



City of

# MORRISTOWN

Tennessee



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2019

July 1, 2018 - June 30, 2019

Prepared by Finance Department



**CITY OF MORRISTOWN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**June 30, 2019**

**FINANCE DEPARTMENT**



# CITY OF MORRISTOWN, TENNESSEE

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

	<b>Page</b>
Letter of Transmittal.....	i
Certificate of Achievement for Excellence in Financial Reporting.....	v
Directory of Principal Officials .....	vi
Organizational Chart .....	vii

### FINANCIAL SECTION

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4

#### Basic Financial Statements

##### Government-wide Financial Statements

Exhibit 1 Statement of Net Position.....	5
Exhibit 2 Statement of Activities .....	6

##### Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Funds.....	7
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	9
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Budgetary Basis) .....	11
Exhibit 6 Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Solid Waste Fund (Budgetary Basis) .....	14
Exhibit 7 Statement of Net Position – Proprietary Funds .....	15
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Fund Position – Proprietary Funds.....	17
Exhibit 9 Statement of Cash Flows – Proprietary Funds .....	18
Exhibit 10 Statements of Fiduciary Net Position.....	20
Exhibit 11 Statement of Changes in Fiduciary Net Position.....	21

Notes to Financial Statements.....	22
------------------------------------	----

#### Required Supplementary Information

Exhibit 12 Schedule of Changes in Morristown's Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS .....	60
Exhibit 13 Schedule of Morristown's Contributions Based on Participation in the Public Employee Pension Plan of TCRS .....	61
Exhibit 14 Schedule of Changes in Net OPEB Liability and Related Ratios .....	62
Exhibit 15 Schedule of Changes in Total OPEB Liability and Related Ratios Morristown Utilities Retiree Benefit Plan.....	63
Exhibit 16 Schedule of Investment Returns – OPEB Trust .....	64
Exhibit 17 Schedule of OPEB Contributions.....	65

Note to Required Supplementary Information .....	66
--	----

## **CITY OF MORRISTOWN, TENNESSEE**

### **TABLE OF CONTENTS**

#### **Other Supplementary Information**

##### **Combining Statements**

Exhibit 18	Combining Balance Sheet-Non-Major Governmental Funds .....	67
Exhibit 19	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds .....	68
Exhibit 20	Statement of Fiduciary Net Position.....	69
Exhibit 21	Statement of Changes in Fiduciary Net Position.....	70
Exhibit 22	Statement of Changes in Assets and Liabilities – LAMTPO – Agency Fund.....	71
Exhibit 23	Schedule of Changes in Long-term Debt by Individual Issue.....	72

##### **Supporting Schedules**

Schedule 1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – Narcotics Fund.....	74
Schedule 2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – E-Citation Fund .....	75
Schedule 3	Schedule of Expenditures of Federal Awards .....	76
Schedule 4	Schedule of State Financial Assistance .....	77

### **STATISTICAL SECTION**

Table 1	Net Position by Component .....	78
Table 2	Changes in Net Position by Component .....	79
Table 3	Fund Balances – Governmental Funds .....	81
Table 4	Changes in Fund Balances – Governmental Funds .....	82
Table 5	Governmental Activities Revenue by Source .....	83
Table 6	Assessed Value and Estimated Actual Value of Taxable Property.....	84
Table 7	Principal Property Taxpayers.....	85
Table 8	Property Tax Levies and Collections .....	86
Table 9	Wastewater Utility Rates and Number of Customers .....	87
Table 10	Power Rates .....	88
Table 11	Water Rates and Number of Customers.....	90
Table 12	Monthly Broadband Rates .....	91
Table 13	Water Audit Report for Morristown Utilities Commission .....	92
Table 14	Ratios of Outstanding Debt by Type .....	94
Table 15	Ratios of General Bonded Debt Outstanding.....	95
Table 16	General Bonded Debt with Total Assessment and Expenditure Ratio .....	96
Table 17	Demographic and Economic Statistics .....	97
Table 18	Principal Employers.....	98
Table 19	City Government Employees by Function/Program.....	99
Table 20	Operating Indicators by Function .....	100
Table 21	Capital Asset Statistics by Function .....	101

**CITY OF MORRISTOWN, TENNESSEE**

**TABLE OF CONTENTS**

**COMPLIANCE SECTION**

Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*.....102

Independent Auditor’s Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance .....104

Schedule of Findings and Questioned Costs .....106

Summary Schedule of Prior Audit Findings.....107



## **INTRODUCTORY SECTION**

---



# City of Morristown

*Incorporated 1855*



December 2, 2019

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, 2019.

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, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Morristown's MD&A can be found immediately following the report of the independent 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 29,926. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries.

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

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

The annual budget serves as the foundation for the City of Morristown's financial planning and control. All departments of the City of Morristown are required to submit requests for appropriation to the City Administrator. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the Council for review by May 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 eight Fortune 500 companies and fifteen international companies that have elected to manufacture in Morristown. Over the past year, companies reported investing over \$126 million in building expansion and equipment while creating over 400 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. As a result of the retail development, local option sales tax is projected to continue to experience a slight increase around 3% in the 2019-2020 fiscal year.

Last year 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 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 \$5.7 million at June 30, 2019 in its General Fund. This represents approximately a 16.3% unassigned fund balance compared to expenditures. This compares to 22% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2018. The decrease is attributed to transfers to the General Capital Projects Fund relating to the construction for Phase II of the new Public Works Compound, construction of Phase I for Heritage Park, renovations to the City Center Plaza, design services for the Community Center, and matching funds for Economic Community Development grants.

The City of Morristown demonstrated its commitment to long-term planning with the adoption of its 2019-2020 fiscal year budget. The City of Morristown was proactive in that it appropriated \$507,500 from fund balance to re-roof City Hall and Fire Stations #2, #5 & #6. 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 2019-2020 fiscal year budget. The City of Morristown was proactive in that it increased the property tax rate twenty-five cents to help support the debt service for a new bond issue. This strategic planning will allow for construction of the community center.

## **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, 2018. This was the sixth 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 2018-2019 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, CMFO, CFE, MBA  
Assistant City Administrator/Finance & Administration



Government Finance Officers Association

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

Presented to

**City of Morristown  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

**June 30, 2019**

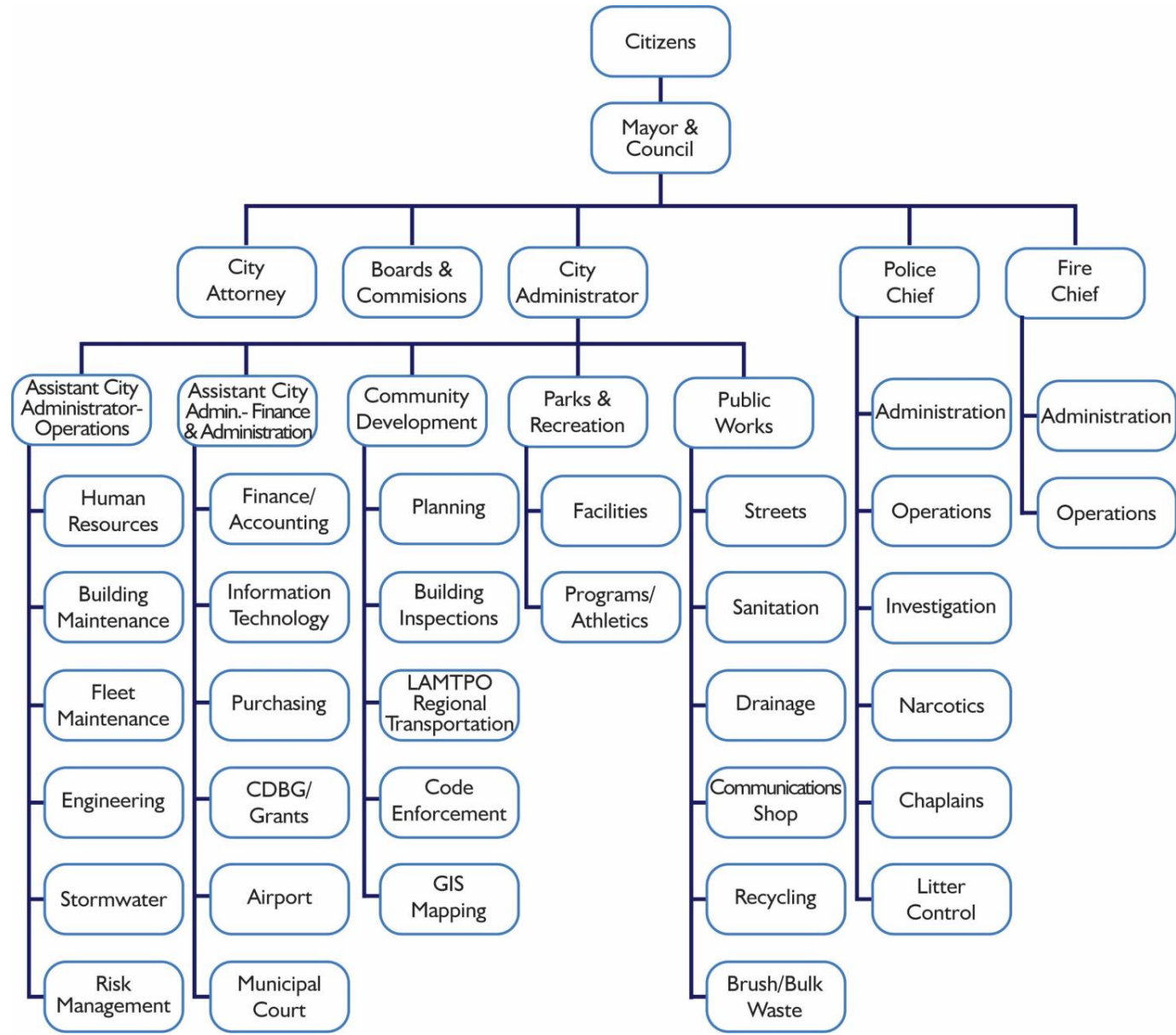
Gary Chesney, Mayor

## GENERAL CITY GOVERNMENT

## INDEPENDENT AUDITORS

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

## ORGANIZATIONAL CHART





## **FINANCIAL SECTION**

---



## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2019, 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%, 96.4%, and 98.6%, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statements for the general fund and the solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 2, 2019



## 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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages i through iv of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Morristown exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$205.8 million (net position). Of this amount, \$33.6 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 \$9.7 million. Charges for services, which are program specific revenues accounted for \$114.5 million in revenue or 73.8% of all primary government revenues. The majority (97.0%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$38.8 million or 25.18% 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 \$37.7 million, an increase of \$4.3 million in comparison with the prior year. The increase is attributed to a combination of increased expenditures in the General Capital Projects Fund and the issuance of debt for capital projects. Approximately 15.2% 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 \$ 5.7 million, or approximately 16.3% of total General Fund expenditures.
- The City of Morristown's total outstanding long-term debt increased by \$11.1 million during the current fiscal year.

### Overview of the Financial Statements

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

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

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

## Management's Discussion & Analysis

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

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

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

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

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

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

The City of Morristown maintains 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 fund is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 67-68 of 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.

## Management's Discussion & Analysis

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-59 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 \$205.8 million at the close of the most recent fiscal year.

## Management's Discussion & Analysis

### City of Morristown's Net Position

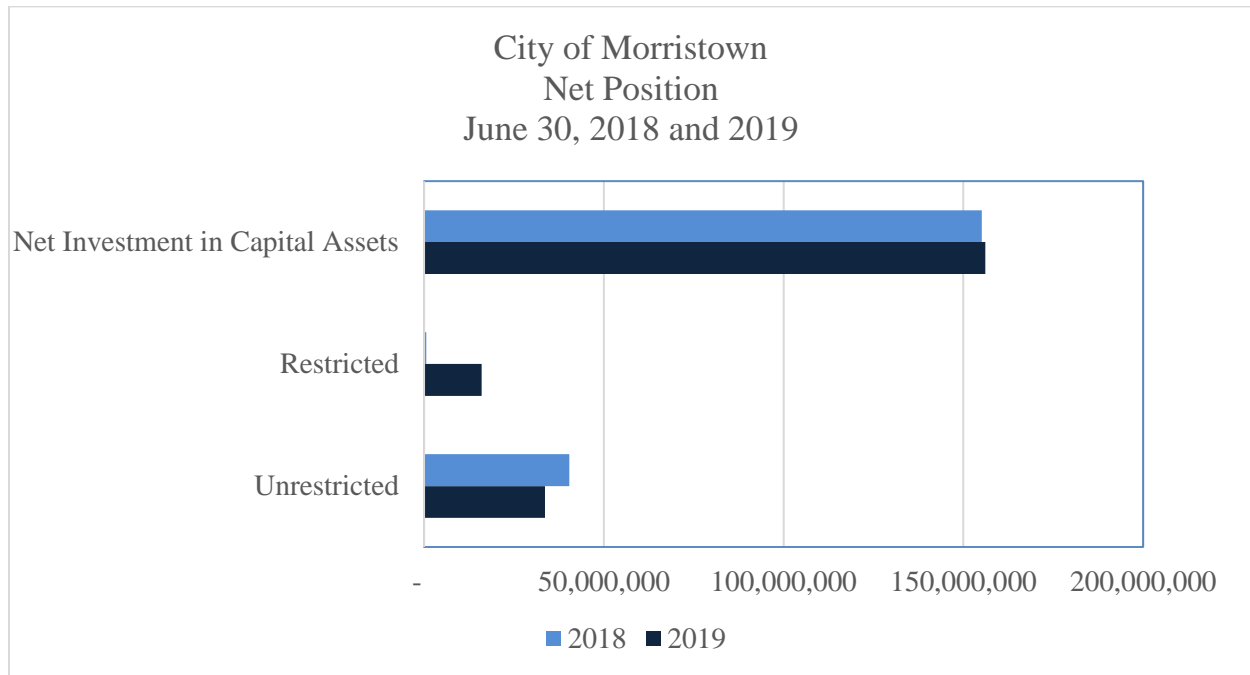
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 59,383,158	\$ 50,064,735	\$ 45,687,111	\$ 43,355,387	\$ 105,070,269	\$ 93,420,122
Capital assets	71,656,069	64,156,532	236,117,382	226,728,190	307,773,451	290,884,722
Total assets	131,039,227	114,221,267	281,804,493	270,083,577	412,843,720	384,304,844
Total deferred outflows of resources	5,258,215	3,670,446	92,588	50,746	5,350,803	3,721,192
Long-term liabilities outstanding	49,202,733	39,292,738	127,247,547	118,740,237	176,450,280	158,032,975
Other liabilities	3,749,866	2,424,085	16,741,385	18,062,449	20,491,251	20,486,534
Total liabilities	52,952,599	41,716,823	143,988,932	136,802,686	196,941,531	178,519,509
Total deferred inflows of resources	15,424,062	13,383,318	46,150	50,160	15,470,212	13,433,478
Net position:						
Net investment in capital assets	44,112,071	44,366,928	111,985,630	110,725,993	156,097,701	155,092,921
Restricted	16,055,663	609,400	-	-	16,055,663	609,400
Unrestricted	7,753,047	17,815,244	25,876,369	22,555,484	33,629,416	40,370,728
Total net position	\$ 67,920,781	\$ 62,791,572	\$ 137,861,999	\$ 133,281,477	\$ 205,782,780	\$ 196,073,049

By far the largest portion of the City of Morristown's net position (75.9%) 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 (7.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,629,416 is unrestricted and may be used to meet Morristown's ongoing obligations to citizens and creditors.

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

## Management's Discussion & Analysis



The City of Morristown's overall net position increased by approximately \$9.7 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. As a result of the recent retail development, local option sales tax increased 7.93% in the 2018-2019 fiscal year compared to the prior year.

## Management's Discussion & Analysis

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,401,910	\$ 2,775,957	\$ 111,061,101	\$ 109,103,026	\$ 114,463,011	\$ 111,878,983
Operating grants & contributions	175,368	191,531	-	-	175,368	191,531
Capital grants & contributions	347,471	701,821	266,000	263,600	613,471	965,421
<b>General revenues:</b>						
Property taxes	11,786,494	11,133,574	-	-	11,786,494	11,133,574
Sales tax	13,389,122	12,405,158	-	-	13,389,122	12,405,158
Intergovernmental	6,105,485	6,074,849	-	-	6,105,485	6,074,849
Other	5,466,500	4,735,491	3,905,536	3,194,522	9,372,036	7,930,013
<b>Total revenues</b>	<b>40,672,350</b>	<b>38,018,381</b>	<b>115,232,637</b>	<b>112,561,148</b>	<b>155,904,987</b>	<b>150,579,529</b>
<b>Expenses:</b>						
General government	5,724,079	5,565,353	-	-	5,724,079	5,565,353
Public safety	16,306,668	15,198,313	-	-	16,306,668	15,198,313
Public works	10,736,232	9,749,660	-	-	10,736,232	9,749,660
Economic development	-	-	-	-	-	-
Culture & recreation	2,055,250	2,196,230	-	-	2,055,250	2,196,230
Civic support	1,622,080	1,565,036	-	-	1,622,080	1,565,036
Interest on long-term debt	1,135,318	643,818	-	-	1,135,318	643,818
Water	-	-	6,776,689	6,791,455	6,776,689	6,791,455
Wastewater	-	-	14,297,200	12,957,929	14,297,200	12,957,929
Storm water	-	-	1,164,915	1,078,566	1,164,915	1,078,566
Power	-	-	77,796,499	76,594,389	77,796,499	76,594,389
Broadband	-	-	8,580,326	7,653,604	8,580,326	7,653,604
<b>Total expenses</b>	<b>37,579,627</b>	<b>34,918,410</b>	<b>108,615,629</b>	<b>105,075,943</b>	<b>146,195,256</b>	<b>139,994,353</b>
Increase (decrease) in net position before transfers	3,092,723	3,099,971	6,617,008	7,485,205	9,709,731	10,585,176
Transfers	2,036,486	1,928,844	(2,036,486)	(1,928,844)	-	-
Increase (decrease) in net position	5,129,209	5,028,815	4,580,522	5,556,361	9,709,731	10,585,176
Net position - July 1,	62,791,572	57,762,757	133,281,477	127,725,116	196,073,049	185,487,873
Net position - June 30,	<b>\$ 67,920,781</b>	<b>\$ 62,791,572</b>	<b>\$ 137,861,999</b>	<b>\$ 133,281,477</b>	<b>\$ 205,782,780</b>	<b>\$ 196,073,049</b>

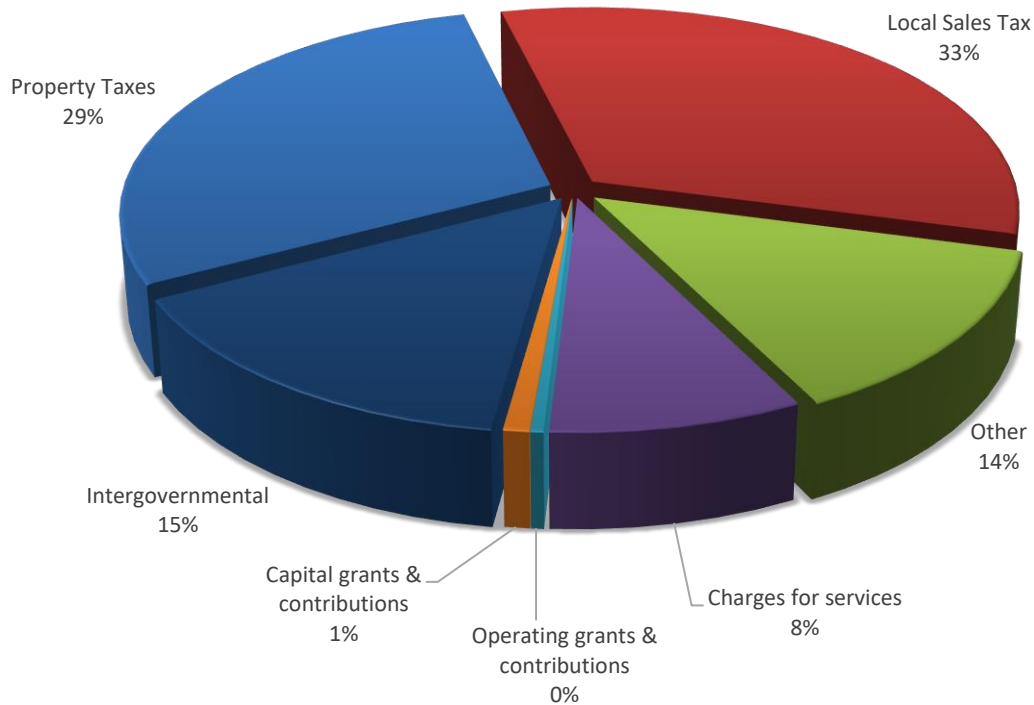
**Revenues** on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

**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 \$983,964 or 7.93% compared to the previous fiscal year. The graph below presents the major sources of revenues for governmental activities.

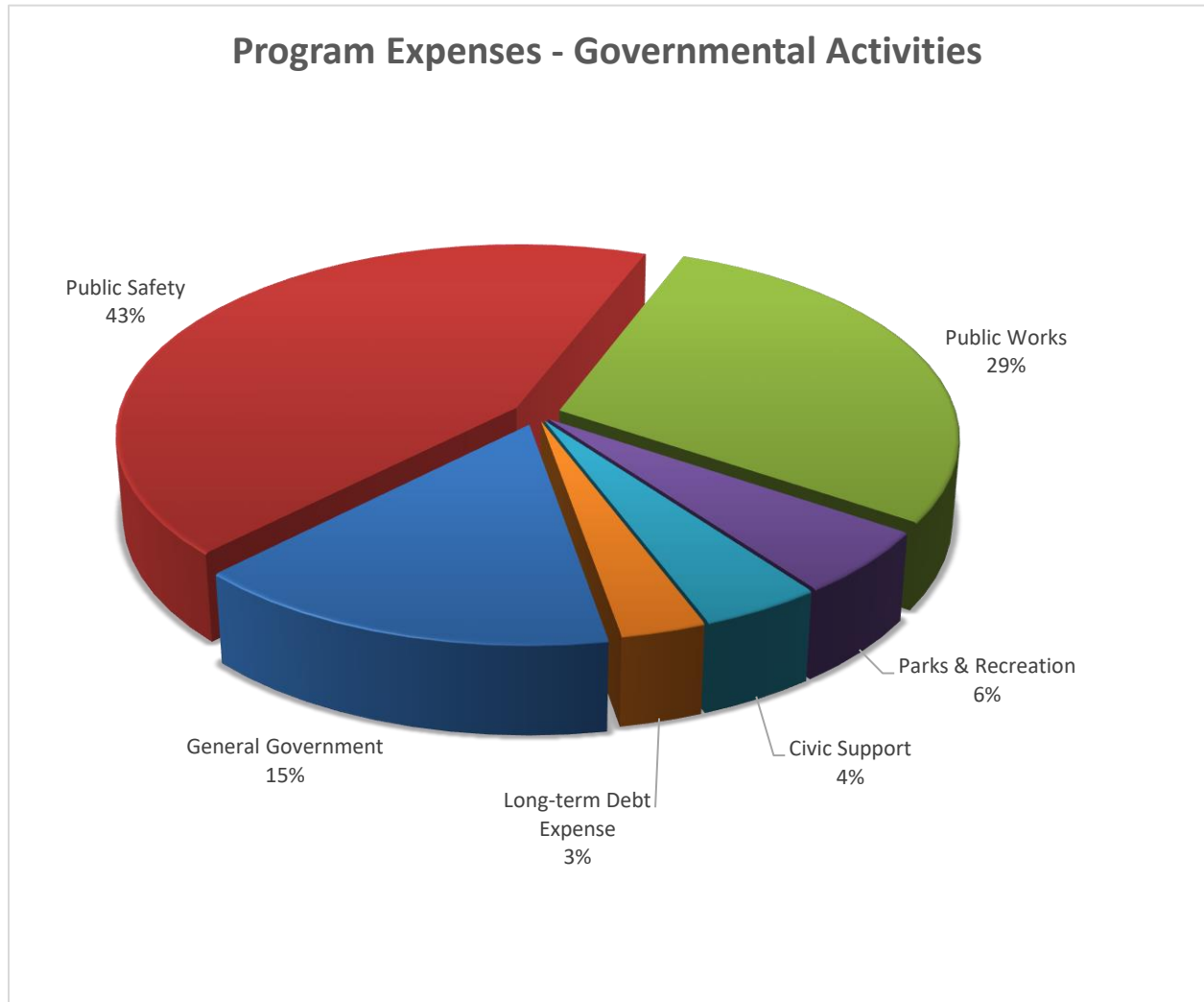
## Management's Discussion & Analysis

### Revenues by Source - Governmental Activities



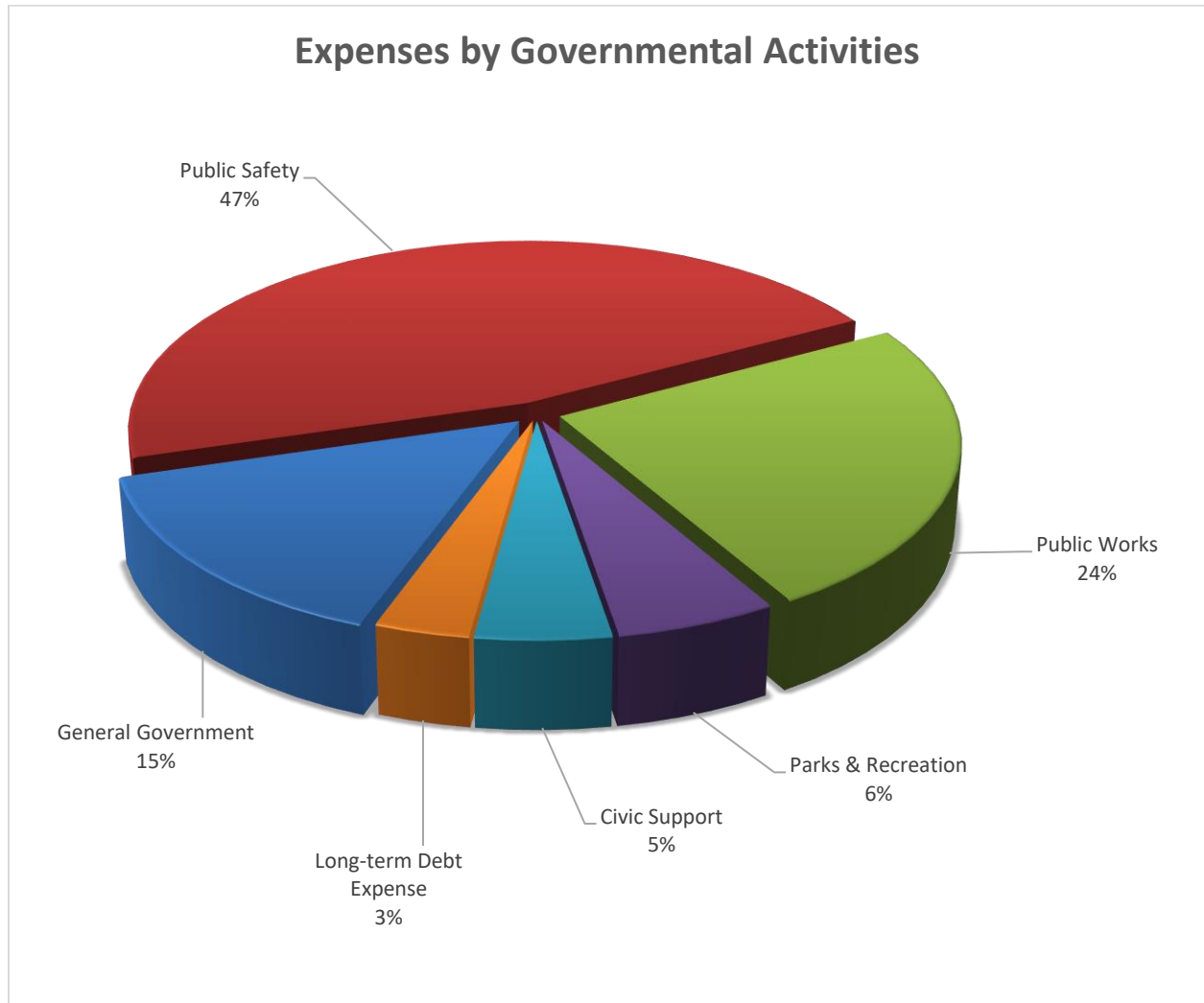
Public Safety expenses of \$16,306,668 and Public Works expenses of \$10,736,232 are the largest expenses of the City of Morristown, which when combined total \$27,042,900 and are 71.96% of total expenses. Of this amount, \$2,548,188 was recovered by charges for services, \$174,966 from operating grants/contributions, and \$347,471 from capital grants/contributions. For additional details, see illustrations below.

## Management's Discussion & Analysis



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

## Management's Discussion & Analysis



**Business-type Activities.** For the City of Morristown's business-type activities, the results for the current year were positive in that overall net position increased to reach an ending balance of approximately \$137.9 million. The total increase in net position for business-type activities was \$4.6 million or 3.4% from the prior fiscal year. The increase in net position is attributed to the increase in rates on the power and wastewater services.

### Financial Analysis of the Government's Funds

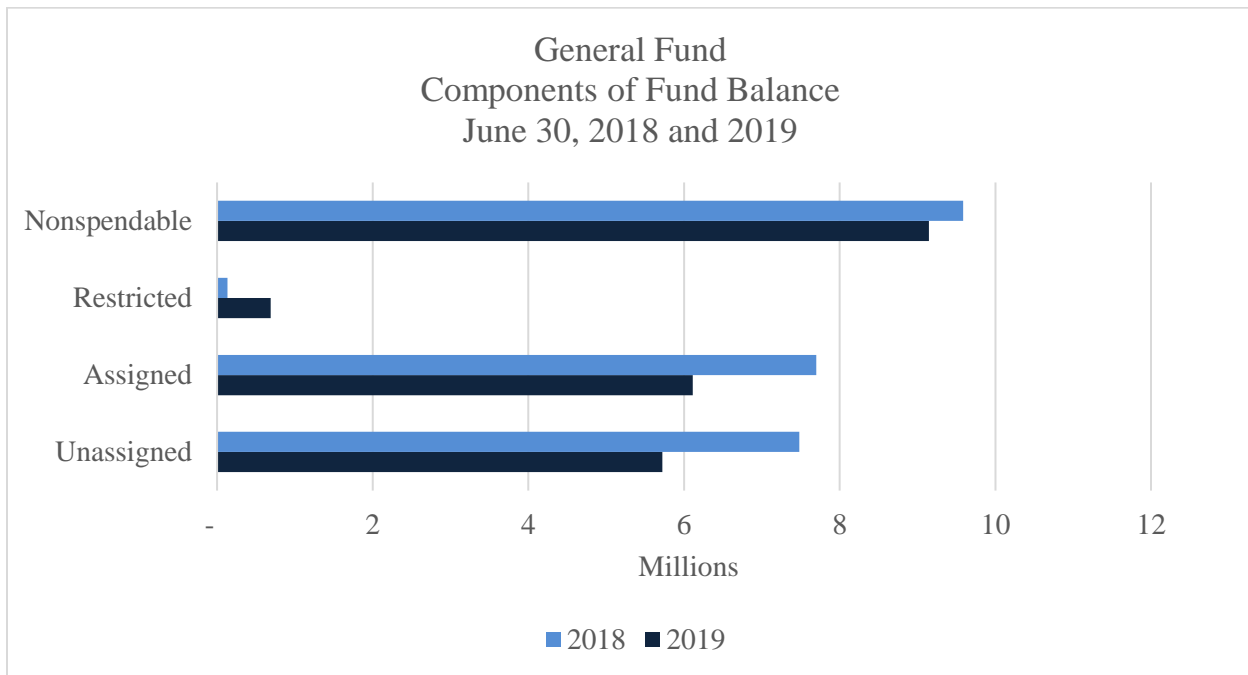
As noted earlier, the City of Morristown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 not been limited to use for a particular purpose by either an external

## Management's Discussion & Analysis

party, the City of Morristown itself, or a group or individual that has been delegated authority to assign resources for use for a particular purpose by the City of Morristown's Council.

At June 30, 2019, the City of Morristown's governmental funds reported combined ending fund balances of \$37,692,247 an increase of \$4,289,116 in comparison with the prior year. Approximately 15.2% of this amount (\$5,721,167) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is 1) not in spendable form or legally/contractually required to be maintained intact (\$9,145,379), 2) restricted for particular purposes (\$16,055,663), 3) committed for particular purposes (\$659,444), or 4) assigned for particular purposes (\$6,110,594).



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 \$5,721,167, while total fund balance decreased to \$21,667,965. This decrease is attributed to increased transfers relating to capital project expenditures. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 16.3% of total general fund expenditures, while total fund balance represents 61.8% of that same amount. City of Morristown Council has formally adopted a financial policy stating that the City's general fund will maintain an unassigned fund balance of at least 15%, but not to exceed 40% of annual general fund expenditures.

The fund balance of the City of Morristown's general fund decreased \$3,235,638. As mentioned above, this is due in part to an increase in the amount transferred to the General Capital Projects Fund for capital outlay expenditures. 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.

## Management's Discussion & Analysis

The Solid Waste fund is used to account for the City's sanitation and recycling operations. The Solid Waste Fund's operations are funded by user fees. The Solid Waste Fund balance increased in the amount of \$240,256. The user fee funding the Solid Waste Fund, increased beginning July 1, 2018 as part of a long-term funding plan to help this fund become self-sufficient. It should be noted no funds were transferred from the general fund during FY 2018-2019.

**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 \$3,320,885. The unrestricted net position of the City's Storm Water Fund increased \$87,661 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 \$23,153,858, an increase of \$3,233,224. 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 \$44,024,049. Budget amendments were approved by Council during the year increasing total appropriations to \$57,051,356, an increase of \$13,027,307 or 29.6%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$190,000 to re-appropriate funds for a new leaf truck originally budgeted in prior year.
  - \$222,984 to increase appropriations to account for the JAG and Dog Park Grants and an increase Hotel/Motel tax.
  - \$300,000 to transfer to the General Capital Projects Fund to provide funding for economic development and future application for additional grant funds totaling \$1,250,000 that were awarded.
  - \$3,289,100 to transfer to the General Capital Projects Fund to provide funds for previously approved contracts for Heritage Park, City Center Plaza renovations, and matching funds for Economic Development.
  - \$11,225,223 to increase appropriations associated with the 2018 General Obligation Bond Issue / Refunding.
  - \$1,000,000 to decrease appropriations associated with the West A.J. Hwy road project. At the close of the fiscal year, actual expenditures were \$2,683,846 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.
- \$1,200,000 to decrease appropriations associated with the Airport. This is attributed to the timing of capital projects not being started/completed as anticipated.

## Management's Discussion & Analysis

### Capital Asset and Debt Administration

**Capital assets.** The City of Morristown's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$72 million and \$236 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, vehicles, park facilities, infrastructure, and construction in progress. The total increase in capital assets for the current fiscal year was approximately 5.2%.

<b>City of Morristown's Capital Assets</b> (net of depreciation)							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	
Land	\$ 14,215,931	\$ 14,098,563	\$ 2,729,137	\$ 2,659,859	\$ 16,945,068	\$ 16,758,422	
Buildings	12,403,965	10,874,043	-	-	12,403,965	10,874,043	
Improvements other than buildings	2,740,601	2,753,451	-	-	2,740,601	2,753,451	
Machinery & equipment	6,798,213	7,056,650	-	-	6,798,213	7,056,650	
Infrastructure	22,611,483	24,079,668	-	-	22,611,483	24,079,668	
Utility plant and equipment	-	-	212,525,934	194,351,715	212,525,934	194,351,715	
Construction in progress	12,885,876	5,294,157	20,862,311	29,716,616	33,748,187	35,010,773	
<b>Total</b>	<b>\$ 71,656,069</b>	<b>\$ 64,156,532</b>	<b>\$ 236,117,382</b>	<b>\$ 226,728,190</b>	<b>\$ 307,773,451</b>	<b>\$ 290,884,722</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 \$149.3 million; of this amount, \$31.1 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources and the full faith and credit of the government.

The City's breakdown of variable and fixed rate debt outstanding is 15.46% and 84.54% respectively.

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

## Management's Discussion & Analysis

	July 1, 2018	Additions	Reductions	June 30, 2019
Governmental activities				
General fund	\$ 24,434,275	\$ 19,190,000	\$ 12,740,838	\$ 30,883,437
Solid waste fund	247,402	-	26,642	220,760
Total governmental activities	24,681,677	19,190,000	12,767,480	31,104,197
Business-type activities				
Sewer system	76,148,470	37,125,000	30,317,775	82,955,695
Storm water system	4,017,416	-	211,735	3,805,681
Electric system	16,297,172	20,785,000	17,267,172	19,815,000
Water system	10,795,288	-	962,903	9,832,385
Telecom system	6,252,166	-	4,443,166	1,809,000
Total business-type activities	113,510,512	57,910,000	53,202,751	118,217,761
Total Debt	\$ 138,192,189	\$ 77,100,000	\$ 65,970,231	\$ 149,321,958

The City of Morristown's total debt increased by \$11,129,769 (8.1%) 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, pumping stations, and the construction of a new Public Works Compound.

The City refunded approximately \$44 million of City-wide variable rate debt and issued an additional approximately \$24 million for City-wide projects (City-wide includes Morristown Utilities Commission). During the issuance of the debt the City's bond rating as evaluated by Moody's Investors Services increased to Aa3 rating from its previous A1 rating. The refinancing and the upgrade in ratings will save taxpayers and rate payers significant dollars over the life of the debt.

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 2019-2020 fiscal year budget.

- As previously discussed, the continued retail development that the City of Morristown is currently experiencing will continue to bring regional sales tax dollars to the City of Morristown. Van Hool NV still 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.

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

- The unemployment rate for the City of Morristown as of June 30, 2019, was 4.5% which is a slight increase compared to a year ago. The state's average unemployment rate as of June 30, 2019, was 3.4% and the national average was 3.7%.
- The City of Morristown was proactive in that it increased the property tax rate twenty-five cents for the 2019 tax year. Additionally, the City of Morristown sold thirty year fixed rate bonds on Thursday, November 7, 2019, with the par amount of the bonds being \$37.25 million. The bonds were sold at a net premium of \$2.6 million and have a true interest cost over the life of the bonds of 2.75%. The bonds were officially closed on December 2, 2019. This strategic planning allowed the City of Morristown to provide additional funding to move forward with construction of the Community Center.
- Phase I construction for Heritage Park was completed during the fall 2019; and on November 16, 2019 the City held a Salute to Heritage Park to celebrate the grand opening of the City's new 50-acre passive park.

During the current fiscal year, the assigned fund balance in the General Fund was \$5,721,167. The City of Morristown has appropriated \$507,500 of this amount for spending in the 2019-2020 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**

---



## CITY OF MORRISTOWN, TENNESSEE

## STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 3)	\$ 22,317,883	\$ 30,216,939	\$ 52,534,822
Receivables, net (Note 4)	19,636,014	11,272,624	30,908,638
Due from other governmental units	1,620	566,280	567,900
Inventories	66,730	2,025,327	2,092,057
Other current assets	31,243	265,548	296,791
Restricted assets:			
Cash and cash equivalents (Note 3)	8,252,775	976,274	9,229,049
Capital assets: (Note 7)			
Non-depreciable	27,101,807	23,591,448	50,693,255
Depreciable, net	44,554,262	212,525,934	257,080,196
Land held for sale (Note 6)	9,076,893	-	9,076,893
Other assets	-	364,119	364,119
Total assets	131,039,227	281,804,493	412,843,720
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows (Note 10)	4,455,446	59,703	4,515,149
OPEB related deferred outflows (Notes 12 and 13)	802,769	32,885	835,654
Total deferred outflows of resources	5,258,215	92,588	5,350,803
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,456,416	10,402,646	12,859,062
Accrued payroll and related liabilities	436,705	2,335,448	2,772,153
Accrued interest payable	99,495	31,574	131,069
Customer deposits	-	3,713,281	3,713,281
Unearned revenue (Note 4)	757,250	258,436	1,015,686
Long-term liabilities:			
Due within one year (Note 8)	2,241,305	7,943,104	10,184,409
Due in more than one year (Note 8)	32,059,367	117,196,713	149,256,080
Net OPEB liability (Notes 12 and 13)	6,896,662	1,989,874	8,886,536
Net pension liability (Note 10)	8,005,399	117,856	8,123,255
Total liabilities	52,952,599	143,988,932	196,941,531
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes and seized funds (Note 4)	13,824,991	-	13,824,991
OPEB related deferred inflows (Notes 12 and 13)	9,237	21,373	30,610
Pension related deferred inflows (Note 10)	1,589,834	24,777	1,614,611
Total deferred inflows of resources	15,424,062	46,150	15,470,212
<b>NET POSITION</b>			
Net investment in capital assets	44,112,071	111,985,630	156,097,701
Restricted for:			
Narcotics	292,969	-	292,969
E-Citation	30,981	-	30,981
Capital projects	14,581,227	-	14,581,227
Public works	1,115,410	-	1,115,410
Airport	35,076	-	35,076
Unrestricted	7,753,047	25,876,369	33,629,416
Total net position	\$ 67,920,781	\$ 137,861,999	\$ 205,782,780

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

## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

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	\$ 5,724,079	\$ 730,749	\$ -	\$ -	\$ (4,993,330)	\$ -	\$ (4,993,330)
Public safety	16,306,668	415,954	174,966	-	(15,715,748)	-	(15,715,748)
Public works	10,736,232	2,132,234	-	347,471	(8,256,527)	-	(8,256,527)
Culture and recreation	2,055,250	122,973	402	-	(1,931,875)	-	(1,931,875)
Civic support	1,622,080	-	-	-	(1,622,080)	-	(1,622,080)
Interest on long-term debt	1,135,318	-	-	-	(1,135,318)	-	(1,135,318)
Total governmental activities	37,579,627	3,401,910	175,368	347,471	(33,654,878)	-	(33,654,878)
Business-type activities:							
Water	6,776,689	7,227,168	-	96,600	-	547,079	547,079
Wastewater	14,297,200	14,415,596	-	169,400	-	287,796	287,796
Stormwater	1,164,915	1,617,918	-	-	-	453,003	453,003
Power	77,796,499	79,519,049	-	-	-	1,722,550	1,722,550
Broadband	8,580,326	8,281,370	-	-	-	(298,956)	(298,956)
Total business-type activities	108,615,629	111,061,101	-	266,000	-	2,711,472	2,711,472
Total	\$ 146,195,256	\$ 114,463,011	\$ 175,368	\$ 613,471	(33,654,878)	2,711,472	(30,943,406)
<b>General revenues:</b>							
Property taxes					11,786,494	-	11,786,494
Local sales taxes					13,389,122	-	13,389,122
Franchise taxes					712,126	-	712,126
Alcohol beverage tax					1,260,568	-	1,260,568
Business and gross receipts tax					1,113,149	-	1,113,149
Lodging tax					767,588	-	767,588
Litigation tax					51,463	-	51,463
Intergovernmental revenue-unrestricted					6,105,485	-	6,105,485
Unrestricted investment earnings					-	596,817	596,817
Other					1,561,606	3,308,719	4,870,325
<b>Transfers (Note 5)</b>					2,036,486	(2,036,486)	-
Total general revenues and transfers					38,784,087	1,869,050	40,653,137
Change in net position					5,129,209	4,580,522	9,709,731
<b>Net position at July 1,</b>					62,791,572	133,281,477	196,073,049
<b>Net position at June 30,</b>					\$ 67,920,781	\$ 137,861,999	\$ 205,782,780

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

## CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2019**

	<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	\$ 10,541,351	\$ 278,329	\$ 7,864,767	\$ 429,253	\$ 19,113,700
Cash and cash equivalents, restricted	-	-	8,252,775	-	8,252,775
Receivables, net	18,443,269	270,925	710,688	9,000	19,433,882
Due from other governmental units	-	-	-	1,620	1,620
Prepaid	1,756	-	-	-	1,756
Inventories	66,730	-	-	-	66,730
Land held for sale	9,076,893	-	-	-	9,076,893
Total assets	<u>\$ 38,129,999</u>	<u>\$ 549,254</u>	<u>\$ 16,828,230</u>	<u>\$ 439,873</u>	<u>\$ 55,947,356</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 602,908	\$ 77,911	\$ 1,587,559	\$ 1,908	\$ 2,270,286
Accrued payroll and related liabilities	425,023	11,682	-	-	436,705
Unearned revenue	757,250	-	-	-	757,250
Total liabilities	<u>1,785,181</u>	<u>89,593</u>	<u>1,587,559</u>	<u>1,908</u>	<u>3,464,241</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/deferred taxes	14,676,853	-	-	114,015	14,790,868
Total deferred inflows of resources	<u>14,676,853</u>	<u>-</u>	<u>-</u>	<u>114,015</u>	<u>14,790,868</u>
<b>FUND BALANCES</b>					
Nonspendable	9,145,379	-	-	-	9,145,379
Restricted	690,825	459,661	14,581,227	323,950	16,055,663
Committed	-	-	659,444	-	659,444
Assigned	6,110,594	-	-	-	6,110,594
Unassigned	5,721,167	-	-	-	5,721,167
Total fund balances	<u>21,667,965</u>	<u>459,661</u>	<u>15,240,671</u>	<u>323,950</u>	<u>37,692,247</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,129,999</u>	<u>\$ 549,254</u>	<u>\$ 16,828,230</u>	<u>\$ 439,873</u>	<u>\$ 55,947,356</u>

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

## CITY OF MORRISTOWN, TENNESSEE

**RECONCILIATION OF BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2019**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 37,692,247</b>
<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.	71,656,069
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	965,877
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	(32,707,643)
Accrued interest payable	(99,495)
Compensated absences	(1,593,029)
Deferred amounts:	
Deferred outflows of resources for change in pension assumptions.	1,312,118
Deferred outflows of resources for the difference between projected and actual earnings to the pension plan.	1,006,025
Deferred outflows of resources for 2019 employer pension plan contributions.	2,137,303
Deferred inflows of resources for the difference between actual and expected experience related to the pension plan.	(1,572,568)
Deferred inflows of resources for the difference between projected and actual earnings to the pension plan.	(17,266)
Deferred outflows of resources for the difference between actual and expected experience related to the OPEB plan.	337,831
Deferred outflows of resources change in OPEB assumptions.	464,938
Deferred inflows of resources for OPEB.	(9,237)
Net pension liability	(8,005,399)
Net OPEB liability	(6,896,662)
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.	3,249,672
Net position of governmental activities	<u><u>\$ 67,920,781</u></u>

-

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<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	\$ 12,036,278	\$ -	\$ -	\$ -	\$ 12,036,278
Sales tax	13,389,122	-	-	-	13,389,122
Other local taxes	3,904,894	-	-	-	3,904,894
Licenses, permits, and fines	426,202	-	-	72,955	499,157
Charges for services	770,519	2,132,234	-	-	2,902,753
Other	901,819	-	624,012	35,775	1,561,606
Intergovernmental	5,430,323	-	1,198,001	-	6,628,324
Total revenues	<u>36,859,157</u>	<u>2,132,234</u>	<u>1,822,013</u>	<u>108,730</u>	<u>40,922,134</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,542,957	-	1,404,108	-	5,947,065
Public safety	16,645,427	-	237,226	41,318	16,923,971
Public works	6,863,299	1,859,489	7,086,883	-	15,809,671
Culture and recreation	2,068,403	-	2,439,694	-	4,508,097
Civic support □	1,622,080	-	-	-	1,622,080
Retiree health insurance	536,776	-	-	-	536,776
Debt service:					
Principal retirement	1,648,742	26,643	-	-	1,675,385
Interest and fiscal charges	1,147,625	5,846	-	-	1,153,471
Total expenditures	<u>35,075,309</u>	<u>1,891,978</u>	<u>11,167,911</u>	<u>41,318</u>	<u>48,176,516</u>
Excess (deficiency) of revenues over expenditures	<u>1,783,848</u>	<u>240,256</u>	<u>(9,345,898)</u>	<u>67,412</u>	<u>(7,254,382)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payments to refunded bond escrow	(11,092,095)	-	-	-	(11,092,095)
Issuance of debt	9,940,000	-	9,250,000	-	19,190,000
Premium on debt issuance	1,285,223	-	123,884	-	1,409,107
Transfers in	2,036,486	-	7,189,100	-	9,225,586
Transfers out	(7,189,100)	-	-	-	(7,189,100)
Total other financing sources (uses)	<u>(5,019,486)</u>	<u>-</u>	<u>16,562,984</u>	<u>-</u>	<u>11,543,498</u>
Net change in fund balance	<u>(3,235,638)</u>	<u>240,256</u>	<u>7,217,086</u>	<u>67,412</u>	<u>4,289,116</u>
<b>FUND BALANCES AT JULY 1,</b>	<u>24,903,603</u>	<u>219,405</u>	<u>8,023,585</u>	<u>256,538</u>	<u>33,403,131</u>
<b>FUND BALANCES AT JUNE 30,</b>	<u><u>\$ 21,667,965</u></u>	<u><u>\$ 459,661</u></u>	<u><u>\$ 15,240,671</u></u>	<u><u>\$ 323,950</u></u>	<u><u>\$ 37,692,247</u></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, 2019**

<b>Net changes in fund balances - Governmental Funds</b>	<b>\$ 4,289,116</b>
<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	11,421,599
Loss on disposal of assets	(72,227)
Depreciation expense	(3,849,835)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(249,784)
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	1,675,385
Refunding of debt	11,092,095
Issuance of debt	(19,190,000)
Premium on debt issuance	(1,409,107)
Amortization of premium	77,232
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest payable	(59,079)
Change in compensated absences	(65,790)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense.	(1,819,293)
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.	1,430,775
The internal service fund is used by management to account for the claims and premiums for employee health insurance. The change in net position of internal service funds is reported with governmental activities.	1,858,122
<b>Change in net position of governmental activities</b>	<b>\$ 5,129,209</b>

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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis Expenditures</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>						
Taxes:						
General property	\$ 11,267,000	\$ 11,452,000	\$ 12,036,278	\$ -	\$ 12,036,278	\$ 584,278
Sales tax	12,870,000	12,870,000	13,389,122	-	13,389,122	519,122
Other local taxes	3,690,000	3,690,000	3,904,894	-	3,904,894	214,894
Licenses and permits	330,000	330,000	426,202	-	426,202	96,202
Charges for services	753,000	753,000	770,519	-	770,519	17,519
Other	481,000	506,000	901,819	-	901,819	395,819
Intergovernmental	7,677,894	5,490,878	5,430,323	-	5,430,323	(60,555)
<b>Total revenues</b>	<b>37,068,894</b>	<b>35,091,878</b>	<b>36,859,157</b>	<b>-</b>	<b>36,859,157</b>	<b>1,767,279</b>
<b>EXPENDITURES</b>						
General government:						
Mayor and City Council	274,357	252,810	195,972	-	195,972	56,838
Council elections	18,000	18,000	19,569	-	19,569	(1,569)
City administrator	842,615	829,227	791,162	748	791,910	37,317
Finance department	891,425	901,425	872,649	524	873,173	28,252
Purchasing department	67,238	67,238	64,384	-	64,384	2,854
Computer operations	276,191	276,191	246,992	2,994	249,986	26,205
Human resources	175,453	171,553	151,052	-	151,052	20,501
Risk management	181,258	181,258	176,069	300	176,369	4,889
Court administration	93,804	95,592	90,228	-	90,228	5,364
Legal	205,835	205,835	57,375	-	57,375	148,460
Community and economic affairs	881,557	876,557	773,053	19,351	792,404	84,153
Engineering	240,311	260,311	217,943	43,557	261,500	(1,189)
GIS	265,431	265,431	258,908	1,380	260,288	5,143
Inspections	540,791	540,791	469,029	-	469,029	71,762
Natural resource maintenance	257,594	257,594	158,572	1,674	160,246	97,348
<b>Total general government</b>	<b>5,211,860</b>	<b>5,199,813</b>	<b>4,542,957</b>	<b>70,528</b>	<b>4,613,485</b>	<b>586,328</b>
Public safety:						
Police supervision	799,168	799,168	735,830	6,416	742,246	56,922
Patrol and traffic	5,002,225	4,786,895	4,792,526	31,008	4,823,534	(36,639)
Police investigation	1,512,974	1,472,405	1,272,810	31,779	1,304,589	167,816
Police support	805,179	1,037,212	1,016,229	3,955	1,020,184	17,028
Litter Crew	84,494	84,494	82,205	570	82,775	1,719
Chaplains	8,650	8,650	1,375	-	1,375	7,275
Narcotics	683,479	720,329	732,284	-	732,284	(11,955)
Code enforcement	195,016	180,016	136,715	278	136,993	43,023
Fire supervision	696,235	696,235	641,733	240	641,973	54,262
Fire inspection	148,121	148,121	133,908	338	134,246	13,875
Fire stations	204,275	204,275	180,049	2,184	182,233	22,042
Firefighting	7,037,757	7,037,757	6,919,763	(11,729)	6,908,034	129,723
<b>Total public safety</b>	<b>17,177,573</b>	<b>17,175,557</b>	<b>16,645,427</b>	<b>65,039</b>	<b>16,710,466</b>	<b>465,091</b>

(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, 2019**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
<b>EXPENDITURES (Continued)</b>						
Public works:						
Public works supervision	\$ 326,004	\$ 326,004	\$ 266,437	\$ 61	\$ 266,498	\$ 59,506
Building and grounds	710,206	630,206	533,637	4,147	537,784	92,422
Equipment shop	619,533	619,533	545,498	349	545,847	73,686
Repairs and maintenance	1,721,190	1,828,237	1,634,972	6,561	1,641,533	186,704
Street lighting and signs	849,401	849,401	798,015	9,985	808,000	41,401
Brush pick-up and snow removal	1,500,004	1,645,004	1,283,812	196,082	1,479,894	165,110
Sidewalks	180,000	175,000	82,261	2,702	84,963	90,037
Traffic devices	265,500	300,500	288,209	(12,156)	276,053	24,447
Communication shop	200,118	215,118	204,826	(4,125)	200,701	14,417
Pavement management system	2,106,570	1,106,570	859,220	600,897	1,460,117	(353,547)
Airport	1,917,500	717,500	366,412	14,703	381,115	336,385
Total public works	10,396,026	8,413,073	6,863,299	819,206	7,682,505	730,568
Culture and recreation:						
Parks and recreation supervision	487,828	537,157	522,808	-	522,808	14,349
Playgrounds and programs	540,106	500,106	431,187	17,318	448,505	51,601
Parks and maintenance	1,242,972	1,258,643	1,114,408	38,912	1,153,320	105,323
Total culture and recreation	2,270,906	2,295,906	2,068,403	56,230	2,124,633	171,273
Civic support:						
Contributions to local agencies	250,000	250,000	250,000	-	250,000	-
Animal control	137,880	137,880	137,880	-	137,880	-
E-911 district	265,472	265,472	260,985	-	260,985	4,487
Economic development	274,000	446,650	304,329	-	304,329	142,321
Emergency management agency	35,000	35,000	25,107	-	25,107	9,893
Library	278,150	278,150	278,150	-	278,150	-
TIF payments	300,000	312,350	312,348	-	312,348	2
LAMTPO Local Match	25,000	25,000	45,281	-	45,281	(20,281)
Crockett Tavern Association	8,000	8,000	8,000	-	8,000	-
Total civic support	1,573,502	1,758,502	1,622,080	-	1,622,080	136,422

(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, 2019**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
EXPENDITURES (Continued)						
Retiree health insurance	\$ 700,000	\$ 700,000	\$ 536,776	\$ -	\$ 536,776	\$ 163,224
Debt service:						
Principal	1,558,514	1,558,514	1,648,742	-	1,648,742	(90,228)
Interest	1,385,668	1,385,668	982,012	-	982,012	403,656
Bond expense	150,000	283,125	165,613	-	165,613	117,512
Total debt service	3,094,182	3,227,307	2,796,367	-	2,796,367	430,940
Total expenditures	40,424,049	38,770,158	35,075,309	1,011,003	36,086,312	2,683,846
Excess (deficiency) of revenues over expenditures	(3,355,155)	(3,678,280)	1,783,848	(1,011,003)	772,845	4,451,125
OTHER FINANCING SOURCES (USES)						
Payments to refunded bond escrow	-	(11,092,098)	(11,092,095)	-	(11,092,095)	3
Issuance of debt	-	9,940,000	9,940,000	-	9,940,000	-
Premium on debt issuance	-	1,285,223	1,285,223	-	1,285,223	-
Transfers in	1,861,040	1,861,040	2,036,486	-	2,036,486	175,446
Transfers out	(3,600,000)	(7,189,100)	(7,189,100)	-	(7,189,100)	-
Net other financing sources (uses)	(1,738,960)	(5,194,935)	(5,019,486)	-	(5,019,486)	175,449
Net change in fund balance	(5,094,115)	(8,873,215)	(3,235,638)	(1,011,003)	(4,246,641)	4,626,574
Fund balance, July 1, 2018	22,945,595	22,945,595	24,903,603	-	24,903,603	-
Fund balance, June 30, 2019	\$ 17,851,480	\$ 14,072,380	\$ 21,667,965	\$ (1,011,003)	\$ 20,656,962	\$ 4,626,574

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, 2019

	Budgeted Amounts		Actual	Encumbrances	Budgetary	Variance with
	Original	Final	Amounts		Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Charges for services	\$ 2,047,500	\$ 2,047,500	\$ 2,132,234	\$ -	\$ 2,132,234	\$ 84,734
Total revenues	2,047,500	2,047,500	2,132,234	-	2,132,234	84,734
EXPENDITURES						
Public works:						
Sanitation department	1,560,963	1,639,181	1,629,686	19,662	1,649,348	(10,167)
Curbside recycle	266,644	265,644	229,803	235	230,038	35,606
Debt service:						
Principal	25,802	26,802	26,643	-	26,643	159
Interest	5,957	5,957	5,846	-	5,846	111
Paying agent fees	500	500	-	-	-	500
Total expenditures	1,859,866	1,938,084	1,891,978	19,897	1,911,875	26,209
Excess (Deficiency) of revenues over expenditures	187,634	109,416	240,256	(19,897)	220,359	110,943
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Net change in fund balance	187,634	109,416	240,256	(19,897)	220,359	110,943
Fund balance, July 1, 2018	201,466	201,466	219,405	-	219,405	-
Fund balance, June 30, 2019	\$ 389,100	\$ 310,882	\$ 459,661	\$ (19,897)	\$ 439,764	\$ 110,943

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, 2019**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 10,566,048	\$ 13,521,025	\$ 2,748,630	\$ 1,003,259	\$ 2,377,977	\$ -	\$ 30,216,939	\$ 3,204,183
Receivables, net	682,101	9,884,195	227,974	83,955	394,399	-	11,272,624	202,132
Due from other funds	67,394	748,893	-	-	-	(816,287)	-	-
Due from other governmental units	156,374	394,463	15,443	-	-	-	566,280	-
Other current assets	35,653	36,427	18,563	174,905	-	-	265,548	29,487
Inventories	252,089	1,324,261	377,802	-	71,175	-	2,025,327	-
Total current assets	11,759,659	25,909,264	3,388,412	1,262,119	2,843,551	(816,287)	44,346,718	3,435,802
Noncurrent assets:								
Cash and cash equivalents, restricted	743,144	199,648	33,482	-	-	-	976,274	-
Advances from other funds	-	1,565,340	-	-	-	(1,565,340)	-	-
Other assets	-	287,136	-	-	76,983	-	364,119	-
Capital assets:								
Non-depreciable	13,173,673	7,007,764	2,747,949	43,176	618,886	-	23,591,448	-
Depreciable, net	94,112,699	62,952,299	37,833,554	12,082,791	5,544,591	-	212,525,934	-
Total noncurrent assets	108,029,516	72,012,187	40,614,985	12,125,967	6,240,460	(1,565,340)	237,457,775	-
Total assets	119,789,175	97,921,451	44,003,397	13,388,086	9,084,011	(2,381,627)	281,804,493	3,435,802
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Pension related deferred outflows	-	-	-	-	59,703	-	59,703	-
OPEB related deferred outflows	3,039	18,770	6,959	4,117	-	-	32,885	-
Total deferred outflows of resources	3,039	18,770	6,959	4,117	59,703	-	92,588	-
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable and accrued liabilities	2,003,325	7,669,129	268,993	414,196	47,003	-	10,402,646	186,130
Accrued payroll and related liabilities	272,280	1,426,975	399,440	228,984	7,769	-	2,335,448	-
Accrued interest payable	-	-	-	-	31,574	-	31,574	-
Customer deposits	-	3,594,631	-	118,650	-	-	3,713,281	-

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

(Continued)

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2019**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total
<b>LIABILITIES (Continued)</b>							
Current liabilities: (Continued)							
Due to other funds	\$ -	\$ 67,394	\$ 93,364	\$ 655,529	\$ -	\$ (816,287)	\$ -
Compensated absences	-	-	-	-	8,624	-	8,624
Unearned revenues	-	-	-	258,436	-	-	258,436
Bonds, leases, and contracts payable	4,930,833	1,075,000	988,569	728,264	211,814	-	7,934,480
Total current liabilities	7,206,438	13,833,129	1,750,366	2,404,059	306,784	(816,287)	24,684,489
Noncurrent liabilities:							
Advances to other funds	-	-	-	1,565,340	-	(1,565,340)	-
Compensated absences	-	-	-	-	20,123	-	20,123
Other post-employment benefits	137,114	1,194,918	442,632	215,210	-	-	1,989,874
Net pension liability	-	-	-	-	117,856	-	117,856
Bonds, leases, and contracts payable	79,598,943	19,812,509	8,843,816	5,177,667	3,743,655	-	117,176,590
Total noncurrent liabilities	79,736,057	21,007,427	9,286,448	6,958,217	3,881,634	(1,565,340)	119,304,443
Total liabilities	86,942,495	34,840,556	11,036,814	9,362,276	4,188,418	(2,381,627)	143,988,932
<b>DEFERRED INFLOWS OF RESOURCES</b>							
OPEB related deferred inflows	1,698	12,318	4,823	2,534	-	-	21,373
Pension related deferred inflows	-	-	-	-	24,777	-	24,777
Total deferred inflows of resources	1,698	12,318	4,823	2,534	24,777	-	46,150
<b>NET POSITION</b>							
Net investment in capital assets	23,502,779	49,272,202	30,782,600	6,220,041	2,208,008	-	111,985,630
Unrestricted	9,345,242	13,815,145	2,186,119	(2,192,648)	2,722,511	-	25,876,369
Total net position	\$ 32,848,021	\$ 63,087,347	\$ 32,968,719	\$ 4,027,393	\$ 4,930,519	\$ -	\$ 137,861,999
							\$ 3,249,672

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, 2019**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
OPERATING REVENUES								
Charges for services	\$ 14,415,596	\$ 79,519,049	\$ 7,227,168	\$ 8,281,370	\$ 1,617,918	\$ -	\$ 111,061,101	\$ 6,064,171
Interfund services	55,352	1,329,527	510,173	1,761,300	-	(3,656,352)	-	-
Other	1,183,285	1,558,033	28,451	526,248	12,702	-	3,308,719	-
Total operating revenues	15,654,233	82,406,609	7,765,792	10,568,918	1,630,620	(3,656,352)	114,369,820	6,064,171
OPERATING EXPENSES								
Operations	5,431,806	5,406,962	3,998,442	6,943,378	288,160	-	22,068,748	-
Maintenance	1,316,040	2,984,017	763,410	433,917	413,310	-	5,910,694	-
Power purchased	-	63,322,001	-	-	-	-	63,322,001	-
Depreciation and amortization	4,727,277	4,866,000	1,748,020	848,486	343,011	-	12,532,794	-
Interfund services	553,010	1,447,982	460,309	1,195,051	-	(3,656,352)	-	-
Other	-	375,016	-	127,053	-	-	502,069	-
Insurance claims and expenses	-	-	-	-	-	-	-	4,206,049
Total operating expenses	12,028,133	78,401,978	6,970,181	9,547,885	1,044,481	(3,656,352)	104,336,306	4,206,049
Operating income	3,626,100	4,004,631	795,611	1,021,033	586,139	-	10,033,514	1,858,122
NONOPERATING REVENUES (EXPENSES)								
Interest income	199,540	315,417	47,959	13,801	20,100	-	596,817	-
Other expense	(219,358)	(108,874)	-	(42,113)	-	-	(370,345)	-
Interest expense	(2,602,719)	(733,629)	(266,817)	(185,379)	(120,434)	-	(3,908,978)	-
Total nonoperating expenses	(2,622,537)	(527,086)	(218,858)	(213,691)	(100,334)	-	(3,682,506)	-
Income before contributions and transfers	1,003,563	3,477,545	576,753	807,342	485,805	-	6,351,008	1,858,122
Capital contributions	169,400	-	96,600	-	-	-	266,000	-
Transfers out	(679,457)	(1,291,722)	(36,120)	-	(29,187)	-	(2,036,486)	-
Change in net position	493,506	2,185,823	637,233	807,342	456,618	-	4,580,522	1,858,122
NET POSITION AT JULY 1,	32,354,515	60,901,524	32,331,486	3,220,051	4,473,901	-	133,281,477	1,391,550
NET POSITION AT JUNE 30,	\$ 32,848,021	\$ 63,087,347	\$ 32,968,719	\$ 4,027,393	\$ 4,930,519	\$ -	\$ 137,861,999	\$ 3,249,672

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, 2019**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
<b>OPERATING ACTIVITIES</b>								
Receipts from customers	\$ 15,586,818	\$ 80,611,158	\$ 7,762,544	\$ 10,522,938	\$ 1,390,905	\$ (3,656,352)	\$ 112,218,011	\$ 6,241,514
Payments to suppliers	(6,769,791)	(66,805,690)	(3,727,172)	(6,619,778)	(371,545)	3,656,352	(80,637,624)	(4,518,667)
Payments to employees	(1,888,723)	(6,207,223)	(1,612,338)	(2,060,005)	(297,495)	-	(12,065,784)	-
Other receipts	-	1,784,744	-	-	12,702	-	1,797,446	-
Net cash provided by operating activities	6,928,304	9,382,989	2,423,034	1,843,155	734,567	-	21,312,049	1,722,847
<b>NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers to other funds	(679,457)	(1,229,644)	(36,120)	-	(29,187)	-	(1,974,408)	-
Interfund borrowing (repayments)	(128,410)	941,739	123,702	(937,031)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(807,867)	(287,905)	87,582	(937,031)	(29,187)	-	(1,974,408)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchases of capital assets	(7,478,124)	(10,866,325)	(1,756,092)	(726,138)	(487,751)	-	(21,314,430)	-
Contribution of capital by other governments	169,400	-	96,600	-	-	-	266,000	-
Proceeds from issuance of long-term debt	35,717,239	22,044,089	-	3,993,947	-	-	61,755,275	-
Principal paid on debt and contractual obligations	(30,234,495)	(17,267,172)	(962,903)	(4,616,094)	(211,735)	-	(53,292,399)	-
Financing cost paid on long-term debt	(374,359)	(295,454)	-	(70,147)	-	-	(739,960)	-
Interest paid on capital debt	(2,656,064)	(733,629)	(266,817)	(185,379)	(134,489)	-	(3,976,378)	-
Net cash used in capital and related financing activities	(4,856,403)	(7,118,491)	(2,889,212)	(1,603,811)	(833,975)	-	(17,301,892)	-
<b>INVESTING ACTIVITIES</b>								
Interest received	199,540	315,417	47,959	13,801	20,100	-	596,817	-
Net cash provided by investing activities	199,540	315,417	47,959	13,801	20,100	-	596,817	-
Net increase (decrease) in cash and cash equivalents	1,463,574	2,292,010	(330,637)	(683,886)	(108,495)	-	2,632,566	1,722,847

(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, 2019**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
<b>CASH AND CASH EQUIVALENTS</b>								
Beginning at July 1	\$ 9,845,618	\$ 11,428,663	\$ 3,112,749	\$ 1,687,145	\$ 2,486,472	\$ -	\$ 28,560,647	\$ 1,481,336
Ending at June 30	<u>\$ 11,309,192</u>	<u>\$ 13,720,673</u>	<u>\$ 2,782,112</u>	<u>\$ 1,003,259</u>	<u>\$ 2,377,977</u>	<u>\$ -</u>	<u>\$ 31,193,213</u>	<u>\$ 3,204,183</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>								
Cash and cash equivalents	\$ 10,566,048	\$ 13,521,025	\$ 2,748,630	\$ 1,003,259	\$ 2,377,977	\$ -	\$ 30,216,939	\$ 3,204,183
Cash and cash equivalents, restricted	<u>743,144</u>	<u>199,648</u>	<u>33,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>976,274</u>	<u>-</u>
	<u>\$ 11,309,192</u>	<u>\$ 13,720,673</u>	<u>\$ 2,782,112</u>	<u>\$ 1,003,259</u>	<u>\$ 2,377,977</u>	<u>\$ -</u>	<u>\$ 31,193,213</u>	<u>\$ 3,204,183</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>								
Operating income	\$ 3,626,100	\$ 4,004,631	\$ 795,611	\$ 1,021,033	\$ 586,139	\$ -	\$ 10,033,514	\$ 1,858,122
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	4,825,747	4,955,036	1,748,020	888,634	343,011	-	12,760,448	-
Pension expense net of employer contributions	-	-	-	-	(20,739)	-	(20,739)	-
Change in assets and liabilities:								
(Increase) decrease in:								
Receivables, net	(67,415)	717,967	(3,248)	(44,610)	(227,013)	-	375,681	(120,905)
Unbilled/unearned revenues	-	-	-	-	-	-	-	-
Inventories	(10,494)	(19,921)	(29,379)	-	18,153	-	(41,641)	-
Other current assets	(13,674)	(38,074)	(9,926)	(29,336)	8,554	-	(82,456)	(3,898)
Deferred outflows	(3,039)	(18,770)	(6,959)	(4,117)	-	-	(32,885)	-
(Decrease) increase in:								
Accounts payable and accrued liabilities	(1,597,108)	252,394	(81,758)	(20,991)	15,058	-	(1,432,405)	(10,472)
Accrued payroll and related liabilities	-	-	-	-	(1,464)	-	(1,464)	-
Customer deposits	-	(690,600)	-	(150)	-	-	(690,750)	-
Total OPEB liability	37,059	93,294	23,602	30,075	-	-	184,030	-
Deferred inflows of resources	(192)	(1,720)	(725)	(277)	-	-	(2,914)	-
Other liabilities	<u>131,320</u>	<u>128,752</u>	<u>(12,204)</u>	<u>2,894</u>	<u>12,868</u>	<u>-</u>	<u>263,630</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 6,928,304</u>	<u>\$ 9,382,989</u>	<u>\$ 2,423,034</u>	<u>\$ 1,843,155</u>	<u>\$ 734,567</u>	<u>\$ -</u>	<u>\$ 21,312,049</u>	<u>\$ 1,722,847</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Capital asset purchases financed by accounts payable	<u>\$ 492,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,952</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, 2019

	Fiduciary Funds	
	Trust Funds	LAMTPO Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 28,539	\$ 237,614
Investments	750,360	-
Grants receivable	-	38,110
Total assets	778,899	275,724
<b>LIABILITIES</b>		
Accounts payable	-	17,019
Accrued payroll and related liabilities	-	1,563
Amounts held for others	-	257,142
Total liabilities	-	275,724
<b>NET POSITION</b>		
Net position restricted for post-employment benefits	\$ 778,899	\$ -

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, 2019

	<b>Trust Funds</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 175,223
Investment earnings:	
Dividends and capital gains	11,443
Net increase in fair value of investments	<u>47,569</u>
Total additions	<u>234,235</u>
<b>DEDUCTIONS</b>	
Benefits	75,456
Administrative expenses	<u>3,000</u>
Total deductions	<u>78,456</u>
Change in net position	155,779
Net position – beginning of the year	<u>623,120</u>
Net position – end of the year	<u><u>\$ 778,899</u></u>

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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, 2019

#### 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, 2019**

**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 LAMTPO 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.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

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

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

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

##### **D. Cash and Cash Equivalents**

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

##### **E. Accounts Receivable**

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

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

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.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

##### **F. Inventories**

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

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

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

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

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

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

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

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

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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 a change in assumptions related to the OPEB liability. This will be recognized in OPEB expense over a closed five year period. The fifth item is the net difference between projected and actual earning on pension plan investments, which will be recognized in expense over a closed five year period. The sixth item is the net difference between projected and actual earning on OPEB 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, 2019

#### 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 Administrator 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, 2019**

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

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

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

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

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

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

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

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

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

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

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

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

The City's budgetary basis is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis, if any, is presented on the face of each budgetary schedule. The capital projects fund does not have a legally adopted budget.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**B. Excess of Expenditure over Appropriations**

For the fiscal year ended June 30, 2019, 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, 2019.

**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, 2019, the City's cash consisted of:

Cash on hand	\$ 6,970
Deposits	<u>61,756,901</u>
Total deposits and investments	<u><u>\$ 61,763,871</u></u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 52,534,822
Cash and cash equivalents, restricted	<u>9,229,049</u>
Total deposits and investments	<u><u>\$ 61,763,871</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, 2019**

**Note 4. Receivables, Net**

Receivables are as follows:

<b>Governmental Activities</b>						
	<b>General</b>	<b>Solid Waste</b>	<b>Capital Projects</b>	<b>Narcotics</b>	<b>Internal Service</b>	<b>Total</b>
Receivables:						
Taxes	\$ 15,169,714	\$ -	\$ -	\$ -	\$ -	\$ 15,169,714
Accounts	3,761,474	292,230	710,688	9,000	-	4,773,392
Other	-	-	-	-	202,132	202,132
	<u>18,931,188</u>	<u>292,230</u>	<u>710,688</u>	<u>9,000</u>	<u>202,132</u>	<u>20,145,238</u>
Less: allowance for uncollectibles	<u>(487,919)</u>	<u>(21,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509,224)</u>
Receivables, net	<u>\$ 18,443,269</u>	<u>\$ 270,925</u>	<u>\$ 710,688</u>	<u>\$ 9,000</u>	<u>\$ 202,132</u>	<u>\$ 19,636,014</u>
<b>Business-Type Activities</b>						
	<b>Wastewater</b>	<b>Stormwater</b>	<b>Power</b>	<b>Water</b>	<b>Broadband</b>	<b>Total</b>
Receivables:						
Accounts	\$ 682,101	\$ 567,275	\$ 10,177,146	\$ 227,974	\$ 83,955	\$ 11,738,451
Less: allowance for uncollectibles	<u>-</u>	<u>(172,876)</u>	<u>(292,951)</u>	<u>-</u>	<u>-</u>	<u>(465,827)</u>
Receivables, net	<u>\$ 682,101</u>	<u>\$ 394,399</u>	<u>\$ 9,884,195</u>	<u>\$ 227,974</u>	<u>\$ 83,955</u>	<u>\$ 11,272,624</u>

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

	<b>Unavailable/ Unearned</b>	<b>Unearned</b>
Included in receivables:		
Property taxes	\$ 14,588,230	\$ 13,710,976
Other taxes	<u>88,623</u>	<u>-</u>
	<u>14,676,853</u>	<u>13,710,976</u>
Included in cash:		
Unearned lease proceeds	757,250	757,250
Seized funds escrow	<u>114,015</u>	<u>114,015</u>
	<u>871,265</u>	<u>871,265</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 15,548,118</u>	<u>\$ 14,582,241</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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	\$ 2,211,000
Power System	Broadband	Operating and maintenance costs	9,869
Power	Water	Operating and maintenance costs	93,364
Wastewater	Power	Operating and maintenance costs	67,394
			<u>\$ 2,381,627</u>

Interfund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 2,036,486	\$ 7,189,100
Capital Projects	7,189,100	-
Water System	-	36,120
Power System	-	1,291,722
Stormwater System	-	29,187
Wastewater System	-	679,457
	<u>\$ 9,225,586</u>	<u>\$ 9,225,586</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, 2019**

**Note 6. Land Held for Sale**

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2019, the balance was \$9,076,893.

**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	\$ 117,368	\$ -	\$ 14,215,931
Construction in progress	5,294,157	10,533,390	2,941,671	12,885,876
Total capital assets, not depreciated	19,392,720	10,650,758	2,941,671	27,101,807
Capital assets, depreciated				
Buildings	19,879,981	1,905,858	-	21,785,839
Improvements other than buildings	14,536,162	233,559	-	14,769,721
Infrastructure	51,953,098	730,028	-	52,683,126
Motor vehicles	5,065,393	640,076	77,375	5,628,094
Machinery and equipment	14,244,681	130,764	26,839	14,348,606
Total capital assets depreciated	105,679,315	3,640,285	104,214	109,215,386
Less accumulated depreciation for:				
Buildings	(9,005,938)	(375,936)	-	(9,381,874)
Improvements other than buildings	(11,782,711)	(246,409)	-	(12,029,120)
Infrastructure	(27,873,430)	(2,198,213)	-	(30,071,643)
Motor vehicles	(2,759,754)	(621,864)	77,375	(3,304,243)
Machinery and equipment	(9,493,670)	(407,413)	26,839	(9,874,244)
Total accumulated depreciation	(60,915,503)	(3,849,835)	104,214	(64,661,124)
Total capital assets, depreciated, net	44,763,812	(209,550)	-	44,554,262
Governmental activities, capital activities, capital	<u>\$ 64,156,532</u>	<u>\$ 10,441,208</u>	<u>\$ 2,941,671</u>	<u>\$ 71,656,069</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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	\$ 69,278	\$ -	\$ 2,729,137
Construction in progress	29,716,616	21,815,720	30,670,025	20,862,311
Total capital assets, not depreciated	32,376,475	21,884,998	30,670,025	23,591,448
Capital assets, depreciated				
Buildings and improvements	25,017,036	1,411,514	-	26,428,550
Transmission and distribution	286,400,556	25,863,959	688,470	311,576,045
Machinery and equipment	42,784,448	3,104,763	137,628	45,751,583
Total capital assets depreciated	354,202,040	30,380,236	826,098	383,756,178
Less accumulated depreciation for:				
Buildings and improvements	(8,059,356)	(497,028)	-	(8,556,384)
Transmission and distribution	(125,830,431)	(9,803,775)	1,248,463	(134,385,743)
Machinery and equipment	(25,960,538)	(2,405,683)	78,104	(28,288,117)
Total accumulated depreciation	(159,850,325)	(12,706,486)	1,326,567	171,230,244
Total capital assets, depreciated, net	194,351,715	17,673,750	500,469	212,525,934
Business-type activities, capital activities, capital	\$ 226,728,190	\$ 39,558,748	\$ 30,169,556	\$ 236,117,382

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 464,201
Public safety	622,432
Public works	2,625,052
Culture and recreation	138,150
	<u>\$ 3,849,835</u>

Business-type activities:

Stormwater	\$ 343,011
Water	1,748,020
Power	4,905,778
Wastewater	4,825,747
Broadband	888,634
	<u>\$ 12,711,190</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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 \$98,470 for the wastewater system, \$89,036 for the power system, and \$40,148 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	\$ 22,691,677	\$ 19,190,000	\$ 12,432,480	\$ 29,449,197	\$ 1,428,396
Net discounts/premiums	271,571	1,409,107	77,232	1,603,446	-
Notes payable	1,990,000	-	335,000	1,655,000	335,000
Compensated absences	1,527,239	2,644,277	2,578,487	1,593,029	477,909
	<u>\$ 26,480,487</u>	<u>\$ 23,243,384</u>	<u>\$ 15,423,199</u>	<u>\$ 34,300,672</u>	<u>\$ 2,241,305</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	\$ 40,882,322	\$ 57,910,000	\$ 19,555,024	\$ 79,237,298	\$ 3,407,935
Net discounts/premiums	1,134,648	3,845,276	435,443	4,544,481	-
Total bonds payable	42,016,970	61,755,276	19,990,467	83,781,779	3,407,935
Notes payable	72,628,190	-	33,647,727	38,980,463	4,368,699
Contractual obligations	2,134,530	-	66,720	2,067,810	100,582
Capital leases	10,282	293,664	22,928	281,018	57,264
Compensated absences	15,879	39,714	26,846	28,747	8,624
	<u>\$ 116,805,851</u>	<u>\$ 62,088,654</u>	<u>\$ 53,754,688</u>	<u>\$ 125,139,817</u>	<u>\$ 7,943,104</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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
2020	\$ 1,428,396	\$ 1,148,657	\$ 335,000	\$ 30,643	\$ 1,763,396	\$ 1,179,300
2021	1,496,407	1,085,057	330,000	23,793	1,826,407	1,108,850
2022	1,579,417	1,018,224	330,000	16,995	1,909,417	1,035,219
2023	1,658,031	947,491	330,000	10,197	1,988,031	957,688
2024	1,751,644	873,104	330,000	3,399	2,081,644	876,503
2025-2029	8,843,023	3,144,269	-	-	8,843,023	3,144,269
2030-2034	4,700,397	1,922,354	-	-	4,700,397	1,922,354
2035-2039	4,786,809	1,157,227	-	-	4,786,809	1,157,227
2040-2042	3,205,073	251,387	-	-	3,205,073	251,387
	<u>\$ 29,449,197</u>	<u>\$ 11,547,770</u>	<u>\$ 1,655,000</u>	<u>\$ 85,027</u>	<u>\$ 31,104,197</u>	<u>\$ 11,632,797</u>

Year Ending June 30,	Business-Type Activities					
	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,407,935	\$ 2,882,212	\$ 4,368,699	\$ 880,880	\$ 7,776,634	\$ 3,763,092
2021	4,383,017	2,887,776	3,455,250	781,823	7,838,267	3,669,599
2022	4,508,098	2,694,212	3,540,546	699,644	8,048,644	3,393,856
2023	4,623,196	2,494,520	3,199,982	619,667	7,823,178	3,114,187
2024	4,748,294	2,289,201	3,283,211	542,431	8,031,505	2,831,632
2025-2029	24,742,949	8,081,768	11,706,763	1,744,281	36,449,712	9,826,049
2030-2034	22,955,720	3,795,546	7,237,046	602,963	30,192,766	4,398,509
2035-2039	9,868,089	629,750	2,188,966	38,932	12,057,055	668,682
	<u>\$ 79,237,298</u>	<u>\$ 25,754,985</u>	<u>\$ 38,980,463</u>	<u>\$ 5,910,621</u>	<u>\$ 118,217,761</u>	<u>\$ 31,665,606</u>

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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, 2019
<b><u>Governmental Activities</u></b>					
General long-term debt					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	\$ 2,848,203	\$ 2,051,875
Capital Outlay Note	2.06%	2011	2011-2024	3,750,000	1,551,562
2018 Public Improvement and Refunding (\$64M)	3.00-5.00%	2019	2018-2042	19,190,000	18,225,000
Capital projects					
2017 GO (\$9.71M)	3.00-3.75%	3/30/2017	2018-2042	9,710,000	9,055,000
Solid waste					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	162,919	117,322
Capital Outlay Note	2.06%	2011	2011-2024	250,000	103,438
Total governmental activities				<u>\$ 35,911,122</u>	<u>\$ 31,104,197</u>
<b><u>Enterprise Funds</u></b>					
Wastewater system					
State Revolving Fund 07-203	2.06%	2007	Various	\$ 12,500,000	\$ 6,721,645
2009 CWSRF Promissory Note	2.73%	2011	Various	1,600,000	938,659
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	5,000,000	1,374,153
2012 General Obligation Bonds	Variable	2012	2012-2037	26,000,000	19,481,617
2013 Public Improvement (\$20M)	3.65%	2013	2013-2033	20,000,000	1,000,000
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2036	5,000,000	4,286,621
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037	10,000,000	9,144,000
2016 Promissory Note (\$15M)	2.27%	2017	2018-2037	15,000,000	3,874,000
2018 General Obligation Bonds	3.00-4.00%	2019	2020-2038	10,060,000	10,060,000
2018 General Obligation Refunding	4.00-5.00%	2019	2020-2028	10,480,000	9,640,000
2019 General Obligation Refunding	3.00-5.00%	2019	2020-2033	12,775,000	12,775,000
Power system					
2018 General Obligation	3.00-5.00%	2019	2020-2038	4,375,000	4,265,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	16,410,000	15,550,000
Water system					
DWSRF Promissory Note	2.61%	2002	2007-2026	8,500,000	4,232,889
Water System Bonds Series 2010	2.52%	2009	2010-2029	7,500,000	4,745,000
2011 DWSRF Note	2.83%	2011	2011-2032	2,000,000	854,496

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2019
<b>Enterprise Funds (Continued)</b>					
First Tennessee Bank Promissory Note	2.59%	2014	2014-2024	\$ 1,000,000	\$ 585,000
First Tennessee Bank Promissory Note	2.00%	2017	2018-2022	2,000,000	1,224,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	3,810,000	3,660,000
Stormwater system					
2009 Public Improvement and Refunding (5M)	Variable	2009	2009-2034	81,459	58,651
General Obligation Bonds	2.00-4.00%	2012	2012-2037	5,000,000	3,747,030
Total enterprise funds				179,091,459	118,217,761
				<u>\$ 215,002,581</u>	<u>\$ 149,321,958</u>

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

\$4,375,000 is attributed to the Power System for renovations to an administrative building. An additional \$16,410,000 of the proceeds were used for a current refunding of the 2008 Promissory Note and the 2013 Promissory Note then outstanding, and \$960,562 in previously undrawn funds on the 2013 Promissory Note. The bonds attributed to the Power System were issued at a premium of \$1,259,089. The underwriters discount was \$205,143 with an additional \$94,330 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2038. The outstanding principal balance attributable to the Power System is \$19,815,000 at June 30, 2019.

\$10,060,000 is attributed to the Wastewater System, including \$9,910,000 to replace previously undrawn loan proceeds on the 2016 Promissory Note. An additional \$10,480,000 in proceeds were used for a current refunding of the then outstanding 2008-50518 Promissory Note, the 2008-50532 Promissory Note, the 2008-50536 Promissory Note and the 2008-50545 Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,051,041. The underwriters discount was \$202,725 with an additional \$92,318 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2034. The outstanding principal balance attributable to the Power System is \$12,775,000 at June 30, 2019.

\$3,810,000 is attributed to the Broadband System for a current refunding of its then outstanding 2008 Promissory Note. The bonds attributed to the Broadband System were issued at a premium of \$183,948. The underwriters discount was \$37,604 with an additional \$17,291 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to the Power System is \$3,660,000 at June 30, 2019.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

\$9,250,000 is attributed to governmental activities for future construction. An additional \$11,092,098 in proceeds were used for a current refunding of the then outstanding Series 2008A, 2008B, 2008C and 2008D General Obligation Bonds. The bonds attributed to Governmental Activities were issued at a premium of \$1,409,107. The underwriters discount was \$189,401 with an additional \$67,609 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to Governmental Activities is \$18,225,000 at June 30, 2019.

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

The Broadband System leases certain equipment with an original cost of \$293,664 under a capital lease agreement expiring in 2025. Amortization of the asset is included with depreciation expense. Accumulated amortization totals \$12,098 as of June 30, 2019.

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>	
2020	\$ 57,264
2021	57,264
2022	57,264
2023	57,264
2024	57,264
Thereafter	<u>43,849</u>
Total future minimum lease payments	330,169
Less amounts representing interest	<u>49,151</u>
Present value of future minimum lease payments	<u><u>\$ 281,018</u></u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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	\$ 1,756	\$ -
Inventories	66,730	-
Land held for sale	9,076,893	-
	<hr/>	<hr/>
Total nonspendable	9,145,379	-
	<hr/>	<hr/>
Restricted for:		
Narcotics	-	292,969
E-Citation	-	30,981
Capital projects	-	14,581,227
Public works	655,749	-
Other operations – airport	35,076	-
Solid waste	-	459,661
	<hr/>	<hr/>
Total restricted	690,825	15,364,838
	<hr/>	<hr/>
Committed to:		
Capital projects	-	659,444
	<hr/>	<hr/>
Total committed	-	659,444
	<hr/>	<hr/>
Assigned to:		
General government	146,757	-
Finance	51,173	-
Public safety	95,896	-
Public works	457,369	-
Social, cultural, and recreational	57,627	-
Capital projects	5,000,000	-
Other purposes	301,772	-
	<hr/>	<hr/>
Total assigned	6,110,594	-
	<hr/>	<hr/>
Unassigned	5,721,167	-
	<hr/>	<hr/>
Total fund balance	\$ 21,667,965	\$ 16,024,282
	<hr/>	<hr/>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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.

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	161
Inactive employees entitled to but not yet receiving benefits	108
Active employees	<u>287</u>
Total covered employees	<u><u>556</u></u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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, 2019, employer contributions for the City were \$2,159,424 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, 2018, 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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018, 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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 %
		<b>100.00 %</b>

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, 2019**

**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, 2017	\$ 74,430,278	\$ 65,785,216	\$ 8,645,062
Changes for the year:			
Service cost	1,154,404	-	1,154,404
Interest	5,329,715	-	5,329,715
Differences between expected and actual experience	1,198,233	-	1,198,233
Changes in assumptions	-	-	-
Contributions – employer	-	2,114,084	(2,114,084)
Contributions – employee	-	712,166	(712,166)
Net investment income	-	5,404,804	(5,404,804)
Benefit payments, including refunds of employee contributions	(4,142,751)	(4,142,751)	-
Administrative expenses	-	(26,895)	26,895
Net changes	3,539,601	4,061,408	(521,807)
Balances at June 30, 2018	\$ 77,969,879	\$ 69,846,624	\$ 8,123,255

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

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

	<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	\$ 18,040,825	\$ 8,123,255	\$ (144,834)

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

**Pension expense:**

For the year ended June 30, 2019, the City recognized pension expense of \$707,098.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

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

For the year ended June 30, 2019, 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	\$ 1,027,057	\$ 1,346,690
Net difference between projected and actual earnings on pension plan investments	-	267,921
Changes in assumptions	1,328,668	-
Contributions subsequent to the measurement date of June 30, 2018	<u>2,159,424</u>	<u>-</u>
	<b><u>\$ 4,515,149</u></b>	<b><u>\$ 1,614,611</u></b>

The amount shown above for contributions subsequent to the measurement date of June 30, 2018, 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>	
2020	\$ 550,804
2021	37,258
2022	(462,258)
2023	141,943
2024	302,190
Thereafter	171,177

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, 2019, the City reported a payable of \$349,921 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2019.

# CITY OF MORRISTOWN, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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>						
2019	\$ 6,420,251	\$ 6,033,695	\$ 838,429	14 %	\$ 392,115	6.00 %
2018	6,477,368	6,036,752	893,135	15	391,543	6.00
2017	6,111,363	5,881,850	705,822	15	377,248	6.00
2016	6,260,687	5,881,940	870,587	15	367,676	6.00
<u>Water system</u>						
2019	1,601,029	1,594,638	218,868	14	100,281	6.00
2018	1,665,933	1,628,461	241,677	15	101,077	6.00
2017	1,618,187	1,591,175	190,941	15	108,231	7.00
2016	1,663,147	1,649,644	244,255	15	109,179	7.00
<u>Broadband system</u>						
2019	2,108,886	1,993,359	249,719	13	74,816	4.00
2018	1,603,631	1,483,120	222,066	15	65,876	4.00
2017	1,388,146	1,325,350	159,042	15	56,142	4.00
2016	1,236,036	1,193,252	178,001	15	52,463	4.00
<u>Wastewater system</u>						
2019	1,959,730	1,896,378	239,397	13	131,864	7.00
2018	1,692,847	1,639,469	242,825	15	122,477	7.00
2017	1,460,078	1,410,292	169,235	15	98,289	7.00
2016	1,310,427	1,047,942	155,819	15	81,756	8.00

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 2019, 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, 2019**

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

**Plan Description**

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

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

**Benefits Provided**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

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

**Contributions**

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**Net OPEB Liability**

The City's total net OPEB liability of \$6,896,662 was measured as of June 30, 2019 and was determined by an actuarial valuation performed as of June 30, 2019.

**Actuarial Assumptions and Other Inputs**

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

Discount rate	6.64%
Inflation	2.5%
Salary increases, including inflation	4.0%
Payroll Growth Rate	2.50%
Investment rate of return	7%
Healthcare cost trend rates	7.5%

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2018 through June 30, 2019.

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

Change in assumptions: The healthcare trend rate was updated to 8%, grading down by 0.5% per annum to an ultimate trend of 5.0% in years 2024 and later. The mortality improvement scale was updated to scale BB.

**Long-Term Expected Rate of Return**

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 12. Other Post-Employment 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 %	6.23 %	2.12 %
Small/Mid Cap	23.00	7.63	1.75
Core Fixed Income	10.00	2.13	0.21
High Yield Fixed Income	9.00	3.94	0.35
US Treasuries	24.00	0.60	0.14
Total	100.00 %		4.57 %
	Inflation		2.50 %

**Discount Rate**

The discount rate used to measure the net OPEB liability was 6.64%. 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, 2019**

**Note 12. Other Post-Employment 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, 2018	\$ 4,902,210	\$ 606,479	\$ -	\$ 4,295,731
Changes for the year:				
Service cost	205,890	-	-	205,890
Interest	500,435	-	-	500,435
Benefit changes	1,605,545	-	-	1,605,545
Differences between expected and actual experience	362,379	13,558	-	348,821
Assumption changes	511,478	-	-	511,478
Contributions – employer	-	100,000	428,784	(528,784)
Net investment income	-	42,454	-	(42,454)
Benefit payments	(428,784)	-	(428,784)	-
Administrative expenses	-	-	-	-
Other changes	-	-	-	-
Net changes	2,756,943	156,012	-	2,600,931
Balances at June 30, 2019	\$ 7,659,153	\$ 762,491	\$ -	\$ 6,896,662

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.64%) or one percentage point higher (7.64%) than the current discount rate:

	<b>1.00% Decrease (5.64%)</b>	<b>Current Discount Rate (6.64%)</b>	<b>1.00% Increase (7.64%)</b>
Net OPEB liability	\$ 7,577,730	\$ 6,896,662	\$ 6,285,966

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

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

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

	<b>1.00% Decrease (7.00% decreasing to 4.00%)</b>	<b>Current Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)</b>	<b>1.00% Increase (9.00% decreasing to 6.00%)</b>
Net OPEB liability	\$ 6,172,588	\$ 6,896,662	\$ 7,746,857

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,348,077. At June 30, 2019, 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	\$ 337,831	\$ -
Change in assumptions	464,938	-
Net difference between projected and actual earnings on OPEB plan investments	-	9,237
Employer contributions subsequent to the measurement date	-	-
Total	\$ 802,769	\$ 9,237

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>
2020	\$ 78,661
2021	78,661
2022	78,661
2023	78,661
2024	81,369
Thereafter	397,519

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**Plan Description**

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

The amounts reported as of June 30, 2019 are based on an actuarial valuation performed as of July 1, 2017 and updated to June 30, 2019.

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:

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

**Total OPEB Liability**

Total OPEB liability of the Commission is as follows as of June 30, 2019:

	<u>Power System</u>	<u>Water System</u>	<u>Wastewater System</u>	<u>Broadband System</u>	<u>Total Commission</u>
Total OPEB liability	<u>\$1,194,918</u>	<u>\$442,632</u>	<u>\$137,114</u>	<u>\$215,210</u>	<u>\$1,989,874</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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 2019:

	<u><b>Power System</b></u>	<u><b>Water System</b></u>	<u><b>Wastewater System</b></u>	<u><b>Broadband System</b></u>
Total OPEB liability at beginning of year	\$ 1,101,624	\$ 419,030	\$ 100,055	\$ 185,135
Changes for the year:				
Service cost	80,991	20,906	28,718	26,372
Interest	44,739	16,608	4,983	8,015
Changes in assumptions and other inputs	21,164	7,925	3,358	4,533
Benefit payments	(53,600)	(21,837)	-	(8,845)
Net changes for the year	93,294	23,602	37,059	30,075
Total OPEB liability at end of year	<u>\$ 1,194,918</u>	<u>\$ 442,632</u>	<u>\$ 137,114</u>	<u>\$ 215,210</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 3.5% was used for the year ending June 30, 2019, based on the Bond Buyer's 20 Bond Index. 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:

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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>
2016	8%	5%
2017	7%	5%
2018	6%	5%
2019+	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, 2019**

**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 3.50%, as well as what the total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
\$2,088,761	\$1,989,874	\$1,889,927

The following presents the total pension liability of the Systems as of June 30, 2019, as well as what the total pension liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

<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>
\$1,764,338	\$1,989,874	\$2,256,145

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

For the year ended June 30, 2019, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$126,404, \$37,755, \$33,828, and \$34,526, respectively. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>			
	<b>Power</b>	<b>Water</b>	<b>Wastewater</b>	<b>Broadband</b>
Change in assumptions	\$18,770	\$6,959	\$3,039	\$4,117
Total	\$18,770	\$6,959	\$3,039	\$4,117

	<b>Deferred Inflows of Resources</b>			
	<b>Power</b>	<b>Water</b>	<b>Wastewater</b>	<b>Broadband</b>
Change in assumptions	\$12,318	\$4,823	\$1,698	\$2,534
Total	\$12,318	\$4,823	\$1,698	\$2,534

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

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

Year ended June 30:	Deferred Inflows of Resources			
	Power	Water	Wastewater	Broadband
2020	\$ 674	\$ 241	\$ 127	\$ 139
2021	674	241	127	139
2022	674	241	127	139
2023	674	241	127	139
2024	674	241	127	139
Thereafter	3,082	931	706	888
Total	<u>\$6,452</u>	<u>\$2,136</u>	<u>\$1,341</u>	<u>\$1,583</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. Commitments and Contingencies**

**Special purpose grants**

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

**Self-insurance**

The City is self-insured for employee medical benefits which are administered by Blue Cross Blue Shield of Tennessee, Inc. The rate of the premiums paid into the fund is based on prior experience and insurance company recommendations. Claims in excess of a self-insured aggregate limit of \$4,848,071 and specific underlying coverage of \$100,000 per employee are covered through a stop loss coverage agreement with BlueRe of Tennessee, an affiliate of the claims administrator. The stop loss arrangement provides for 100% reimbursement of claims exceeding \$4,848,071, subject to contract provisions, up to a maximum aggregate reimbursement of \$1,000,000 per policy year.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

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

**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, 2019, and subsequently settled total approximately \$130,463, 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, 2019.

**Commitments and contingencies**

At June 30, 2019, the City had the following commitments:

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

**Contingent liabilities**

The government is the defendant in various lawsuits. Although the outcome of these lawsuits are not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material effect on the financial condition of the government.

**Concentration of credit risk**

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

**Litigation**

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

**Note 16. Joint Ventures**

Morristown-Hamblen County Library – The City of Morristown and Hamblen County jointly own the Morristown-Hamblen Library. Each appoints an equal number of members to its Board of Directors. The City contributed \$278,150 for the library's operations during the fiscal year ended June 30, 2019.

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, 2019, the City was charged \$639,115.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

City of Morristown does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Morristown-Hamblen Library and Hamblen County-Morristown Solid Waste Disposal System can be obtained from their respective administrative offices at the following addresses:

Morristown-Hamblen Library  
417 West Main Street  
Morristown, TN 37814

Hamblen County-Morristown Solid  
Waste Disposal System  
P.O. Box 2108  
Morristown, TN 37816

#### Note 17. Subsequent Events

Council voted to move forward with the design completion and construction of the Community Center and the initial resolution authorizing a bond issue for the Community Center in the amount not to exceed \$37.25 million dollars was approved. The City of Morristown sold thirty year fixed rate bonds on Thursday, November 7, 2019, with the par amount of the bonds being \$37.25 million. The bonds were sold at a net premium of \$2.6 million and have a true interest cost over the life of the bonds of 2.75%. The bonds were officially closed on December 2, 2019.

#### Note 18. New Accounting Standards

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

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 18. New Accounting Standards (Continued)**

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

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

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

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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



**REQUIRED  
SUPPLEMENTARY INFORMATION**

---



## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN MORRISTOWN'S NET PENSION LIABILITY AND**  
**RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE**  
**PENSION PLAN OF TCRS**  
**June 30, 2019**

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

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 2018 information was presented in the City's fiscal year 2019 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, 2019**

<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 Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2019	\$ 2,159,424	\$ 2,159,424	\$ -	\$ 14,580,077	14.81 %
2018	\$ 2,114,084	\$ 2,114,084	\$ -	\$ 14,226,673	14.86 %
2017	\$ 2,087,774	\$ 2,087,774	\$ -	\$ 14,049,621	14.86 %
2016	\$ 2,123,622	\$ 2,123,622	\$ -	\$ 14,185,234	14.97 %
2015	\$ 1,982,140	\$ 1,982,140	\$ -	\$ 13,338,762	14.86 %

This Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only 5 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, 2019**

	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 205,890	\$ 125,354	\$ 122,297
Interest on total OPEB liability	500,435	335,358	333,893
Changes in benefit terms	1,605,545	-	-
Difference between expected and actual experience	362,379	11,546	-
Changes in assumptions and other inputs	511,478	-	-
Benefit payments, including refunds of employee contributions	(428,784)	(463,208)	(414,252)
Net change in total OPEB liability	2,756,943	9,050	41,938
<b>Total OPEB liability – beginning</b>	4,902,210	4,893,160	4,851,222
<b>Total OPEB liability – ending</b>	7,659,153	4,902,210	4,893,160
<b>Plan Fiduciary Net Position</b>			
Contributions – employer	100,000	100,000	100,000
Net investment income	42,454	31,073	29,896
Differences between expected and actual experience	13,558	-	-
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	-	-
Net change in plan fiduciary net position	156,012	131,073	129,896
<b>Plan fiduciary net position – beginning</b>	606,479	475,406	345,510
<b>Plan fiduciary net position – ending</b>	762,491	606,479	475,406
<b>Net OPEB liability – ending</b>	<u>\$ 6,896,662</u>	<u>\$ 4,295,731</u>	<u>\$ 4,417,754</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>10%</u>	<u>12%</u>	<u>10%</u>
Covered payroll	<u>\$ 12,564,399</u>	<u>\$ 12,522,594</u>	<u>\$ 12,217,165</u>
Net OPEB liability as a percentage of covered employee payroll	<u>55%</u>	<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 2018 information will be presented in the entity's fiscal year 2019 financial report.

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

In 2019, changes in assumptions related to the discount rate, which was changed from 7% in 2018 to 6.64% in 2019. Additionally the Mortality improvement scale was changed to scale BB in 2019 from AA in 2018.

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

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

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**MORRISTOWN UTILITIES RETIREE BENEFIT PLAN**  
**June 30, 2019**

	<b>Fiscal Year</b>	
	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 156,987	\$ 159,163
Interest on total OPEB liability	74,345	64,374
Changes in assumptions and other inputs	36,980	(27,201)
Benefit payments, including refunds of employee contributions	(84,282)	(58,468)
Net change in total OPEB liability	184,030	137,868
<b>Total OPEB liability – beginning</b>	<u>1,805,844</u>	<u>1,667,976</u>
<b>Total OPEB liability – ending</b>	<u><u>\$ 1,989,874</u></u>	<u><u>\$ 1,805,844</u></u>
Covered employee payroll	<u><u>\$ 2,577,959</u></u>	<u><u>\$ 2,515,082</u></u>
Net OPEB liability as a percentage of covered employee payroll	<u><u>77%</u></u>	<u><u>72%</u></u>

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

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

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

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

**CITY OF MORRISTOWN, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST**  
**June 30, 2019**

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

2019	8.12%
2018	6.53%
2017	0.77%

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

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, 2019

<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>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Local Plan</b>					
2019	\$ 428,784	\$ 528,784	\$ (100,000)	\$ 12,561,399	4.50%
2018	\$ 463,208	\$ 563,208	\$ (100,000)	\$ 12,522,594	4.50%

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data are 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, 2019

#### Note 1. Methods and Assumptions

Valuation date:

Actuarially determined contribution rates for 2019 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	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25%

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



**OTHER  
SUPPLEMENTARY INFORMATION**

---



## CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2019**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 398,272	\$ 30,981	\$ 429,253
Receivables, net	9,000	-	9,000
Due from other governmental units	1,620	-	1,620
Total assets	<u>\$ 408,892</u>	<u>\$ 30,981</u>	<u>\$ 439,873</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,908	\$ -	\$ 1,908
Total liabilities	<u>1,908</u>	<u>-</u>	<u>1,908</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	114,015	-	114,015
Total deferred inflows of resources	<u>114,015</u>	<u>-</u>	<u>114,015</u>
<b>FUND BALANCES</b>			
Restricted	292,969	30,981	323,950
Total fund balances	<u>292,969</u>	<u>30,981</u>	<u>323,950</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 408,892</u>	<u>\$ 30,981</u>	<u>\$ 439,873</u>

## CITY OF MORRISTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE –  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
<b>REVENUES</b>			
Licenses, permits, and fines	\$ 55,088	\$ 17,867	\$ 72,955
Other	35,775	-	35,775
	<u>90,863</u>	<u>17,867</u>	<u>108,730</u>
Total revenues			
<b>EXPENDITURES</b>			
Public safety	41,318	-	41,318
	<u>41,318</u>	<u>-</u>	<u>41,318</u>
Total expenditures			
Net change in fund balance	49,545	17,867	67,412
<b>FUND BALANCES AT JULY 1</b>	<u>243,424</u>	<u>13,114</u>	<u>256,538</u>
<b>FUND BALANCES AT JUNE 30</b>	<u><u>\$ 292,969</u></u>	<u><u>\$ 30,981</u></u>	<u><u>\$ 323,950</u></u>

## FIDUCIARY FUNDS

---

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

## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2019

	Fiduciary Funds		
	Post-Employment Benefits Trust	Employee Benefits Trust	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,131	\$ 16,408	\$ 28,539
Investments	750,360	-	750,360
Total assets	<u>\$ 762,491</u>	<u>\$ 16,408</u>	<u>\$ 778,899</u>
<b>NET POSITION</b>			
Held in trust for post-employment benefits	<u>\$ 762,491</u>	<u>\$ 16,408</u>	<u>\$ 778,899</u>

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, 2019

	<b>Post-Employment Benefits Trust</b>	<b>Employee Benefits Trust</b>	<b>Total</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 100,000	\$ 75,223	\$ 175,223
Investment earnings:			
Dividends and capital gains	11,443	-	11,443
Net increase in fair value of investments	47,569	-	47,569
Total additions	159,012	75,223	234,235
<b>DEDUCTIONS</b>			
Benefits	-	75,456	75,456
Administrative expenses	3,000	-	3,000
Total deductions	3,000	75,456	78,456
Change in net position	156,012	(233)	155,779
Net position – beginning of the year	606,479	16,641	623,120
Net position – end of the year	\$ 762,491	\$ 16,408	\$ 778,899

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

---

## 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, 2019**

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2019</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 221,417	\$ 247,058	\$ 230,861	\$ 237,614
Grant receivable	84,223	38,110	84,223	38,110
Total assets	<u>\$ 305,640</u>	<u>\$ 285,168</u>	<u>\$ 315,084</u>	<u>\$ 275,724</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 46,932	\$ 17,019	\$ 46,932	\$ 17,019
Accrued payroll and related liabilities	2,885	1,563	2,885	1,563
Amounts held for others	255,823	266,586	265,267	257,142
Total liabilities	<u>\$ 305,640</u>	<u>\$ 285,168</u>	<u>\$ 315,084</u>	<u>\$ 275,724</u>

The Notes to Financial Statements are an integral part of these statements.

## CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**Year Ended June 30, 2019**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2018	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2019
<b><u>GOVERNMENTAL ACTIVITIES</u></b>									
<b><u>GENERAL FUND</u></b>									
\$4,000,000 Capital Outlay Notes, Series 2011	\$ 3,750,000	2.06%	2011	2024	\$ 1,865,625	\$ -	\$ 314,063	\$ -	\$ 1,551,562
\$3 Million TMBF-PBA City of Clarksville, TN Series 2008	1,290,000	Variable	11-26-2008	2029	860,000	-	-	860,000	-
\$8 Million TMBF-PBA City of Clarksville, TN Series 2008	4,000,000	Variable	05-05-2008	2028	2,478,500	-	-	2,478,500	-
\$5.035 Million TMBF-PBA City of Clarksville, TN Series 2008	3,272,750	Variable	09-11-2008	2028	2,047,500	-	-	2,047,500	-
\$20 Million TMBF-PBA Montgomery County, TN Series 2008	9,204,865	Variable	07-08-2008	2035	5,706,095	-	-	5,706,095	-
\$5,000,000 Local Government Loan Program Bond, Series 2009	2,848,203	Variable *	12-21-2009	2034	2,151,555	-	99,680	-	2,051,875
General Obligation. Bonds, Series 2017	9,710,000	3% to 3.75%	03-30-2017	2042	9,325,000	-	270,000	-	9,055,000
General Obligation Bonds Series 2018	19,190,000	3% to 5%	10-24-2018	2042	-	19,190,000	965,000	-	18,225,000
<b>Total Payable Through General Fund</b>					<b>24,434,275</b>	<b>19,190,000</b>	<b>1,648,743</b>	<b>11,092,095</b>	<b>30,883,437</b>
<b><u>SOLID WASTE FUND</u></b>									
\$5,000,000 Local Government Loan Program Bond, Series 2009	162,919	Variable	12-21-2009	2034	123,027	-	5,705	-	117,322
\$4,000,000 Capital Outlay Notes, Series 2011	250,000	2.06	2011	2024	124,375	-	20,937	-	103,438
<b>Total Payable Through Solid Waste Fund</b>					<b>247,402</b>	<b>-</b>	<b>26,642</b>	<b>-</b>	<b>220,760</b>
Total Governmental Activities					<b>24,681,677</b>	<b>19,190,000</b>	<b>1,675,385</b>	<b>11,092,095</b>	<b>31,104,197</b>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>									
<b><u>POWER SYSTEM</u></b>									
<b>Notes Payable</b>									
2008 Promissory Note	15,186,825	Variable	9/11/2008	2035	12,151,834	-	-	12,151,834	-
2013 Promissory Note	7,000,000	Variable	01-03-2013	2028	4,145,338	-	-	4,145,338	-
<b>Total Notes Payable Through Power System Fund</b>					<b>16,297,172</b>	<b>-</b>	<b>-</b>	<b>16,297,172</b>	<b>-</b>
<b>Bonds Payable</b>									
Series 2018 General Obligation Bonds	4,375,000	3% to 5%	10/24/2018	2035	-	4,375,000	110,000	-	4,265,000
Series 2018 General Obligation Bonds Refunding	16,410,000	3% to 5%	10-24-2018	2035	-	16,410,000	860,000	-	15,550,000
<b>Total Bonds Payable Through Power System Fund</b>					<b>-</b>	<b>20,785,000</b>	<b>970,000</b>	<b>-</b>	<b>19,815,000</b>
<b><u>WATER SYSTEM</u></b>									
<b>Notes Payable</b>									
2002 DWSRF Promissory Note	8,500,000	2.61%	8/9/2001	2026	4,792,152	-	559,263	-	4,232,889
2009 Promissory Note	7,500,000	2.52%	12/21/2009	2030	5,095,000	-	350,000	-	4,745,000
2011 DWSRF Promissory Note	2,000,000	2.83%	09-03-2009	2032	908,136	-	53,640	-	854,496
<b>Total Notes Payable Through Water Sytsem Fund</b>					<b>10,795,288</b>	<b>-</b>	<b>962,903</b>	<b>-</b>	<b>9,832,385</b>

The Notes to Financial Statements are an integral part of these statements.  
(Continued)

## CITY OF MORRISTOWN, TENNESSEE

## SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

Year Ended June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2018	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2019
<b><u>WASTEWATER SYSTEM</u></b>									
<b>Notes Payable</b>									
2008-50518 Promissory Note	\$ 4,000,000	Variable	5/2/2008	2028	\$ 2,478,500	\$ -	\$ -	\$ 2,478,500	\$ -
2008-50532 Promissory Note	10,796,000	Variable	7/9/2008	2028	6,691,904	-	-	6,691,904	-
2008-50536 Promissory Note	1,762,250	Variable	9/1/2008	2028	1,102,500	-	-	1,102,500	-
2008-50545 Promissory Note	1,710,000	Variable	11/26/2008	2029	1,140,000	-	-	1,140,000	-
2007 CWSRF Promissory Note	12,500,000	2.06%	5/15/2007	2032	7,184,824	-	463,179	-	6,721,645
2009 CWSRF Promissory Note	1,600,000	2.73%	5/2/2011	2033	996,235	-	57,576	-	938,659
2013 CWSRF Promissory Note	5,000,000	1.51%	3/27/2013	2036	4,509,857	-	223,236	-	4,286,621
2009 Promissory Note	5,000,000	2.91%	12/21/2009	2035	1,440,916	-	66,763	-	1,374,153
2013 Promissory Note	20,000,000	3.65%	9/23/2013	2034	16,000,000	-	1,000,000	14,000,000	1,000,000
2015 Promissory Note	10,000,000	2.74%	8/31/2015	2036	9,547,000	-	403,000	-	9,144,000
2016 Promissory Note	15,000,000	2.27%	12/23/2016	2037	4,489,000	-	615,000	-	3,874,000
<b>Total Notes Payable Through Wastewater Fund</b>					<b>55,580,736</b>	<b>-</b>	<b>2,828,754</b>	<b>25,412,904</b>	<b>27,339,078</b>
<b>Bonds Payable</b>									
Series 2012 General Obligation Bonds	26,000,000	2% to 4%	5/30/2012	2037	20,567,734	-	1,086,117	-	19,481,617
Series 2018 General Obligation Bonds	10,060,000	3% to 4%	10/24/2018	2037	-	10,060,000	-	-	10,060,000
Series 2018 General Obligation Bonds - Refunding	10,480,000	4% to 5%	10/24/2018	2028	-	10,480,000	840,000	-	9,640,000
Series 2019 General Obligation Bonds - Refunding	12,775,000	3% to 5%	06-28-2019	2034	-	12,775,000	-	-	12,775,000
<b>Total Bonds Payable Through Wastewater System Fund</b>					<b>20,567,734</b>	<b>33,315,000</b>	<b>1,926,117</b>	<b>-</b>	<b>51,956,617</b>
<b><u>BROADBAND SYSTEM</u></b>									
<b>Notes Payable</b>									
2008 Promissory Note	4,928,175	Variable	9/11/2008	2035	3,943,166	-	-	3,943,166	-
2014 Promissory Note	1,000,000	2.59%	6/26/2014	2024	693,000	-	108,000	-	585,000
2016 Promissory Note	2,000,000	2.00%	12-23-2016	2022	1,616,000	-	392,000	-	1,224,000
<b>Total Notes Payable Through Broadband Sytsem Fund</b>					<b>6,252,166</b>	<b>-</b>	<b>500,000</b>	<b>3,943,166</b>	<b>1,809,000</b>
<b>Bonds Payable</b>									
Series 2018 Beneral Obligation Bonds - Refunding	3,810,000	3% to 5%	10/24/2018	2035	-	3,810,000	150,000	-	3,660,000
<b>Total Bonds Payable Through Broadband System Fund</b>					<b>-</b>	<b>3,810,000</b>	<b>150,000</b>	<b>-</b>	<b>3,660,000</b>
<b><u>STORMWATER SYSTEM</u></b>									
<b>Bonds Payable</b>									
\$5,000,000 Local Government Loan Program Bond, Series 2009	81,459	Variable	12-21-2009	2034	61,502	-	2,851	-	58,651
\$31,000,000 GO Bonds, Series 2012	5,000,000	2% to 4%	5/30/2012	2037	3,955,914	-	208,884	-	3,747,030
<b>Total Payable Through Storm Water Fund</b>					<b>4,017,416</b>	<b>-</b>	<b>211,735</b>	<b>-</b>	<b>3,805,681</b>
<b>Total Payable Business Type Activities</b>					<b>113,510,512</b>	<b>57,910,000</b>	<b>7,549,509</b>	<b>45,653,242</b>	<b>118,217,761</b>
<b>TOTAL DEBT - CITY OF MORRISTOWN</b>					<b>\$ 138,192,189</b>	<b>\$ 77,100,000</b>	<b>\$ 9,224,894</b>	<b>\$ 56,745,337</b>	<b>\$ 149,321,958</b>

The Notes to Financial Statements are an integral part of these statements.

**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, 2019**

	<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	\$ -	\$ -	\$ 55,088	\$ -	\$ 55,088	\$ 55,088
Intergovernmental	80,000	80,000	35,775	-	35,775	(44,225)
Total revenues	80,000	80,000	90,863	-	90,863	10,863
<b>EXPENDITURES</b>						
Public safety	120,909	120,909	41,318	521	41,839	79,070
Total expenditures	120,909	120,909	41,318	521	41,839	79,070
Excess (Deficiency) of revenues over expenditures	(40,909)	(40,909)	49,545	(521)	49,024	(68,207)
Net change in fund balance	(40,909)	(40,909)	49,545	(521)	49,024	(68,207)
Fund balances, July 1, 2018	113,127	113,127	243,424	-	243,424	-
Fund balances, June 30, 2019	\$ 72,218	\$ 72,218	\$ 292,969	\$ (521)	\$ 292,448	\$ (68,207)

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

**SCHEDULE 2**

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – BUDGETARY BASIS – E-CITATION FUND  
Year Ended June 30, 2019**

	<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	\$ 12,000	\$ 12,000	\$ 17,867	\$ -	\$ 17,867	\$ 5,867
Total revenues	12,000	12,000	17,867	-	17,867	5,867
Excess (Deficiency) of revenues over expenditures	12,000	12,000	17,867	-	17,867	5,867
Net change in fund balance	12,000	12,000	17,867	-	17,867	5,867
Fund balances, July 1, 2018	12,227	12,227	13,114	-	13,114	-
Fund balances, June 30, 2019	\$ 24,227	\$ 24,227	\$ 30,981	\$ -	\$ 30,981	\$ 5,867

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

## CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Award Number</u>	<u>Federal CFDA Number</u>		<u>Federal Expenditures</u>
Department of Housing and Urban Development:				
Community Development Block Grants	B-17-MC-47-0013	14.218	\$ 83,965	
Community Development Block Grants	B-18-MC-47-0013	14.218	<u>291,592</u>	375,557
Department of Justice:				
Edward Byrne Memorial JAG Program	2017-DJ-BX-0701	16.607		3,170
Edward Byrne Memorial JAG Program	2017-DJ-BX-0701	16.738		12,460
Alcohol Open Container Requirements	Z18THS221	20.607	2,449	
Alcohol Open Container Requirements	Z19THS199	20.607	<u>12,172</u>	14,621
Department of Transportation:				
Airport Improvement Program	3-47-SBGP-45	20.106	4,321	
Airport Improvement Program	3-47-SBGP-	20.106	9,789	
Airport Improvement Program	3-47-SBGP-45	20.106	18,060	
Airport Improvement Program	3-47-SBGP-52-2017	20.106	37,236	
Airport Improvement Program	3-47-SBGP-50-2018	20.106	54,888	
Airport Improvement Program	3-47-SBGP-50	20.106	8,546	
Airport Improvement Program	3-47-SBGP-52	20.106	<u>81,936</u>	214,776
Metropolitan Transportation Planning	Z14MP0009	20.205	194,552	
Highway Planning and Construction	STP-M-9113(23)	20.205	49,956	
Highway Planning and Construction	STP-M-9113(24)	20.205	49,220	
Highway Planning and Construction	TAP-9113(21)	20.205	623,244	
Highway Planning and Construction	STP-M-5930(10)	20.205	<u>513</u>	917,485
Total Expenditures of Federal Awards				<u>\$ 1,538,069</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, 2019, the City had no outstanding loan balances requiring continuing disclosure.

**SCHEDULE 4****CITY OF MORRISTOWN, TENNESSEE****SCHEDULE OF STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2019**

<b>Grantor Agency/Program</b>	<b>Contract Number</b>	<b>Expenditures</b>
Airport Maintenance Grant	32-555-0461-19	\$ 19,800
Airport Improvements	32-555-0157-16	544
Airport Improvements	32-555-0159-17	240
Airport Improvements	32-555-0160-17	1,003
Airport Improvements	32-555-0160-18	3,049
Airport Improvements	32-555-0162-19	2,069
Airport Improvements	32-555-0164-19	475
Airport Improvements	32-555-0563-19	4,552
FastTrack Infrastructure Development Program		27,963
FastTrack Infrastructure Development Program		388,251
Tennessee Division of Forestry		18,675
Site Development Grant		178,135
		<u>\$ 644,756</u>



# STATISTICAL SECTION

---

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

## Contents

### **Financial Trends**

**Tables 1-5**

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

### **Revenue Capacity**

**Tables 6-13**

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

### **Debt Capacity**

**Tables 14-16**

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

### **Demographic and Economic Information**

**Tables 17-18**

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

### **Operating Information**

**Tables 19-21**

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

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



## **SUPPORTING SCHEDULES**



TABLE 1

## CITY OF MORRISTOWN, TENNESSEE

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

	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
Governmental activities:											
Net investment in capital assets	\$ 43,089,778	\$ 44,137,100	\$ 31,753,875	\$ 26,055,799	\$ 29,647,943	\$ 33,965,440	\$ 34,875,277	\$ 40,495,228	\$ 43,572,086	\$ 44,366,928	\$ 44,112,071
Restricted	2,622,266	353,457	644,679	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663
Unrestricted		3,210,976	17,903,817	22,204,246	23,431,214	24,213,008	13,709,843	17,464,209	17,454,074	17,815,244	7,753,047
Total governmental activities net position	<u>\$ 45,712,044</u>	<u>\$ 47,701,533</u>	<u>\$ 50,302,371</u>	<u>\$ 49,629,352</u>	<u>\$ 54,686,910</u>	<u>\$ 59,859,024</u>	<u>\$ 51,005,313</u>	<u>\$ 59,630,786</u>	<u>\$ 61,679,006</u>	<u>\$ 62,791,572</u>	<u>\$ 67,920,781</u>
Business-type activities:											
Net investment in capital assets	\$ 73,440,732	\$ 73,214,568	\$ 72,398,653	\$ 76,792,135	\$ 79,424,880	\$ 88,050,533	\$ 98,316,369	\$100,428,103	\$104,788,569	\$110,725,993	\$ 111,985,630
Restricted	1,331,951	585,465							-	-	-
Unrestricted	11,011,165	15,782,758	22,815,516	23,525,937	26,580,161	24,920,115	19,315,616	22,443,531	23,637,244	22,555,484	25,876,369
Total business-type net position	<u>\$ 85,783,848</u>	<u>\$ 89,582,791</u>	<u>\$ 95,214,169</u>	<u>\$ 100,318,072</u>	<u>\$ 106,005,041</u>	<u>\$ 112,970,648</u>	<u>\$ 117,631,985</u>	<u>\$122,871,634</u>	<u>\$128,425,813</u>	<u>\$133,281,477</u>	<u>\$ 137,861,999</u>
Primary government:											
Net investment in capital assets	\$ 116,530,510	\$ 117,351,668	\$ 104,152,528	\$ 102,847,934	\$ 109,072,823	\$ 122,015,973	\$ 133,191,646	\$140,923,331	\$148,360,655	\$155,092,921	\$ 156,097,701
Restricted	3,954,217	938,922	644,679	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663
Unrestricted	11,011,165	18,993,734	40,719,333	45,730,183	50,011,375	49,133,123	33,025,459	39,907,740	41,091,318	40,370,728	33,629,416
Total primary government	<u>\$ 131,495,892</u>	<u>\$ 137,284,324</u>	<u>\$ 145,516,540</u>	<u>\$ 149,947,424</u>	<u>\$ 160,691,951</u>	<u>\$ 172,829,672</u>	<u>\$ 168,637,298</u>	<u>\$182,502,420</u>	<u>\$190,104,819</u>	<u>\$196,073,049</u>	<u>\$ 205,782,780</u>

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

## CITY OF MORRISTOWN, TENNESSEE

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

	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Expenses:										
Governmental Activities:										
General government	\$ 3,536,036	\$ 3,518,056	\$ 4,267,622	\$ 3,593,414	\$ 2,837,464	\$ 4,726,077	\$ 4,399,314	\$ 2,623,688	\$ 5,565,353	\$ 5,724,079
Public safety	13,510,787	13,528,045	13,775,987	14,016,226	14,634,316	14,168,464	14,408,187	16,205,149	15,198,313	16,306,668
Public works	7,208,206	8,372,617	9,939,809	6,665,204	6,831,898	10,493,687	10,389,418	11,598,260	9,749,660	10,736,232
Parks and recreation	1,767,692	1,805,109	1,793,705	1,773,943	2,056,499	1,807,804	2,057,170	3,817,269	2,196,230	2,055,250
Civic support	553,177	663,498	1,638,926	1,098,472	1,011,941	417,774	1,936,921	1,994,024	1,565,036	1,622,080
Economic development	624,033	1,904,129	392,784	147,547	296,060	942,834	303,006	-	-	-
Retiree benefits	394,866	439,304	309,530	401,695	306,363	382,916	389,559	366,337	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Transportation	767,273	-	-	-	-	-	-	-	-	-
Long-term debt expense	342,543	283,153	289,717	327,064	286,676	263,167	279,047	-	643,818	1,135,318
Other	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	28,704,613	30,513,911	32,408,080	28,023,565	28,261,217	33,202,723	34,162,622	36,604,727	34,918,410	37,579,627
Business-type activities:										
Water	5,305,637	5,840,954	5,854,982	5,689,323	6,287,865	6,117,002	6,396,446	6,676,177	6,791,455	6,776,689
Wastewater	7,844,245	9,210,878	9,632,557	9,489,262	9,067,056	9,385,294	10,464,615	12,035,984	12,957,929	14,297,200
Power	63,957,470	73,019,022	71,977,895	73,724,566	75,270,529	994,148	73,769,967	813,226	76,594,389	77,796,499
Broadband system	7,030,319	6,321,905	6,963,308	7,256,552	6,945,100	75,855,798	7,059,706	76,497,573	7,653,604	8,580,326
Storm water	576,843	592,574	658,713	810,198	832,132	7,330,637	1,319,920	7,018,332	1,078,566	1,164,915
Total business-type expenses	84,714,514	94,985,333	95,087,455	96,969,901	98,402,682	99,682,879	99,010,654	103,041,292	105,075,943	108,615,629
Total primary government expenses	113,419,127	125,499,244	127,495,535	124,993,466	126,663,899	132,885,602	133,173,276	139,646,019	139,994,353	146,195,256
Program revenues:										
Governmental activities:										
Charges for services:										
General government	280,238	134,066	130,440	232,242	134,359	1,183,648	966,744	603,535	650,780	730,749
Public safety	1,343,981	1,510,750	1,319,940	1,178,045	1,057,791	365,496	660,840	513,404	571,333	415,954
Public works	-	1,091,664	1,300,875	1,343,759	1,370,370	-	1,407,639	1,406,844	1,438,504	2,132,234
Culture and recreation	-	-	-	-	-	-	124,077	110,620	115,340	122,973
Operating grants and contributions	975,928	1,091,876	700,118	710,156	1,454,535	2,949,422	466,292	128,336	191,531	175,368
Capital grants and contributions	660,995	-	-	-	-	1,356,626.00	4,102,716.00	1,668,274.00	701,821.00	347,471.00
Total governmental activities program revenues	3,261,142	3,828,356	3,451,373	3,464,202	4,017,055	5,855,192	7,728,308	4,431,013	3,669,309	3,924,749
Business-type activities:										
Charge for services:										
Water	6,769,458	6,936,381	6,602,966	6,450,217	6,449,809	6,411,681	6,378,731	6,616,395	7,005,669	7,227,168
Wastewater	6,601,692	9,308,092	10,049,655	11,227,579	12,656,593	12,247,129	12,852,808	13,781,869	14,128,788	14,415,596
Power	67,681,072	77,167,026	74,575,366	74,850,804	75,425,515	75,151,759	74,026,335	77,244,198	78,262,760	79,519,049
Broadband system	6,502,002	6,321,898	6,815,505	7,195,234	7,629,190	8,239,118	8,509,233	8,602,426	1,345,299	8,281,370
Stormwater	563,562	541,053	1,375,723	1,342,550	1,330,147	1,276,062	1,080,408	1,353,476	8,360,510	1,617,918
Operating grants and contributions	-	-	2,067,523	2,219,003	2,580,025	2,586,526	-	-	-	-
Capital grants and contributions	84,631	847,793	165,384	1,602,948	524,286	151,200	422,950	230,150	263,600	266,000
Total business-type activities program revenue	88,202,417	101,122,243	101,652,122	104,888,335	106,595,565	106,063,475	103,270,465	107,828,514	109,366,626	111,327,101
Total primary government program revenue	\$ 91,463,559	\$ 104,950,599	\$ 105,103,495	\$ 108,352,537	\$ 110,612,620	\$ 111,918,667	\$ 110,998,773	\$ 112,259,527	\$ 113,035,935	\$ 115,251,850

CITY OF MORRISTOWN, TENNESSEE

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

	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Net (expense) revenue:										
Governmental activities	\$ (25,443,471)	\$ (26,685,555)	\$ (28,956,707)	\$ (24,559,363)	\$ (24,244,162)	\$ (27,347,531)	\$ (26,434,314)	\$ (32,173,714)	\$ (31,249,101)	\$ (31,249,101)
Business-type activities:	3,487,903	6,136,910	6,564,667	7,918,434	8,192,883	6,380,596	4,259,811	4,787,222	4,290,683	4,290,683
Total primary government program expense	<u>\$ (21,955,568)</u>	<u>\$ (20,548,645)</u>	<u>\$ (22,392,040)</u>	<u>\$ (16,640,929)</u>	<u>\$ (16,051,279)</u>	<u>\$ (20,966,935)</u>	<u>\$ (22,174,503)</u>	<u>\$ (27,386,492)</u>	<u>\$ (26,958,418)</u>	<u>\$ (26,958,418)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	9,180,026	9,885,189	9,135,643	9,083,552	9,313,995	9,916,198	10,895,994	11,026,905	11,133,574	11,786,494
Local sales tax	9,454,955	9,611,440	10,236,619	9,923,645	10,061,738	10,793,398	11,743,470	12,280,106	12,405,158	13,389,122
Other local taxes	2,195,498	1,996,409	2,495,965	2,592,612	2,639,552	2,620,843	2,631,490	2,680,673	2,832,219	2,791,745
Business and gross receipts tax	663,824	882,131	1,000,937	936,935	837,434	958,795	1,049,900	1,061,806	1,091,623	1,113,149
Intergovernmental revenue										
unrestricted	4,188,982	5,112,921	4,777,887	5,146,051	4,476,998	4,390,483	5,318,624	4,747,970	6,074,849	6,105,485
Investment earnings	1,014,717	870,195	979,709	253,683	750,587	502,987	-	-	-	-
Other							1,766,013	489,811	811,649	1,561,606
Transfers	734,958	813,163	1,532,378	1,667,528	1,452,361	1,597,848	1,797,999	1,934,663	1,928,844	2,036,486
Total governmental activities	<u>27,432,960</u>	<u>29,171,448</u>	<u>30,159,138</u>	<u>29,604,006</u>	<u>29,532,665</u>	<u>30,780,552</u>	<u>35,203,490</u>	<u>34,221,934</u>	<u>36,277,916</u>	<u>38,784,087</u>
Business-type activities:										
Investment earnings	95,302	86,495	304,325	81,739	225,086	60,378	51,870	75,541	186,200	596,817
Other							2,833,685	2,626,079	3,008,322	3,308,719
Transfers	(734,958)	(813,163)	(1,532,378)	(1,667,528)	(1,452,361)	(1,597,848)	(1,797,999)	(1,934,663)	(1,928,844)	(2,036,486)
Total business-type activities	<u>(639,656)</u>	<u>(726,668)</u>	<u>(1,228,053)</u>	<u>(1,585,789)</u>	<u>(1,227,275)</u>	<u>(1,537,470)</u>	<u>1,087,556</u>	<u>766,957</u>	<u>1,265,678</u>	<u>1,869,050</u>
Total primary government	<u>\$ 26,793,304</u>	<u>\$ 28,444,780</u>	<u>\$ 28,931,085</u>	<u>\$ 28,018,217</u>	<u>\$ 28,305,390</u>	<u>\$ 29,243,082</u>	<u>\$ 36,291,046</u>	<u>\$ 34,988,891</u>	<u>\$ 37,543,594</u>	<u>\$ 40,653,137</u>
Changes in Net Position										
Governmental activities	\$ 1,989,489	\$ 2,485,893	\$ 1,202,431	\$ 5,044,643	\$ 5,288,503	\$ 3,433,021	\$ 8,769,176	\$ 2,048,220	\$ 5,028,815	\$ 7,534,986
Business-type activities	2,848,247	5,410,242	5,336,614	6,332,645	6,965,608	4,843,126	5,347,367	5,554,179	5,556,361	6,159,733
Total primary government	<u>\$ 4,837,736</u>	<u>\$ 7,896,135</u>	<u>\$ 6,539,045</u>	<u>\$ 11,377,288</u>	<u>\$ 12,254,111</u>	<u>\$ 8,276,147</u>	<u>\$ 14,116,543</u>	<u>\$ 7,602,399</u>	<u>\$ 10,585,176</u>	<u>\$ 13,694,719</u>

TABLE 3

**CITY OF MORRISTOWN, TENNESSEE**

**FUND BALANCES – GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Pre-GASB 54 Implementation:</b>										
General Fund										
Reserved	\$ 353,457									
Assigned (1)	1,065,688									
Unreserved	3,159,977									
Total general fund	<u>\$ 4,579,122</u>									
All other governmental funds										
Reserved	\$ 25,473									
Unreserved, reported in:	-									
Special Revenue Funds	(26,323)									
Total all other governmental funds	<u>\$ (850)</u>									
<b>Post-GASB 54 Implementation:</b>										
General Fund										
Nonspendable		-	11,756,646	11,780,321	11,822,098	11,716,611	8,857,981	8,853,869	9,587,862	9,145,379
Restricted		-	1,262,954	1,448,582	1,520,896	2,265,480	1,578,637	73,571	133,457	690,825
Committed		-	3,072	69,710	57,058	-	-	-	-	-
Assigned		1,170,837	3,852	8,500	156,876	5,970,170	6,713,983	6,397,453	7,699,910	6,110,594
Unassigned		6,656,404	10,069,059	11,118,191	12,155,081	7,062,313	8,350,230	7,902,354	7,482,374	5,721,167
Total general fund		<u>\$ 7,827,241</u>	<u>\$ 23,095,583</u>	<u>\$ 24,425,304</u>	<u>\$ 25,712,009</u>	<u>\$ 27,014,574</u>	<u>\$ 25,500,831</u>	<u>\$ 23,227,247</u>	<u>\$ 24,903,603</u>	<u>\$ 21,667,965</u>
All other governmental funds										
Restricted		\$ -	\$ 106,353	\$ 159,171	\$ 159,680	\$ 154,713	\$ 529,089	\$ 8,864,668	\$ 5,639,588	\$ 15,364,838
Committed		-	-	-	-	-	1,375,000	1,899,728	2,859,940	659,444
Assigned		77,958	541,585	398,617	203,350	230,012	-	-	-	-
Total all other governmental funds		<u>\$ 77,958</u>	<u>\$ 647,938</u>	<u>\$ 557,788</u>	<u>\$ 363,030</u>	<u>\$ 384,725</u>	<u>\$ 1,904,089</u>	<u>\$ 10,764,396</u>	<u>\$ 8,499,528</u>	<u>\$ 16,024,282</u>

**Note 2011 was the first year of implementing GASB54 which revised fund balance classifications.**

**TABLE 4****CITY OF MORRISTOWN, TENNESSEE**

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

	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
Revenues:										
Taxes	\$ 21,494,303	\$ 22,480,586	\$ 22,869,163	\$ 22,536,744	\$ 22,852,719	\$ 24,289,234	\$ 25,426,851	\$ 27,005,685	\$ 27,538,575	\$ 29,330,294
Licenses, permits and fines	1,472,826	1,510,750	1,319,940	1,178,045	1,057,791	365,496	645,551	299,544	529,149	426,202
Use of money and property	1,014,717	870,195	636,386	253,683	750,587	502,987	-	-	-	-
Service charges and fees	151,393	1,225,730	1,431,315	1,576,001	1,504,729	2,540,274	2,513,749	2,334,859	2,246,808	770,519
Other							1,766,013	489,811	811,649	901,819
Intergovernmental	5,820,905	6,204,797	5,478,005	5,856,207	5,931,533	7,339,905	9,533,778	6,544,580	6,968,201	5,430,323
Total revenues	<u>29,954,144</u>	<u>32,292,058</u>	<u>31,734,809</u>	<u>31,400,680</u>	<u>32,097,359</u>	<u>35,037,896</u>	<u>39,885,942</u>	<u>36,674,479</u>	<u>38,094,382</u>	<u>36,859,157</u>
Expenditures:										
General government	3,410,399	3,317,502	4,062,142	3,629,042	4,100,871	5,551,674	4,283,426	6,559,447	5,315,372	4,542,957
Public safety	13,027,747	13,039,718	13,522,370	13,972,414	15,060,623	15,674,562	15,712,924	17,581,344	17,975,611	16,645,427
Public works	6,353,399	6,619,663	8,862,747	8,798,240	8,199,366	8,723,165	12,436,344	9,997,726	8,494,267	6,863,299
Parks and recreation	1,656,613	1,706,724	1,746,676	1,768,165	2,037,972	2,024,368	2,296,653	3,924,041	2,393,220	2,068,403
Civic support	490,500	279,966	1,395,326	841,472	750,451	756,937	1,679,921	1,994,024	3,655,908	1,622,080
Library	-	250,000	243,600	257,000	261,490	257,000	257,000	-	-	-
Economic development	1,167,663	1,868,472	356,373	179,891	201,550	328,040	303,006	-	-	-
Transportation	642,427	-	-	-			-	-	-	
Retiree benefits	394,866	439,304	309,530	401,695	306,363	382,916	389,559	370,885	463,208	536,776
Miscellaneous	133,532	133,532	-	-			-	-	-	-
Debt service:										
Principal	4,058,614	1,501,662	1,574,629	1,675,568	1,136,023	1,173,560	1,211,528	1,248,061	1,655,663	1,648,742
Interest	341,172	237,224	232,380	239,740	187,384	169,905	165,996	342,634	658,489	1,147,625
Debt expense	68,620	45,929	57,337	87,324	99,292	93,262	92,982	-	-	-
Total expenditures	<u>31,745,552</u>	<u>29,439,696</u>	<u>32,363,110</u>	<u>31,850,551</u>	<u>32,341,385</u>	<u>35,135,389</u>	<u>38,829,339</u>	<u>42,018,162</u>	<u>40,611,738</u>	<u>35,075,309</u>
Deficiency of revenue over expenditures	<u>(1,791,408)</u>	<u>2,852,362</u>	<u>(628,301)</u>	<u>(449,871)</u>	<u>(244,026)</u>	<u>(97,493)</u>	<u>1,056,603</u>	<u>(5,343,683)</u>	<u>(2,517,356)</u>	<u>1,783,848</u>
Other financing sources (uses)										
Transfers in	2,471,905	1,898,007	2,202,954	2,059,154	2,038,024	2,381,066	4,244,692	6,004,663	3,730,510	2,036,486
Transfers out	(1,736,947)	(1,538,388)	(1,184,908)	(391,626)	(585,663)	(783,218)	(2,446,693)	(4,070,000)	(1,801,666)	(7,189,100)
Bonds issued	3,012,455		4,000,000	-	-	-	-	9,995,743	-	9,940,000
Payments to Refunded Bond Escrow										(11,092,095)
Premium on Debt Issuance										1,285,223
Total other financing sources (uses)	<u>3,747,413</u>	<u>359,619</u>	<u>5,018,046</u>	<u>1,667,528</u>	<u>1,452,361</u>	<u>1,597,848</u>	<u>1,797,999</u>	<u>11,930,406</u>	<u>1,928,844</u>	<u>(5,019,486)</u>
Net change in fund balance	<u>\$ 1,956,005</u>	<u>\$ 3,211,981</u>	<u>\$ 4,389,745</u>	<u>\$ 1,217,657</u>	<u>\$ 1,208,335</u>	<u>\$ 1,500,355</u>	<u>\$ 2,854,602</u>	<u>\$ 6,586,723</u>	<u>\$ (588,512)</u>	<u>\$ (3,235,638)</u>
Debt service as a percentage of noncapital governmental expenditures	<u>14.88%</u>	<u>6.16%</u>	<u>5.83%</u>	<u>6.81%</u>	<u>5.06%</u>	<u>4.15%</u>	<u>4.08%</u>	<u>4.54%</u>	<u>6.69%</u>	<u>11.82%</u>

**TABLE 5**

**CITY OF MORRISTOWN, TENNESSEE**

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>In-lieu Tax</b>	<b>Franchise Tax</b>	<b>Local Sales Tax</b>	<b>Alcohol Beverage Tax</b>	<b>Business and Gross Receipts Tax</b>	<b>Licenses, Permits, and Fines</b>	<b>Hotel/ Motel Tax</b>	<b>Litigation Tax</b>	<b>Use of Money and Property</b>	<b>Other</b>	<b>Inter- Governmental</b>	<b>Transfers</b>	<b>Total</b>
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
2019	11,786,494	-	712,126	13,389,122	1,260,568	1,113,149	-	767,588	51,463	3,401,910	1,561,606	6,105,485	2,036,486	42,185,997

TABLE 6

## CITY OF MORRISTOWN, TENNESSEE

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

<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>
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	341,958,234	707,025	5,716,175	248,685,433	2,270	863,349,937	1.05	2,720,476,644	31.74%
2014	267,100,775	342,794,907	707,025	5,697,950	252,008,861	5,587	868,315,105	1.05	2,736,636,423	31.73%
2015	241,973,025	346,673,196	695,695	4,832,500	257,178,659	9,735	851,362,810	1.114	2,665,051,327	31.95%
2016	242,706,000	360,519,034	695,695	4,777,775	282,378,782	6,753	891,084,039	1.20	2,791,909,491	31.92%
2017	243,508,725	368,288,320	695,695	4,824,475	290,189,983	9,111	907,516,309	1.20	2,879,128,380	31.52%
2018	244,715,150	376,170,327	695,695	4,647,200	298,679,525	-	924,907,897	1.20	2,934,086,480	31.52%
2019	246,406,625	385,853,750	695,695	4,703,875	305,384,722	-	943,044,667	1.25	2,999,344,651	31.44%

TABLE 7

CITY OF MORRISTOWN, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
JTEKT(Toyoda-TRW)	32,863,343	2	3.55%	\$ 18,342,406	2	2.50%
Mahle	34,535,822	1	3.73%	27,131,467	1	3.69%
Colgate	12,419,257	6	1.37%	-		
Inteplast (formelry Vifan)	15,872,304	4	1.72%	9,845,432	5	1.34%
OTICS	22,629,927	3	2.45%	8,983,079	7	1.22%
Tuff Torq Corp	13,086,475	5	1.41%	11,481,568	3	1.56%
Meritor/Rockwell	8,309,300	9	0.90%	4,842,003	10	0.66%
Team Technologies	9,679,055	8	1.05%	-		0.00%
Time Equities (formerly CBL Morristown LTD)	11,187,800	7	1.21%	9,581,600	6	1.30%
Rich Products	8,123,370	10	0.88%	-		0.00%
Berkline	-			9,578,503	4	1.30%
Bellsouth	-			6,623,222	8	0.90%
Lear Corporation	-			6,582,434	9	0.90%
KOCH Farms LLC	-					0.00%
	168,706,653			112,991,714		

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
2019	\$ 11,728,491	\$ 11,086,237	94.52 %	-	\$ 11,086,237	94.52 %
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	10,613,847	97.08
2015	9,117,321	8,690,500	95.32	203,214	8,893,714	97.55
2014	9,065,786	8,545,014	94.26	354,573	8,899,587	98.17
2013	9,065,786	8,579,330	94.63	394,911	8,974,241	98.99
2012	9,073,036	8,679,616	95.66	341,884	9,021,500	99.43
2011	9,091,730	8,590,172	94.48	432,599	9,022,771	99.24
2010	9,243,067	8,755,460	94.72	437,296	9,192,756	99.46

**CITY OF MORRISTOWN, TENNESSEE**

**TABLE 9**

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>Wastewater rate</u></b>										
Inside	\$ 4.59	\$ 4.96	\$ 8.11	\$ 8.11	\$ 9.17	\$ 9.17	\$ 10.50	\$ 11.50	\$ 11.50	\$ 11.50
Outside	9.18	9.92	16.22	16.22	18.34	18.34	21.00	23.00	23.00	23.00
<b><u>Customers</u></b>										
Inside	11,523	11,627	11,618	11,668	10,567	10,565	10,605	10,594	10,685	10,719
Outside	109	104	105	106	10	9	9	9	9	9
<b><u>Commodity charge (per 1,000 gallons)</u></b>										
Inside						5.00	5.00	5.00	5.00	5.00
Outside						10.00	10.00	10.00	10.00	10.00

TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Residential</b>										
Customer charge per month	\$ 25.27	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71
Energy charge:										
First 2,000 kWh	0.09584	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175
Additional kWh per month	0.09584	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968
<b>Commercial, Industrial, Governmental and Institutional:</b>										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	\$27 or \$44	\$25 or \$42	\$21 or \$39	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	26.00	26.00	26.00
Energy charge per kWh per month	0.10852	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	135.50	135.50	135.50	135.00	133.00	133.00	133.00	133.00	133.00	133.00
Demand charge:										
First 50 kW per month										
Excess over 50 kW per month	13.66	13.36	13.12	12.88	12.35	12.00	11.86	11.86	13.78	13.78
Energy charge:										
First 15,000 kWh per month	0.10266	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381	0.0857
Additional kWh per month	0.06479	0.06459	0.06515	0.06236	0.06284	0.06695	0.0635	0.06491	0.06262	0.04861
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	275.08	275.08	275.08	275.08	270.00	270.00	270.00	270.00	270.00	270.00
Demand charge:										
First 1,000 kW per month	13.91	13.58	13.32	13.06	12.50	12.24	11.98	11.98	11.68	13.88
Excess over 1,000 kW per month	16.04	15.64	15.32	15.00	14.32	13.99	13.67	13.67	13.31	15.44
Energy charge:										
Per kWh per month	0.0647	0.06451	0.06508	0.0623	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903
TDMSA										
Demand charge:										
On peak	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-
Excess off peak	4.62	4.24	3.40	3.36	4.14	4.07	4.00	4.00	-	-
Excess over contract	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-
Energy charge:										
On peak	0.08102	0.07152	0.07197	0.0694	0.09815	0.10127	0.09683	0.09694	-	-
Off peak (first 425 kWh)	0.05182	0.04718	0.04819	0.0000	0.06163	0.06568	0.06215	0.06226	-	-
Off peak (next 195 kWh)	0.02229	0.02126	0.02209	0.0000	0.04198	0.04653	0.04349	0.0436	-	-
Off peak (additional kWh)	0.01974	0.01878	0.01966	0.0000	0.02529	0.03026	0.02764	0.02775	-	-

(Continued)

TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	19.92	13.27
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	0.10427	0.0374
Additional kWh per month	-	-	-	-	-	-	-	-	0.02771	0.03074
GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	19.92	14.89
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	0.10427	0.04132
Additional kWh per month	-	-	-	-	-	-	-	-	0.02771	0.03372
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	12,198	12,133	11,995	11,862	11,826	11,721	11,764	11,752	11,683	11,819
Commercial	2,239	2,191	2,163	2,160	2,141	2,120	2,121	2,105	2,085	2,109
Industrial	439	448	458	446	439	458	449	447	467	464
Street and athletic	79	79	76	75	76	73	70	71	69	69
Outdoor lighting	77	35	34	33	33	34	34	31	32	35
Total active service	<u>15,032</u>	<u>14,886</u>	<u>14,726</u>	<u>14,576</u>	<u>14,515</u>	<u>14,406</u>	<u>14,438</u>	<u>14,406</u>	<u>14,336</u>	<u>14,496</u>

TABLE 11

## CITY OF MORRISTOWN, TENNESSEE

WATER RATES AND NUMBER OF CUSTOMERS  
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<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	2.35	2.20	2.05	2.05	2.05	2.05	2.05	2.05	2.05
Next 50,000 gallons	2.10	2.10	1.95	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Over 100,000	1.90	1.90	1.75	1.60	1.60	1.60	1.60	1.60	1.60	1.60
<b>Minimum bill:</b>										
5/8" meter	9.35	9.35	9.05	8.75	8.75	8.75	8.75	8.75	8.75	8.75
3/4" meter	9.85	9.85	9.55	9.25	9.25	9.25	9.25	9.25	9.25	9.25
1" meter	10.60	10.60	10.30	10.00	10.00	10.00	10.00	10.00	10.00	10.00
1 1/2" meter	12.10	12.10	11.80	11.50	11.50	11.50	11.50	11.50	11.50	11.50
2" meter	16.60	16.60	16.30	16.00	16.00	16.00	16.00	16.00	16.00	16.00
3" meter	61.60	61.60	61.30	61.00	61.00	61.00	61.00	61.00	61.00	61.00
4" meter	71.60	71.60	71.30	71.00	71.00	71.00	71.00	71.00	71.00	71.00
6" meter	101.60	101.60	101.30	101.00	101.00	101.00	101.00	101.00	101.00	101.00
8" meter	114.90	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	4.70	4.40	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Next 50,000 gallons	4.20	4.20	3.90	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Over 100,000 gallons	3.80	3.80	3.50	3.20	3.20	3.20	3.20	3.20	3.20	3.20
<b>Minimum bill:</b>										
5/8" meter	14.05	14.05	13.45	12.85	12.85	12.85	12.85	12.85	12.85	12.85
3/4" meter	14.55	14.55	13.95	13.35	13.35	13.35	13.35	13.35	13.35	13.35
1" meter	15.30	15.30	14.70	14.10	14.10	14.10	14.10	14.10	14.10	14.10
1 1/2" meter	16.80	16.80	16.20	15.60	15.60	15.60	15.60	15.60	15.60	15.60
2" meter	21.30	21.30	20.70	20.10	20.10	20.10	20.10	20.10	20.10	20.10
3" meter	66.30	66.30	65.70	65.10	65.10	65.10	65.10	65.10	65.10	65.10
4" meter	76.30	76.30	75.70	75.10	75.10	75.10	75.10	75.10	75.10	75.10
6" meter	106.30	106.30	105.70	105.10	105.10	105.10	105.10	105.10	105.10	105.10
8" meter	119.60	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	12,804	12,758	12,671	12,649	12,589	12,549	12,569	12,553	12,501	12,567

TABLE 12

## CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES  
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Standard Cable:</b>										
Expanded basic	\$ 60.95	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95
Digital basic	72.95	72.95	72.95	68.95	68.95	60.95	54.95	54.95	54.95	54.95
Digital basic + 1	87.90	87.90	82.95	78.75	78.75	69.95	63.95	63.95	63.95	63.95
Digital basic + 2	99.90	99.90	90.95	86.95	86.95	77.95	71.95	71.95	71.95	71.95
Digital basic + 4	119.90	119.90	103.95	99.95	99.95	90.95	84.95	84.95	84.95	84.95
Premium channels	14.95-46.95	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95
<b>Internet:</b>										
Residential										
Tier 1	39.95	39.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95
Tier 2	59.95	59.95	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	74.95	44.95	59.95	59.95
Tier 4	99.95	99.96	99.95	99.95	99.95	99.95	99.95	74.95	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	49.95	44.95	44.95	44.95	44.95	44.95
Tier 2	79.95	79.95	79.95	79.95	79.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	104.95	104.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.90	154.95	154.95	154.95	149.90	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
Tier 6	-	-	-	-	-	-	299.95	-	-	-
<b>Telephone:</b>										
Residential										
Basic Pack	32.95	28.65	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95
Preferred Pack	48.95	28.65	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95	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
Commercial										
Access line	29.95	29.95	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	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
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note: The Broadband System began operations in 2006.

AWWA Free Water Audit Software: Reporting Worksheet						WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved	
<div style="border: 1px solid #ccc; padding: 2px; margin-bottom: 2px;"> <span style="background-color: #4F81BD; color: white; padding: 0 5px;">?</span> Click to access definition         </div> <div style="border: 1px solid #ccc; padding: 2px;"> <span style="background-color: #4F81BD; color: white; padding: 0 5px;">+</span> Click to add a comment         </div>		<b>Water Audit Report for:</b> <span style="border: 1px solid #ccc; padding: 2px;">Morristown Utilities Commission (0000474)</span>					
		<b>Reporting Year:</b> <span style="border: 1px solid #ccc; padding: 2px;">2019</span>		<span style="border: 1px solid #ccc; padding: 2px;">7/2018 - 6/2019</span>			
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades							
All volumes to be entered as: MILLION GALLONS (US) PER YEAR							
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.							
<b>WATER SUPPLIED</b>				<----- Enter grading in column 'E' and 'J' ----->			
Volume from own sources: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 9</span> <span style="border: 1px solid #ccc; padding: 2px;">3,233.619</span> MG/Yr				Master Meter and Supply Error Adjustments Pcnt: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 9</span> <span style="border: 1px solid #ccc; padding: 2px;">2.00%</span> <span style="border: 1px solid #ccc; padding: 2px;">Value:</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Water imported: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>				<span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Water exported: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>				<span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
<b>WATER SUPPLIED:</b>				<b>3,170.215</b> MG/Yr			
<b>AUTHORIZED CONSUMPTION</b>							
Billed metered: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">2,755.871</span> MG/Yr				Click here: <span style="background-color: #4F81BD; color: white; padding: 0 5px;">?</span> for help using option buttons below			
Billed unmetered: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>				Pcnt: <span style="border: 1px solid #ccc; padding: 2px;">1.25%</span> <span style="border: 1px solid #ccc; padding: 2px;">Value:</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Unbilled metered: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">1.933</span> MG/Yr				Use buttons to select percentage of water supplied <b>OR</b> value			
Unbilled unmetered: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">39.628</span> MG/Yr							
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed							
<b>AUTHORIZED CONSUMPTION:</b> <span style="border: 1px solid #ccc; padding: 2px;">?</span>				<b>2,797.432</b> MG/Yr			
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>							
<b>Apparent Losses</b>				<b>372.783</b> MG/Yr			
Unauthorized consumption: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">7.926</span> MG/Yr				Pcnt: <span style="border: 1px solid #ccc; padding: 2px;">0.25%</span> <span style="border: 1px solid #ccc; padding: 2px;">Value:</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed							
Customer metering inaccuracies: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">27.857</span> MG/Yr				<span style="border: 1px solid #ccc; padding: 2px;">1.00%</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Systematic data handling errors: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span> <span style="border: 1px solid #ccc; padding: 2px;">6.890</span> MG/Yr				<span style="border: 1px solid #ccc; padding: 2px;">0.25%</span> <span style="border: 1px solid #ccc; padding: 2px;">MG/Yr</span>			
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed							
<b>Apparent Losses:</b> <span style="border: 1px solid #ccc; padding: 2px;">?</span>				<b>42.672</b> MG/Yr			
<b>Real Losses (Current Annual Real Losses or CARL)</b>							
Real Losses = Water Losses - Apparent Losses: <span style="border: 1px solid #ccc; padding: 2px;">?</span>				<b>330.111</b> MG/Yr			
<b>WATER LOSSES:</b>				<b>372.783</b> MG/Yr			
<b>NON-REVENUE WATER</b>							
<b>NON-REVENUE WATER:</b> <span style="border: 1px solid #ccc; padding: 2px;">?</span>				<b>414.344</b> MG/Yr			
= Water Losses + Unbilled Metered + Unbilled Unmetered							
<b>SYSTEM DATA</b>							
Length of mains: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 9</span> <span style="border: 1px solid #ccc; padding: 2px;">310.0</span> miles							
Number of <u>active AND inactive</u> service connections: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 8</span> <span style="border: 1px solid #ccc; padding: 2px;">13,800</span>							
Service connection density: <span style="border: 1px solid #ccc; padding: 2px;">?</span> <span style="border: 1px solid #ccc; padding: 2px;">45</span> conn./mile main							
Are customer meters typically located at the curbstop or property line? <span style="border: 1px solid #ccc; padding: 2px;">Yes</span>				(length of service line, <u>beyond</u> the property boundary, that is the responsibility of the utility)			
Average length of customer service line: <span style="border: 1px solid #ccc; padding: 2px;">+ ?</span>							
Average length of customer service line has been set to zero and a data grading score of 10 has been applied							
Average operating pressure: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 4</span> <span style="border: 1px solid #ccc; padding: 2px;">65.0</span> psi							
<b>COST DATA</b>							
Total annual cost of operating water system: <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">\$5,233,780</span> \$/Year							
Customer retail unit cost (applied to Apparent Losses): <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">\$2.30</span> \$/1000 gallons (US)							
Variable production cost (applied to Real Losses): <span style="border: 1px solid #ccc; padding: 2px;">+ ? 10</span> <span style="border: 1px solid #ccc; padding: 2px;">\$533.08</span> \$/Million gallons				<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses			
<b>WATER AUDIT DATA VALIDITY SCORE:</b>							
*** YOUR SCORE IS: 90 out of 100 ***							
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score							
<b>PRIORITY AREAS FOR ATTENTION:</b>							
Based on the information provided, audit accuracy can be improved by addressing the following components:							
1: Volume from own sources							
2: Unauthorized consumption							
3: Systematic data handling errors							

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

WAS v5.0

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

Water Audit Report for: **Morristown Utilities Commission (0000474)**Reporting Year: **2019** **7/2018 - 6/2019**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 \*\*\*

System Attributes:

Apparent Losses:	42.672	MG/Yr
+ Real Losses:	330.111	MG/Yr
= <b>Water Losses:</b>	<b>372.783</b>	MG/Yr

<b>?</b> Unavoidable Annual Real Losses (UARL):	88.90	MG/Yr
---	-------	-------

Annual cost of Apparent Losses:	\$98,145
---------------------------------	----------

Annual cost of Real Losses:	\$759,256	Valued at <b>Customer Retail Unit Cost</b>
-----------------------------	-----------	--

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied:	13.1%	
Non-revenue water as percent by cost of operating system:	18.2%	Real Losses valued at Customer Retail Unit Cost

Operational Efficiency:

Apparent Losses per service connection per day:	8.47	gallons/connection/day
Real Losses per service connection per day:	65.54	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	1.01	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	330.11	million gallons/year
--	--------	----------------------

<b>?</b> Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.71
--	------

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

## CITY OF MORRISTOWN, TENNESSEE

TABLE 14

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
			<b>General Obligation Bonds</b>	<b>Revenue Bonded Debt</b>			
2010	28,054	31,961	21,676,922	70,536,488	92,213,410	0.03%	3,287
2011	29,137	18,813	20,395,260	67,736,119	88,131,379	0.02%	3,025
2012	29,369	19,718	19,054,360	66,678,349	85,732,709	0.02%	2,919
2013	29,269	32,838	21,373,996	94,873,935	116,247,931	0.03%	3,972
2014	29,324	32,588	20,237,974	106,117,010	126,354,984	0.03%	4,309
2015	29,304	33,217	19,064,476	116,342,780	135,407,256	0.02%	4,621
2016	29,478	30,846	17,852,950	114,160,479	132,013,429	0.02%	4,478
2017	29,663	28,930	26,620,225	114,284,913	140,905,138	0.02%	4,750
2018	29,771	31,259	24,953,248	114,645,160	139,598,408	0.02%	4,689
2019	29,926	33,597	32,707,643	122,762,242	155,469,885	0.02%	5,195

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Actual Value of Taxable Property</b>	<b>General Bonded Debt</b>	<b>Percent of General Obligation Debt to Actual Value</b>	<b>Net Bonded Debt Per Capita</b>
2010	25,800	2,776,600,762	21,676,922	0.78%	840
2011	29,137	2,729,853,556	20,395,260	0.75%	700
2012	29,369	2,722,855,361	19,054,360	0.70%	649
2013	29,269	2,720,476,644	21,373,996	0.79%	730
2014	29,324	2,736,636,423	20,237,974	0.74%	690
2015	29,304	2,665,051,328	19,064,476	0.72%	651
2016	29,478	2,791,909,491	17,852,950	0.64%	606
2017	29,663	2,879,128,380	26,620,225	0.92%	897
2018	29,771	2,934,086,480	24,953,248	0.85%	838

**TABLE OF 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>
2010	21,676,922	734,794,794	.030 to 1	26,991,342	.803 to 1
2011	20,395,260	880,290,913	.023 to 1	31,320,230	.651 to 1
2012	19,054,360	864,098,668	.022 to 1	31,217,154	.610 to 1
2013	21,373,996	863,349,937	.025 to 1	30,941,516	.691 to 1
2014	20,237,974	868,315,105	.023 to 1	32,088,324	.630 to 1
2015	19,064,476	851,362,810	.022 to 1	35,135,389	.543 to 1
2016	17,852,950	891,084,039	.020 to 1	36,181,623	.493 to 1
2017	26,620,225	907,516,309	.030 to 1	34,963,452	.762 to 1
2018	24,953,248	924,907,897	.027 to 1	33,520,735	.744 to 1
2019	32,707,643	943,044,667	.035 to 1	35,075,309	.932 to 1

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

## CITY OF MORRISTOWN, TENNESSEE

TABLE 17

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level In Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2010	28,054	896,633,894	31,961	37.30	13.0	9,532	11.20
2011	29,137	548,154,381	18,813	36.20	12.0	10,972	11.80
2012	29,369	579,097,942	19,718	35.88	13.7	9,852	13.53
2013	29,269	961,135,422	32,838	36.20	14.0	13,046	10.20
2014	29,324	955,610,512	32,588	39.80	14.5	13,136	7.70
2015	29,304	973,390,968	33,217	36.00	14.5	12,148	6.90
2016	29,478	909,278,388	30,846	36.30	14.0	11,970	5.40
2017	29,663	872,982,090	29,430	39.40	14.0	13,583	4.40
2018	29,771	930,611,689	31,259	39.90	14.0	16,900	4.40
2019	29,926	1,005,423,822	33,597	36.80	14.0	16,900	4.50

TABLE 18

## CITY OF MORRISTOWN, TENNESSEE

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

<b>Employer</b>	<b>2019</b>			<b>2010</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
Hamblen County Dept. of Education	1,288	1	10%	1,350	1	11%
MAHLE, Inc.	1,057	2	9%	794	4	6%
Koch Foods	970	3	8%	882	2	7%
JTEKT Automotive	850	4	7%	470	9	4%
Wal-Mart	749	5	6%	443	10	4%
Walters State Community College	743	6	6%	766	5	6%
Morristown Hamblen Healthcare	716	7	6%	691	6	5%
Team Technologies	672	8	5%			0%
Arconic (f/k/a Howmet)	600	9	5%	480	8	4%
Rich Products	540	10	4%			
Lear Corporation						0%
Berkline				818	3	6%
Lakeway Regional Hospital				501	7	4%
<b>Total</b>	<b>8,185</b>		<b>66%</b>	<b>7,195</b>		<b>57%</b>

TABLE 19

## CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Administration and Staff	6	6	6	4	4	4	3	3	3	3
Finance	7	7	6	6.5	6.5	6.5	6.5	5.5	6	6
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	1	1	1	2	2	2	2
Human Resources	1	2	2	2.5	2.5	2.5	1.5	1.5	2	2
Risk Management	2	0	0	0	0	0	0	0	0	0
Legal services	1	2	2	2	2	2	2	2	2	2
Court Administration	2	0	0	0	0	0	0	0	0	0
Planning	4	4	3.5	3.5	3.5	4.3	3.3	3.3	3.3	3.3
GIS	2	2	2	2	2	1	0	0	0	1
Engineering	2	2	2.5	2.3	2.3	3.3	3.1	3.1	3.1	3.3
Inspections	5	5	5	5	5	5	5	4	4	4
LAMTPO	1	1	1	1	1	1	2	2	2	2
CDBG	0	1	1	1	1	1	1	1	1	1
Police:										
Administration	6	6	6	6	6	5	5	6	6	6
Support	12	0	0	0	0	0	0	0	0	0
Liter Crew	1	0	0	0	0	0	0	0	0	0
Patrol	52	63	64	64	64	65	65	64	63	63
Investigations	13	15	14	15	15	15	15	15	15	15
Codes Enforcement	2	2	2	2	2	1	2	1	1	1
Vice	0	0	0	0	0	0	1	1	1	1
Narcotics & Vice	7	7	7	6	6	5	5	5	5	5
Fire:										
Administration	6	6	6	6	6	6	6	6	6	6
Firefighting	79	79	79	79	79	79	79	79	81	81
Prevention & inspection	1	1	1	1	1	1	1	1	1	1
Public works:										
Administration	3	4	3	2.5	2.5	2	1.83	1.83	1.5	1.5
Facilities Maintenance	3	3	3	3	3	3	2	2	2	2
Fleet Maintenance	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	15	15	13	15	14	9	9	9	9	9
Street lights and signs	1	1	1	1	1	1	1	1	1	2
Brush and Bulk	11	13	15	11	11	10.7	10.7	10.7	9	9
Communication shop	2	2	2	2	2	2	1.65	1.65	1.65	2
Park and recreation	17	17	17	17	17	17	17	17	17	18
Natural Resource Maintenance	3	0	0	0	0	0	0	0	0	0
Sewer	0	0	0	0	0	16	17.98	17.98	26.9	26.9
Stormwater	6	4	4	4.2	4.2	5.1	5.44	5.44	7.2	7.2
Solid waste	13	13	13	13.5	13.5	12.5	12	12	12	13
Total	302	299	297	294	293	302	302	299	310	314

## CITY OF MORRISTOWN, TENNESSEE

TABLE 20

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function</b>										
Police:										
Physical arrests	2,097	4,844	4,872	3,061	3,661	5,071	4,378	4,339	3,639	3,277
Parking violations	10,071	357	288	17	167	102	117	251	42	50
Fire:										
Number of calls answered	4,271	3,914	2,975	3,222	3,984	4,288	4,742	3,916	3,184	4,077
Inspections	659	741	2,781	2,562	2,535	2,724	2,663	2,635	2,498	2,726
Highway and streets:										
Street maintenance/resurfacing (miles)	-	1.30	15.30	9.40	1.33	5.10	5.60	11.50	3.85	23.16
Sanitation:										
Brush collected (annual)	3,238.19	2,870.70	6,094.32	6,574.00	2,412.14	2,125.77	2,649.09	3,620.17	3,140.82	3,304.00
Refuse collected	9,416.08	4,209.62	9,313.31	9,248.60	9,313.01	9,063.98	9,358.00	9,404.56	12,855.78	10,737.00

TABLE 21

## CITY OF MORRISTOWN, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<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	276
Parks	16	16	16	16	16	16	16	16	16	16

## **COMPLIANCE SECTION**

---



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2019. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Bristol, Virginia  
December 2, 2019



**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, 2019. The City's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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, 2019.

## Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 2, 2019

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2019**

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

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

Highway Planning and Construction

20.205

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

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None noted.

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

None noted.

**D. FINDINGS – STATE OF TENNESSEE**

None noted.

**CITY OF MORRISTOWN, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2019**

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