191,531	128,336	-	-	191,531	128,336
Capital grants & contributions	701,821	1,668,274	263,600	230,150	965,421	1,898,424
<b>General revenues:</b>						
Property taxes	11,133,574	11,026,905	-	-	11,133,574	11,026,905
Sales tax	12,405,158	12,280,106	-	-	12,405,158	12,280,106
Intergovernmental	6,074,849	4,747,970	-	-	6,074,849	4,747,970
Other	4,735,491	4,232,290	3,194,522	2,701,620	7,930,013	6,933,910
<b>Total revenues</b>	<b>38,018,381</b>	<b>36,718,284</b>	<b>112,561,148</b>	<b>110,530,134</b>	<b>150,579,529</b>	<b>147,248,418</b>
<b>Expenses:</b>						
General government	5,565,353	2,623,688	-	-	5,565,353	2,623,688
Public safety	15,198,313	16,205,149	-	-	15,198,313	16,205,149
Public works	9,749,660	11,598,260	-	-	9,749,660	11,598,260
Economic development	-	-	-	-	-	-
Parks & recreation	2,196,230	3,817,269	-	-	2,196,230	3,817,269
Civic support	1,565,036	1,994,024	-	-	1,565,036	1,994,024
Transportation	-	-	-	-	-	-
Retiree health insurance	-	-	-	-	-	-
Interest on long-term debt	643,818	366,337	-	-	643,818	366,337
Water	-	-	6,791,455	6,676,177	6,791,455	6,676,177
Wastewater	-	-	12,957,929	12,035,984	12,957,929	12,035,984
Storm water	-	-	1,078,566	813,226	1,078,566	813,226
Power	-	-	76,594,389	76,497,573	76,594,389	76,497,573
Broadband	-	-	7,653,604	7,018,332	7,653,604	7,018,332
<b>Total expenses</b>	<b>34,918,410</b>	<b>36,604,727</b>	<b>105,075,943</b>	<b>103,041,292</b>	<b>139,994,353</b>	<b>139,646,019</b>
<b>Increase (decrease) in net position before transfers</b>	<b>3,099,971</b>	<b>113,557</b>	<b>7,485,205</b>	<b>7,488,842</b>	<b>10,585,176</b>	<b>7,602,399</b>
<b>Transfers</b>	<b>1,928,844</b>	<b>1,934,663</b>	<b>(1,928,844)</b>	<b>(1,934,663)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>5,028,815</b>	<b>2,048,220</b>	<b>5,556,361</b>	<b>5,554,179</b>	<b>10,585,176</b>	<b>7,602,399</b>
<b>Net position - July 1, (restated)</b>	<b>57,762,757</b>	<b>59,630,786</b>	<b>127,725,116</b>	<b>122,871,634</b>	<b>185,487,873</b>	<b>182,502,420</b>
<b>Net position - June 30,</b>	<b>\$ 62,791,572</b>	<b>\$ 61,679,006</b>	<b>\$ 133,281,477</b>	<b>\$ 128,425,813</b>	<b>\$ 196,073,049</b>	<b>\$ 190,104,819</b>

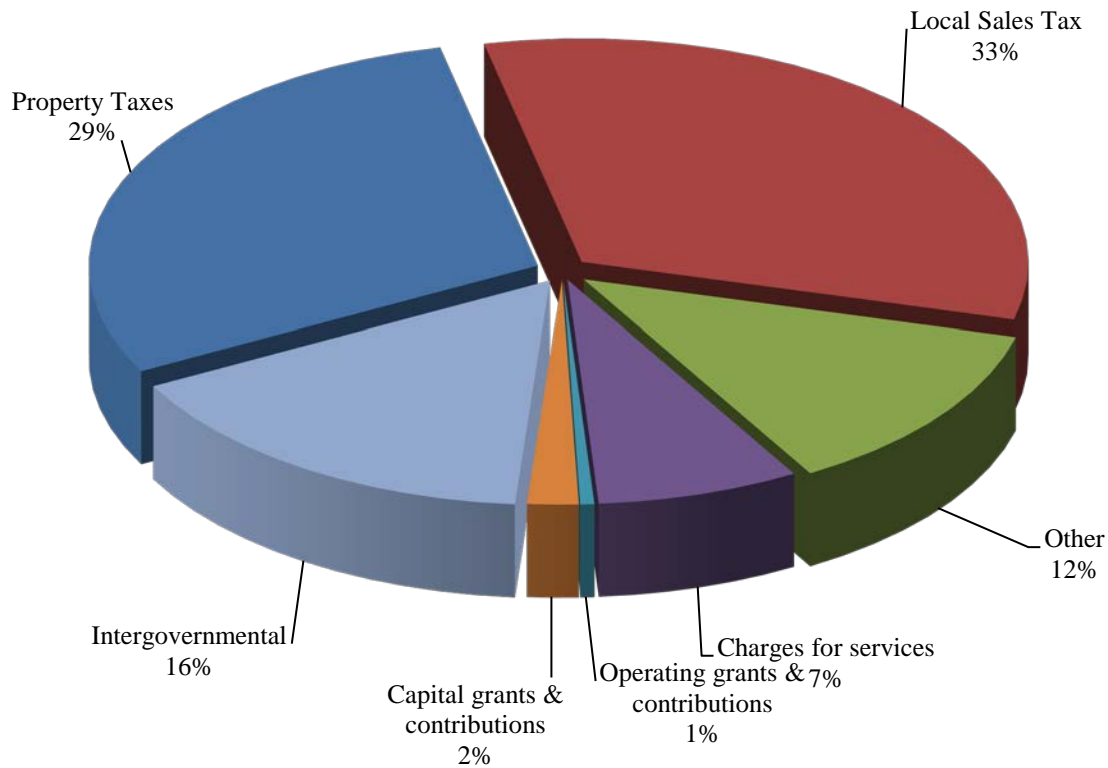
**Revenues** on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

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

**General revenues** are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes and local option sales tax. Both property tax and sales tax continue to be a stable revenue source for the City of Morristown. During the current fiscal year, sales tax collections increased by approximately \$125,052 or 1.01% compared to the previous fiscal year. The graph below presents the major sources of revenues for governmental activities.

## Management's Discussion & Analysis

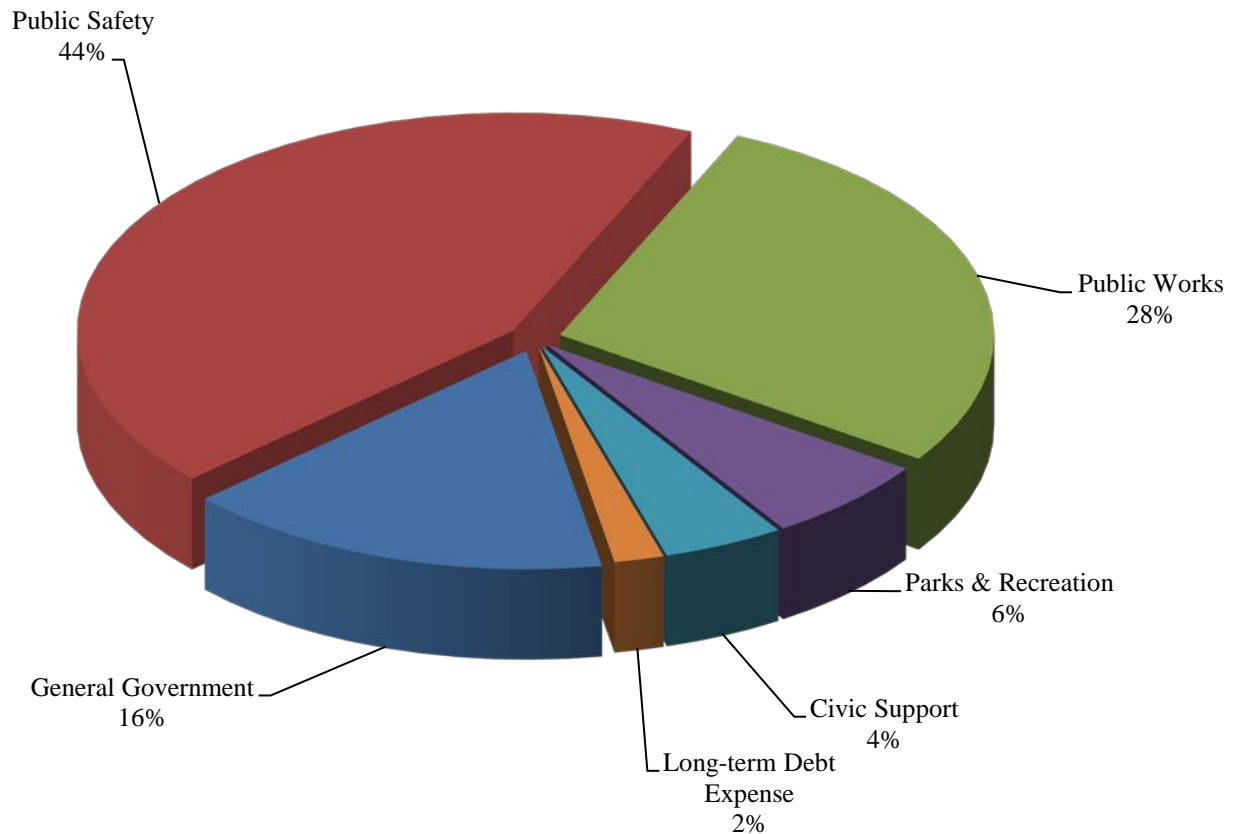
### Revenues by Source - Governmental Activities



Public Safety expenses of \$15,198,313 and Public Works expenses of \$9,749,660 are the largest expenses of the City of Morristown, which when combined total \$24,947,973 and are 71.4% of total expenses. Of this amount, \$2,009,837 was recovered by charges for services, \$191,531 from operating grants/contributions, and \$701,821 from capital grants/contributions. For additional details, see illustrations below.

## Management's Discussion & Analysis

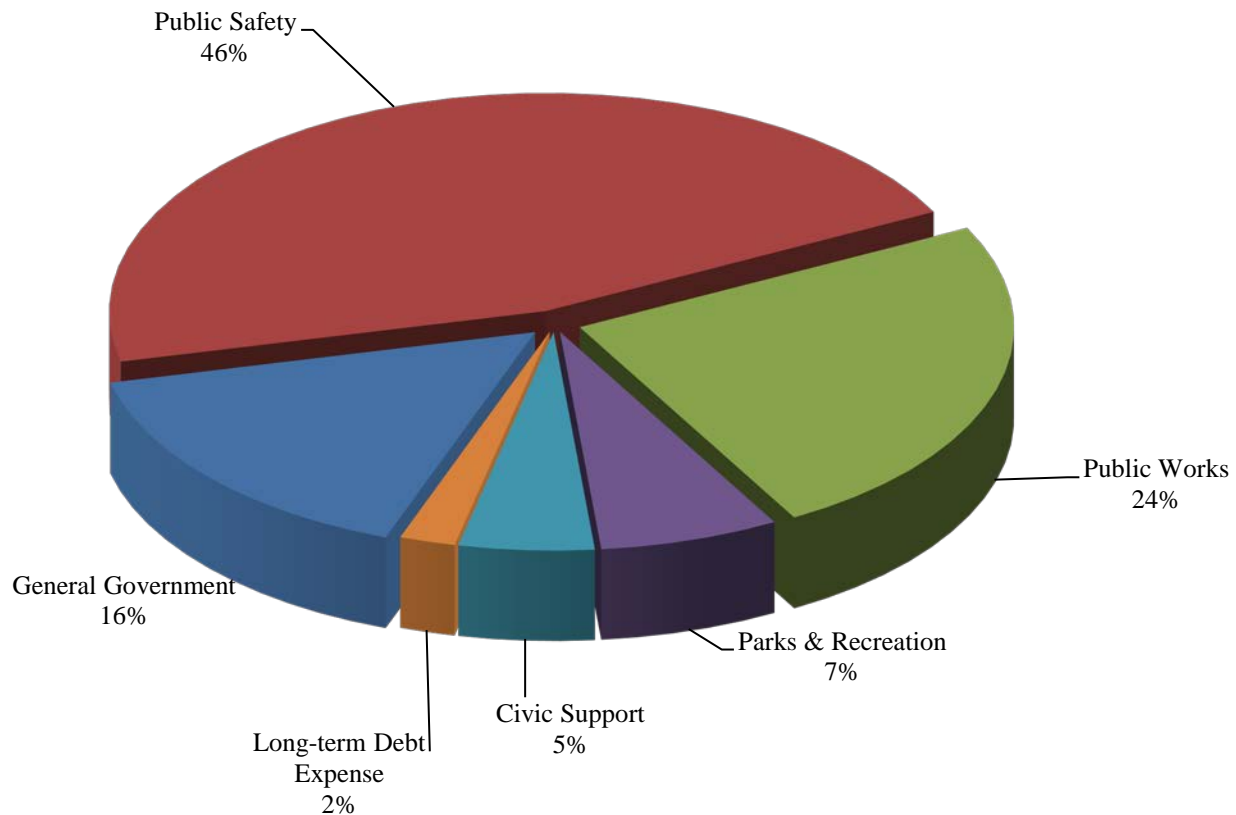
### Program Expenses - Governmental Activities



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

## Management's Discussion & Analysis

### Expenses by Governmental Activities



**Business-type Activities.** For the City of Morristown's business-type activities, the results for the current year were positive in that overall net position increased to reach an ending balance of approximately \$133.3 million. The total increase in net position for business-type activities was \$5.6 million or 4.3% from the prior fiscal year. The increase in net position is attributed to the increase in rates on the water, wastewater, power, and broadband services.

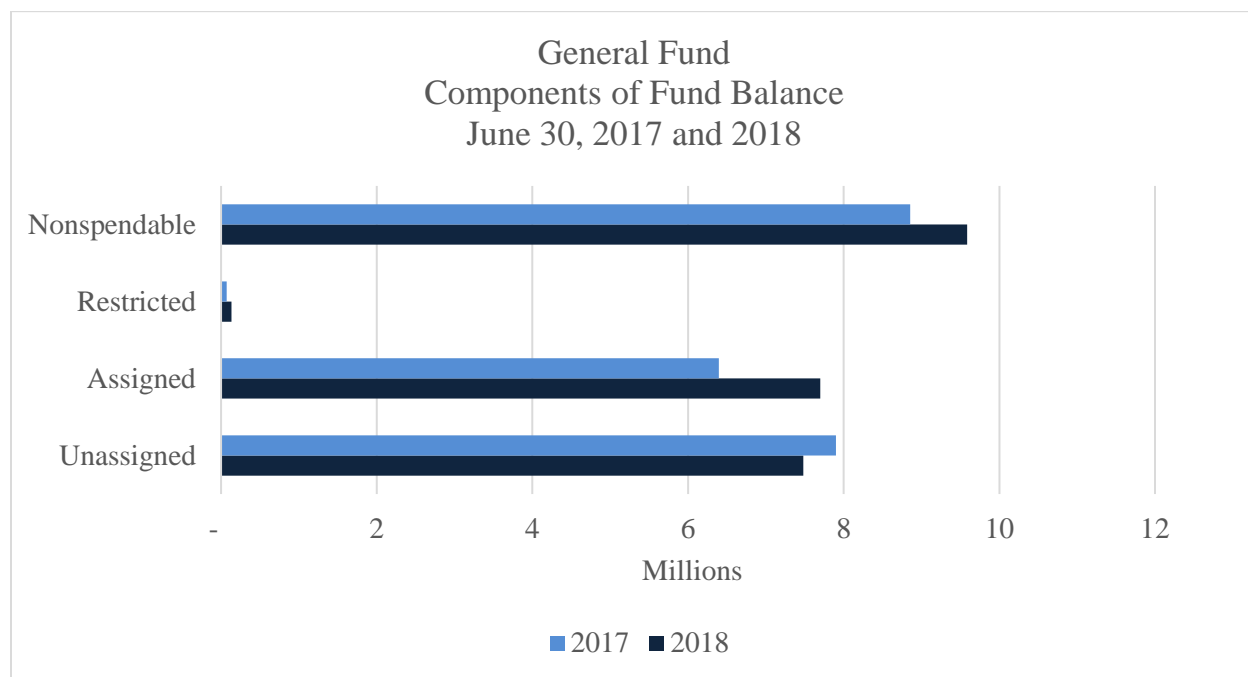
### Financial Analysis of the Government's Funds

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

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

## Management's Discussion & Analysis

At June 30, 2018, the City of Morristown's governmental funds reported combined ending fund balances of \$33,403,131 a decrease of \$588,512 in comparison with the prior year. Approximately 22.4% of this amount (\$7,482,374) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form or legally/contractually required to be maintained intact (\$9,587,862), 2) restricted for particular purposes (\$5,773,045), 3) committed for particular purposes (\$2,859,940), or 4) assigned for particular purposes (\$7,699,910).



The General Fund is the chief operating fund of the City of Morristown. At the end of the current fiscal year, unassigned fund balance was \$7,482,374, while total fund balance increased to \$24,903,603. This increase is attributed to conservative budgeting to ensure that actual revenues meet or exceed the projected amount. 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 22.2% of total general fund expenditures and other uses, while total fund balance represents 74% of that same amount. City of Morristown Council has formally adopted a financial policy stating that the City's general fund will maintain an unassigned fund balance of at least 15%, but not to exceed 40% of annual general fund expenditures.

The fund balance of the City of Morristown's general fund increased \$1,676,356. As mentioned above, a conservative budgeting approach is utilized in projecting estimated revenues to ensure that actual revenues meet or exceed the projected amount. It must be stressed that fund balance is only being expended for one-time items, not reoccurring expenditures. As discussed earlier with governmental activities, the continued economic growth and retail development allow for the City to fund major capital expenditures and still maintain an unassigned fund balance within the adopted fund balance policy.

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 in the amount of \$235,439. 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 FY2017-2018 as in years past.



## 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 by \$5,556,361. The unrestricted net position of the City's Storm Water Fund increased \$273,787 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 \$19,920,634, a decrease of \$1,369,016. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Comprehensive Annual Financial Report issued by the Commission for the current fiscal year ended.

### General Fund Budgetary Highlights

During the fiscal year, amendments were necessary to increase estimated revenues and original budgeted appropriations. Additionally, there were amendments made to reallocate appropriations between departments without increasing the total appropriations. The original budget ordinance approved appropriations totaling \$39,912,801. Budget amendments were approved by Council during the year increasing total appropriations to \$40,362,415, an increase of \$449,614 or 1.1%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$64,600 to transfer to the General Capital Projects Fund to provide funding for additional costs incurred to replace the chiller / boiler.
- \$1,000,000 to transfer to the General Capital Projects Fund necessary to cover the costs for the purchase of property within the East Tennessee Progress Center
- \$345,014 to transfer \$300,000 to the General Capital Projects fund to cover the match for the LPRF Grant and to increase appropriations within the General Fund in the amount \$45,014 to allow for the purchase of turn out gear for the Fire Department
- \$960,000 to decrease appropriations associated with the West A.J. Hwy road project. At the close of the fiscal year, actual expenditures were \$4,998,802 less than budgetary estimates. This is attributed to the timing of capital projects not being started as anticipated and the conservative management by department heads.

### Capital Asset and Debt Administration

**Capital assets.** The City of Morristown's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$64 million and \$227 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 7.3%.

## Management's Discussion & Analysis

<b>City of Morristown's Capital Assets</b> (net of depreciation)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 14,098,563	\$ 14,098,563	\$ 2,659,859	\$ 2,659,859	\$ 16,758,422	\$ 16,758,422
Buildings	10,874,043	11,249,979	-	-	10,874,043	11,249,979
Improvements other than buildings	2,753,451	2,540,019	-	-	2,753,451	2,540,019
Machinery & equipment	7,056,650	7,306,257	-	-	7,056,650	7,306,257
Infrastructure	24,079,668	26,002,396	-	-	24,079,668	26,002,396
Utility plant and equipment	-	-	194,351,715	192,623,306	194,351,715	192,623,306
Construction in progress	5,294,157	709,705	29,716,616	13,939,049	35,010,773	14,648,754
<b>Total</b>	<b>\$ 64,156,532</b>	<b>\$ 61,906,919</b>	<b>\$ 226,728,190</b>	<b>\$ 209,222,214</b>	<b>\$ 290,884,722</b>	<b>\$ 271,129,133</b>

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

**Long-term debt.** At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$138.2 million; of this amount, \$24.7 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources and the full faith and credit of the government.

The City's breakdown of variable and fixed rate debt outstanding is 39% and 61% respectively.

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

<b>City of Morristown's Long-Term Debt</b>				
	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities</b>				
General fund	\$ 26,063,459	\$ -	\$ 1,629,184	\$ 24,434,275
Solid waste fund	273,881	-	26,479	\$ 247,402
<b>Total governmental activities</b>	<b>26,337,340</b>	<b>-</b>	<b>1,655,663</b>	<b>24,681,677</b>
<b>Business-type activities</b>				
Sewer system	69,212,681	15,060,000	8,124,211	76,148,470
Storm water system	4,230,422	-	213,006	4,017,416
Electric system	17,578,227	-	1,281,055	16,297,172
Water system	11,759,671	-	964,383	10,795,288
Telecom system	6,886,937	-	634,771	6,252,166
<b>Total business-type activities</b>	<b>109,667,938</b>	<b>15,060,000</b>	<b>11,217,426</b>	<b>113,510,512</b>
<b>Total Debt</b>	<b>\$ 136,005,278</b>	<b>\$ 15,060,000</b>	<b>\$ 12,873,089</b>	<b>\$ 138,192,189</b>

## **Management's Discussion & Analysis**

The City of Morristown's total debt increased by \$2,186,911 (1.6%) during the current fiscal year. The reason for the increase was attributed to continued ongoing construction projects to upgrade and enhance the infrastructure of the wastewater plant, sewer lines, and pumping stations.

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

### **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 2018-2019 fiscal year budget.

- As previously discussed, the continued retail development that the City of Morristown is currently experiencing. Several major developments are under construction that will continue to bring regional sales tax dollars to the City of Morristown. Van Hool NV recently announced plans to locate their North America Headquarters and manufacturing facility in the East Tennessee Progress Center. Plans are to invest \$50 million to construct a new facility that will create around 600 jobs.
- The unemployment rate for the City of Morristown as of June 30, 2018, was 4.4% which remains unchanged compared to a year ago. The state's average unemployment rate as of June 30, 2018, was 3.5% and the national average was 4.0%.
- The City of Morristown was proactive in that it increased the property tax rate five cents for the 2018 tax year. This strategic planning allowed the City of Morristown to provide additional funding to complete the Public Works Compound, allow for needed repairs to the City Center Plaza/Garage, and will help with planning/design of the Community Center.

During the current fiscal year, the assigned fund balance in the General Fund was \$7,699,910. The City of Morristown has appropriated \$3,600,000 of this amount for spending in the 2018-2019 fiscal year budget. This action was taken to address the need for improving the City of Morristown's capital assets without having to issue long-term debt and is not spent on reoccurring operating expenditures.

### **Requests for Information**

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



# **BASIC FINANCIAL STATEMENTS**

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## CITY OF MORRISTOWN, TENNESSEE

## STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 3)	\$ 22,944,230	\$ 27,772,877	\$ 50,717,107
Receivables, net (Note 4)	17,500,295	11,663,983	29,164,278
Due from other governmental units	6,759	618,273	625,032
Inventories	58,948	1,983,686	2,042,634
Other current assets	27,631	173,501	201,132
Restricted assets:			
Cash and cash equivalents (Note 3)	-	787,770	787,770
Capital assets: (Note 7)			
Non-depreciable	19,392,720	32,376,475	51,769,195
Depreciable, net	44,763,812	194,351,715	239,115,527
Land held for sale (Note 6)	9,526,872	-	9,526,872
Other assets	-	355,297	355,297
Total assets	114,221,267	270,083,577	384,304,844
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows (Note 10)	3,658,552	50,746	3,709,298
OPEB related deferred outflows (Note 12)	11,894	-	11,894
Total deferred outflows of resources	3,670,446	50,746	3,721,192
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	874,430	11,170,310	12,044,740
Accrued payroll and related liabilities	712,989	2,195,305	2,908,294
Accrued interest payable	40,416	33,147	73,563
Customer deposits	-	4,404,031	4,404,031
Unearned revenue (Note 4)	796,250	259,656	1,055,906
Long-term liabilities:			
Due within one year (Note 8)	2,042,488	7,647,398	9,689,886
Due in more than one year (Note 8)	24,437,999	109,158,453	133,596,452
Net OPEB liability (Notes 12 and 13)	4,295,731	1,805,844	6,101,575
Net pension liability (Note 10)	8,516,520	128,542	8,645,062
Total liabilities	41,716,823	136,802,686	178,519,509
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes (Note 4)	11,670,724	-	11,670,724
OPEB related deferred inflows (Notes 12 and 13)	-	24,287	24,287
Pension related deferred inflows (Note 10)	1,712,594	25,873	1,738,467
Total deferred inflows of resources	13,383,318	50,160	13,433,478
<b>NET POSITION</b>			
Net investment in capital assets	44,366,928	110,725,993	155,092,921
Restricted for:			
Narcotics	243,424	-	243,424
E-Citation	13,114	-	13,114
Public health and welfare	219,405	-	219,405
Gas tax	92,456	-	92,456
Airport	41,001	-	41,001
Unrestricted	17,815,244	22,555,484	40,370,728
Total net position	\$ 62,791,572	\$ 133,281,477	\$ 196,073,049

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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 5,565,353	\$ 650,780	\$ -	\$ -	\$ (4,914,573)	\$ -	\$ (4,914,573)
Public safety	15,198,313	571,333	191,531	-	(14,435,449)	-	(14,435,449)
Public works	9,749,660	1,438,504	-	701,821	(7,609,335)	-	(7,609,335)
Culture and recreation	2,196,230	115,340	-	-	(2,080,890)	-	(2,080,890)
Civic support	1,565,036	-	-	-	(1,565,036)	-	(1,565,036)
Interest on long-term debt	643,818	-	-	-	(643,818)	-	(643,818)
Total governmental activities	34,918,410	2,775,957	191,531	701,821	(31,249,101)	-	(31,249,101)
Business-type activities:							
Water	6,791,455	7,005,669	-	89,100	-	303,314	303,314
Wastewater	12,957,929	14,128,788	-	174,500	-	1,345,359	1,345,359
Stormwater	1,078,566	1,345,299	-	-	-	266,733	266,733
Power	76,594,389	78,262,760	-	-	-	1,668,371	1,668,371
Broadband	7,653,604	8,360,510	-	-	-	706,906	706,906
Total business-type activities	105,075,943	109,103,026	-	263,600	-	4,290,683	4,290,683
Total	\$ 139,994,353	\$ 111,878,983	\$ 191,531	\$ 965,421	(31,249,101)	4,290,683	(26,958,418)
<b>General revenues:</b>							
Property taxes					11,133,574	-	11,133,574
Local sales taxes					12,405,158	-	12,405,158
Franchise taxes					708,339	-	708,339
Alcohol beverage tax					1,330,498	-	1,330,498
Business and gross receipts tax					1,091,623	-	1,091,623
Lodging tax					745,950	-	745,950
Litigation tax					47,432	-	47,432
Intergovernmental revenue-unrestricted					6,074,849	-	6,074,849
Unrestricted investment earnings					-	186,200	186,200
Other					811,649	3,008,322	3,819,971
<b>Transfers (Note 5)</b>					1,928,844	(1,928,844)	-
Total general revenues and transfers					36,277,916	1,265,678	37,543,594
Change in net position					5,028,815	5,556,361	10,585,176
<b>Net position at July 1 as restated (Note 15)</b>					57,762,757	127,725,116	185,487,873
<b>Net position at June 30</b>					\$ 62,791,572	\$ 133,281,477	\$ 196,073,049

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



## CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2018**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,521,815	\$ 92,889	\$ 7,539,896	\$ 308,294	\$ 21,462,894
Receivables, net	16,476,972	202,168	739,116	812	17,419,068
Due from other governmental units	-	-	-	6,759	6,759
Prepaid	2,042	-	-	-	2,042
Inventories	58,948	-	-	-	58,948
Land held for sale	9,526,872	-	-	-	9,526,872
Total assets	<u>\$ 39,586,649</u>	<u>\$ 295,057</u>	<u>\$ 8,279,012</u>	<u>\$ 315,865</u>	<u>\$ 48,476,583</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 369,812	\$ 51,131	\$ 255,427	\$ 1,458	\$ 677,828
Accrued payroll and related liabilities	688,468	24,521	-	-	712,989
Unearned revenue	796,250	-	-	-	796,250
Total liabilities	<u>1,854,530</u>	<u>75,652</u>	<u>255,427</u>	<u>1,458</u>	<u>2,187,067</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/unearned taxes	12,828,516	-	-	57,869	12,886,385
Total deferred inflows of resources	<u>12,828,516</u>	<u>-</u>	<u>-</u>	<u>57,869</u>	<u>12,886,385</u>
<b>FUND BALANCES</b>					
Nonspendable	9,587,862	-	-	-	9,587,862
Restricted	133,457	219,405	5,163,645	256,538	5,773,045
Committed	-	-	2,859,940	-	2,859,940
Assigned	7,699,910	-	-	-	7,699,910
Unassigned	7,482,374	-	-	-	7,482,374
Total fund balances	<u>24,903,603</u>	<u>219,405</u>	<u>8,023,585</u>	<u>256,538</u>	<u>33,403,131</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,586,649</u>	<u>\$ 295,057</u>	<u>\$ 8,279,012</u>	<u>\$ 315,865</u>	<u>\$ 48,476,583</u>

(Continued)

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

## CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2018**

<b>Total Fund Balance</b>	\$ 33,403,131
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 64,156,532
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,215,661
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	(24,953,248)
Accrued interest payable	(40,416)
Compensated absences	(1,527,239)
Deferred amounts:	
Deferred outflows of resources for change in pension assumptions.	1,572,410
Deferred outflows of resources for 2018 employer pension plan contributions.	2,086,142
Deferred inflows of resources for the difference between actual and expected experience related to the pension plan.	(1,712,594)
Deferred outflows of resources for OPEB.	11,894
Net pension liability	(8,516,520)
Net OPEB Liability	(4,295,731)
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.	1,391,550
Net position of governmental activities	<u>\$ 62,791,572</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, 2018**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
General property taxes	\$ 11,209,575	\$ -	\$ -	\$ -	\$ 11,209,575
Sales tax	12,405,158	\$ -	\$ -	\$ -	12,405,158
Other local taxes	3,923,842	-	-	-	3,923,842
Licenses, permits, and fines	376,870	-	-	152,279	529,149
Charges for services	808,304	1,438,504	-	-	2,246,808
Other	689,957	-	51,927	69,765	811,649
Intergovernmental	5,656,207	-	1,311,994	-	6,968,201
Total revenues	<u>35,069,913</u>	<u>1,438,504</u>	<u>1,363,921</u>	<u>222,044</u>	<u>38,094,382</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,151,784	-	1,163,588	-	5,315,372
Public safety	16,318,178	-	1,567,496	89,937	17,975,611
Public works	6,702,363	1,641,021	150,883	-	8,494,267
Culture and recreation	2,049,579	-	343,641	-	2,393,220
Civic support	1,554,393	-	2,101,515	-	3,655,908
Retiree health insurance	463,208	-	-	-	463,208
Debt service:					
Principal retirement	1,629,183	26,480	-	-	1,655,663
Interest and fiscal charges	652,047	6,442	-	-	658,489
Total expenditures	<u>33,520,735</u>	<u>1,673,943</u>	<u>5,327,123</u>	<u>89,937</u>	<u>40,611,738</u>
Excess (deficiency) of revenues over expenditures	<u>1,549,178</u>	<u>(235,439)</u>	<u>(3,963,202)</u>	<u>132,107</u>	<u>(2,517,356)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,928,844	-	1,801,666	-	3,730,510
Transfers out	(1,801,666)	-	-	-	(1,801,666)
Total other financing sources (uses)	<u>127,178</u>	<u>-</u>	<u>1,801,666</u>	<u>-</u>	<u>1,928,844</u>
Net change in fund balance	1,676,356	(235,439)	(2,161,536)	132,107	(588,512)
<b>FUND BALANCES AT JULY 1</b>	<u>23,227,247</u>	<u>454,844</u>	<u>10,185,121</u>	<u>124,431</u>	<u>33,991,643</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 24,903,603</u>	<u>\$ 219,405</u>	<u>\$ 8,023,585</u>	<u>\$ 256,538</u>	<u>\$ 33,403,131</u>

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

## CITY OF MORRISTOWN, TENNESSEE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**

<b>Net changes in fund balances</b>	\$ (588,512)
<b>Adjustments for the statement of activities:</b>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	6,025,985
Loss on disposal of assets	(1,596)
Depreciation expense	(3,774,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(76,001)
Governmental funds report employer OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions is reports as OPEB expense.	(429,291)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayment	1,655,663
Amortization of premium	11,315
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	3,356
Change in compensated absences	(130,671)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reports as pension expense.	1,336,469
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.	996,874
<b>Change in net position of governmental activities</b>	<u><u>\$ 5,028,815</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 –  
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)  
Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Taxes:						
General property	\$ 10,643,000	\$ 10,643,000	\$ 11,209,575	\$ -	\$ 11,209,575	\$ 566,575
Sales tax	12,575,000	12,575,000	\$ 12,405,158	-	12,405,158	(169,842)
Other local taxes	3,600,000	3,600,000	3,923,842	-	3,923,842	323,842
Licenses and permits	269,000	269,000	376,870	-	376,870	107,870
Charges for services	962,000	962,000	808,304	-	808,304	(153,696)
Other	368,250	368,250	689,957	-	689,957	321,707
Intergovernmental	7,083,704	6,168,718	5,656,207	-	5,656,207	(512,511)
Total revenues	<u>35,500,954</u>	<u>34,585,968</u>	<u>35,069,913</u>	<u>-</u>	<u>35,069,913</u>	<u>483,945</u>
<b>EXPENDITURES</b>						
General government:						
Mayor and City Council	302,908	302,908	205,041	-	205,041	97,867
Council elections	17,655	17,655	-	-	-	17,655
City administrator	811,032	761,032	698,272	(6,000)	692,272	68,760
Finance department	1,036,960	979,825	842,372	1,416	843,788	136,037
Purchasing department	67,421	67,421	62,981	-	62,981	4,440
Computer operations	257,466	257,466	217,287	12,751	230,038	27,428
Human resources	218,071	218,071	199,114	-	199,114	18,957
Legal	253,236	253,236	148,141	-	148,141	105,095
Community and economic affairs	808,870	879,670	788,983	174	789,157	90,513
Engineering	242,290	272,290	220,348	6,488	226,836	45,454
GIS	279,916	279,916	231,307	(14,522)	216,785	63,131
Inspections	548,466	565,566	537,938	-	537,938	27,628
Total general government	<u>4,844,291</u>	<u>4,855,056</u>	<u>4,151,784</u>	<u>307</u>	<u>4,152,091</u>	<u>702,965</u>
Public safety:						
Police supervision	674,523	674,523	604,902	-	604,902	69,621
Patrol and traffic	5,911,039	5,911,039	5,653,097	8,267	5,661,364	249,675
Police investigation	1,570,274	1,570,274	1,500,897	-	1,500,897	69,377
Narcotics	666,981	695,481	671,793	-	671,793	23,688
Code enforcement	228,994	228,994	206,313	-	206,313	22,681
Fire supervision	725,254	725,254	715,143	-	715,143	10,111
Fire inspection	272,756	207,676	123,682	-	123,682	83,994
Fire stations	200,875	200,875	165,981	750	166,731	34,144
Firefighting	6,788,358	6,898,452	6,676,370	(6,269)	6,670,101	228,351
Total public safety	<u>17,039,054</u>	<u>17,112,568</u>	<u>16,318,178</u>	<u>2,748</u>	<u>16,320,926</u>	<u>791,642</u>

(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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>EXPENDITURES (Continued)</b>						
Public works:						
Public works supervision	\$ 385,038	\$ 387,938	\$ 376,870	\$ (322)	\$ 376,548	\$ 11,390
Building and grounds	678,485	678,485	617,036	(55,813)	561,223	117,262
Equipment shop	566,252	566,252	526,370	-	526,370	39,882
Repairs and maintenance	1,413,389	1,413,389	1,067,997	(1,684)	1,066,313	347,076
Street lighting and signs	790,769	790,769	760,324	320	760,644	30,125
Brush pick-up and snow removal	1,753,862	1,689,622	1,382,019	228,824	1,610,843	78,779
Sidewalks	180,000	180,000	114,174	41,033	155,207	24,793
Traffic devices	247,000	247,000	222,444	311	222,755	24,245
Communication shop	184,922	206,997	306,680	(116,348)	190,332	16,665
Pavement management system	2,100,000	1,140,000	659,164	121,528	780,692	359,308
Airport	1,317,306	1,317,306	669,285	27,594	696,879	620,427
Total public works	9,617,023	8,617,758	6,702,363	245,443	6,947,806	1,669,952
Culture and recreations:						
Parks and recreation supervision	476,634	476,634	443,480	-	443,480	33,154
Playgrounds and programs	557,255	557,255	495,235	(2,091)	493,144	64,111
Parks and maintenance	1,170,263	1,170,263	1,110,864	1,283	1,112,147	58,116
Total culture and recreation	2,204,152	2,204,152	2,049,579	(808)	2,048,771	155,381
Civic support:						
Contributions to local agencies	250,000	250,000	244,019	-	244,019	5,981
Animal control	137,890	137,890	137,880	-	137,880	10
E-911 district	265,472	265,472	265,472	-	265,472	-
Economic development	271,500	273,500	298,610	-	298,610	(25,110)
Emergency management agency	45,000	45,000	29,965	-	29,965	15,035
Library	277,250	277,250	277,250	-	277,250	-
TIF payments	300,000	298,000	268,394	-	268,394	29,606
LAMTPO Local Match	25,000	25,000	25,303	-	25,303	(303)
Crockett Tavern Association	7,500	7,500	7,500	-	7,500	-
Workforce development	-	-	-	-	-	-
Total civic support	1,579,612	1,579,612	1,554,393	-	1,554,393	25,219

(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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Encumbrances</b>	<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>		<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>EXPENDITURES (Continued)</b>						
Retiree health insurance	\$ 500,000	\$ 500,000	\$ 463,208	\$ -	\$ 463,208	\$ 36,792
Debt service:						
Principal	1,630,025	1,630,025	1,629,183	-	1,629,183	842
Interest	1,018,644	1,018,644	572,070	-	572,070	446,574
Paying agent fees	100,000	100,000	79,977	-	79,977	20,023
Total debt service	2,748,669	2,748,669	2,281,230	-	2,281,230	467,439
Total expenditures	38,532,801	37,617,815	33,520,735	247,690	33,768,425	3,849,390
Excess (deficiency) of revenues over expenditures	(3,031,847)	(3,031,847)	1,549,178	(247,690)	1,301,488	4,333,335
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,023,767	2,023,767	1,928,844	-	1,928,844	(94,923)
Transfers out	(1,380,000)	(2,744,600)	(1,801,666)	-	(1,801,666)	942,934
Net other financing sources (uses)	643,767	(720,833)	127,178	-	127,178	848,011
Net change in fund balance	(2,388,080)	(3,752,680)	1,676,356	(247,690)	1,428,666	5,181,346
Fund balance, July 1, 2017	-	-	23,227,247	-	23,227,247	-
Fund balance, June 30, 2018	\$ (2,388,080)	\$ (3,752,680)	\$ 24,903,603	\$ (247,690)	\$ 24,655,913	\$ 5,181,346

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Charges for services	\$ 1,365,000	\$ 1,365,000	\$ 1,438,504	\$ -	\$ 1,438,504	\$ 73,504
Total revenues	1,365,000	1,365,000	1,438,504	-	1,438,504	73,504
<b>EXPENDITURES</b>						
Current:						
Sanitation department	1,453,954	1,453,954	1,399,009	(1,135)	1,397,874	56,080
Curbside recycle	291,324	290,324	242,012	(263)	241,749	48,575
Debt service:						
Principal	25,639	26,639	26,480	-	26,480	159
Interest	6,535	6,535	6,442	-	6,442	93
Paying agent fees	500	500	-	-	-	500
Total expenditures	1,777,952	1,777,952	1,673,943	(1,398)	1,672,545	105,407
Deficiency of revenues over expenditures	(412,952)	(412,952)	(235,439)	1,398	(234,041)	178,911
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balance	(412,952)	(412,952)	(235,439)	1,398	(234,041)	178,911
Fund balance, July 1, 2017	-	-	454,844	-	454,844	-
Fund balance, June 30, 2018	\$ (412,952)	\$ (412,952)	\$ 219,405	\$ 1,398	\$ 220,803	\$ 178,911

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



## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2018**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 9,116,748	\$ 2,486,472	\$ 11,428,663	\$ 3,053,849	\$ 1,687,145	\$ -	\$ 27,772,877
Receivables, net	667,683	167,386	10,602,162	226,752	-	-	11,663,983
Due from other funds	-	-	1,076,375	30,338	-	(1,106,713)	-
Due from other governmental units	103,377	-	462,134	13,417	39,345	-	618,273
Other current assets	19,295	-	-	8,637	145,569	-	173,501
Inventories	241,595	89,328	1,304,340	348,423	-	-	1,983,686
Total current assets	10,148,698	2,743,186	24,873,674	3,681,416	1,872,059	(1,106,713)	42,212,320
Noncurrent assets:							
Cash and cash equivalents, restricted	728,870	-	-	58,900	-	-	787,770
Advances from other funds	-	-	2,112,203	-	-	(2,112,203)	-
Other assets	2,684	85,537	267,076	-	-	-	355,297
Capital assets:							
Non-depreciable	21,464,155	251,352	4,013,578	3,125,397	3,521,993	-	32,376,475
Depreciable, net	82,677,552	5,767,385	59,985,938	37,448,034	8,472,806	-	194,351,715
Total noncurrent assets	104,873,261	6,104,274	66,378,795	40,632,331	11,994,799	(2,112,203)	227,871,257
Total assets	115,021,959	8,847,460	91,252,469	44,313,747	13,866,858	(3,218,916)	270,083,577
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	-	50,746	-	-	-	-	50,746
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities	3,047,832	31,945	7,258,933	351,646	479,954	-	11,170,310
Accrued payroll and related liabilities	201,273	9,233	1,393,947	410,749	180,103	-	2,195,305
Accrued interest payable	-	33,147	-	-	-	-	33,147
Customer deposits	-	-	4,285,231	-	118,800	-	4,404,031

(Continued)

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2018**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total
<b>LIABILITIES (Continued)</b>							
Current liabilities: (Continued)							
Due to other funds	\$ 61,016	\$ -	\$ -	\$ -	\$ 1,045,697	\$ (1,106,713)	\$ -
Compensated absences	-	4,764	-	-	-	-	4,764
Unearned revenues	-	-	-	-	259,656	-	259,656
Bonds, leases, and contracts payable	4,908,343	211,734	896,879	962,275	663,403	-	7,642,634
Total current liabilities	8,218,464	290,823	13,834,990	1,724,670	2,747,613	(1,106,713)	25,709,847
Noncurrent liabilities:							
Advances to other funds	-	-	-	-	2,112,203	(2,112,203)	-
Compensated absences	-	11,115	-	-	-	-	11,115
Other post-employment benefits	100,055	-	1,101,624	419,030	185,135	-	1,805,844
Net pension liability	-	128,542	-	-	-	-	128,542
Bonds, leases, and contracts payable	74,347,035	3,967,952	15,400,293	9,833,013	5,599,045	-	109,147,338
Total noncurrent liabilities	74,447,090	4,107,609	16,501,917	10,252,043	7,896,383	(2,112,203)	111,092,839
Total liabilities	82,665,554	4,398,432	30,336,907	11,976,713	10,643,996	(3,218,916)	136,802,686
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned revenues	-	-	-	-	-	-	-
OPEB related deferred inflows	1,890	-	14,038	5,548	2,811	-	24,287
Pension related deferred inflows	-	25,873	-	-	-	-	25,873
Total deferred inflows of resources	1,890	25,873	14,038	5,548	2,811	-	50,160
<b>NET POSITION</b>							
Net investment in capital assets	25,615,199	1,839,051	47,702,344	29,837,043	5,732,356	-	110,725,993
Unrestricted	6,739,316	2,634,850	13,199,180	2,494,443	(2,512,305)	-	22,555,484
Total net position	\$ 32,354,515	\$ 4,473,901	\$ 60,901,524	\$ 32,331,486	\$ 3,220,051	\$ -	\$ 133,281,477

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, 2018**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
OPERATING REVENUES								
Charges for services	\$ 14,128,788	\$ 1,345,299	\$ 78,262,760	\$ 7,005,669	\$ 8,360,510	\$ -	\$ 109,103,026	\$ 5,260,362
Interfund services	9,132	-	1,260,322	518,723	1,767,600	(3,555,777)	-	-
Other	1,252,969	20,265	1,573,883	28,986	132,219	-	3,008,322	-
Total operating revenues	15,390,889	1,365,564	81,096,965	7,553,378	10,260,329	(3,555,777)	112,111,348	5,260,362
OPERATING EXPENSES								
Operations	5,253,552	531,550	5,363,763	4,175,419	6,367,804	-	21,692,088	-
Maintenance	1,190,344	70,949	2,622,173	680,709	412,377	-	4,976,552	-
Power purchased	-	-	62,696,950	-	-	-	62,696,950	-
Depreciation and amortization	4,429,897	349,285	5,200,118	1,671,278	691,538	-	12,342,116	-
Interfund services	537,747	-	1,446,055	452,533	1,119,442	(3,555,777)	-	-
Other	-	-	375,016	-	29,500	-	404,516	-
Insurance claims and expenses	-	-	-	-	-	-	-	4,263,488
Total operating expenses	11,411,540	951,784	77,704,075	6,979,939	8,620,661	(3,555,777)	102,112,222	4,263,488
Operating income	3,979,349	413,780	3,392,890	573,439	1,639,668	-	9,999,126	996,874
NONOPERATING REVENUES (EXPENSES)								
Interest income	47,022	15,976	95,895	26,186	1,121	-	186,200	-
Interest expense	(2,084,136)	(126,782)	(336,369)	(264,049)	(152,385)	-	(2,963,721)	-
Total nonoperating expenses	(2,037,114)	(110,806)	(240,474)	(237,863)	(151,264)	-	(2,777,521)	-
Income before contributions and transfers	1,942,235	302,974	3,152,416	335,576	1,488,404	-	7,221,605	996,874
Capital contributions	174,500	-	-	89,100	-	-	263,600	-
Transfers out	(571,815)	(29,187)	(1,291,722)	(36,120)	-	-	(1,928,844)	-
Change in net position	1,544,920	273,787	1,860,694	388,556	1,488,404	-	5,556,361	996,874
NET POSITION AT JULY 1, as restated (Note 15)	30,809,595	4,200,114	59,040,830	31,942,930	1,731,647	-	127,725,116	394,676
NET POSITION AT JUNE 30	\$ 32,354,515	\$ 4,473,901	\$ 60,901,524	\$ 32,331,486	\$ 3,220,051	\$ -	\$ 133,281,477	\$ 1,391,550

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, 2018**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
<b>OPERATING ACTIVITIES</b>								
Receipts from customers	\$ 15,407,214	\$ 1,340,355	\$ 78,606,056	\$ 7,536,446	\$ 10,244,928	\$ (3,555,777)	\$ 109,579,222	\$ 5,243,083
Payments to suppliers	(5,936,218)	(47,185)	(65,871,425)	(3,352,776)	(6,312,928)	3,555,777	(77,964,755)	(4,244,615)
Payments to employees	(1,684,552)	(541,685)	(6,477,163)	(1,659,101)	(1,572,554)	-	(11,935,055)	-
Other receipts	-	20,265	1,616,901	-	-	-	1,637,166	-
Net cash provided by operating activities	7,786,444	771,750	7,874,369	2,524,569	2,359,446	-	21,316,578	998,468
<b>NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers to other funds	(571,815)	(29,187)	(1,282,279)	(36,120)	-	-	(1,919,401)	-
Interfund borrowing (repayments)	(236,405)	-	833,694	(141,043)	(456,246)	-	-	-
Net cash (used in) noncapital financing activities	(808,220)	(29,187)	(448,585)	(177,163)	(456,246)	-	(1,919,401)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchases of capital assets	(15,798,932)	(111,680)	(6,636,914)	(3,318,917)	(2,522,336)	-	(28,388,779)	-
Contribution of capital by other governments	174,500	-	-	89,100	-	-	263,600	-
Proceeds from issuance of long-term debt	11,665,000	-	-	-	-	-	11,665,000	-
Principal paid on debt and contractual obligations	(4,878,929)	(224,136)	(1,173,375)	(964,383)	(652,622)	-	(7,893,445)	-
Financing cost paid on long-term debt	(86,196)	-	-	-	(27,551)	-	(113,747)	-
Interest paid on capital debt	(1,997,940)	(128,355)	(336,369)	(264,049)	(124,834)	-	(2,851,547)	-
Net cash used in capital and related financing activities	(10,922,497)	(464,171)	(8,146,658)	(4,458,249)	(3,327,343)	-	(27,318,918)	-
<b>INVESTING ACTIVITIES</b>								
Interest received	47,022	15,976	95,895	26,186	1,121	-	186,200	-
Net cash provided by investing activities	47,022	15,976	95,895	26,186	1,121	-	186,200	-
Net (decrease) increase in cash and cash equivalents	(3,897,251)	294,368	(624,979)	(2,084,657)	(1,423,022)	-	(7,735,541)	998,468

(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, 2018**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
<b>CASH AND CASH EQUIVALENTS</b>								
Beginning at July 1	\$ 13,742,869	\$ 2,192,104	\$ 12,053,642	\$ 5,197,406	\$ 3,110,167	\$ -	\$ 36,296,188	\$ 482,868
Ending at June 30	<u>\$ 9,845,618</u>	<u>\$ 2,486,472</u>	<u>\$ 11,428,663</u>	<u>\$ 3,112,749</u>	<u>\$ 1,687,145</u>	<u>\$ -</u>	<u>\$ 28,560,647</u>	<u>\$ 1,481,336</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>								
Cash and cash equivalents	\$ 9,116,748	\$ 2,486,472	\$ 11,428,663	\$ 3,053,849	\$ 1,687,145	\$ -	\$ 27,772,877	\$ 1,481,336
Cash and cash equivalents, restricted	728,870	-	-	58,900	-	-	787,770	-
	<u>\$ 9,845,618</u>	<u>\$ 2,486,472</u>	<u>\$ 11,428,663</u>	<u>\$ 3,112,749</u>	<u>\$ 1,687,145</u>	<u>\$ -</u>	<u>\$ 28,560,647</u>	<u>\$ 1,481,336</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>								
Operating income	\$ 3,979,349	\$ 413,780	\$ 3,392,890	\$ 573,439	\$ 1,639,668	\$ -	\$ 9,999,126	\$ 996,874
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	4,547,644	349,285	5,216,710	1,724,725	750,263	-	12,588,627	-
Pension expense net of employer contributions	-	(14,072)	-	-	-	-	(14,072)	-
Change in assets and liabilities:								
(Increase) decrease in:								
Receivables, net	(1,226)	(4,944)	(849,740)	(10,368)	(30,068)	-	(896,346)	(17,279)
Unbilled/unearned revenues	17,551		(18,842)	(6,564)	-	-	(7,855)	-
Inventories	18,039	(971)	(201,052)	33,212	-	-	(150,772)	-
Other current assets	5,447	8,553	4,347	2,181	20,782	-	41,310	1,046
(Decrease) increase in:								
Accounts payable and accrued liabilities	(837,348)	16,182	261,431	182,703	1,792	-	(375,240)	17,827
Accrued payroll and related liabilities	-	3,937	-	-	-	-	3,937	-
Customer deposits	-		(9,773)	-	12,300	-	2,527	-
Total OPEB liability	30,261		66,744	13,252	27,611		137,868	-
Deferred inflows of resources	1,890		14,038	5,548	2,811		24,287	-
Other liabilities	24,837		(2,384)	6,441	(65,713)	-	(36,819)	-
Net cash provided by operating activities	<u>\$ 7,786,444</u>	<u>\$ 771,750</u>	<u>\$ 7,874,369</u>	<u>\$ 2,524,569</u>	<u>\$ 2,359,446</u>	<u>\$ -</u>	<u>\$ 21,316,578</u>	<u>\$ 998,468</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Capital asset purchases financed by accounts payable	<u>\$ 1,643,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,643,209</u>	<u>\$ -</u>

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

## CITY OF MORRISTOWN, TENNESSEE

STATEMENTS OF FIDUCIARY NET POSITION  
June 30, 2018

	Fiduciary Funds	
	Trust Funds	LAMTPO Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,228	\$ 221,417
Investments	579,892	-
Grants receivable	-	84,223
Total assets	623,120	305,640
<b>LIABILITIES</b>		
Accounts payable	-	46,932
Accrued payroll and related liabilities	-	2,885
Amounts held for others	-	255,823
Total liabilities	-	305,640
<b>NET POSITION</b>		
Held in trust for post-employment benefits	\$ 623,120	\$ -

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

## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2018

	<b>Trust Funds</b>
	<hr/>
<b>ADDITIONS</b>	
Employer contributions	\$ 166,889
Investment earnings:	
Dividends and capital gains	8,402
Net increase in fair value of investments	<hr/> 25,671
	<hr/>
Total additions	200,962
	<hr/>
<b>DEDUCTIONS</b>	
Benefits	65,323
Administrative expenses	<hr/> 3,000
	<hr/>
Total deductions	68,323
	<hr/>
Change in net position	132,639
	<hr/>
Net position – beginning of the year	490,481
	<hr/>
Net position – end of the year	<u><u>\$ 623,120</u></u>

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies

##### A. The Financial Reporting Entity

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

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

##### B. Government-Wide and Fund Financial Statements

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

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

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



## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**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 City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

##### D. Cash and Cash Equivalents

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

##### E. Accounts Receivable

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

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

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

##### F. Inventories

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **G. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year in the stormwater fund.

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

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

##### **H. Deferred Outflows/Inflows of Resources**

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **H. Deferred Outflows/Inflows of Resources (Continued)**

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

##### **I. Compensated Absences**

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

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.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **J. Long-Term Obligations (Continued)**

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

##### **K. Pensions and OPEB**

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

##### **L. Fund Balances**

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

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

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

## **CITY OF MORRISTOWN, TENNESSEE**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **M. Net Position**

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

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

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

##### **N. Estimates**

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

##### **O. Reclassifications**

Certain 2018 amounts have been reclassified to conform with 2017 presentation.

#### **Note 2. Stewardship, Compliance, and Accountability**

##### **A. Budgetary Information**

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

Around the first of March, the budget process begins, with the City Administrator giving direction to department heads. Toward the end of March, Department heads submit their proposed budgets, and these are reviewed by the City Administrator, who makes the final decisions before submission to City Council. City Council has work sessions and makes their revisions and publishes the proposed budget in the local newspaper. Before June 30, City Council adopts the budget ordinance with two readings.

The appropriated budget is prepared by fund, function, and department, but the budget ordinance is on the fund level. The government's department heads may make transfers of appropriations within their department. The legal level of budgetary control is the fund level. Management can transfer amounts between departments. City Council amended the original budget, and the original and final amounts are presented in the financial statements included in this report.

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**B. Excess of Expenditure over Appropriations**

For the fiscal year ended June 30, 2018, there were no instances of expenditures by function exceeding appropriations in any funds.

**C. Deficit Fund Equity**

There were no instances of deficit fund equity in any City funds at June 30, 2018.

**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, 2018, the City's cash consisted of:

Cash on hand	\$ 5,680
Deposits	<u>51,499,197</u>
Total deposits and investments	<u><u>\$ 51,504,877</u></u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 50,717,107
Cash and cash equivalents, restricted	<u>787,770</u>
Total deposits and investments	<u><u>\$ 51,504,877</u></u>

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



# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 4. Receivables, Net

Receivables are as follows:

Governmental Activities						
	General	Solid Waste	Capital Projects	Narcotics	Internal Service	Total
Receivables:						
Taxes	\$ 13,094,603	\$ -	\$ -	\$ -	\$ -	\$ 13,094,603
Accounts	3,710,711	219,958	739,116	812	-	4,670,597
Other	-	-	-	-	81,227	81,227
	16,805,314	219,958	739,116	812	81,227	17,846,427
Less: allowance for uncollectibles	(328,342)	(17,790)	-	-	-	(346,132)
Receivables, net	<u>\$ 16,476,972</u>	<u>\$ 202,168</u>	<u>\$ 739,116</u>	<u>\$ 812</u>	<u>\$ 81,227</u>	<u>\$ 17,500,295</u>
Business-Type Activities						
	Wastewater	Stormwater	Power	Water	Total	
Receivables:						
Accounts	\$ 667,683	\$ 523,821	\$ 10,890,404	\$ 226,752	\$ 12,308,660	
	667,683	523,821	10,890,404	226,752	12,308,660	
Less: allowance for uncollectibles	-	(356,435)	(288,242)	-	(644,677)	
Receivables, net	<u>\$ 667,683</u>	<u>\$ 167,386</u>	<u>\$ 10,602,162</u>	<u>\$ 226,752</u>	<u>\$ 11,663,983</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	\$ 12,712,364	\$ 11,612,855
Other taxes	116,152	-
	12,828,516	11,612,855
Included in cash:		
Unearned lease proceeds	796,250	796,250
Seized funds escrow	57,869	57,869
	854,119	854,119
Total unavailable/unearned revenue for governmental funds	<u>\$ 13,682,635</u>	<u>\$ 12,466,974</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Power System	Broadband	Interfund loan	\$ 2,756,498
Power System	Broadband	Operating and maintenance costs	401,402
Water System	Power System	Operating and maintenance costs	30,338
Power System	Wastewater System	Operating and maintenance costs	61,016
			<u>\$ 3,249,254</u>

Interfund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 1,928,844	\$ (1,801,666)
Solid Waste	-	-
Capital Projects	1,801,666	-
Water System	-	(36,120)
Power System	-	(1,291,722)
Stormwater System	-	(29,187)
Wastewater System	-	(571,815)
	<u>\$ 3,730,510</u>	<u>\$ (3,730,510)</u>

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

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

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### Note 6. Land Held for Sale

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2018, the balance was \$9,526,872.

### Note 7. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 14,098,563	\$ -	\$ -	\$ 14,098,563
Construction in progress	709,705	4,705,770	121,318	5,294,157
Total capital assets, not depreciated	14,808,268	4,705,770	121,318	19,392,720
Capital assets, depreciated				
Buildings	19,879,981	-	-	19,879,981
Improvements other than buildings	14,098,218	437,944	-	14,536,162
Infrastructure	51,660,574	292,524	-	51,953,098
Motor vehicles	4,480,517	590,936	6,060	5,065,393
Machinery and equipment	14,387,663	120,129	263,111	14,244,681
Total capital assets depreciated	104,506,953	1,441,533	269,171	105,679,315
Less accumulated depreciation for:				
Buildings	(8630,002)	(375,936)	-	(9,005,938)
Improvements other than buildings	(11,558,199)	(224,512)	-	(11,782,711)
Infrastructure	(25,658,178)	(2,215,252)	-	(27,873,430)
Motor vehicles	(2,205,440)	(558,778)	4,464	(2,759,754)
Machinery and equipment	(9,356,483)	(400,298)	263,111	(9,493,670)
Total accumulated depreciation	(57,408,302)	(3,774,776)	267,575	(60,915,503)
Total capital assets, depreciated, net	47,098,651	(2,333,243)	1,596	44,763,812
Governmental activities, capital activities, capital	\$ 61,906,919	\$ 2,372,527	\$ 122,914	\$ 64,156,532

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Land	\$ 2,659,859	\$ -	\$ -	\$ 2,659,859
Construction in progress	13,939,049	30,527,454	14,749,887	29,716,616
Total capital assets, not depreciated	16,598,908	30,527,454	14,749,887	32,376,475
Capital assets, depreciated				
Buildings and improvements	23,094,297	1,994,539	71,800	25,017,036
Transmission and distribution	276,195,611	10,858,571	653,626	286,400,556
Machinery and equipment	41,347,066	1,641,060	203,678	42,784,448
Total capital assets depreciated	340,636,974	14,494,170	929,104	354,202,040
Less accumulated depreciation for:				
Buildings and improvements	(7,621,551)	(456,592)	18,787	(8,059,356)
Transmission and distribution	(116,866,456)	(9,506,743)	542,768	(125,830,431)
Machinery and equipment	(23,525,661)	(2,557,972)	123,095	(25,960,538)
Total accumulated depreciation	(148,013,668)	(12,521,307)	684,650	(159,850,325)
Total capital assets, depreciated, net	192,623,306	1,972,863	244,454	194,351,715
Business-type activities, capital activities, capital	\$ 209,222,214	\$ 32,500,317	\$ 14,994,341	\$ 226,728,190

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 445,149
Public safety	553,480
Public works	2,643,010
Parks and recreation	133,137
	<u>\$ 3,774,776</u>
Business-type activities:	
Stormwater	\$ 344,580
Water	1,724,725
Power	5,154,095
Wastewater	4,547,644
Broadband	750,263
	<u>\$ 12,521,307</u>

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 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 \$117,747 for the wastewater system, \$16,592 for the power system, \$53,447 for the water system and \$58,725 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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 24,012,340	\$ -	\$ 1,320,663	\$ 22,691,677	\$ 1,249,316
Net discounts/premiums	282,886	-	11,315	271,571	-
Notes payable	2,325,000	-	335,000	1,990,000	335,000
Compensated absences	1,396,568	2,343,491	2,212,820	1,527,239	458,172
	<u>\$ 28,016,794</u>	<u>\$ 2,343,491</u>	<u>\$ 3,879,798</u>	<u>\$ 26,480,487</u>	<u>\$ 2,042,488</u>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Business-Type Activities</u></b>					
General obligation bonds	\$ 43,289,673	\$ -	\$ 2,407,351	\$ 40,882,322	\$ 2,194,370
Net discounts/premiums	1,200,477	-	65,829	1,134,648	-
Total bonds payable	44,490,150	-	2,473,180	42,016,970	2,194,730
Notes payable	66,205,439	11,665,000	5,242,249	72,628,190	5,341,073
Contractual obligations	2,230,902	-	96,372	2,134,530	96,549
Capital leases	28,133	-	17,851	10,282	10,282
Compensated absences	17,355	29,671	31,147	15,879	4,764
	<u>\$ 112,971,179</u>	<u>\$ 11,694,671</u>	<u>\$ 7,860,799</u>	<u>\$ 116,805,851</u>	<u>\$ 7,647,398</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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
2019	\$ 1,249,316	\$ 921,620	\$ 335,000	\$ 40,003	\$ 1,584,316	\$ 961,623
2020	1,307,635	866,715	335,000	51,101	1,642,635	917,816
2021	1,359,589	809,153	330,000	25,427	1,689,589	834,580
2022	1,421,147	749,161	330,000	18,221	1,751,147	767,382
2023	1,513,239	684,000	330,000	13,596	2,148,465	697,596
2024-2028	8,434,667	2,356,787	660,000	1,125	8,459,441	2,357,912
2029-2033	2,767,164	1,033,955	-	-	2,767,164	1,033,955
2034-2038	2,558,922	640,115	-	-	2,558,922	640,115
2039-2041	2,079,998	233,370	-	-	2,079,998	232,144
	<u>\$ 22,691,677</u>	<u>\$ 8,294,876</u>	<u>\$ 1,990,000</u>	<u>\$ 149,473</u>	<u>\$ 24,681,677</u>	<u>\$ 8,444,349</u>

Year Ending June 30,	Business-Type Activities							
	General Obligation Bonds		Notes Payable		Capital Leases Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 2,194,730	\$ 1,031,136	\$ 5,341,073	\$ 1,765,700	\$ 10,282	\$ 2,070	\$ 7,546,085	\$ 2,798,906
2020	2,234,464	981,380	5,625,071	1,634,871	-	-	7,859,535	2,616,251
2021	2,275,197	929,312	5,765,413	1,499,887	-	-	8,040,610	2,429,199
2022	2,319,701	876,670	5,909,125	1,362,724	-	-	8,228,826	2,239,394
2023	2,366,226	829,662	4,861,957	1,226,710	-	-	7,228,183	2,056,372
2024-2028	11,649,255	3,225,740	25,308,076	4,228,957	-	-	36,957,331	7,454,022
2029-2033	10,697,165	1,706,152	14,837,719	1,647,870	-	-	25,534,884	3,354,022
2034-2038	7,145,584	398,901	4,979,756	149,389	-	-	12,125,340	548,290
	<u>\$ 40,882,322</u>	<u>\$ 9,978,953</u>	<u>\$ 72,628,190</u>	<u>\$ 13,516,108</u>	<u>\$ 10,282</u>	<u>\$ 2,070</u>	<u>\$ 113,520,794</u>	<u>\$ 23,497,131</u>

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS June 30, 2018

### 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, 2018
<b><u>Governmental Activities</u></b>					
General long-term debt					
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$ 4,000,000	\$ 2,478,500
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029	1,290,000	860,000
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035	9,204,865	5,706,095
2008 Public Improvement (\$5.035M)	Variable	9/11/2008	2009-2028	3,272,750	2,047,500
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	2,848,203	2,151,555
Capital Outlay Note	2.06%	2011	2011-2024	3,750,000	1,865,625
Capital projects					
2017 GO (\$9.71M)	Variable	3/30/2017	2018-2042	9,710,000	9,325,000
Solid waste					
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	162,919	123,027
Capital Outlay Note	0.50%	2011	2011-2024	250,000	124,375
Total governmental activities				<u>\$ 34,488,737</u>	<u>\$ 24,681,677</u>
<b><u>Enterprise Funds</u></b>					
Wastewater system					
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$ 4,000,000	\$ 2,478,500
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029	1,710,000	1,140,000
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035	10,795,135	6,691,904
State Revolving Fund 07-203	2.06%	2007	Various	12,500,000	7,184,824
State Revolving Fund 09-229	2.73%	2009	Various	5,000,000	996,235
2008 Public Improvement (\$5.035M)	Variable	9/11/2008	2009-2028	1,762,250	1,102,500
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	1,907,419	1,440,916
General Obligation Bonds	2.00-4.00%	2012	2012-2037	26,000,000	20,567,734
2013 Public Improvement (\$20M)	3.65%	2013	2013-2033	20,000,000	16,000,000
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2032	5,000,000	4,509,857
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037	10,000,000	9,547,000
2016 Promissory Note (\$15M)	2.27%	2017	2018-2037	15,060,000	4,489,000
Power system					
2008 TML Bonds	Variable	2008	2011-2035	15,186,961	12,151,834
2013 Promissory Note	Variable	2013	2013-2028	7,000,000	4,145,338
Water system					
DWSRF Promissory Note	2.61%	2002	2007-2026	10,492,582	4,792,152
Water System Bonds Series 2010	3.38%	2009	2010-2029	7,500,000	5,095,000
2011 DWSRF Note	2.83%	2011	2011-2032	2,000,000	908,136

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2018
<b><u>Enterprise Funds (Continued)</u></b>					
Broadband system					
Telecom System 2008 TML Bonds	Variable	2008	2016-2030	20,115,000	3,943,166
First Tennessee Bank Promissory Note	2.59%	2014	2014-2024	1,000,000	693,000
First Tennessee Bank Promissory Note	2.00%	2017	2018-2022	2,000,000	1,616,000
Stormwater system					
2009 Public Improvement and Refunding (\$5M)	2.91%	2009	2009-2034	81,459	61,502
General Obligation Bonds	2.00-4.00%	2012	2012-2037	5,000,000	3,955,914
Total enterprise funds				184,110,806	113,510,512
				<u>\$ 218,599,543</u>	<u>\$ 138,192,189</u>
<b><u>Capital leases</u></b>					
Broadband	4.99%	2014	2019	\$ 98,112	\$ 10,282
Total capital leases				<u>\$ 98,112</u>	<u>\$ 10,282</u>

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

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

<u>Business-Type</u>	
2019	<u>\$ 12,352</u>
Total future minimum lease payments	12,352
Less amounts representing interest	<u>2,070</u>
Present value of future minimum lease payments	<u><u>\$ 10,282</u></u>



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 9. Fund Balance**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Prepays	\$ 2,042	\$ -
Inventories	58,948	-
Land held for sale	9,526,872	-
	<hr/>	<hr/>
Total nonspendable	9,587,862	-
	<hr/>	<hr/>
Restricted for:		
Narcotics	-	243,424
E-Citation	-	13,114
Capital projects	-	5,163,645
Public works – gas tax	92,456	-
Other operations – airport	41,001	-
Solid Waste	-	219,405
	<hr/>	<hr/>
Total restricted	133,457	5,639,588
	<hr/>	<hr/>
Committed to:		
Capital projects	-	2,859,940
	<hr/>	<hr/>
Total committed	-	2,859,940
	<hr/>	<hr/>
Assigned to:		
General government	12,971	-
Finance	50,799	-
Public safety	32,330	-
Public works	1,045,079	-
Social, cultural, and recreational	4,891	-
Capital projects	5,042,702	-
Other purposes	1,511,138	-
	<hr/>	<hr/>
Total assigned	7,699,910	-
	<hr/>	<hr/>
Unassigned	7,482,374	-
	<hr/>	<hr/>
Total fund balance	\$ 24,903,603	\$ 8,499,528
	<hr/>	<hr/>

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 10. Defined Benefit Pension Plan

##### Plan Description

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

##### Benefits Provided

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

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

##### Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	154
Inactive employees entitled to but not yet receiving benefits	103
Active employees	285
	<hr/>
Total covered employees	542
	<hr/>

## **CITY OF MORRISTOWN, TENNESSEE**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

##### **Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5.00% of salary. 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, 2018, employer contributions for the City were \$2,114,896 based on a rate of 14.86% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

##### **Net Pension Liability**

The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

##### **Actuarial Assumptions**

The total pension liability as of June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changes: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected inflation of 2.50%.

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2016	\$ 70,942,847	\$ 60,084,552	\$ 10,858,295
Changes for the year:			
Service cost	1,133,722	-	1,133,722
Interest	5,262,280	-	5,262,280
Differences between expected and actual experience	(943,037)	-	(943,037)
Changes in Assumptions	1,860,136	-	1,860,136
Contributions – employer	-	2,087,774	(2,087,774)
Contributions – employee	-	703,035	(703,035)
Net investment income	-	6,759,639	(6,759,639)
Benefit payments, including refunds of employee contributions	(3,825,670)	(3,825,670)	-
Administrative expenses	-	(24,114)	24,114
Net changes	3,487,431	5,700,664	(2,213,233)
Balances at June 30, 2017	\$ 74,430,278	\$ 65,785,216	\$ 8,645,062

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

The following presents the net pension liability of the City calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>1.00% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1.00% Increase (8.25%)</b>
City's net pension liability	\$ 18,233,388	\$ 8,645,062	\$ 661,702

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

**Pension expense:**

For the year ended June 30, 2018, the City recognized pension expense of \$845,068.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

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

For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 1,721,723
Net difference between projected and actual earnings on pension plan investments	-	16,744
Changes in Assumptions	1,594,402	-
Contributions subsequent to the measurement date of June 30, 2017	<u>2,114,896</u>	<u>-</u>
	<b><u>\$ 3,709,298</u></b>	<b><u>\$ 1,738,467</u></b>

The amount shown above for contributions subsequent to the measurement date of June 30, 2017, 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:

<b><u>Year Ending June 30,</u></b>	
2019	\$ (405,383)
2020	516,443
2021	2,897
2022	(496,619)
2023	107,582
Thereafter	131,015

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, 2018, the City reported a payable of \$362,209 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2018.

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 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>						
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>						
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>						
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>						
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

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 2018, 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 12. Other Postemployment Benefits Liability – Local Plan**

**Plan Description**

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

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

**Benefits Provided**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u><b>Number</b></u>
Inactive employees or beneficiaries:	
Currently receiving benefits	37
Entitled to but not yet receiving benefits	-
	<hr/>
Total inactive employees	37
Active plan members	<hr/>
	291
	<hr/>
	328

**Contributions**

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



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Net OPEB Liability**

The City's total net OPEB liability of \$4,295,731 was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of June 30, 2018.

**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	7.0%
Inflation	2.5%
Salary increases, including inflation	4.0%
Payroll Growth Rate:	2.50%
Investment rate of return	7%
Retirees' share of benefit-related costs	15%

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2018.

**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:

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)**

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Large Cap	34.00 %	6.62 %	2.25 %
Small/Mid Cap	23.00	7.83	1.80
Core Fixed Income	29.00	2.09	0.61
High Yield Fixed Income	9.00	4.30	0.39
US Treasuries	5.00	0.75	0.04
Total	100.00 %		5.09 %
	Inflation		2.50 %

**Discount Rate**

The discount rate used to measure the net OPEB liability was 7%. 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Changes in Net OPEB Liability**

		<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Non Trust Activity (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 4,893,160	\$ 475,406	\$ -	\$ 4,417,754
Changes for the year:				
Service cost	125,354	-	-	125,354
Interest	335,358	-	-	335,358
Benefit changes	-	-	-	-
Differences between expected and actual experience	11,546	(2,206)	-	13,752
Assumption changes	-	-	-	-
Contributions – employer	-	100,000	(463,208)	(563,208)
Net investment income	-	33,279	-	(33,279)
Benefit payments	(463,208)	-	463,208	-
Administrative expenses	-	-	-	-
Other changes	-	-	-	-
Net changes	9,050	131,073	-	(122,023)
Balances at June 30, 2018	\$ 4,902,210	\$ 606,479	\$ -	\$ 4,295,731

**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 (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Net OPEB liability	\$ 4,711,082	\$ 4,295,731	\$ 3,921,886

**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 r one percentage point higher than the current healthcare cost trend rates:

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 12. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)**

	<b>1.00% Decrease (8.00% decreasing to 4.00%)</b>	<b>Current Healthcare Cost Trend Rates (9.00% decreasing to 5.00%)</b>	<b>1.00% Increase (10.00% decreasing to 6.00%)</b>
Net OPEB liability	\$ 3,771,482	\$ 4,295,731	\$ 4,911,885

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$429,291. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,986	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	1,908	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 11,894	\$ -

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

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2019	\$ 1,858
2020	1,858
2021	1,858
2022	1,858
2023	1,858
Thereafter	2,604

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**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.

In fiscal year 2018, the Commission adopted GASB Statements No. 75. The amounts reported as of June 30, 2018 are based on an actuarial valuation performed as of July 1, 2017 and updated to June 30, 2018.

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 the same monthly premium amount that is paid for active employees of the retiree's medical, dental and life insurance premiums.

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

Participants in the OPEB consisted of the following as of July 1, 2017:

	<b>Actives</b>	<b>Inactives Receiving Benefits</b>	<b>Total</b>
Male	126	3	129
Female	32	-	32
Total	158	3	161

**Total OPEB Liability**

Total OPEB liability of the Commission is as follows as of June 30, 2018:

	<b>Power System</b>	<b>Water System</b>	<b>Wastewater System</b>	<b>Broadband System</b>	<b>Total Commission</b>
Total OPEB liability	<u>\$1,101,624</u>	<u>\$419,030</u>	<u>\$100,055</u>	<u>\$185,135</u>	<u>\$1,805,844</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**Changes in Total OPEB Liability**

The changes in the total OPEB liability are as follows for 2018:

	<b>Power System</b>	<b>Water System</b>	<b>Wastewater System</b>	<b>Broadband System</b>
Total OPEB liability at beginning of year	\$1,034,880	\$405,778	\$69,794	\$157,524
Changes for the year:				
Service cost	82,420	21,309	28,813	26,621
Interest	39,303	14,992	3,530	6,549
Changes in assumptions and other inputs	(15,758)	(6,273)	(2,082)	(3,088)
Benefit payments	(39,221)	(16,776)	-	(2,471)
Net changes for the year	66,744	13,252	30,261	27,611
Total OPEB liability at end of year	<u>\$1,101,624</u>	<u>\$419,030</u>	<u>\$100,055</u>	<u>\$185,135</u>

**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 3.87% was used for the year ending June 30, 2018, based on the Bond Buyer's 20 Bond Index. A discount rate of 3.58% was used for the year ending June 30, 2017. The mortality rates are from the RP-2000 Combined Fully Generational Mortality Table with projection scale AA.

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

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**Actuarial Methods and Assumptions (continued)**

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

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

It was assumed that health care cost would increase in accordance with the trend rates in the following table:

<b>Year</b>	<b>Medical Rate</b>	<b>Dental Rates</b>
2017	9%	5%
2018	8%	5%
2019	7%	5%
2020	6%	5%
2021	5%	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. It was assumed that 80% of adults are non-smokers and 20% are smokers.

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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**Sensitivity of the Total OPEB Liability**

The following presents the total pension liability of the Systems calculated using the discount rate of 3.87%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

<b>1% Decrease (2.87%)</b>	<b>Discount Rate (3.87)</b>	<b>1% Increase (4.87%)</b>
\$1,899,201	\$1,805,844	\$1,712,021

The following presents the total pension liability of the Systems as of June 30, 2018, as well as what the total pension liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<b>1% Decrease (7.00% decreasing to 4.00%)</b>	<b>Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)</b>	<b>1% Increase (9.00% decreasing to 6.00%)</b>
\$1,615,640	\$1,805,844	\$2,028,818

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2018, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$120,003, \$35,576, \$32,151, and \$32,893, respectively. At June 30, 2018, the Commission did not report any deferred outflows. At June 30, 2018, the Commission reported deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>			
	<b>Power</b>	<b>Water</b>	<b>Wastewater</b>	<b>Broadband</b>
Change in assumptions	\$14,038	\$5,548	\$1,890	\$2,811
Total	\$14,038	\$5,548	\$1,890	\$2,811



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**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 inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Inflows of Resources			
	Power	Water	Wastewater	Broadband
2019	\$ (1,720)	\$ (725)	\$ (192)	\$ (277)
2020	(1,720)	(725)	(192)	(277)
2021	(1,720)	(725)	(192)	(277)
2022	(1,720)	(725)	(192)	(277)
2023	(1,720)	(725)	(192)	(277)
Thereafter	(5,438)	(1,923)	(930)	(1,426)
Total	<u>\$ (14,038)</u>	<u>\$ (5,548)</u>	<u>\$ (1,890)</u>	<u>\$ (2,811)</u>

**Note 14. Risk Management**

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

**Note 15. Prior Period Restatement**

In the current year the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 15. Prior Period Restatement (Continued)**

The following is a summary of the restatement to net position:

	<b>Governmental Activities</b>	<b>Wastewater System</b>	<b>Power System</b>	<b>Water System</b>	<b>Broadband</b>
Net position, June 30, 2017, as previously stated	\$ 61,679,006	\$ 30,856,595	\$ 59,491,885	\$ 32,207,614	\$ 1,669,605
GASB 75 implementation	(3,916,249)	(47,000)	(451,055)	(264,684)	62,042
Net position, June 30, 2017, as restated	<u>\$ 57,762,757</u>	<u>\$ 30,809,595</u>	<u>\$ 59,040,830</u>	<u>\$ 31,942,930</u>	<u>\$ 1,731,647</u>

**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 \$5,000,839 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 \$5,000,839, subject to contract provisions, up to a maximum aggregate reimbursement of \$1,000,000 per policy year.

**Claims Liabilities**

Liabilities of the self-insurance fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims incurred prior to June 30, 2018, and subsequently settled total approximately \$135,722, which is recorded as a payable in the self-insurance fund. Claims incurred but not reported are estimated to be insignificant as of June 30, 2018.

**Commitments and Contingencies**

At June 30, 2018, 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.

## **CITY OF MORRISTOWN, TENNESSEE**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

#### **Note 16. Commitments and Contingencies (Continued)**

##### 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.

#### **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 \$277,250 for the library's operations during the fiscal year ended June 30, 2018.

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, 2018, the City was charged \$572,623.

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 18. Subsequent Events

On August 7, 2018, the City approved an agreement between the City and Andrew & Hoskins Construction, Inc., for the Heritage Park Phase I in the amount of \$1,518,900.

On September 4, 2018, the City approved bids for phase two of the public works compound in the amount of \$12,000,000. The project is being funded with bond proceeds.

On October 2, 2018, the City approved an agreement between the City and Cumberland Securities for an amount not to exceed \$15,750,000 for the refunding of certain Morristown Utility Systems debt.

On October 24, 2018, the City issued Series 2018 general obligation bonds. Total bonds issued were in the amount of \$64,325,000. Issue broken down as follows: City of Morristown – New Bonds \$9,005,000, Refunded Debt \$10,185,000. Morristown Utility Systems – New Bonds \$14,435,000. Refunded Debt \$30,700,000.

#### Note 19. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively

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

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

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

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

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



**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN MORRISTOWN'S NET PENSION LIABILITY AND**  
**RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE**  
**PENSION PLAN OF TCRS**  
**June 30, 2018**

	<b>2017</b>	<b>Plan Year 2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>				
Service cost	\$ 1,133,722	\$ 1,047,579	\$ 1,046,764	\$ 1,069,809
Interest on total pension liability	5,262,280	5,091,070	4,991,380	4,856,002
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(943,037)	(164,027)	(1,019,195)	(498,973)
Changes in assumptions	1,860,136	-	-	-
Benefit payments, including refunds of employee contributions	(3,825,670)	(3,730,258)	(3,650,880)	(3,546,607)
Net change in total pension liability	3,487,431	2,244,364	1,368,069	1,880,231
<b>Total pension liability – beginning</b>	<b>70,942,847</b>	<b>68,698,483</b>	<b>67,330,414</b>	<b>65,450,183</b>
<b>Total pension liability – ending</b>	<b>74,430,278</b>	<b>70,942,847</b>	<b>68,698,483</b>	<b>67,330,414</b>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	2,087,774	2,123,622	1,999,102	1,927,666
Contributions – employee	703,035	694,124	652,910	654,779
Net investment income	6,759,639	1,569,650	1,794,350	8,414,739
Benefit payments, including refunds of employee contributions	(3,825,670)	(3,730,258)	(3,650,880)	(3,546,607)
Administrative expenses	(24,114)	(21,456)	(14,221)	(13,059)
Net change in plan fiduciary net position	5,700,664	635,682	781,261	7,437,518
<b>Plan fiduciary net position – beginning</b>	<b>60,084,552</b>	<b>59,448,870</b>	<b>58,667,609</b>	<b>51,230,091</b>
<b>Plan fiduciary net position – ending</b>	<b>65,785,216</b>	<b>60,084,552</b>	<b>59,448,870</b>	<b>58,667,609</b>
<b>Net pension liability – ending</b>	<b>\$ 8,645,062</b>	<b>\$ 10,858,295</b>	<b>\$ 9,249,613</b>	<b>\$ 8,662,805</b>
Plan fiduciary net position as a percentage of total pension liability	88%	85%	87%	87%
Covered employee payroll	\$ 14,049,621	\$ 14,185,234	\$ 13,452,906	\$ 13,131,242
Net pension liability as a percentage of covered employee payroll	61.53%	76.55%	68.76%	65.97%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. The plan years above are reported in the City's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the City's fiscal year 2015 financial report.

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

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

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MORRISTOWN'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**June 30, 2018**

<b>Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2018	\$ 2,114,896	\$ 2,114,896	\$ -	\$ 14,226,673	14.87 %
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, only four years of data are 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, 2018**

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 125,354	\$ 122,297
Interest on total pension liability	335,358	333,893
Difference between expected and actual experience	11,546	-
Benefit payments, including refunds of employee contributions	(463,208)	(414,252)
Net change in total pension liability	9,050	41,938
<b>Total pension liability – beginning</b>	4,893,160	4,851,222
<b>Total pension liability – ending</b>	4,902,210	4,893,160
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	100,000	100,000
Net investment income	31,073	29,896
Benefit payments, including refunds of employee contributions	-	-
Administrative expenses	-	-
Net change in plan fiduciary net position	131,073	129,896
<b>Plan fiduciary net position – beginning</b>	475,406	345,510
<b>Plan fiduciary net position – ending</b>	606,479	475,406
<b>Net pension liability – ending</b>	<u>\$ 4,295,731</u>	<u>\$ 4,417,754</u>
Plan fiduciary net position as a percentage of total pension liability	<u>12%</u>	<u>10%</u>
Covered employee payroll	<u>\$ 12,522,594</u>	<u>\$ 12,217,165</u>
Net pension liability as a percentage of covered employee payroll	<u>34%</u>	<u>36%</u>

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

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

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**MORRISTOWN UTILITIES RETIREE BENEFIT PLAN**  
**June 30, 2018**

	<b>Fiscal Year</b>
	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 159,163
Interest on total pension liability	64,374
Changes in assumptions and other inputs	(27,201)
Benefit payments, including refunds of employee contributions	(58,468)
	<hr/>
Net change in total pension liability	137,868
<b>Total pension liability – beginning</b>	<hr/> 1,667,976
<b>Total pension liability – ending</b>	<hr/> \$ 1,805,844 <hr/>
Covered employee payroll	<hr/> \$ 2,515,082 <hr/>
Net pension liability as a percentage of covered employee payroll	<hr/> 72% <hr/>

In 2018, changes in assumptions related to the discount rate, which was changed from 3.58% to 3.87%.

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.

**CITY OF MORRISTOWN, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST**  
**June 30, 2018**

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

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.

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

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30</b>	<b>Actuarially Determined Employer Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Local Plan</b>					
2018	\$ 463,208	\$ 563,208	\$ (100,000)	\$ 12,522,594	4.50%

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of 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 payroll on which required contributions were based for the same year.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**Note 1. Methods and Assumptions**

Valuation date:

Actuarially determined contribution rates for 2018 were calculated based on the July 1, 2017, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.50%





**OTHER  
SUPPLEMENTARY INFORMATION**

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## CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 295,180	13,114	\$ 308,294
Receivables, net	812	-	812
Due from other governmental units	6,759	-	6,759
	<u>302,751</u>	<u>13,114</u>	<u>315,865</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,458	\$ -	\$ 1,458
	<u>1,458</u>	<u>-</u>	<u>1,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	57,869	-	57,869
	<u>57,869</u>	<u>-</u>	<u>57,869</u>
<b>FUND BALANCES</b>			
Restricted	243,424	13,114	256,538
	<u>243,424</u>	<u>13,114</u>	<u>256,538</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 302,751</u>	<u>\$ 13,114</u>	<u>\$ 315,865</u>

## CITY OF MORRISTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE –  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2018**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
<b>REVENUES</b>			
Licenses, permits, and fines	\$ 139,165	13,114	\$ 152,279
Other	69,765	-	69,765
Total revenues	<u>208,930</u>	<u>13,114</u>	<u>222,044</u>
<b>EXPENDITURES</b>			
Public safety	<u>89,937</u>	-	<u>89,937</u>
Total expenditures	<u>89,937</u>	-	<u>89,937</u>
Net change in fund balance	118,993	13,114	132,107
<b>FUND BALANCES AT JULY 1</b>	<u>124,431</u>	-	<u>124,431</u>
<b>FUND BALANCES AT JUNE 30</b>	<u><u>\$ 243,424</u></u>	<u><u>\$ 13,114</u></u>	<u><u>\$ 256,538</u></u>

## FIDUCIARY FUNDS

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



## CITY OF MORRISTOWN, TENNESSEE

STATEMENTS OF FIDUCIARY NET POSITION  
June 30, 2018

	Fiduciary Funds		
	Post-Employment Benefits Trust	Employee Benefits Trust	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,587	\$ 16,641	\$ 43,228
Investments	579,892	-	579,892
Total assets	606,479	16,641	623,120
<b>NET POSITION</b>			
Held in trust for post-employment benefits	\$ 606,479	\$ 16,641	\$ 623,120

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

## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2018

	<b>Post-Employment Benefits Trust</b>	<b>Employee Benefits Trust</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 100,000	\$ 66,889	\$ 166,889
Investment earnings:			
Dividends and capital gains	8,402	-	8,402
Net increase in fair value of investments	25,671	-	25,671
Total additions	134,073	66,889	200,962
<b>DEDUCTIONS</b>			
Benefits	-	65,323	65,323
Administrative expenses	3,000	-	3,000
Total deductions	3,000	65,323	68,323
Change in net position	131,073	1,566	132,639
Net position – beginning of the year	475,406	15,075	490,481
Net position – end of the year	\$ 606,479	\$ 16,641	\$ 623,120

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



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## AGENCY FUND

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



## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – LAMTPO –  
AGENCY FUND  
Year Ended June 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 160,589	\$ 177,774	\$ 116,946	\$ 221,417
Grant receivable	17,685	84,223	17,685	84,223
Total assets	<u>\$ 178,274</u>	<u>\$ 261,997</u>	<u>\$ 134,631</u>	<u>\$ 305,640</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,709	\$ 46,932	\$ 10,709	\$ 46,932
Accrued payroll and related liabilities	2,815	2,885	2,815	2,885
Amounts held for others	164,750	212,180	121,107	255,823
Total liabilities	<u>\$ 178,274</u>	<u>\$ 261,997</u>	<u>\$ 134,631</u>	<u>\$ 305,640</u>

**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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Fines and forfeitures	\$ -	\$ -	\$ 139,165	\$ -	\$ 139,165	\$ 139,165
Intergovernmental	80,000	80,000	69,765	-	69,765	(10,235)
Total revenues	80,000	80,000	208,930	-	208,930	128,930
<b>EXPENDITURES</b>						
Narcotics	141,409	141,409	89,937	-	89,937	51,472
Total expenditures	141,409	141,409	89,937	-	89,937	51,472
Deficiency of revenues over expenditures	(61,409)	(61,409)	118,993	-	118,993	77,458
Net change in fund balance	(61,409)	(61,409)	118,993	-	118,993	77,458
Fund balances, July 1, 2017	-	-	124,431	-	124,431	-
Fund balances, June 30, 2018	\$ (61,409)	\$ (61,409)	\$ 243,424	\$ -	\$ 243,424	\$ 77,458

## CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Award Number</b>	<b>Federal CFDA Number</b>		<b>Federal Expenditures</b>
Department of Housing and Urban Development:				
Home Investment Partnerships Program	HM-14-16	14.239		\$ 150,883
Community Development Block Grants	B-16-MC-47-0013	14.218	\$ 141,572	
Community Development Block Grants	B-17-MC-47-0013	14.218	118,034	
				259,606
Emergency Solutions Grant Program	ESG-15-28	14.231		-
Department of Homeland Security:				
Assistance to Firefighters Grant	EMW-2014-FO-05607	97.044	22,715	
Assistance to Firefighters Grant	EMW-2015-FO-05921	97.044	22,299	
				45,014
Department of Justice:				
Edward Byrne Memorial JAG Program	2016-DJ-BX-0912	16.738	8,313	
Edward Byrne Memorial JAG Program	2017-DJ-BX-0701	16.738	1,632	
				9,945
Bureau of Justice Assistance	2016-BC-BX-K072	16.835		42,500
Alcohol Open Container Requirements	Z17THS249	20.607	2,221	
Alcohol Open Container Requirements	Z18THS221	20.607	12,551	
				14,772
Department of Transportation:				
Airport Improvement Program	3-47-SBGP-50	20.106	327,575	
Airport Improvement Program	3-47-SBGP-45	20.106	161,542	
				489,117
Metropolitan Transportation Planning	Z14MP0009	20.505		64,699
Highway Planning and Construction	STP-M-9113(20)	20.205	46,139	
Highway Planning and Construction	STP-M-9113(23)	20.205	18,582	
Highway Planning and Construction	TAP-9113(21)	20.205	445	
Highway Planning and Construction	CRR070199	20.205	292,204	
				357,370
Total Expenditures of Federal Awards				<u>\$ 1,433,906</u>

**Note 1. – Basis of Accounting:**

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

**Note 2. – Indirect Costs:**

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

**Note 3. – Outstanding Loan Balances:**

At June 30, 2018, the City had no outstanding loan balances requiring continuing disclosure.

## CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2018**

<b>Grantor Agency/Program</b>	<b>Contract Number</b>	<b>Expenditures</b>
Airport Improvements	32-555-0160-157-16	\$ 3,256
Airport Maintenance Grant	32-555-0459-18	19,800
Airport Improvements	32-555-0159-17	18,199
Airport Improvements	32-555-0160-17	8,812
FastTrack Infrastructure Development Program		359,304
FastTrack Infrastructure Development Program		284
		<u>\$ 409,655</u>

# STATISTICAL SECTION

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

## Contents

### **Financial Trends**

**Tables 1-5**

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

### **Revenue Capacity**

**Tables 6-13**

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

### **Debt Capacity**

**Tables 14-16**

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

### **Demographic and Economic Information**

**Tables 17-18**

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

### **Operating Information**

**Tables 19-21**

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

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





## **SUPPORTING SCHEDULES**

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TABLE 1

## CITY OF MORRISTOWN, TENNESSEE

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

	Fiscal Year									
	2018*	2017	2016	2015*	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$ 44,366,928	\$ 43,572,086	\$ 40,495,228	\$ 34,875,277	\$ 33,965,440	\$ 29,647,943	\$ 26,055,799	\$ 31,753,875	\$ 44,137,100	\$ 43,089,778
Restricted	609,400	652,846	1,671,349	2,420,193	1,680,576	1,607,753	1,369,307	644,679	353,457	2,622,266
Unrestricted	17,815,244	17,454,074	17,464,209	13,709,843	24,213,008	23,431,214	22,204,246	17,903,817	3,210,976	-
Total governmental activities net position	<u>\$ 62,791,572</u>	<u>\$ 61,679,006</u>	<u>\$ 59,630,786</u>	<u>\$ 51,005,313</u>	<u>\$ 59,859,024</u>	<u>\$ 54,686,910</u>	<u>\$ 49,629,352</u>	<u>\$ 50,302,371</u>	<u>\$ 47,701,533</u>	<u>\$ 45,712,044</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 110,725,993	\$ 104,788,569	\$ 100,428,103	\$ 98,316,369	\$ 88,050,533	\$ 79,424,880	\$ 76,792,135	\$ 72,398,653	\$ 73,214,568	\$ 73,440,732
Restricted	-	-	-	-	-	-	-	-	585,465	1,331,951
Unrestricted	22,555,484	23,637,244	22,443,531	19,315,616	24,920,115	26,580,161	23,525,937	22,815,516	15,782,758	11,011,165
Total business-type activities net position	<u>\$ 133,281,477</u>	<u>\$ 128,425,813</u>	<u>\$ 122,871,634</u>	<u>\$ 117,631,985</u>	<u>\$ 112,970,648</u>	<u>\$ 106,005,041</u>	<u>\$ 100,318,072</u>	<u>\$ 95,214,169</u>	<u>\$ 89,582,791</u>	<u>\$ 85,783,848</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 155,092,921	\$ 148,360,655	\$ 140,923,331	\$ 133,191,646	\$ 122,015,973	\$ 109,072,823	\$ 102,847,934	\$ 104,152,528	\$ 117,351,668	\$ 116,530,510
Restricted	609,400	652,846	1,671,349	2,420,193	1,680,576	1,607,753	1,369,307	644,679	938,922	3,954,217
Unrestricted	40,370,728	41,091,318	39,907,740	33,025,459	49,133,123	50,011,375	45,730,183	40,719,333	18,993,734	11,011,165
Total primary government net position	<u>\$ 196,073,049</u>	<u>\$ 190,104,819</u>	<u>\$ 182,502,420</u>	<u>\$ 168,637,298</u>	<u>\$ 172,829,672</u>	<u>\$ 160,691,951</u>	<u>\$ 149,947,424</u>	<u>\$ 145,516,540</u>	<u>\$ 137,284,324</u>	<u>\$ 131,495,892</u>

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

\* During fiscal year 2018, the City adopted GASB 75.

TABLE 2

**CITY OF MORRISTOWN, TENNESSEE**

**CHANGES IN NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Program Revenues (Continued)</b>										
Business-type activities: (Continued)										
Total business-type activities program revenues	\$ 109,366,626	\$ 107,828,514	\$ 103,270,465	\$ 106,063,475	\$ 106,595,565	\$ 104,888,335	\$ 101,652,122	\$ 101,122,243	\$ 88,202,417	\$ 96,525,128
Total primary government program revenues	<u>\$ 113,035,935</u>	<u>\$ 112,259,527</u>	<u>\$ 110,998,773</u>	<u>\$ 111,918,667</u>	<u>\$ 110,612,620</u>	<u>\$ 108,352,537</u>	<u>\$ 105,103,495</u>	<u>\$ 104,950,599</u>	<u>\$ 91,463,559</u>	<u>\$ 99,355,358</u>
<b>Net (expense) revenue</b>										
Governmental activities	\$ (31,249,101)	\$ (32,173,714)	\$ (26,434,314)	\$ (27,347,531)	\$ (24,244,162)	\$ (24,559,363)	\$ (28,956,707)	\$ (26,685,555)	\$ (25,443,471)	\$ (24,791,640)
Business-type activities	<u>4,290,683</u>	<u>4,787,222</u>	<u>4,259,811</u>	<u>6,380,596</u>	<u>8,192,883</u>	<u>7,918,434</u>	<u>6,564,667</u>	<u>6,136,910</u>	<u>3,487,903</u>	<u>(376,649)</u>
Total primary government net expense	<u>\$ (26,958,418)</u>	<u>\$ (27,386,492)</u>	<u>\$ (22,174,503)</u>	<u>\$ (20,966,935)</u>	<u>\$ (16,051,279)</u>	<u>\$ (16,640,929)</u>	<u>\$ (22,392,040)</u>	<u>\$ (20,548,645)</u>	<u>\$ (21,955,568)</u>	<u>\$ (25,168,289)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,133,574	\$ 11,026,905	\$ 10,895,994	\$ 9,916,198	\$ 9,313,995	\$ 9,083,552	\$ 9,135,643	\$ 9,885,189	\$ 9,180,026	\$ 8,766,697
Local sales tax	12,405,158	12,280,106	11,743,470	10,793,398	10,061,738	9,923,645	10,236,619	9,611,440	9,454,955	10,389,929
Other local taxes	2,832,219	2,680,673	2,631,490	2,620,843	2,639,552	2,592,612	2,495,965	1,996,409	2,195,498	2,330,455
Business and gross receipts tax	1,091,623	1,061,806	1,049,900	958,795	837,434	936,935	1,000,937	882,131	663,824	947,659
Intergovernmental revenue unrestricted	6,074,849	4,747,970	5,318,624	4,390,483	4,476,998	5,146,051	4,777,887	5,112,921	4,188,982	2,148,264
Investment earnings	-	-	-	502,987	750,587	253,683	979,709	870,195	1,014,717	246,632
Other	811,649	489,811	1,766,013	-	-	-	-	-	-	-
Transfers	<u>1,928,844</u>	<u>1,934,663</u>	<u>1,797,999</u>	<u>1,597,848</u>	<u>1,452,361</u>	<u>1,667,528</u>	<u>1,532,378</u>	<u>813,163</u>	<u>734,958</u>	<u>1,530,560</u>
Total governmental activities	<u>36,277,916</u>	<u>34,221,934</u>	<u>35,203,490</u>	<u>30,780,552</u>	<u>29,532,665</u>	<u>29,604,006</u>	<u>30,159,138</u>	<u>29,171,448</u>	<u>27,432,960</u>	<u>26,360,196</u>
Business-type activities:										
Investment earnings	186,200	75,541	51,870	60,378	225,086	81,739	304,325	86,495	95,302	161,484
Other	3,008,322	2,626,079	2,833,685	-	-	-	-	-	-	-
Transfers	<u>(1,928,844)</u>	<u>(1,934,663)</u>	<u>(1,797,999)</u>	<u>(1,597,848)</u>	<u>(1,452,361)</u>	<u>(1,667,528)</u>	<u>(1,532,378)</u>	<u>(813,163)</u>	<u>(734,958)</u>	<u>(1,530,560)</u>
Total business-type activities	<u>1,265,678</u>	<u>766,957</u>	<u>1,087,556</u>	<u>(1,537,470)</u>	<u>(1,227,275)</u>	<u>(1,585,789)</u>	<u>(1,228,053)</u>	<u>(726,668)</u>	<u>(639,656)</u>	<u>(1,369,076)</u>
Total primary government	<u>\$ 37,543,594</u>	<u>\$ 34,988,891</u>	<u>\$ 36,291,046</u>	<u>\$ 29,243,082</u>	<u>\$ 28,305,390</u>	<u>\$ 28,018,217</u>	<u>\$ 28,931,085</u>	<u>\$ 28,444,780</u>	<u>\$ 26,793,304</u>	<u>\$ 24,991,120</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 5,028,815	\$ 2,048,220	\$ 8,769,176	\$ 3,433,021	\$ 5,288,503	\$ 5,044,643	\$ 1,202,431	\$ 2,485,893	\$ 1,989,489	\$ 1,568,556
Business-type activities	<u>5,556,361</u>	<u>5,554,179</u>	<u>5,347,367</u>	<u>4,843,126</u>	<u>6,965,608</u>	<u>6,332,645</u>	<u>5,336,614</u>	<u>5,410,242</u>	<u>2,848,247</u>	<u>(1,745,725)</u>
Total primary government	<u>\$ 10,585,176</u>	<u>\$ 7,602,399</u>	<u>\$ 14,116,543</u>	<u>\$ 8,276,147</u>	<u>\$ 12,254,111</u>	<u>\$ 11,377,288</u>	<u>\$ 6,539,045</u>	<u>\$ 7,896,135</u>	<u>\$ 4,837,736</u>	<u>\$ (177,169)</u>

TABLE 2

**CITY OF MORRISTOWN, TENNESSEE**

**CHANGES IN NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,565,353	\$ 2,623,688	\$ 4,399,314	\$ 4,726,077	\$ 2,837,464	\$ 3,593,414	\$ 4,267,622	\$ 3,518,056	\$ 3,536,036	\$ 3,593,414
Public safety	15,198,313	16,205,149	14,408,187	14,168,464	14,634,316	14,016,226	13,775,987	13,528,045	13,510,787	14,016,226
Public works	9,749,660	11,598,260	10,389,418	10,493,687	6,831,898	6,665,204	9,939,809	8,372,617	7,208,206	6,665,204
Culture and recreation	2,196,230	3,817,269	2,057,170	1,807,804	2,056,499	1,773,943	1,793,705	1,805,109	1,767,692	1,773,943
Civil support	1,565,036	1,994,024	1,936,921	417,774	1,011,941	1,098,472	1,638,926	663,498	553,177	1,098,472
Community development	-	-	303,006	942,834	296,060	147,547	392,784	1,904,129	624,033	147,547
Retiree benefits	-	-	389,559	382,916	306,363	401,695	309,530	439,304	394,866	-
Airport	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	767,273	-
Interest on long-term debt	643,818	366,337	279,047	263,167	286,676	327,064	289,717	283,153	342,543	327,064
Total governmental activities	34,918,410	36,604,727	34,162,622	33,202,723	28,261,217	28,023,565	32,408,080	30,513,911	28,704,613	27,621,870
Business-type activities:										
Water	6,791,455	6,676,177	6,396,446	6,117,002	6,287,865	5,689,323	5,854,982	5,840,954	5,305,637	5,689,323
Wastewater	12,957,929	12,035,984	10,464,615	9,385,294	9,067,056	9,489,262	9,632,557	9,210,878	7,844,245	9,421,138
Power	76,594,389	813,226	73,769,967	994,148	75,270,529	73,724,566	71,977,895	73,019,022	63,957,470	73,724,566
Broadband	7,653,604	76,497,573	7,059,706	75,855,798	6,945,100	7,256,552	6,963,308	6,321,905	7,030,319	7,256,552
Stormwater	1,078,566	7,018,332	1,319,920	7,330,637	832,132	810,198	658,713	592,574	576,843	810,198
Total business-type activities expense	105,075,943	103,041,292	99,010,654	99,682,879	98,402,682	96,969,901	95,087,455	94,985,333	84,714,514	96,901,777
Total primary government expenses	<u>\$ 139,994,353</u>	<u>\$ 139,646,019</u>	<u>\$ 133,173,276</u>	<u>\$ 132,885,602</u>	<u>\$ 126,663,899</u>	<u>\$ 124,993,466</u>	<u>\$ 127,495,535</u>	<u>\$ 125,499,244</u>	<u>\$ 113,419,127</u>	<u>\$ 124,523,647</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 650,780	\$ 603,535	\$ 966,744	\$ 1,183,648	\$ 134,359	\$ 232,242	\$ 130,440	\$ 134,066	\$ 280,238	\$ 232,242
Public safety	571,333	513,404	660,840	365,496	1,057,791	1,178,045	1,319,940	1,510,750	1,343,981	1,140,852
Public works	1,438,504	1,406,844	1,407,639	-	1,370,370	1,343,759	1,300,875	1,091,664	-	-
Culture and recreation	115,340	110,620	124,077	-	-	-	-	-	-	-
Operating grants and contributions	191,531	128,336	466,292	2,949,422	1,454,535	710,156	700,118	1,091,876	975,928	746,980
Capital grants and contributions	701,821	1,668,274	4,102,716	1,356,626	-	-	-	-	660,995	710,156
Total governmental activities program revenues	3,669,309	4,431,013	7,728,308	5,855,192	4,017,055	3,464,202	3,451,373	3,828,356	3,261,142	2,830,230
Business-type activities:										
Water	7,005,669	6,616,395	6,378,731	6,411,681	6,449,809	6,450,217	6,602,966	6,936,381	6,769,458	6,450,217
Wastewater	14,128,788	13,781,869	12,852,808	12,247,129	12,656,593	11,227,579	10,049,655	9,308,092	6,601,692	6,601,692
Stormwater	1,345,299	1,353,476	1,080,408	1,276,062	1,330,147	1,342,550	1,375,723	541,053	563,562	1,342,550
Power	78,262,760	77,244,198	74,026,335	75,151,759	75,425,515	74,850,804	74,575,366	77,167,026	67,681,072	74,850,804
Broadband	8,360,510	8,602,426	8,509,233	8,239,118	7,629,190	7,195,234	6,815,505	6,321,898	6,502,002	7,195,234
Operating grants and contributions	-	-	-	2,586,526	2,580,025	2,219,003	2,067,523	-	-	-
Capital grants and contributions	263,600	230,150	422,950	151,200	524,286	1,602,948	165,384	847,793	84,631	84,631

(Continued)

TABLE 3

**CITY OF MORRISTOWN, TENNESSEE**

**FUND BALANCES – GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Pre-GASB 54 Implementation:</b>										
General fund										
Reserved									\$ 353,457	\$ 2,619,067
Assigned									1,065,688	-
Unreserved									3,159,977	-
Total general fund									<u>\$ 4,579,122</u>	<u>\$ 2,619,067</u>
All other governmental funds										
Reserved									\$ 25,473	\$ 3,199
Unreserved, reported in:										
Special revenue funds									(26,323)	-
Total all other governmental funds									<u>\$ (850)</u>	<u>\$ 3,199</u>
<b>Post-GASB 54 Implementation:</b>										
General fund										
Nonspendable	\$ 9,587,862	\$ 8,853,869	\$ 8,857,981	\$ 11,716,611	\$ 11,822,098	\$ 11,780,321	\$ 11,756,646	\$ -		
Restricted	133,457	73,571	1,578,637	2,265,480	1,520,896	1,448,582	1,262,954	-		
Committed	-	-	-	-	57,058	69,710	3,072	-		
Assigned	7,699,910	6,397,453	6,713,983	5,970,170	156,876	8,500	3,852	1,170,837		
Unassigned	<u>7,482,374</u>	<u>7,902,354</u>	<u>8,350,230</u>	<u>7,062,313</u>	<u>12,155,081</u>	<u>11,118,191</u>	<u>10,069,059</u>	<u>6,656,404</u>		
Total general fund	<u>\$ 24,903,603</u>	<u>\$ 23,227,247</u>	<u>\$ 25,500,831</u>	<u>\$ 27,014,574</u>	<u>\$ 25,712,009</u>	<u>\$ 24,425,304</u>	<u>\$ 23,095,583</u>	<u>\$ 7,827,241</u>		
All other governmental funds										
Restricted	\$ 5,639,588	\$ 8,864,668	\$ 529,089	\$ 154,713	\$ 159,680	\$ 159,171	\$ 106,353	\$ -		
Committed	2,859,940	1,899,728	1,375,000	-	-	-	-	-		
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,012</u>	<u>203,350</u>	<u>398,617</u>	<u>541,585</u>	<u>77,958</u>		
Total all other governmental funds	<u>\$ 8,499,528</u>	<u>\$ 10,764,396</u>	<u>\$ 1,904,089</u>	<u>\$ 384,725</u>	<u>\$ 363,030</u>	<u>\$ 557,788</u>	<u>\$ 647,938</u>	<u>\$ 77,958</u>		

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

TABLE 4

## CITY OF MORRISTOWN, TENNESSEE

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Taxes	\$ 27,538,575	\$ 27,005,685	\$ 25,426,851	\$ 24,289,234	\$ 22,852,719	\$ 22,536,744	\$ 22,869,163	\$ 22,480,586	\$ 21,494,303	\$ 23,229,793
Licenses, permits, and fines	529,149	299,544	645,551	365,496	1,057,791	1,178,045	1,319,940	1,510,750	1,472,826	1,497,081
Use of money and property	-	-	-	502,987	750,587	253,683	636,386	870,195	1,014,717	246,632
Service charges and fees	2,246,808	2,334,859	2,513,749	2,540,274	1,504,729	1,576,001	1,431,315	1,225,730	151,393	132,712
Other	811,649	489,811	1,766,013	-	-	-	-	-	-	-
Intergovernmental	6,968,201	6,544,580	9,533,778	7,339,905	5,931,533	5,856,207	5,478,005	6,204,797	5,820,905	5,340,445
<b>Total revenues</b>	<b>38,094,382</b>	<b>36,674,479</b>	<b>39,885,942</b>	<b>35,037,896</b>	<b>32,097,359</b>	<b>31,400,680</b>	<b>31,734,809</b>	<b>32,292,058</b>	<b>29,954,144</b>	<b>30,446,663</b>
<b>Expenditures</b>										
General government	5,315,372	6,559,447	4,283,426	5,551,674	4,100,871	3,629,042	4,062,142	3,317,502	3,410,399	3,823,150
Public safety	17,975,611	17,581,344	15,712,924	15,674,562	15,060,623	13,972,414	13,522,370	13,039,718	13,027,747	13,950,739
Public works	8,494,267	9,997,726	12,436,344	8,723,165	8,199,366	8,798,240	8,862,747	6,619,663	6,353,399	6,931,598
Culture and recreation	2,393,220	3,924,041	2,296,653	2,024,368	2,037,972	1,768,165	1,746,676	1,706,724	1,656,613	2,070,840
Airport	-	-	-	-	-	-	-	-	-	302,588
Civic support	3,655,908	1,994,024	1,679,921	756,937	750,451	841,472	1,395,326	279,966	490,500	1,338,282
Library	-	-	257,000	257,000	261,490	257,000	243,600	250,000	-	-
Community development	-	-	303,006	328,040	201,550	179,891	356,373	1,868,472	1,167,663	464,294
Transportation	-	-	-	-	-	-	-	-	642,427	-
Retiree benefits	463,208	370,885	389,559	382,916	306,363	401,695	309,530	439,304	394,866	-
Miscellaneous	-	-	-	-	-	-	-	133,532	133,532	-
Debt service:										
Principal	1,655,663	1,248,061	1,211,528	1,173,560	1,136,023	1,675,568	1,574,629	1,501,662	4,058,614	1,586,805
Interest	658,489	342,634	165,996	169,905	187,384	239,740	232,380	237,224	341,172	538,250
Debt expense	-	-	92,982	93,262	99,292	87,324	57,337	45,929	68,620	53,404
<b>Total expenditures</b>	<b>40,611,738</b>	<b>42,018,162</b>	<b>38,829,339</b>	<b>35,135,389</b>	<b>32,341,385</b>	<b>31,850,551</b>	<b>32,363,110</b>	<b>29,439,696</b>	<b>31,745,552</b>	<b>31,059,950</b>
Excess of revenues over (under) expenditures	(2,517,356)	(5,343,683)	1,056,603	(97,493)	(244,026)	(449,871)	(628,301)	2,852,362	(1,791,408)	(613,287)
<b>Other Financing Sources (Uses)</b>										
Transfers in	3,730,510	6,004,663	4,244,692	2,381,066	2,038,024	2,059,154	2,202,954	1,898,007	2,471,905	1,925,865
Transfers out	(1,801,666)	(4,070,000)	(2,446,693)	(783,218)	(585,663)	(391,626)	(1,184,908)	(1,538,388)	(1,736,947)	(1,876,147)
Bonds issued	-	9,995,743	-	-	-	-	4,000,000	-	3,012,455	1,473,604
<b>Total other financing sources</b>	<b>1,928,844</b>	<b>11,930,406</b>	<b>1,797,999</b>	<b>1,597,848</b>	<b>1,452,361</b>	<b>1,667,528</b>	<b>5,018,046</b>	<b>359,619</b>	<b>3,747,413</b>	<b>1,523,322</b>
<b>Net change in fund balances</b>	<b>\$ (588,512)</b>	<b>\$ 6,586,723</b>	<b>\$ 2,854,602</b>	<b>\$ 1,500,355</b>	<b>\$ 1,208,335</b>	<b>\$ 1,217,657</b>	<b>\$ 4,389,745</b>	<b>\$ 3,211,981</b>	<b>\$ 1,956,005</b>	<b>\$ 910,035</b>
Debt service as a percentage of total governmental expenditures	5.70%	3.79%	3.55%	3.82%	4.09%	6.01%	5.58%	5.91%	13.86%	6.84%

TABLE 5

**CITY OF MORRISTOWN, TENNESSEE**

**GOVERNMENTAL ACTIVITIES REVENUE BY SOURCE**

**LAST TEN FISCAL YEARS**

**(ACCRUAL BASIS OF ACCOUNTING)**

Fiscal Year	Property Tax	In-Lieu Tax	Franchise Tax	Local Sales Tax	Alcohol Beverage Tax	Business and Gross Receipts Tax	Licenses, Permits, and Fines	Hotel/Motel Tax	Litigation Tax	Charges for Services	Other	Inter- Governmental	Transfers	Total
2009	\$ 8,766,697	\$ -	\$ 784,365	\$ 10,389,929	\$ 1,178,386	\$ 947,659	\$ -	\$ 367,704	\$ -	\$ 1,876,425	\$ -	\$ 5,340,445	\$ 795,053	\$ 30,446,663
2010	9,180,026	-	644,358	9,454,955	1,190,044	663,824	1,472,826	361,096	-	1,166,110	-	5,820,905	734,958	30,689,102
2011	9,999,606	-	400,815	9,611,440	1,140,739	882,131	1,510,750	454,885	-	2,095,925	-	6,204,797	848,566	33,149,654
2012	9,135,642	-	598,668	10,236,619	1,364,148	1,000,937	1,319,940	533,149	-	2,067,701	-	5,478,005	1,018,046	32,752,855
2013	9,064,768	18,784	632,723	9,923,645	1,397,959	936,935	203,798	561,930	-	1,387,479	-	5,358,672	1,667,528	31,154,221
2014	9,286,317	27,678	692,442	10,061,738	1,404,875	837,434	233,710	542,235	-	1,496,078	-	5,717,743	1,452,361	31,752,611
2015	9,851,476	64,722	726,174	10,793,398	1,316,273	958,795	365,496	565,490	12,906	3,043,261	-	7,339,905	2,381,066	37,418,962
2016	10,895,994	-	598,717	11,743,470	1,338,486	1,049,900	-	622,095	72,192	3,159,300	1,766,013	9,887,632	1,797,999	42,931,798
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



TABLE 6

## CITY OF MORRISTOWN, TENNESSEE

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

<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Public Utility Property</b>	<b>Other</b>	<b>Industrial Property</b>	<b>Public Utility Property</b>	<b>Total Assessment Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2009	\$ 224,697,525	\$ 340,950,480	\$ 557,095	\$ 4,567,200	\$ 164,020,624	\$ 1,870	\$ 734,794,794	1.22	\$ 2,429,789,052	30.24 %
2010	266,744,425	405,874,600	707,025	5,657,800	201,304,793	2,270	880,290,913	1.05	2,776,600,762	31.70
2011	266,864,625	404,414,480	707,025	5,658,932	188,231,174	2,837	865,879,073	1.05	2,729,853,556	31.72
2012	267,600,800	406,290,680	707,025	5,674,505	183,822,111	3,547	864,098,668	1.05	2,722,855,361	31.74
2013	266,280,800	302,287,800	707,025	5,663,750	102,759,240	2,270	677,700,885	1.05	2,720,476,644	24.91
2014	267,100,775	342,794,907	707,025	5,697,950	252,008,861	5,587	868,315,105	1.05	2,736,636,423	31.73
2015	241,973,025	346,673,196	695,695	4,832,500	257,178,659	9,735	851,362,810	1.05	2,665,051,327	31.95
2016	242,706,000	360,519,034	695,695	4,777,775	282,378,782	6,753	891,084,039	1.20	2,791,909,491	31.92
2017	243,508,725	368,288,320	695,695	4,824,475	290,189,983	9,111	907,516,309	1.20	2,879,128,380	31.52
2018	244,715,150	376,170,327	695,695	4,647,200	298,679,525	-	924,907,897	1.20	2,934,086,480	31.52

TABLE 7

**CITY OF MORRISTOWN, TENNESSEE**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2018			2009		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mahle	\$ 39,156,367	1	4.23 %	\$ 18,342,406	1	3.74 %
JTEKT(Toyoda-TRW)	36,383,598	2	3.93	24,131,467	2	2.49
Inteplast (formelry Vifan)	19,230,788	3	2.08	-	6	1.36
OTICS	14,179,507	4	1.53	9,845,432	4	1.57
Tuff Torq Corp	13,193,588	5	1.43	8,983,079	3	1.61
Team Technologies	12,939,549	6	1.40	11,481,568		
KOCH Farms LLC	11,291,045	7	1.22	4,842,003		
Time Equities (formerly CBL Morristown LTD)	11,090,960	8	1.20	-	5	1.46
Rich Products	10,269,989	9	1.11	9,581,600		
Meritor/Rockwell	9,799,253	10	1.06	-	10	0.73
Lear Corporation	-		-	9,578,503	7	1.19
Berkline	-		-	6,623,222	8	1.04
Bellsouth	-		-	6,582,434	9	0.90
	<u>\$ 177,534,644</u>		<u>19.19 %</u>	<u>\$ 109,991,714</u>		<u>16.09 %</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
2018	\$ 11,784,000	\$ 11,209,575	95.13 %	\$ -	\$ 11,209,575	95.13 %
2017	11,131,901	10,356,964	93.04	393,662	10,750,626	96.57
2016	10,933,593	10,355,811	94.72	258,036	10,355,811	94.72
2015	9,117,321	8,690,500	95.32	203,214	8,893,714	97.55
2014	9,065,786	8,545,014	94.26	354,573	8,899,587	98.17
2013	9,065,786	8,579,330	94.63	394,911	8,974,241	98.99
2012	9,073,036	8,679,616	95.66	341,884	9,021,500	99.43
2011	9,091,730	8,590,172	94.48	432,599	9,022,771	99.24
2010	9,243,067	8,755,460	94.72	437,296	9,192,756	99.46
2009	8,968,580	8,502,700	94.81	419,971	8,922,671	99.49

Source: City of Morristown, Tennessee Finance Department

TABLE 9

## CITY OF MORRISTOWN, TENNESSEE

WASTEWATER UTILITY RATES AND NUMBER OF CUSTOMERS  
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	Fiscal Year		2012	2011	2010	2009
					2014	2013				
<b>Wastewater rate</b>										
Inside	\$ 11.50	\$ 11.50	\$ 10.50	\$ 9.17	\$ 9.17	\$ 8.11	\$ 8.11	\$ 4.96	\$ 4.59	\$ 4.59
Outside	23.00	23.00	21.00	18.34	18.34	16.22	16.22	9.92	9.18	9.18
<b>Customers</b>										
Inside	10,685	10,594	10,605	10,565	10,567	11,668	11,618	11,627	11,523	11,523
Outside	9	9	9	9	10	106	105	104	109	109
<b>Commodity charge (per 1,000 gallons)</b>										
Inside	5.00	5.00	5.00	5.00	-	-	-	-	-	-
Outside	10.00	10.00	10.00	10.00	-	-	-	-	-	-

Source: Morristown Utility Commission (2018-2014)  
City of Morristown Finance Department (2013-2009)

TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Residential</b>										
Customer charge per month	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 13.21
Energy charge:										
First 2,000 kWh	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175	0.07582
Additional kWh per month	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968	0.07375
<b>Commercial, Industrial, Governmental and Institutional</b>										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	\$25 or \$42	\$21 or \$39	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$ 26.00	\$ 26.00	\$ 26.00	\$ 21.50
Energy charge per kWh per month	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137	0.08463
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	135.50	135.50	135.00	133.00	133.00	133.00	133.00	133.00	133.00	127.00
Demand charge:										
First 50 kW per month	-	-	-	-	-	-	-	-	-	-
Excess over 50 kW per month	13.36000	13.12	12.88	12.35	12.00	11.86	11.86	13.78	13.78	12.86
Energy charge:										
First 15,000 kWh per month	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381	0.08570	0.07896
Additional kWh per month	0.06459	0.06515	0.06236	0.06284	0.06695	0.06350	0.06491	0.06262	0.04861	0.04480
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	275.08	275.08	275.08	270.00	270.00	270.00	270.00	270.00	270.00	266.00
Demand charge:										
First 1,000 kW per month	13.58	13.32	13.06	12.50	12.24	11.98	11.98	1.68	13.88	12.90
Excess over 1,000 kW per month	15.64	15.32	15.00	14.32	13.99	13.67	13.67	13.31	15.44	14.29
Energy charge:										
Per kWh per month	0.06451	0.06508	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903	0.04522
TDGSB (Demand > 5,001 kW)										
Demand charge:										
On peak	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-	-
Excess off peak	4.24	3.40	3.36	4.14	4.07	4.00	4.00	-	-	-
Excess over contract	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-	-
Energy charge:										
On peak	0.07152	0.07197	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-
Off peak (first 425 kWh)	0.04718	0.04819	-	0.06163	0.06568	0.06215	0.06226	-	-	-
Off peak (next 195 kWh)	0.02126	0.02209	-	0.04198	0.04653	0.04349	0.04360	-	-	-
Off peak (additional kWh)	0.01878	0.01966	-	0.02529	0.03026	0.02764	0.02775	-	-	-

(Continued)

TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Commercial, Industrial, Governmental and Institutional (Continued)</b>										
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	19.92	13.27	11.63
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	0.10427	0.03740	0.03899
Additional kWh per month	-	-	-	-	-	-	-	0.02771	0.03074	0.03337
GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)	-	-	-	-	-	-	-	-	-	-
Customer charge per month	-	-	-	-	-	-	-	1,500.00	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	19.92	14.89	14.21
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	0.10427	0.04132	0.04625
Additional kWh per month	-	-	-	-	-	-	-	0.02771	0.03372	0.03928
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
<b>Active Service (number of customers):</b>										
Residential	12,133	11,995	11,862	11,826	11,721	11,764	11,752	11,683	11,819	11,545
Commercial	2,191	2,163	2,160	2,141	2,120	2,121	2,105	2,085	2,109	2,166
Industrial	448	458	446	439	458	449	447	467	464	455
Street and athletic	79	76	75	76	73	70	71	69	69	69
Outdoor lighting	35	34	33	33	34	34	31	32	35	35
Total active service	14,886	14,726	14,576	14,515	14,406	14,438	14,406	14,336	14,496	14,270

Source: Morristown Utility Commission

TABLE 11

**CITY OF MORRISTOWN, TENNESSEE**

**WATER RATES AND NUMBER OF CUSTOMERS**

**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Inside City Rate:</b>										
Customer charge per month	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	-	-
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	-
First 50,000 gallons	2.35	2.20	2.05	2.05	2.05	2.05	2.05	2.05	2.05	1.90
Next 50,000 gallons	2.10	1.95	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.65
Over 100,000	1.90	1.75	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.45
<b>Minimum bill:</b>										
5/8" meter	9.35	9.05	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.45
3/4" meter	9.85	9.55	9.25	9.25	9.25	9.25	9.25	9.25	9.25	8.95
1" meter	10.60	10.30	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.70
1 1/2" meter	12.10	11.80	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.20
2" meter	16.60	16.30	16.00	16.00	16.00	16.00	16.00	16.00	16.00	15.70
3" meter	61.60	61.30	61.00	61.00	61.00	61.00	61.00	61.00	61.00	60.70
4" meter	71.60	71.30	71.00	71.00	71.00	71.00	71.00	71.00	71.00	70.70
6" meter	101.60	101.30	101.00	101.00	101.00	101.00	101.00	101.00	101.00	100.70
8" meter	114.90	114.60	114.30	114.30	114.30	114.30	114.30	114.30	114.30	-
<b>Outside City rates:</b>										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	-	-
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	-
First 50,000 gallons	4.70	4.40	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.80
Next 50,000 gallons	4.20	3.90	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.30
Over 100,000 gallons	3.80	3.50	3.20	3.20	3.20	3.20	3.20	3.20	3.20	2.90
<b>Minimum bill:</b>										
5/8" meter	14.05	13.45	12.85	12.85	12.85	12.85	12.85	12.85	12.85	12.25
3/4" meter	14.55	13.95	13.35	13.35	13.35	13.35	13.35	13.35	13.35	12.75
1" meter	15.30	14.70	14.10	14.10	14.10	14.10	14.10	14.10	14.10	13.50
1 1/2" meter	16.80	16.20	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.00
2" meter	21.30	20.70	20.10	20.10	20.10	20.10	20.10	20.10	20.10	19.50
3" meter	66.30	65.70	65.10	65.10	65.10	65.10	65.10	65.10	65.10	64.50
4" meter	76.30	75.70	75.10	75.10	75.10	75.10	75.10	75.10	75.10	74.50
6" meter	106.30	105.70	105.10	105.10	105.10	105.10	105.10	105.10	105.10	104.50
8" meter	119.60	119.00	118.40	118.40	118.40	118.40	118.40	118.40	118.40	-
<b>Monthly fire protection service charge:</b>										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
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
<b>Number of Customers:</b>										
Total active service	12,758.00	12,671.00	12,649.00	12,589.00	12,549.00	12,569.00	12,553.00	12,501.00	12,567.00	12,506.00

Source: Morristown Utility Commission

TABLE 12

## CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Standard cable</b>										
Expanded basic	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 41.95
Digital basic	72.95	72.95	68.95	68.95	60.95	54.95	54.95	54.95	54.95	49.95
Digital basic + 1	87.90	82.95	78.75	78.75	39.95	63.95	63.95	63.95	63.95	59.95
Digital basic + 2	99.90	90.95	86.95	86.95	77.95	71.95	71.95	71.95	71.95	67.95
Digital basic + 4	119.90	103.95	99.95	99.95	90.95	84.95	84.95	84.95	84.95	80.95
Premium channels	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-11.95
<b>Internet</b>										
Residential:										
Tier 1	39.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	29.95
Tier 2	59.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	74.95	74.95	44.95	59.95	59.95	59.95
Tier 4	99.96	99.95	99.95	99.95	99.95	99.95	74.95	99.95	99.95	99.95
Tier 5	-	-	-	-	-	-	99.95-199.95	159.95	159.95	-
Commercial:										
Tier 1	49.95	49.95	49.95	49.95	44.95	44.95	44.95	44.95	44.95	39.95
Tier 2	79.95	79.95	79.95	79.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	104.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.90	154.95	154.95	154.95	149.90	149.95	149.95	149.95	149.95	149.95
Tier 5	-	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	299.95	-	-	-	-
Telephone:										
Residential:										
Basic pack	28.65	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95
Preferred pack	28.65	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95	3.75-8.95	3.75-8.95
Long distance per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial:										
Access line	29.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95
Business local telephone service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95	6.95-25.95	6.95-25.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Source: Morristown Utility Commission




## CITY OF MORRISTOWN, TENNESSEE

## WATER AUDIT REPORT FOR MORRISTOWN UTILITY COMMISSION

AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved.												
<div style="display: flex; justify-content: space-between;"> <div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">?</div> Click to access definition           <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">+</div> Click to add a comment         </div> <div> <b>Water Audit Report for:</b> <span style="border: 1px solid black; padding: 2px;">Morristown Utilities Commission (0000474)</span>  <b>Reporting Year:</b> <span style="border: 1px solid black; padding: 2px;">2018</span> <span style="border: 1px solid black; padding: 2px;">7/2017 - 6/2018</span> </div> </div>														
<p>Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p style="text-align: center; color: red;"><b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b></p>														
<p>To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.</p>														
<p><b>WATER SUPPLIED</b></p> <p style="text-align: center;">----- Enter grading in column 'E' and 'J' -----&gt;</p> <table style="width: 100%;"> <tr> <td>Volume from own sources:</td> <td><div style="display: flex; align-items: center;">+ ? 9</div></td> <td><div style="border: 1px solid black; padding: 2px;">3,219.000</div> MG/Yr</td> <td rowspan="3"> <div style="display: flex; align-items: center;"> <div style="display: flex; align-items: center;">+ ? 9</div> <div style="margin: 0 5px;">2.00%</div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> </div> </div> <div style="margin: 0 5px;">MG/Yr</div> </td> </tr> <tr> <td>Water imported:</td> <td><div style="display: flex; align-items: center;">+ ?</div></td> <td><div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr</td> <td><div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div></td> </tr> <tr> <td>Water exported:</td> <td><div style="display: flex; align-items: center;">+ ?</div></td> <td><div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr</td> <td><div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div></td> </tr> </table>		Volume from own sources:	<div style="display: flex; align-items: center;">+ ? 9</div>	<div style="border: 1px solid black; padding: 2px;">3,219.000</div> MG/Yr	<div style="display: flex; align-items: center;"> <div style="display: flex; align-items: center;">+ ? 9</div> <div style="margin: 0 5px;">2.00%</div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> </div> </div> <div style="margin: 0 5px;">MG/Yr</div>	Water imported:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr	<div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div>	Water exported:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr	<div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div>	<p><b>Master Meter and Supply Error Adjustments</b></p> <p>Pcnt: <div style="display: flex; align-items: center;">1.25%</div> Value: <div style="border: 1px solid black; padding: 2px;"> </div> MG/Yr</p> <p>Enter negative % or value for under-registration Enter positive % or value for over-registration</p>
Volume from own sources:	<div style="display: flex; align-items: center;">+ ? 9</div>	<div style="border: 1px solid black; padding: 2px;">3,219.000</div> MG/Yr	<div style="display: flex; align-items: center;"> <div style="display: flex; align-items: center;">+ ? 9</div> <div style="margin: 0 5px;">2.00%</div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> <div style="border: 1px solid black; width: 10px; height: 10px; border-radius: 50%;"></div> </div> </div> <div style="margin: 0 5px;">MG/Yr</div>											
Water imported:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr		<div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div>										
Water exported:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr		<div style="display: flex; align-items: center;">+ ?</div> <div style="margin: 0 5px;">MG/Yr</div>										
<p><b>WATER SUPPLIED:</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">3,155.882</span> MG/Yr</p>														
<p><b>AUTHORIZED CONSUMPTION</b></p> <table style="width: 100%;"> <tr> <td>Billed metered:</td> <td><div style="display: flex; align-items: center;">+ ? 10</div></td> <td><div style="border: 1px solid black; padding: 2px;">2,753.000</div> MG/Yr</td> </tr> <tr> <td>Billed unmetered:</td> <td><div style="display: flex; align-items: center;">+ ? n/a</div></td> <td><div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr</td> </tr> <tr> <td>Unbilled metered:</td> <td><div style="display: flex; align-items: center;">+ ? 10</div></td> <td><div style="border: 1px solid black; padding: 2px;">1.643</div> MG/Yr</td> </tr> <tr> <td>Unbilled unmetered:</td> <td><div style="display: flex; align-items: center;">+ ?</div></td> <td><div style="border: 1px solid black; padding: 2px; background-color: yellow;">39.449</div> MG/Yr</td> </tr> </table> <p style="text-align: center; color: blue;">Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed</p> <p><b>AUTHORIZED CONSUMPTION:</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">2,794.092</span> MG/Yr</p>		Billed metered:	<div style="display: flex; align-items: center;">+ ? 10</div>	<div style="border: 1px solid black; padding: 2px;">2,753.000</div> MG/Yr	Billed unmetered:	<div style="display: flex; align-items: center;">+ ? n/a</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr	Unbilled metered:	<div style="display: flex; align-items: center;">+ ? 10</div>	<div style="border: 1px solid black; padding: 2px;">1.643</div> MG/Yr	Unbilled unmetered:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px; background-color: yellow;">39.449</div> MG/Yr	<p>Click here: <div style="border: 1px solid black; padding: 2px;">?</div> for help using option buttons below</p> <p>Pcnt: <div style="display: flex; align-items: center;">1.25%</div> Value: <div style="border: 1px solid black; padding: 2px;"> </div> MG/Yr</p> <p>Use buttons to select percentage of water supplied OR value</p>
Billed metered:	<div style="display: flex; align-items: center;">+ ? 10</div>	<div style="border: 1px solid black; padding: 2px;">2,753.000</div> MG/Yr												
Billed unmetered:	<div style="display: flex; align-items: center;">+ ? n/a</div>	<div style="border: 1px solid black; padding: 2px;">0.000</div> MG/Yr												
Unbilled metered:	<div style="display: flex; align-items: center;">+ ? 10</div>	<div style="border: 1px solid black; padding: 2px;">1.643</div> MG/Yr												
Unbilled unmetered:	<div style="display: flex; align-items: center;">+ ?</div>	<div style="border: 1px solid black; padding: 2px; background-color: yellow;">39.449</div> MG/Yr												
<p><b>WATER LOSSES (Water Supplied - Authorized Consumption)</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">361.791</span> MG/Yr</p>														
<p><b>Apparent Losses</b></p> <p>Unauthorized consumption: <div style="display: flex; align-items: center;">+ ?</div> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">7.890</span> MG/Yr</p> <p style="text-align: center; color: blue;">Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</p> <p>Customer metering inaccuracies: <div style="display: flex; align-items: center;">+ ? 10</div> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">27.825</span> MG/Yr</p> <p>Systematic data handling errors: <div style="display: flex; align-items: center;">+ ?</div> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">6.883</span> MG/Yr</p> <p style="text-align: center; color: blue;">Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed</p> <p><b>Apparent Losses:</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">42.597</span> MG/Yr</p>		<p>Pcnt: <div style="display: flex; align-items: center;">0.25%</div> Value: <div style="border: 1px solid black; padding: 2px;"> </div> MG/Yr</p> <p><div style="display: flex; align-items: center;">1.00%</div> <div style="margin: 0 5px;">MG/Yr</div></p> <p><div style="display: flex; align-items: center;">0.25%</div> <div style="margin: 0 5px;">MG/Yr</div></p>												
<p><b>Real Losses (Current Annual Real Losses or CARL)</b></p> <p>Real Losses = Water Losses - Apparent Losses: <span style="border: 1px solid black; padding: 2px; background-color: yellow;">319.194</span> MG/Yr</p> <p><b>WATER LOSSES:</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">361.791</span> MG/Yr</p>														
<p><b>NON-REVENUE WATER</b></p> <p><b>NON-REVENUE WATER:</b> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">402.882</span> MG/Yr</p> <p>= Water Losses + Unbilled Metered + Unbilled Unmetered</p>														
<p><b>SYSTEM DATA</b></p> <p>Length of mains: <div style="display: flex; align-items: center;">+ ? 5</div> <div style="border: 1px solid black; padding: 2px;">275.0</div> miles</p> <p>Number of <u>active AND inactive</u> service connections: <div style="display: flex; align-items: center;">+ ? 7</div> <div style="border: 1px solid black; padding: 2px;">13,800</div></p> <p>Service connection density: <div style="display: flex; align-items: center;">+ ?</div> <span style="border: 1px solid black; padding: 2px; background-color: yellow;">50</span> conn./mile main</p> <p>Are customer meters typically located at the curbside or property line? <span style="border: 1px solid black; padding: 2px;">Yes</span> (length of service line, <u>beyond</u> the property boundary, that is the responsibility of the utility)</p> <p>Average length of customer service line: <div style="display: flex; align-items: center;">+ ?</div> <span style="border: 1px solid black; padding: 2px;"> </span></p> <p style="text-align: center; color: blue;">Average length of customer service line has been set to zero and a data grading score of 10 has been applied</p> <p>Average operating pressure: <div style="display: flex; align-items: center;">+ ? 4</div> <div style="border: 1px solid black; padding: 2px;">65.0</div> psi</p>														
<p><b>COST DATA</b></p> <p>Total annual cost of operating water system: <div style="display: flex; align-items: center;">+ ? 10</div> <span style="border: 1px solid black; padding: 2px;">\$4,700,240</span> \$/Year</p> <p>Customer retail unit cost (applied to Apparent Losses): <div style="display: flex; align-items: center;">+ ? 10</div> <span style="border: 1px solid black; padding: 2px;">\$2.20</span> \$/1000 gallons (US)</p> <p>Variable production cost (applied to Real Losses): <div style="display: flex; align-items: center;">+ ? 10</div> <span style="border: 1px solid black; padding: 2px;">\$533.08</span> \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses</p>														
<p><b>WATER AUDIT DATA VALIDITY SCORE:</b></p> <div style="border: 2px solid red; padding: 10px; text-align: center; color: red; font-weight: bold;">       *** YOUR SCORE IS: 89 out of 100 ***     </div> <p>A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p>														
<p><b>PRIORITY AREAS FOR ATTENTION:</b></p> <p>Based on the information provided, audit accuracy can be improved by addressing the following components:</p> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">1: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">2: Unauthorized consumption</div> <div style="border: 1px solid red; padding: 2px;">3: Systematic data handling errors</div>														

## CITY OF MORRISTOWN, TENNESSEE

## WATER AUDIT REPORT FOR MORRISTOWN UTILITY COMMISSION



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

WAS v5.0  
 American Water Works Association.  
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Water Audit Report for: Morristown Utilities Commission (0000474)

Reporting Year: 2018 7/2017 - 6/2018

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

System Attributes:

	Apparent Losses:	<span style="border: 1px solid black; padding: 2px;">42.597</span>	MG/Yr
	+ Real Losses:	<span style="border: 1px solid black; padding: 2px;">319.194</span>	MG/Yr
	= <b>Water Losses:</b>	<span style="border: 1px solid black; padding: 2px;">361.791</span>	MG/Yr
<div style="display: flex; align-items: center;"> <span style="background-color: #4f81bd; color: white; padding: 2px 5px; margin-right: 5px;">?</span> Unavoidable Annual Real Losses (UARL): </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> <span style="border: 1px solid black; padding: 2px;">84.41</span> MG/Yr         </div>			
	Annual cost of Apparent Losses:	<span style="border: 1px solid black; padding: 2px;">\$93,713</span>	
	Annual cost of Real Losses:	<span style="border: 1px solid black; padding: 2px;">\$170,156</span>	Valued at <b>Variable Production Cost</b>
			Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Operational Efficiency:

{	Non-revenue water as percent by volume of Water Supplied:	<span style="border: 1px solid black; padding: 2px;">12.8%</span>	
	Non-revenue water as percent by cost of operating system:	<span style="border: 1px solid black; padding: 2px;">6.1%</span>	Real Losses valued at Variable Production Cost
{	Apparent Losses per service connection per day:	<span style="border: 1px solid black; padding: 2px;">8.46</span>	gallons/connection/day
	Real Losses per service connection per day:	<span style="border: 1px solid black; padding: 2px;">63.37</span>	gallons/connection/day
	Real Losses per length of main per day*:	<span style="border: 1px solid black; padding: 2px;">N/A</span>	
	Real Losses per service connection per day per psi pressure:	<span style="border: 1px solid black; padding: 2px;">0.97</span>	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		<span style="border: 1px solid black; padding: 2px;">319.19</span>	million gallons/year
	<div style="display: flex; align-items: center;"> <span style="background-color: #4f81bd; color: white; padding: 2px 5px; margin-right: 5px;">?</span> Infrastructure Leakage Index (ILI) [CARL/UARL]:         </div>	<span style="border: 1px solid black; padding: 2px;">3.78</span>	

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

TABLE 14

**CITY OF MORRISTOWN, TENNESSEE**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Per Capita Income (1)	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
			General Obligation Bonds	General Obligation Bonds	Revenue Bonded Debt			
2018	29,771	\$ 31,259	\$ 24,953,248	\$ 20,567,734	\$ 94,077,426	\$ 139,598,408	0.02 %	\$ 4,689
2017	29,663	28,930	26,620,226	21,653,850	92,631,063	140,905,139	0.02	4,750
2016	29,478	30,846	17,852,950	22,739,967	91,420,512	132,013,429	0.02	4,478
2015	29,304	33,217	19,064,476	23,827,767	92,515,013	135,407,256	0.02	4,621
2014	29,324	32,588	20,237,974	24,913,883	81,203,127	126,354,984	0.03	4,309
2013	29,269	32,838	21,373,996	-	94,873,935	116,247,931	0.03	3,972
2012	29,369	19,718	19,054,360	-	66,678,349	85,732,709	0.02	2,919
2011	29,137	18,813	20,395,260	-	67,736,119	88,131,379	0.02	3,025
2010	28,054	31,961	21,676,922	-	70,536,488	92,213,410	0.03	3,287
2009	25,800	27,007	22,521,414	-	62,632,314	85,153,728	0.03	3,301

(1) Source: U.S. Census Bureau

TABLE 15

## CITY OF MORRISTOWN, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Actual Value of Taxable Property</b>	<b>General Bonded Debt</b>	<b>Percentage of General Obligation Debt to Actual Value</b>	<b>Net Bonded Debt Per Capita</b>
2018	29,771	\$ 2,934,086,480	\$ 24,953,248	0.85 %	\$ 838
2017	29,663	2,879,128,380	26,620,226	0.92	897
2016	29,478	2,791,909,491	17,852,950	0.64	606
2015	29,304	2,665,051,328	19,064,476	0.72	651
2014	29,324	2,736,636,423	20,237,974	0.74	690
2013	29,269	2,720,476,644	21,373,996	0.79	730
2012	29,369	2,722,855,361	19,054,360	0.70	649
2011	29,137	2,729,853,556	20,395,260	0.75	700
2010	25,800	2,776,600,762	21,676,922	0.78	840
2009	25,800	2,377,490,324	22,521,414	0.95	873

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

TABLE 16

## CITY OF MORRISTOWN, TENNESSEE

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

<b>Tax Year</b>	<b>General Bonded Debt (1)</b>	<b>Total Assessment</b>	<b>Ratio of Bonded Debt to Total Assessment</b>	<b>Total Expenditures</b>	<b>Ratio of Bonded Debt to Total Expenditures</b>
2018	\$ 24,953,248	\$ 924,907,897	0.027 to 1	\$ 33,520,735	0.744 to 1
2017	26,620,226	907,516,309	0.030 to 1	35,072,221	0.762 to 1
2016	17,852,950	891,084,039	0.020 to 1	36,181,623	0.493 to 1
2015	19,064,476	851,362,810	0.022 to 1	35,135,389	0.543 to 1
2014	20,237,974	868,315,105	0.023 to 1	32,088,324	0.630 to 1
2013	21,373,996	863,349,937	0.025 to 1	30,941,516	0.691 to 1
2012	19,054,360	864,098,668	0.022 to 1	31,217,154	0.610 to 1
2011	20,395,260	880,290,913	0.023 to 1	31,320,230	0.651 to 1
2010	24,676,922	734,794,794	0.030 to 1	26,991,342	0.803 to 1
2009	22,521,414	728,824,170	0.031 to 1	38,249,959	0.589 to 1

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

TABLE 17

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

<b>Fiscal Year Ended</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (1)</b>	<b>Education Level in Years of Formal Schooling (1)</b>	<b>School Enrollment (1)</b>	<b>Percentage of Unemployment Rate (2)</b>
2018	29,771	\$ 930,611,689	\$ 31,259	39.90	14.0	16,900	4.40 %
2017	29,663	872,982,090	29,430	39.40	14.0	13,583	4.40
2016	29,478	909,278,388	30,846	36.30	14.0	11,970	5.40
2015	29,304	973,390,968	33,217	36.00	14.5	12,148	6.90
2014	29,324	955,610,512	32,588	39.80	14.5	13,136	7.70
2013	29,269	961,135,422	32,838	36.20	14.0	13,046	10.20
2012	29,369	579,097,942	19,718	35.88	13.7	9,852	13.53
2011	29,137	548,154,381	18,813	36.20	12.0	10,972	11.80
2010	28,054	896,633,894	31,961	37.30	13.0	9,532	11.20
2009	25,800	696,780,600	27,007	36.80	13.3	10,079	13.48

\* Information not yet available.

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

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

TABLE 18

**CITY OF MORRISTOWN, TENNESSEE**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Employer	2018			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Dept. of Education	1,288	1	10 %	1,350	1	11 %
MAHLE, Inc.	1,057	2	9	794	4	6
Koch Foods	970	3	8	882	2	7
JTEKT Automotive	850	4	7	470	9	4
Wal-Mart	814	5	7	443	10	4
Walters State Community College	740	6	6	766	5	6
Morristown Hamblen Healthcare	725	7	6	691	6	5
Arconic (f/k/a Howmet)	600	8	5	480	8	5
Team Technologies	520	9	4	-		-
Lear Corporation	443	10	4	-		-
Berkline	-		-	818	3	6
Lakeway Regional Hospital	-		-	501	7	4
	<u>8,007</u>		<u>66 %</u>	<u>7,195</u>		<u>58 %</u>

Source: Morristown Area Chamber of Commerce

TABLE 19

## CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Function/Program</b>										
General government:										
Mayor and council	7	7	7	7	7	7	7	7	7	7
City administration and staff	6	6	4	4	4	3	3	3	3	3
Finance	7	6	6.5	6.5	6.5	6.5	5.5	6	6	7
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	1	1	2	2	2	2	2
Human resources	2	2	2.5	2.5	2.5	1.5	1.5	2	2	2
Legal services	2	2	2	2	2	2	2	2	2	2
Planning	6	6	5.5	5.5	4.3	6.3	6.3	6.3	7.3	6.3
Engineering	4	4	4.3	4.3	4.1	3.1	3.1	3.1	3.1	3.3
Inspections	5	5	5	5	5	5	4	4	4	5
Police:										
Supervision	6	6	6	6	5	5	6	6	6	5
Patrol	63	64	64	64	65	65	64	63	63	67
Investigations	15	14	15	15	15	15	15	15	15	15
Codes enforcement	2	2	2	2	1	2	1	1	1	1
Vice	-	-	-	-	-	1	1	1	1	1
Narcotics	7	7	6	6	5	5	5	5	5	5
Fire:										
Supervision	6	6	6	6	6	6	6	6	6	6
Firefighting	79	79	79	79	79	79	79	81	81	84
Prevention and inspection	1	1	1	1	1	1	1	1	1	2
Public works:										
Supervision	4	3	2.5	2.5	2	1.83	1.83	1.5	1.5	1.5
Buildings and grounds	3	3	3	3	3	2	2	2	2	2
Equipment shop	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	15	13	15	14	9	9	9	9	9	10
Street lights and signs	1	1	1	1	1	1	1	1	2	2
Brush and snow	13	15	11	11	10.7	10.7	10.7	9	9	13
Communication shop	2	2	2	2	2	1.65	1.65	2	2	2
Parks and recreation	17	17	17	17	17	17	17	17	18	20
Sewer	-	-	-	-	16	17.98	17.98	26.9	26.9	25.9
Stormwater	4	4	4.2	4.2	5.1	5.44	5.44	7.2	7.2	7
Solid waste	13	13	13.5	13.5	12.5	12	12	12	13	13
<b>Total</b>	<b>299</b>	<b>297</b>	<b>294</b>	<b>293</b>	<b>299.7</b>	<b>302</b>	<b>299</b>	<b>310</b>	<b>314</b>	<b>328</b>

Source: City of Morristown, Tennessee Finance Department



TABLE 20

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Function</b>										
Police:										
Physical arrests	3,639	4,339	4,378	5,071	3,661	3,061	4,872	4,844	2,097	5,620
Parking violations	42	251	117	102	167	17	288	357	10,071	15,211
Fire:										
Number of calls answered	3,184	3,916	4,742	4,288	3,984	3,222	2,975	3,914	4,271	3,232
Inspections	2,498	2,635	2,663	2,724	2,535	2,562	2,781	741	659	948
Highway and streets:										
Street maintenance/ resurfacing (miles)	3.85	11.50	5.60	5.10	1.33	45.60	224.60	209.30	-	2.39
Sanitation										
Brush collected (annual)	3,140.82	3,620.17	2,649.09	2,125.77	2,412.14	6,574.00	6,094.32	2,870.70	3,238.19	3,327.04
Refuse collected	12,855.78	9,404.56	9,358.00	9,063.98	9,313.01	9,248.60	9,313.31	4,209.62	9,416.08	9,770.21

Source: Various Departments of the City of Morristown

TABLE 21

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Function</b>										
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48	48
Fire stations	6	6	6	6	6	6	6	6	6	6
Sanitation:										
Collection trucks	4	4	4	4	4	4	4	4	4	4
Highways and streets:										
Street (miles)	320	320	320	320	320	320	320	320	320	320
Culture and recreation:										
Parks acreage	264	264	264	264	264	264	264	264	264	264
Parks	16	16	16	16	16	16	16	16	16	16

Source: Various Departments of the City of Morristown

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Morristown Utilities Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
November 30, 2018

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Morristown, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
November 30, 2018



**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2018**

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

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

Airport Improvement Program	20.106
Community Development Block Grants	14.218

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

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None noted.

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

None noted.

**D. FINDINGS – STATE OF TENNESSEE**

None noted.

**CITY OF MORRISTOWN, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2018**

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