

Annual Financial Report

Morristown Utilities Commission
(An Administrative Unit Accounted for
as Enterprise Funds of the
City of Morristown, Tennessee)

Year ended June 30, 2020

Morristown Utilities Commission

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Morristown Utilities Commission

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Morristown Utilities Commission

Board of Commissioners and Management

June 30, 2020

Board of Commissioners

George B. McGuffin, Chairman

Harold L. Nichols, Secretary

B. Lynn Elkins, Member

Bryan Dickerson, Member

Rod Isaacs, Member

Management

Joseph S. Wigington, General Manager, CEO

Clark H. Rucker, Assistant General Manager, CFO

Michael R. Howard, Water System Manager

Bryan J. Delozier, Power System Manager

George A. Benjamin, Telecommunications Manager

Independent Auditor's Report

Board of Commissioners
Morristown Utilities Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Power System, Water System, Wastewater System and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Systems' 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Systems' 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 Systems' 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.

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

Board of Commissioners
Morristown Utilities Commission

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Power System, Water System, Wastewater System and Broadband System of the City as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Systems and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Schedule of Changes in Total OPEB Liability and Related Ratios for the Morristown Utilities Retiree Benefit Plan on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Systems' basic financial statements. The Other Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners
Morristown Utilities Commission

Other Matters (continued)

Other Information (continued)

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section 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 October 28, 2020, on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Systems' internal control over financial reporting and compliance.

Coulter & Justus, P.C.

October 28, 2020
Knoxville, Tennessee

Morristown Utilities Commission
Management's Discussion and Analysis

June 30, 2020

This discussion and analysis is intended to be an introduction to the financial statements and notes that follow this section and should be read in conjunction with them. This section will provide narrative discussion and analysis of the financial activities of Morristown Utilities Commission (the Commission or MUC). The Commission is responsible for the operation of four major funds of the City of Morristown, Tennessee. These funds are the Power System, the Water System, the Wastewater System and the Broadband System. This discussion and analysis is reported at the Commission level. The financial performance of the Commission is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Statement Overview

The Balance Sheet includes the assets, deferred outflows of resources, liabilities and deferred inflows of resources of MUC that represent the available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of MUC. The change in net position is a function of the revenues and expenses, which are recorded in the Statement of Revenues, Expenses and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statement of Cash Flows and the activity is segmented between operating, investing, and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of MUC.

The Commission is an administrative unit of the City of Morristown, Tennessee (the City) operated under the general supervision and control of a five-member Board of Commissioners. The Commission issues an annual financial report which is incorporated in the City's comprehensive annual financial report.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Financial Position

The primary indicator of financial position is net position. The net position of the Power System, Water System, Wastewater System and Broadband System increased by \$3,173,777, \$555,715, \$212,879 and \$772,628, respectively, as a result of operations discussed later. The overall net increase has primarily been used to acquire additional capital assets in the current year.

Table 1	Morristown Utilities Commission Condensed Balance Sheets	
	June 30, 2020	June 30, 2019
Assets:		
Current and other assets	\$ 40,241,839	\$ 45,080,810
Net capital assets	228,804,167	229,953,905
Total assets	269,046,006	275,034,715
Deferred outflows of resources	139,682	32,885
Liabilities:		
Current liabilities	23,046,530	25,126,598
Non-current liabilities	108,311,605	116,988,149
Total liabilities	131,358,135	142,114,747
Deferred inflows of resources	181,074	21,373
Net position:		
Net investments in capital assets	116,145,107	109,774,583
Unrestricted	21,501,372	23,156,897
Total net position	\$137,646,479	\$132,931,480

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Results of Operations

As indicated in Table 2, operating revenues of the Commission decreased by \$3,687,043 or 3.2% from fiscal year 2019 to 2020.

Table 2

Morristown Utilities Commission Condensed Statements of Revenues, Expenses and Changes in Net Position Year ended June 30

	2020	2019
Revenues:		
Operating revenues	\$112,708,509	\$116,395,552
Non-operating revenues	682,492	576,717
Total revenues	113,391,001	116,972,269
Expenses:		
Purchased power	58,010,075	63,322,001
Other operating expenses	45,461,327	43,626,176
Non-operating expenses	3,160,709	4,158,889
Total expenses	106,632,111	111,107,066
Income before contributions and transfers	6,758,890	5,865,203
Contributions	185,380	266,000
Transfers to the City	(2,229,271)	(2,007,299)
Changes in net position	4,714,999	4,123,904
Beginning net position	132,931,480	128,807,576
Ending net position	\$137,646,479	\$132,931,480

Power System

The Power System serves 15,131 residential, commercial, and industrial customers with low cost, reliable power. The Power System is a distributor for the Tennessee Valley Authority (TVA), which has provided low cost, reliable, public power to the customers of Tennessee and portions of surrounding states since 1933. The system maintains over 300 miles of distribution lines and 39 miles of transmission lines with 10 substations.

Operating revenues were \$78,377,930 for fiscal year 2020 and \$82,406,609 for fiscal year 2019. The division purchases all electricity from TVA. The cost of purchased power was \$58,010,075 for fiscal year 2020 and \$63,322,001 for fiscal year 2019. When stated as a percent of revenues, purchased power was 74.01% in fiscal year 2020 and 76.84% in fiscal year 2019. Operations and maintenance expenses for fiscal year 2020 had a 0.5% decrease from fiscal year 2019.

The Power System renewed its wholesale power contract in October 2019 with TVA. The new contract is a 20-year rolling term. The Power System also signed a Flexibility Agreement with TVA that would allow the Power System to build generation and/or storage equivalent to approximately 5% of its current electric load.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Power System (continued)

The Power System completed the renovation of the Administrative Building in the fall of 2019 and has continued other projects for routine improvements and replacement of existing electric distribution systems.

Water System

Currently, the Water System serves 12,877 water customers and 4 surrounding utility districts that spread into Hamblen, Grainger, and Jefferson counties. The system maintains 275 miles of pipe, numerous water storage reservoirs, and pump stations placed throughout the City of Morristown.

Operating revenues were \$7,932,441 for fiscal year 2020 and \$7,765,792 for fiscal year 2019. The Water System operates a regional water treatment plant and treats all water that is sold. Operations and maintenance expenses for fiscal year 2020 had a 4.24% increase from fiscal year 2019.

The Water System has continued projects for routine improvements and replacement of existing water distribution systems.

Wastewater System

The Wastewater System serves 10,762 wastewater customers, and maintains approximately 370 miles of pipe, several holding reservoirs, and sewer pump stations.

Operating revenues were \$15,495,986 for fiscal year 2020 and \$15,654,233 for fiscal year 2019. Operations and maintenance expenses for fiscal year 2020 had a 4.66% increase from fiscal year 2019.

The Wastewater System has continued work on new construction projects throughout the System in order to meet TDEC orders.

Broadband System

The Broadband System serves 6,507 customers with television, phone, and internet services. The Broadband System also provides wholesale video, phone, and internet services to 3,300 customers of Newport Utilities in Newport, Tennessee.

Operating revenues were \$10,902,152 for fiscal year 2020 and \$10,568,918 for fiscal year 2019. Operations and maintenance expenses for fiscal year 2020 had a 3.77% increase from fiscal year 2019.

The Broadband System worked on multiple projects simultaneously throughout the year. The System continues to make upgrades to its network and conversions to the new IPTV video platform.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Impact of Pandemic

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Assistant General Manager, P.O. Box 667, Morristown, Tennessee 37815.

Morristown Utilities Commission

Balance Sheet

June 30, 2020

	Power System	Water System	Wastewater System	Broadband System
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 13,596,139	\$ 2,994,806	\$ 7,376,243	\$ 914,551
Accounts receivable:				
Trade, net of allowance for doubtful accounts of \$258,151	7,354,892	-	-	-
Due from other funds	397,933	-	50,316	-
Due from others	638,438	20,786	176,986	59,710
Accrual for unbilled revenue	1,674,314	238,273	738,055	-
Other current assets	51,752	17,117	31,110	153,211
Materials and supplies inventories	1,351,942	385,072	233,225	-
Total current assets	25,065,410	3,656,054	8,605,935	1,127,472
Capital assets:				
Plant and equipment in service	139,172,948	74,918,981	172,514,712	19,821,984
Less accumulated depreciation	68,262,595	35,194,112	67,980,534	7,756,113
	70,910,353	39,724,869	104,534,178	12,065,871
Construction in progress	994,910	83,087	467,724	23,175
Net capital assets	71,905,263	39,807,956	105,001,902	12,089,046
Due from other funds	1,411,067	-	-	-
Plant acquisition adjustments, net of accumulated amortization	19,466	-	-	-
Other assets	356,435	-	-	-
Total assets	98,757,641	43,464,010	113,607,837	13,216,518
Deferred outflows of resources:				
Other postemployment benefits	68,145	27,425	26,015	18,097
Total deferred outflows of resources	68,145	27,425	26,015	18,097
Total assets and deferred outflows of resources	\$ 98,825,786	\$ 43,491,435	\$ 113,633,852	\$ 13,234,615

Morristown Utilities Commission

Balance Sheet (continued)

June 30, 2020

	Power System	Water System	Wastewater System	Broadband System
Liabilities, deferred inflows of resources and net position				
Current liabilities:				
Accounts payable:				
Trade	\$ 5,757,092	\$ 235,082	\$ 469,418	\$ 419,785
Due to other funds	1,604	21,806	-	424,839
City of Morristown	292,545	-	-	-
Unearned revenues	-	-	-	251,293
Customer deposits	3,795,806	-	-	83,100
Accrued payroll related liabilities	1,449,628	403,361	305,856	280,760
Other accrued liabilities	411,339	12,323	508,396	134,073
Current portion of capital lease obligation	-	-	-	57,264
Current portion of contractual obligation	-	-	104,793	-
Current portion of long-term debt	1,120,000	1,020,297	4,794,070	692,000
Total current liabilities	<u>12,828,014</u>	<u>1,692,869</u>	<u>6,182,533</u>	<u>2,343,114</u>
Total other postemployment benefits liability				
	1,124,078	447,154	197,055	261,615
Due to other funds	-	-	-	1,411,067
Capital lease obligation, less current portion	-	-	-	181,397
Contractual obligation, less current portion	-	-	1,874,646	-
Long-term debt, less current portion	18,449,059	7,822,880	72,317,212	4,225,442
Total liabilities	<u>32,401,151</u>	<u>9,962,903</u>	<u>80,571,446</u>	<u>8,422,635</u>
Deferred inflows of resources:				
Other postemployment benefits	163,511	4,098	1,506	11,959
Total deferred inflows of resources	<u>163,511</u>	<u>4,098</u>	<u>1,506</u>	<u>11,959</u>
Net position:				
Net investment in capital assets	52,336,204	30,964,779	25,911,181	6,932,943
Unrestricted (deficit)	13,924,920	2,559,655	7,149,719	(2,132,922)
Total net position	<u>66,261,124</u>	<u>33,524,434</u>	<u>33,060,900</u>	<u>4,800,021</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 98,825,786</u>	<u>\$ 43,491,435</u>	<u>\$ 113,633,852</u>	<u>\$ 13,234,615</u>

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020

	Power System	Water System	Wastewater System	Broadband System
Operating revenues:				
Metered sales	\$ 75,488,051	\$ 7,437,738	\$ 14,238,435	\$ -
Broadband sales	-	-	-	8,249,700
Interfund services provided	1,404,493	470,504	61,714	1,756,800
Other operating revenues	1,485,386	24,199	1,195,837	895,652
Total operating revenues	<u>78,377,930</u>	<u>7,932,441</u>	<u>15,495,986</u>	<u>10,902,152</u>
Operating expenses:				
Power purchased	58,010,075	-	-	-
Operations	5,364,039	4,104,017	5,832,102	7,106,439
Maintenance	2,984,954	859,934	1,230,109	549,176
Interfund services used	1,425,351	465,732	539,896	1,262,532
Depreciation and amortization	5,235,264	1,796,381	5,240,864	954,575
Taxes	417,193	-	-	92,769
Total operating expenses	<u>73,436,876</u>	<u>7,226,064</u>	<u>12,842,971</u>	<u>9,965,491</u>
Operating income	<u>4,941,054</u>	<u>706,377</u>	<u>2,653,015</u>	<u>936,661</u>
Other income (expense):				
Interest income	244,028	34,532	117,078	5,854
Interest expense	(574,308)	(216,874)	(2,199,640)	(169,887)
Other nonoperating revenues	-	-	281,000	-
Net other expense	<u>(330,280)</u>	<u>(182,342)</u>	<u>(1,801,562)</u>	<u>(164,033)</u>
Income before contributions and transfers	4,610,774	524,035	851,453	772,628
Contributions	-	67,800	117,580	-
Transfers out (tax equivalent payments to City of Morristown)	<u>(1,436,997)</u>	<u>(36,120)</u>	<u>(756,154)</u>	<u>-</u>
Changes in net position	<u>3,173,777</u>	<u>555,715</u>	<u>212,879</u>	<u>772,628</u>
Net position at beginning of year	63,087,347	32,968,719	32,848,021	4,027,393
Net position at end of year	<u>\$ 66,261,124</u>	<u>\$ 33,524,434</u>	<u>\$ 33,060,900</u>	<u>\$ 4,800,021</u>

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Cash Flows

Year ended June 30, 2020

	Power System	Water System	Wastewater System	Broadband System
Cash flows from operating activities				
Cash received from customers	\$ 77,446,592	\$ 7,916,799	\$ 15,419,420	\$ 10,883,704
Cash received from City of Morristown, Tennessee	1,615,747	-	-	-
Cash paid to suppliers and vendors	(62,905,497)	(3,758,077)	(6,351,314)	(6,511,460)
Cash paid to employees for services	(6,366,716)	(1,675,358)	(2,081,756)	(2,181,312)
Net cash flows from operating activities	9,790,126	2,483,364	6,986,350	2,190,932
Cash flows from noncapital financing activities				
Transfers to City of Morristown (tax equivalent payments)	(1,424,752)	(36,120)	(756,154)	-
Net interfund advances (repayments)	439,443	(71,558)	17,078	(384,963)
Net cash flows from noncapital financing activities	(985,309)	(107,678)	(739,076)	(384,963)
Cash flows from capital and related financing activities				
Principal payments on capital lease obligation	-	-	-	(42,357)
Net additions to capital assets	(7,280,621)	(1,059,242)	(3,057,186)	(980,816)
Contributions	-	67,800	117,580	-
Principal payments on long-term debt and contractual obligation	(1,075,000)	(989,208)	(4,918,618)	(671,000)
Interest paid on long-term debt	(817,758)	(216,874)	(2,720,077)	(206,358)
Grant receipts from governmental agencies	-	-	281,000	-
Net cash flows from capital and related financing activities	(9,173,379)	(2,197,524)	(10,297,301)	(1,900,531)
Cash flows from investing activities				
Interest received on cash and cash equivalents	244,028	34,532	117,078	5,854
(Decrease) increase in cash and cash equivalents	(124,534)	212,694	(3,932,949)	(88,708)
Cash and cash equivalents at beginning of year	13,720,673	2,782,112	11,309,192	1,003,259
Cash and cash equivalents at end of year	<u>\$ 13,596,139</u>	<u>\$ 2,994,806</u>	<u>\$ 7,376,243</u>	<u>\$ 914,551</u>

Morristown Utilities Commission
Statement of Cash Flows (continued)
Year ended June 30, 2020

	Power System	Water System	Wastewater System	Broadband System
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 4,941,054	\$ 706,377	\$ 2,653,015	\$ 936,661
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	5,359,111	1,832,789	5,341,656	1,017,737
Changes in operating assets and liabilities:				
Accounts receivable	801,128	(5,343)	(20,612)	24,245
Accrual for unbilled revenue	53,861	(10,299)	(55,954)	-
Materials and supplies inventories	(27,681)	(7,270)	18,864	-
Other assets	(371,755)	1,446	4,543	21,694
Trade accounts payable	(1,151,105)	3,026	(1,023,394)	101,163
Customer deposits and prepayments	201,175	-	-	(35,550)
Other liabilities	(46,640)	(20,693)	31,459	83,132
Total other postemployment benefits liability	(70,840)	4,522	59,941	46,405
Deferred outflows of resources	(49,375)	(20,466)	(22,976)	(13,980)
Deferred inflows of resources	151,193	(725)	(192)	9,425
Net cash flows from operating activities	<u>\$ 9,790,126</u>	<u>\$ 2,483,364</u>	<u>\$ 6,986,350</u>	<u>\$ 2,190,932</u>

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Notes to Financial Statements

June 30, 2020

1. Significant Accounting Policies

General

The Morristown Utilities Commission (the Commission) is an administrative unit of the City of Morristown, Tennessee (the City). The Commission is comprised of the Power System, Water System, Wastewater System and Broadband System (the Systems), which are reported as separate enterprise funds of the City.

An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through user charges. The Commission is managed and controlled by commissioners who are appointed for five-year terms by the mayor and members of City Council. The Commission manages, operates and maintains the power, water, wastewater and broadband systems servicing the citizens of the City and surrounding areas. The Commission issues an annual financial report which is combined with other funds in the City's comprehensive annual financial report.

The financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and general practices in the power, water, wastewater and broadband industries. Operating revenues and expenses generally result from providing power, water, wastewater and broadband services in connection with the Systems' ongoing operations. Operating expenses include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net position is classified into the following three components, as applicable:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Systems' operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the enterprise funds are included in the balance sheet. Fund equity (i.e. total net position) consists of capital contributed by the City and retained earnings. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fiscal Year-End

The Systems operate on a fiscal year ending June 30. All references in these notes refer to the fiscal year-end unless otherwise specified.

Deposits and Investments

The Systems consider all demand deposits, non-negotiable certificates of deposit and short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Systems have not formally adopted an investment policy and place no limit on the amount that may be deposited with any one issuer.

The Systems have no formal policy regarding interest rate risk. Deposits are structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of deposit maturities must be consistent with the cash requirements of the Systems in order to avoid the forced redemption of deposits prior to maturity.

As authorized by statutes of the State of Tennessee (the State), the Systems may only invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; the Local Government Investment Pool or in obligations which are rated in either of the two highest rated categories by a nationally recognized rating agency.

Restricted Assets

Restricted assets, if applicable, include funds limited by bond indentures for construction projects. When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

Material and Supplies Inventories

Materials and supplies inventories are valued at the lower of cost or market, utilizing the moving average method of determining cost.

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Income Taxes

The Power, Water and Wastewater Systems are exempt from federal and state income taxes; accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Broadband System is exempt from federal income taxes; however, it is required by Tennessee Code Annotated Section 7-52-606 to pay franchise and excise tax to the State of Tennessee.

Capital Assets

Capital assets are carried at historical cost, including applicable general and administrative costs and payroll related costs such as pensions, taxes and other employee benefits. All material renewals and betterments are capitalized in accordance with the Systems' capitalization policy. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation and no gain or loss is recognized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the assets, which are as follows:

Transmission equipment, fixtures and devices	25 to 50 years
Distribution transformers, meters, fixtures and devices	5 to 50 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 to 25 years

Plant Acquisition Adjustments

Plant acquisition adjustments represent the excess of cost over net book value of utility properties acquired from other utility districts. Such excess is amortized over the estimated useful life of the related property (periods of up to 20 years).

Compensated Absences

The Systems recognize the cost of vacation pay and sick leave benefits when earned by the employees. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days. In general, accumulated vacation days are limited to thirty days. Employees are reimbursed for accumulated sick leave upon retirement or termination at an equivalent salary rate of 100%, 50% or 33⅓%, depending on the date earned. Sick leave accumulation is limited to ninety days.

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Deposits and Investments

All of the Systems' deposits, as of June 30, 2020, are covered by the bank collateral pool administered by the State Treasurer. Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized.

3. Power Contract

The Power System has a power contract with the Tennessee Valley Authority (TVA) whereby the Power System purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

4. Retirement Plan

The Systems share in a defined contribution retirement plan, 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.

System	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
Power	\$6,389,369	\$6,204,542	\$929,217	15%	\$459,136	7%
Water	1,679,279	1,562,608	234,583	15%	123,330	8%
Wastewater	2,115,332	2,064,767	307,992	15%	175,678	9%
Broadband	2,233,088	2,124,850	315,481	15%	102,548	5%

Under the Retirement Plan terms, the Systems will match participant contributions up to 3% of the participant's salary and may also contribute an additional amount to the Plan at its discretion. During 2020, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed six months of service as defined by the Retirement Plan and who have attained the age of 21 are eligible to participate in the Retirement Plan. Participants are 100% vested in the employer contributions when they are made.

Morristown Utilities Commission
Notes to Financial Statements (continued)

5. Capital Assets

The following is a schedule of changes in major classes of the Power System plant and equipment:

	Balance July 1, 2019	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,010,932	\$ –	\$ –	\$ 1,010,932
Construction in progress	5,996,832	7,072,418	12,074,340	994,910
Total capital assets not being depreciated	7,007,764	7,072,418	12,074,340	2,005,842
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,663,232	12,039	–	8,675,271
Distribution transformers, meters, fixtures and devices	70,418,206	2,915,359	246,618	73,086,947
Buildings and improvements	7,579,829	6,565,387	–	14,145,216
Furniture, fixtures and equipment	39,923,966	2,580,424	249,808	42,254,582
Total capital assets being depreciated	126,585,233	12,073,209	496,426	138,162,016
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	6,541,495	238,028	–	6,779,523
Distribution transformers, meters fixtures and devices	30,300,057	2,596,581	455,952	32,440,686
Buildings and improvements	2,219,105	196,392	–	2,415,497
Furniture, fixtures and equipment	24,572,277	2,304,420	249,808	26,626,889
Total accumulated depreciation	63,632,934	5,335,421	705,760	68,262,595
Net capital assets being depreciated	62,952,299	6,737,788	(209,334)	69,899,421
Net capital assets	\$69,960,063	\$13,810,206	\$11,865,006	\$71,905,263

Morristown Utilities Commission
Notes to Financial Statements (continued)

5. Capital Assets (continued)

The following is a schedule of changes in major classes of the Water System plant and equipment:

	Balance July 1, 2019	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 469,878	\$ –	\$ –	\$ 469,878
Construction in progress	2,278,071	1,117,130	3,312,114	83,087
Total capital assets not being depreciated	2,747,949	1,117,130	3,312,114	552,965
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,072,317	57,473	–	8,129,790
Distribution meters, fixtures and devices	42,035,389	1,872,289	56,061	43,851,617
Buildings and improvements	18,848,721	1,030,423	–	19,879,144
Furniture, fixtures and equipment	2,294,014	311,722	17,184	2,588,552
Total capital assets being depreciated	71,250,441	3,271,907	73,245	74,449,103
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	5,279,591	258,323	–	5,537,914
Distribution meters, fixtures and devices	19,819,980	1,093,081	38,380	20,874,681
Buildings and improvements	6,337,278	379,053	–	6,716,331
Furniture, fixtures and equipment	1,980,038	102,332	17,184	2,065,186
Total accumulated depreciation	33,416,887	1,832,789	55,564	35,194,112
Net capital assets being depreciated	37,833,554	1,439,118	17,681	39,254,991
Net capital assets	\$40,581,503	\$2,556,248	\$3,329,795	\$39,807,956

Morristown Utilities Commission
Notes to Financial Statements (continued)

5. Capital Assets (continued)

The following is a schedule of changes in major classes of the Wastewater System plant and equipment:

	Balance July 1, 2019	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,195,234	\$ –	\$ –	\$ 1,195,234
Construction in progress	11,978,439	3,059,686	14,570,401	467,724
Total capital assets not being depreciated	13,173,673	3,059,686	14,570,401	1,662,958
Capital assets being depreciated:				
Collection facilities, fixtures and devices	82,210,344	11,349,829	–	93,560,173
Treatment facilities, fixtures and devices	54,080,391	301,884	–	54,382,275
Pumping facilities, fixtures and devices	13,557,909	2,790,514	–	16,348,423
Buildings and improvements	2,356,672	–	–	2,356,672
General facilities, fixtures and devices	4,546,261	125,674	–	4,671,935
Total capital assets being depreciated	156,751,577	14,567,901	–	171,319,478
Less accumulated depreciation:				
Collection facilities, fixtures and devices	32,538,899	2,145,895	–	34,684,794
Treatment facilities, fixtures and devices	22,380,369	1,669,420	–	24,049,789
Pumping facilities, fixtures and devices	4,082,691	1,045,080	–	5,127,771
Buildings and improvements	54,054	47,133	–	101,187
General facilities, fixtures and devices	3,582,865	434,128	–	4,016,993
Total accumulated depreciation	62,638,878	5,341,656	–	67,980,534
Net capital assets being depreciated	94,112,699	9,226,245	–	103,338,944
Net capital assets	\$107,286,372	\$12,285,931	\$14,570,401	\$105,001,902

Morristown Utilities Commission
Notes to Financial Statements (continued)

5. Capital Assets (continued)

The following is a schedule of changes in major classes of the Broadband System plant and equipment:

	Balance July 1, 2019	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2020
Capital assets not being depreciated- construction in progress	\$ 43,176	\$ 881,986	\$901,987	\$ 23,175
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,665,640	59,768	1,886	8,723,522
Distribution fixtures and devices	9,377,837	924,884	333,750	9,968,971
Furniture, fixtures and equipment	1,186,691	15,000	72,200	1,129,491
Total capital assets being depreciated	19,230,168	999,652	407,836	19,821,984
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	1,670,182	384,252	1,886	2,052,548
Distribution fixtures and devices	4,618,670	548,477	333,753	4,833,394
Furniture, fixtures and equipment	858,525	85,008	73,362	870,171
Total accumulated depreciation	7,147,377	1,017,737	409,001	7,756,113
Net capital assets being depreciated	12,082,791	(18,085)	(1,165)	12,065,871
 Net capital assets	 \$12,125,967	 \$ 863,901	 \$900,822	 \$12,089,046

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operations expense in the Statements of Revenues, Expenses and Changes in Net Position. The cost of maintenance and repairs is charged to expense as incurred. The following represents the depreciation on transportation equipment not included in depreciation expense previously noted:

Power System	Water System	Wastewater System	Broadband System
\$123,847	\$36,408	\$100,792	\$63,162

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities

The following is a summary of long-term liabilities:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Power System:				
General obligation bonds	\$19,815,000	\$ –	\$1,075,000	\$18,740,000
Unamortized bond premium	1,072,509	–	243,450	829,059
	<u>20,887,509</u>	<u>\$ –</u>	<u>\$1,318,450</u>	<u>19,569,059</u>
Less current portion	1,075,000			1,120,000
Long-term portion	<u>\$19,812,509</u>			<u>\$18,449,059</u>
Water System:				
Promissory notes	\$ 9,832,385	\$ –	\$ 989,208	\$ 8,843,177
Less current portion	988,569			1,020,297
Long-term portion	<u>\$ 8,843,816</u>			<u>\$ 7,822,880</u>
Wastewater System:				
General obligation bonds	\$51,956,617	\$ –	\$1,961,117	\$49,995,500
Promissory notes	27,339,078	–	2,869,130	24,469,948
Contractual obligation	2,067,810	–	88,371	1,979,439
	<u>81,363,505</u>	<u>–</u>	<u>4,918,618</u>	<u>76,444,887</u>
Unamortized bond premium	3,166,271		520,437	2,645,834
	<u>84,529,776</u>	<u>\$ –</u>	<u>\$5,439,055</u>	<u>79,090,721</u>
Less current portion	4,930,833			4,898,863
Long-term portion	<u>\$79,598,943</u>			<u>\$74,191,858</u>
Broadband System:				
General obligation bonds	\$ 3,660,000	\$ –	\$ 160,000	\$ 3,500,000
Promissory notes	1,809,000	–	511,000	1,298,000
Interfund loan from the Power System	2,211,000	–	402,000	1,809,000
	<u>7,680,000</u>	<u>–</u>	<u>1,073,000</u>	<u>6,607,000</u>
Unamortized bond premium	155,913		36,471	119,442
	<u>7,835,913</u>	<u>\$ –</u>	<u>\$1,109,471</u>	<u>6,726,442</u>
Less current portion	1,316,660			1,089,933
Long-term portion	<u>\$ 6,519,253</u>			<u>\$ 5,636,509</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

All outstanding notes and bonds payable contain a provision that in an event of default, outstanding amounts are to become immediately due if the Systems are unable to make payment.

Power System

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$4,375,000 was 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 2013 Promissory Note then outstanding, and \$960,562 in previously undrawn funds on the 2013 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2038. The outstanding principal balance of the bonds is \$18,740,000 at June 30, 2020.

Bonds payable are reported on the balance sheet net of the applicable premium.

Future debt service requirements of Power System long-term debt as of June 30, 2020, are as follows:

	Interest	Principal	Total Requirements
2021	\$ 768,488	\$ 1,120,000	\$ 1,888,488
2022	712,488	1,175,000	1,887,488
2023	653,738	1,225,000	1,878,738
2024	592,488	1,285,000	1,877,488
2025	528,238	1,345,000	1,873,238
2026-2030	1,697,040	6,330,000	8,027,040
2031-2035	729,301	5,375,000	6,104,301
2036-2038	70,175	885,000	955,175
Total	\$5,751,956	\$18,740,000	\$24,491,956

Water System

The City has a revolving fund loan agreement (2002 DWSRF Promissory Note) with the State for the repayment of a principal amount up to \$10,500,000 for the purpose of expanding an existing water treatment facility of the Water System. The Water System drew a total of \$10,492,582 before closing out the project during 2007. Interest is payable monthly at an annual percentage rate of 2.61% on the outstanding balance. Principal is payable monthly in varying amounts from \$48,461 in July 2020 to \$55,815 in April 2026. The note is payable from revenues derived from the operations of the Water System. The outstanding principal balance of this promissory note is \$3,658,857 at June 30, 2020.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Water System (continued)

The City has an outstanding loan agreement (2009 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the original principal amount of \$7,500,000. Proceeds from the loan agreement were used for various capital projects of the Water System. Interest is payable quarterly at a fixed rate of 2.52%. Principal is payable in varying amounts from \$375,000 in December 2020 to \$505,000 in December 2029. The outstanding principal balance of this promissory note is \$4,385,000 at June 30, 2020.

The City has a \$2,000,000 promissory note (2011 DWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to fund a remote-read water meter project. Of the proceeds, \$800,000 was provided as a grant via loan forgiveness through the State. Interest is payable monthly at an annual percentage rate of 2.83% on the outstanding balance. Principal is payable monthly in varying amounts from \$4,730 in July 2020 to \$6,382 in June 2032. The note is payable from revenues derived from operations of the Water System. The outstanding principal balance of this promissory note is \$799,320 at June 30, 2020.

The future debt service requirements on Water System long-term debt as of June 30, 2020, are as follows:

	Interest	Principal	Total Requirements
2021	\$ 216,948	\$1,020,297	\$1,237,245
2022	190,137	1,052,469	1,242,606
2023	162,552	1,080,100	1,242,652
2024	134,183	1,113,200	1,247,383
2025	104,954	1,146,782	1,251,736
2026-2030	207,807	3,277,724	3,485,531
2031-2032	4,536	152,605	157,141
Total	\$1,021,117	\$8,843,177	\$9,864,294

Wastewater System

During 2012, the City issued \$31,000,000 of General Obligations Bonds, Series 2012, \$26,000,000 of which related to the Wastewater System. The bonds were issued for the purpose of financing the cost of constructing, improving and extending the Wastewater System. The bonds consist of serial maturities that mature in increasing amounts ranging from \$1,086,117 in October 2020 to \$1,076,337 in October 2036. Interest is payable semi-annually at rates ranging between 3% and 4%. The bonds mature on October 1, 2022, and thereafter are subject to redemption as a whole or in part at any time at the direction of the City. The bonds are payable from and secured by income and revenues from the operation of the Wastewater System. The outstanding principal balance of these bonds is \$18,395,500 at June 30, 2020.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$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 various outstanding promissory notes. The interest rate ranges from 3% to 5% with maturity in 2037. The outstanding principal balance of these bonds is \$18,825,000 at June 30, 2020.

In June 2019, the City issued General Obligation Bonds, Series 2019, of \$12,775,000 attributable to the Wastewater System for an advanced refunding of \$14,000,000 of outstanding maturities of the 2013 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2034. The outstanding principal balance of these bonds is \$12,775,000 at June 30, 2020.

Bonds payable are reported on the balance sheet net of the applicable premium.

The City has a revolving fund loan agreement (2007 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount up to \$12,500,000 for the purpose of rehabilitation and site work at the wastewater treatment plant. The City drew a total of \$10,016,558 before closing out the project in 2012. Interest is payable monthly at a fixed rate of 2.06% on the outstanding balance. Principal is payable monthly in varying amounts from \$40,208 in July 2020 to \$50,476 in January 2032. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$6,248,989 at June 30, 2020.

The City has a revolving fund loan agreement (2009 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount up to \$1,600,000 for the purpose of rehabilitation and site work at various pump stations. The City drew a total of \$1,287,983 before closing out the project during 2014. Interest is payable monthly at a fixed rate of 2.73% on the outstanding balance. Principal is payable monthly in varying amounts from \$5,067 in July 2020 to \$7,102 in October 2032. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$879,487 at June 30, 2020.

The City has a revolving fund loan agreement (2013 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount of \$5,000,000 for the purpose of rehabilitation and site work at the wastewater treatment plant. Interest is payable monthly at a fixed rate of 1.51% on the outstanding balance. Principal is also payable monthly in varying amounts from \$19,173 in July 2020 to \$24,241 in March 2036. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$4,059,989 at June 30, 2020.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The City has an outstanding loan agreement (2009 - Promissory Note) between the Public Building Authority of the City of Clarksville, Tennessee and First Tennessee Bank in the original principal amount of \$5,000,000 of which 38.15% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of repaying outstanding indebtedness and construction, extension, renovation and improvement of the Wastewater System, including the acquisition of certain equipment. Interest is payable quarterly at a fixed rate of 2.91%. Principal is payable annually in varying amounts from \$70,577 in December 2020 to \$105,669 in December 2034. The outstanding principal balance of this promissory note is \$1,305,483 at June 30, 2020.

During 2016, the City entered into a loan agreement (2015 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the principal amount of \$10,000,000. Proceeds from the loan agreement are being used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at a fixed rate of 2.74%. Principal is payable annually in varying amounts from \$426,000 in August 2020 to \$961,000 in August 2035. The outstanding principal balance of this promissory note is \$8,730,000 at June 30, 2020.

During 2017, the City entered into a loan agreement (2016 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the principal amount not to exceed \$15,000,000. As of June 30, 2020, \$5,090,000 has been drawn on the loan. Proceeds from the loan agreement are being used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at a fixed rate of 2.27%. Principal is payable annually in varying amounts from \$643,000 in December 2020 to \$586,000 in December 2024. The outstanding principal balance of this promissory note is \$3,246,000 at June 30, 2020.

The future debt service requirements on Wastewater long-term debt as of June 30, 2020, are as follows:

	Bonds		Promissory Notes		Total Requirements
	Interest	Principal	Interest	Principal	
2021	\$ 1,864,153	\$ 2,881,117	\$ 541,675	\$ 1,912,953	\$ 7,199,898
2022	1,741,444	2,941,117	497,538	1,955,077	7,135,176
2023	1,615,861	3,001,117	452,375	1,999,882	7,069,235
2024	1,487,402	3,056,117	406,655	2,047,011	6,997,185
2025	1,350,638	3,116,117	360,093	1,975,452	6,802,300
2026-2030	4,664,703	15,767,198	1,267,224	7,440,885	29,140,010
2031-2035	2,058,583	14,578,650	437,889	5,961,599	23,036,721
2036-2037	217,801	4,654,067	3,673	1,177,089	6,052,630
Total	<u>\$15,000,585</u>	<u>\$49,995,500</u>	<u>\$3,967,122</u>	<u>\$24,469,948</u>	<u>\$93,433,155</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The Wastewater System has agreed to establish and revise rates such that revenues will be sufficient to pay all costs of maintaining, operating, repairing and ensuring the Wastewater System has the amounts necessary for the payment of principal and interest on the bonds.

During 2009, the City entered into an asset purchase agreement for the acquisition of a wastewater treatment plant located in Hamblen County, Tennessee. The agreement provided for an initial down payment of \$750,000 plus ongoing Flow Fees generally ranging between \$182,500 (minimum Flow Fee if annual volume fails to exceed the average of 500,000 gallons per day) and \$736,125 annually through 2034 depending on the volume of discharges. The City recorded the acquisition (and related contractual obligation) at the then estimated fair value of the wastewater treatment plant. The obligation (\$1,979,439 outstanding as of June 30, 2020) is payable monthly at \$15,208, which includes interest at the imputed rate of 4.10%. Flow fees in excess of \$15,208, if any, will be charged to expense as incurred.

Broadband System

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$3,810,000 is attributed to the Broadband System for a current refunding of its then outstanding 2008 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2035. The outstanding principal balance of the bonds is \$3,500,000 at June 30, 2020.

Bonds payable are reported on the balance sheet net of the applicable premium.

During 2014, the City entered into a loan agreement (2014 Promissory Note) with First Tennessee Bank in the principal amount of \$1,000,000. Proceeds from the loan agreement were used for the purchase, installation, integration and bringing into operational status a phone switch. Interest is payable semi-annually at a fixed rate of 2.59%. Principal is payable annually in varying amounts from \$114,000 in June 2021 to \$123,000 in June 2024. The outstanding principal balance of this promissory note is \$474,000 at June 30, 2020.

During 2017, the City entered into a loan agreement (2016 Promissory Note) with First Tennessee Bank in the principal amount of \$2,000,000. Proceeds from the loan agreement were for the purpose of improving the telecommunications system. Interest is payable semi-annually at a fixed rate of 2.00%. Principal is payable in the amount of \$408,000 in December 2020 and \$416,000 in December 2021. The outstanding principal balance of this promissory note is \$824,000 at June 30, 2020.

The Broadband System has an interfund promissory note payable to the Power System which is more fully described in Note 10.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Broadband System (continued)

Future debt service requirements on Broadband System long-term debt (including its interfund note payable) as of June 30, 2020, are as follows:

	Bonds		Promissory Notes		Total Requirements
	Interest	Principal	Interest	Principal	
2021	\$ 137,200	\$ 170,000	\$27,267	\$ 919,933	\$1,254,400
2022	128,700	180,000	15,040	931,929	1,255,669
2023	119,700	185,000	6,812	519,928	831,440
2024	110,450	195,000	2,664	523,929	832,043
2025	100,700	205,000	160	211,281	517,141
2026-2030	354,100	1,175,000	—	—	1,529,100
2031-2035	144,500	1,390,000	—	—	1,534,500
Total	<u>\$1,095,350</u>	<u>\$3,500,000</u>	<u>\$51,943</u>	<u>\$3,107,000</u>	<u>\$7,754,293</u>

7. Leases

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 in the accompanying financial statements. Accumulated amortization totals \$53,024 as of June 30, 2020.

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

2021	\$ 57,264
2022	57,264
2023	57,264
2024	57,264
2025	42,948
Total future minimum lease payments	<u>272,004</u>
Less amounts representing interest	<u>33,343</u>
Present value of future minimum lease payments (including \$57,264 classified as current)	<u>\$238,661</u>

8. Tennessee Valley Authority Home Insulation Program

The Power System participates in the TVA *energy right*® Residential Program which provides interest-bearing loans to the Power System's customers for energy-efficient equipment and other weatherization measures. Under the program, the Power System collects payments on previously existing loans and forwards payments to a financial institution pursuant to guidelines established by TVA.

Morristown Utilities Commission
Notes to Financial Statements (continued)

9. Concentration of Credit Risk

The Systems provide electric, water, wastewater and broadband services to customers in the City and Hamblen County, Tennessee, and broadband services in Cocke 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.

10. Related Party and Interfund Activities

As described in Note 1, the Commission is an administrative unit of the City. The Systems provide electrical, water, wastewater and broadband service to the City, which generated revenues of approximately \$1,372,000 in 2020. The Power System also bills and collects stormwater and garbage fees for the City. Administrative charges for these services were approximately \$244,000 in 2020. Payment is due within approximately 30 days of the billing.

Interfund receivables and payables consist of the following as of June 30, 2020:

Power System	
Interfund loan to Broadband System (including \$397,933 classified as current)	\$ 1,809,000
Due from Broadband System	26,906
Due from Water System	21,806
Due to Wastewater System	(50,316)
Total interfund receivable	<u>\$ 1,807,396</u>
 Water System	
Due to Power System	<u>\$ (21,806)</u>
Total interfund payable	<u>\$ (21,806)</u>
 Wastewater System	
Due from Power System	<u>\$ 50,316</u>
Total interfund receivable	<u>\$ 50,316</u>
 Broadband System	
Interfund loan from Power System, (including \$397,933 classified as current)	\$(1,809,000)
Due to Power System	(26,906)
Total interfund payable	<u>\$(1,835,906)</u>

In accordance with Tennessee Code Annotated 7-52-603(b), a line of credit was executed allowing the Broadband System to borrow up to \$7,000,000 from the Power System at an interest rate of 0.25%. Interest incurred on the loan amounted to \$5,164 in 2020. The agreement was approved by TVA as required by the Power Contract and provides for the repayment of all advances along with accumulated interest by January 2025.

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. Related Party and Interfund Activities (continued)

The Power System allocates operating and maintenance costs, including building rentals to the Water, Wastewater, and Broadband Systems based upon their usage of fiber lines in the Power System, number of customers, and square footage of use. The Water System allocates meter costs to the Wastewater System based upon number of customers. The Wastewater System allocates warehouse rent to the Water System based upon square footage of use. The Broadband System allocates collector point costs to the Power and Water Systems based upon their collector point usage.

Operating and maintenance costs allocated between the Systems based on these methods are summarized as follows:

	Services Provided	Services Used
Power	\$ 1,404,493	\$1,425,351
Water	470,504	465,732
Wastewater	61,714	539,896
Broadband	1,756,800	1,262,532
Total	\$3,693,511	\$3,693,511

Other amounts reflected as due to/from other funds in the accompanying balance sheets represent temporary operating cash advances between the Power, Water, Wastewater and Broadband Systems.

The tax equivalent payments made to the City based on the Systems' capital assets along with average operating revenue, less power costs were \$1,436,997 for the Power System, \$36,120 for the Water System and \$756,154 for the Wastewater System.

11. Post-Employment Benefits

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Plan Description

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 age 65. The Systems pay either 90% or 95% of the monthly premium amount that is paid for active employees of the retiree’s medical premiums. The Systems pay 100% of the monthly premium amount that is paid for active employees of the retiree’s dental and life insurance premiums. Prior to 2020, the Systems paid 100% of the monthly premium amount that was paid for active employees of retiree’s medical, dental and life insurance premiums.

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

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

	Actives	Inactives Receiving Benefits	Total
Male	129	5	134
Female	34	–	34
Total	163	5	168

Total OPEB Liability

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

	Power System	Water System	Wastewater System	Broadband System
Total OPEB liability	\$1,124,078	\$447,154	\$197,055	\$261,615

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Changes in Total OPEB Liability

The changes in total OPEB liability for all Systems were as follows for 2020:

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

Actuarial Methods and Assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water, Wastewater and Broadband Systems. A discount rate of 2.21% was used for the year ending June 30, 2020, based on the Bond Buyer’s 20 Bond Index. The mortality rates are from the RPH-2014 Total Dataset fully generational projected table with projection scale MP-2019. Prior to 2020, a discount rate of 3.50% was used, based on the Bond Buyer’s 20 Bond Index and mortality rates were from the RP-2000 Fully Generational table with projection scale AA.

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

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

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

Age	Male	Female
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%

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

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

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

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

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

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the Systems calculated using the discount rate of 2.21%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Sensitivity of the Total OPEB Liability (continued)

The following presents the total OPEB liability of the Systems as of June 30, 2020, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

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

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

	Deferred Outflows of Resources			
	Power	Water	Wastewater	Broadband
Experience loss	\$ –	\$ 2,984	\$12,119	\$ –
Change in assumptions	68,145	24,441	13,896	18,097
Total	\$68,145	\$27,425	\$26,015	\$18,097

	Deferred Inflows of Resources			
	Power	Water	Wastewater	Broadband
Experience gain	\$152,913	\$ –	\$ –	\$ 9,702
Change in assumptions	10,598	4,098	1,506	2,257
Total	\$163,511	\$4,098	\$1,506	\$11,959

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (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:

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

12. Risk Management

The Systems are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which the Systems carry commercial insurance purchased from independent third parties. The Systems have not experienced an insurance settlement in excess of insurance coverage in any of the past three fiscal years. The Systems bear the risk of loss up to the deductible amounts which are disclosed in the accompanying Statistical Section. During the ordinary course of business, the System is subject to various other disputes and claims pertaining to contracts, and there are uncertainties surrounding the ultimate resolution of these matters. Because of these uncertainties, it is at least reasonably possible the amounts recorded will change within the near term.

The Systems are exposed to risks of loss related to active and retiree medical claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

13. Pandemic

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time.

Morristown Utilities Commission

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios
Morristown Utilities Retiree Benefit Plan

Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Changes for the year:			
Service cost	\$ 176,287	\$ 156,987	\$ 159,163
Interest	66,096	74,345	64,374
Changes in benefit terms	(52,328)	-	-
Differences between expected and actual experience	(164,865)	-	-
Changes in assumptions and other inputs	107,229	36,980	(27,201)
Benefit payments	(92,391)	(84,282)	(58,468)
Net changes for the year	<u>40,028</u>	<u>184,030</u>	<u>137,868</u>
Total OPEB liability at beginning of year	<u>1,989,874</u>	<u>1,805,844</u>	<u>1,667,976</u>
Total OPEB liability at end of year	<u>\$ 2,029,902</u>	<u>\$ 1,989,874</u>	<u>\$ 1,805,844</u>
Covered employee payroll	\$ 11,372,375	\$ 10,311,836	\$ 10,060,328
Total OPEB liability as a percentage of covered employee payroll	17.85%	19.30%	17.95%

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

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

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

This schedule should present information for ten years. However, until ten years of information can be compiled, information will be presented for as many years as available.

Morristown Utilities Commission

Schedule of Long-term Debt Principal and Interest Requirements - Power System

June 30, 2020

Year Ending June 30	Series 2018 General Obligation Bonds		Series 2018 General Obligation Bonds - Refunding		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 155,000	\$ 160,625	\$ 965,000	\$ 607,863	\$ 1,120,000	\$ 768,488
2022	165,000	152,875	1,010,000	559,613	1,175,000	712,488
2023	170,000	144,625	1,055,000	509,113	1,225,000	653,738
2024	180,000	136,125	1,105,000	456,363	1,285,000	592,488
2025	190,000	127,125	1,155,000	401,113	1,345,000	528,238
2026	200,000	117,625	1,205,000	343,363	1,405,000	460,988
2027	210,000	107,625	1,260,000	283,113	1,470,000	390,738
2028	220,000	99,225	1,305,000	232,713	1,525,000	331,938
2029	225,000	90,425	725,000	180,513	950,000	270,938
2030	235,000	83,675	745,000	158,763	980,000	242,438
2031	240,000	76,625	770,000	136,413	1,010,000	213,038
2032	245,000	69,125	790,000	112,350	1,035,000	181,475
2033	255,000	61,163	820,000	86,675	1,075,000	147,838
2034	265,000	52,875	845,000	60,025	1,110,000	112,900
2035	275,000	43,600	870,000	30,450	1,145,000	74,050
2036	285,000	33,975	-	-	285,000	33,975
2037	295,000	24,000	-	-	295,000	24,000
2038	305,000	12,200	-	-	305,000	12,200
	\$ 4,115,000	\$ 1,593,513	\$ 14,625,000	\$ 4,158,443	\$ 18,740,000	\$ 5,751,956

Morristown Utility Commission

Schedule of Long-term Debt Principal and Interest Requirements - Water System

June 30, 2020

Year Ending June 30	2002 DWSRF Promissory Note		2009 Promissory Note		2011 DWSRF Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 588,537	\$ 89,283	\$ 375,000	\$ 105,777	\$ 56,760	\$ 21,888	\$ 1,020,297	\$ 216,948
2022	604,082	73,738	390,000	96,138	58,387	20,261	1,052,469	190,137
2023	620,039	57,781	400,000	86,184	60,061	18,587	1,080,100	162,552
2024	636,417	41,403	415,000	75,915	61,783	16,865	1,113,200	134,183
2025	653,228	24,592	430,000	65,268	63,554	15,094	1,146,782	104,954
2026	556,554	7,332	445,000	54,243	65,376	13,272	1,066,930	74,847
2027	-	-	460,000	42,840	67,251	11,397	527,251	54,237
2028	-	-	475,000	31,059	69,179	9,469	544,179	40,528
2029	-	-	490,000	18,900	71,162	7,486	561,162	26,386
2030	-	-	505,000	6,363	73,202	5,446	578,202	11,809
2031	-	-	-	-	75,301	3,347	75,301	3,347
2032	-	-	-	-	77,304	1,189	77,304	1,189
	\$ 3,658,857	\$ 294,129	\$ 4,385,000	\$ 582,687	\$ 799,320	\$ 144,301	\$ 8,843,177	\$ 1,021,117

Morristown Utility Commission

Schedule of Long-term Debt Principal and Interest Requirements - Wastewater System

June 30, 2020

Year Ending June 30	2007 CWSRF Promissory Note		2009 CWSRF Promissory Note		2013 CWSRF Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 482,496	\$ 124,125	\$ 60,804	\$ 23,249	\$ 230,076	\$ 59,714
2022	492,528	114,091	62,484	21,568	233,580	56,215
2023	502,764	103,849	64,212	19,841	237,132	52,663
2024	513,228	93,393	65,988	18,066	240,732	49,058
2025	523,896	82,720	67,812	16,241	244,392	45,397
2026	534,792	71,825	69,684	14,367	248,112	41,681
2027	545,916	60,703	71,616	12,440	251,880	37,909
2028	557,268	49,350	73,596	10,460	255,720	34,079
2029	568,860	37,761	75,636	8,425	259,608	30,191
2030	580,680	25,930	77,724	6,334	263,556	26,243
2031	592,764	13,854	79,872	4,186	267,564	22,236
2032	353,797	2,414	82,080	1,978	271,632	18,167
2033	-	-	27,979	159	275,760	14,037
2034	-	-	-	-	279,948	9,844
2035	-	-	-	-	284,208	5,588
2036	-	-	-	-	216,089	1,362
2037	-	-	-	-	-	-
	\$ 6,248,989	\$ 780,015	\$ 879,487	\$ 157,314	\$ 4,059,989	\$ 504,384

Morristown Utility Commission

Schedule of Long-term Debt Principal and Interest Requirements - Wastewater System (continued)

June 30, 2020

Year Ending June 30	2009		2015		2016	
	Promissory Note		Promissory Note		Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 70,577	\$ 36,963	\$ 426,000	\$ 231,194	\$ 643,000	\$ 66,430
2022	72,485	34,881	437,000	219,108	657,000	51,675
2023	74,774	32,739	449,000	206,692	672,000	36,591
2024	77,063	30,530	462,000	194,453	688,000	21,155
2025	79,352	28,254	474,000	180,808	586,000	6,673
2026	81,641	25,911	487,000	167,340	-	-
2027	83,930	23,502	501,000	153,487	-	-
2028	86,218	21,026	514,000	139,655	-	-
2029	88,889	18,479	529,000	124,645	-	-
2030	91,559	15,853	543,000	109,628	-	-
2031	94,231	13,150	558,000	94,197	-	-
2032	96,901	10,369	573,000	78,565	-	-
2033	99,571	7,510	589,000	62,063	-	-
2034	102,623	4,568	605,000	45,333	-	-
2035	105,669	1,538	622,000	28,133	-	-
2036	-	-	961,000	2,311	-	-
2037	-	-	-	-	-	-
	\$ 1,305,483	\$ 305,273	\$ 8,730,000	\$ 2,037,612	\$ 3,246,000	\$ 182,524

Morristown Utility Commission

Schedule of Long-term Debt Principal and Interest Requirements - Wastewater System (continued)

June 30, 2020

Year Ending June 30	Series 2012 General Obligation Bonds		Series 2018 General Obligation Bonds		Series 2018 General Obligation Bonds - Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,086,117	\$ 605,009	\$ -	\$ 339,069	\$ 920,000	\$ 413,100
2022	1,086,117	572,425	-	339,069	965,000	367,100
2023	1,086,117	539,842	-	339,069	1,015,000	318,850
2024	1,086,117	507,258	-	339,069	1,065,000	268,100
2025	1,086,117	469,244	-	339,069	1,115,000	214,850
2026	1,086,117	425,800	-	339,069	1,170,000	159,100
2027	1,086,117	382,355	-	339,069	1,230,000	100,600
2028	1,086,117	338,910	-	339,069	1,285,000	51,400
2029	1,086,117	295,466	985,000	339,069	-	-
2030	1,077,730	257,577	1,015,000	309,519	-	-
2031	1,077,730	225,245	1,045,000	279,069	-	-
2032	1,077,730	192,914	1,075,000	246,413	-	-
2033	1,077,730	159,908	1,110,000	211,475	-	-
2034	1,077,730	125,555	1,145,000	175,400	-	-
2035	1,077,730	90,529	1,185,000	135,325	-	-
2036	1,077,730	54,829	1,230,000	93,850	-	-
2037	1,076,337	18,322	1,270,000	50,800	-	-
	\$ 18,395,500	\$ 5,261,188	\$ 10,060,000	\$ 4,553,472	\$ 8,765,000	\$ 1,893,100

Morristown Utility Commission

Schedule of Long-term Debt Principal and Interest Requirements - Wastewater System (continued)

June 30, 2020

Year Ending June 30	Series 2019 General Obligation Bonds - Refunding		Total	
	Principal	Interest	Principal	Interest
2021	\$ 875,000	\$ 506,975	\$ 4,794,070	\$ 2,405,828
2022	890,000	462,850	4,896,194	2,238,982
2023	900,000	418,100	5,000,999	2,068,236
2024	905,000	372,975	5,103,128	1,894,057
2025	915,000	327,475	5,091,569	1,710,731
2026	925,000	281,475	4,602,346	1,526,568
2027	935,000	234,975	4,705,459	1,345,040
2028	935,000	192,900	4,792,919	1,176,849
2029	935,000	155,500	4,528,110	1,009,536
2030	930,000	122,850	4,579,249	873,934
2031	920,000	95,100	4,635,161	747,037
2032	910,000	67,650	4,440,140	618,470
2033	900,000	40,500	4,080,040	495,652
2034	900,000	13,500	4,110,301	374,200
2035	-	-	3,274,607	261,113
2036	-	-	3,484,819	152,352
2037	-	-	2,346,337	69,122
	\$ 12,775,000	\$ 3,292,825	\$ 74,465,448	\$ 18,967,707

Morristown Utility Commission

Schedule of Long-term Debt, Principal and Interest Requirements - Broadband System

June 30, 2020

Year Ending June 30	Interfund Loan from Power System		2014 Promissory Note		2016 Promissory Note		Series 2018 General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 397,933	\$ 4,067	\$ 114,000	\$ 10,800	\$ 408,000	\$ 12,400	\$ 170,000	\$ 137,200	\$ 1,089,933	\$ 164,467
2022	398,929	3,071	117,000	7,809	416,000	4,160	180,000	128,700	1,111,929	143,740
2023	399,928	2,072	120,000	4,740	-	-	185,000	119,700	704,928	126,512
2024	400,929	1,071	123,000	1,593	-	-	195,000	110,450	718,929	113,114
2025	211,281	160	-	-	-	-	205,000	100,700	416,281	100,860
2026	-	-	-	-	-	-	215,000	88,450	215,000	88,450
2027	-	-	-	-	-	-	225,000	79,700	225,000	79,700
2028	-	-	-	-	-	-	235,000	70,700	235,000	70,700
2029	-	-	-	-	-	-	245,000	61,300	245,000	61,300
2030	-	-	-	-	-	-	255,000	53,950	255,000	53,950
2031	-	-	-	-	-	-	260,000	46,300	260,000	46,300
2032	-	-	-	-	-	-	270,000	38,175	270,000	38,175
2033	-	-	-	-	-	-	280,000	29,400	280,000	29,400
2034	-	-	-	-	-	-	285,000	20,300	285,000	20,300
2035	-	-	-	-	-	-	295,000	10,325	295,000	10,325
	\$ 1,809,000	\$ 10,441	\$ 474,000	\$ 24,942	\$ 824,000	\$ 16,560	\$ 3,500,000	\$ 1,095,350	\$ 6,607,000	\$ 1,147,293

Morristown Utilities Commission

Schedule of Changes in Long-term Debt by Individual Issue

Year ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/19	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/20
Business-Type Activities									
BONDS PAYABLE									
<u>Payable through Power System</u>									
Series 2018 General Obligation Bonds	\$ 4,375,000	3% - 5%	10/24/18	6/1/38	\$ 4,265,000	\$ -	\$ 150,000	\$ -	\$ 4,115,000
Series 2018 General Obligation Bonds - Refunding	16,410,000	3% - 5%	10/24/18	6/1/35	15,550,000	-	925,000	-	14,625,000
Total Bonds Payable through Power System					<u>\$19,815,000</u>	<u>\$ -</u>	<u>\$ 1,075,000</u>	<u>\$ -</u>	<u>\$ 18,740,000</u>
NOTES PAYABLE									
<u>Payable through Water System</u>									
2002 DWSRF Promissory Note	\$ 8,500,000	2.61%	8/9/01	4/30/26	\$ 4,232,889	\$ -	\$ 574,032	\$ -	\$ 3,658,857
2009 Promissory Note	7,500,000	2.52%	12/21/09	12/1/29	4,745,000	-	360,000	-	4,385,000
2011 DWSRF Promissory Note	2,000,000	2.83%	9/3/09	6/30/32	854,496	-	55,176	-	799,320
Total Notes Payable through Water System					<u>\$ 9,832,385</u>	<u>\$ -</u>	<u>\$ 989,208</u>	<u>\$ -</u>	<u>\$ 8,843,177</u>
NOTES PAYABLE									
<u>Payable through Wastewater System</u>									
2007 CWSRF Promissory Note	12,500,000	2.06%	5/15/07	1/20/32	\$ 6,721,645	\$ -	\$ 472,656	\$ -	\$ 6,248,989
2009 CWSRF Promissory Note	1,600,000	2.73%	5/2/11	10/20/32	938,659	-	59,172	-	879,487
2013 CWSRF Promissory Note	5,000,000	1.51%	3/27/13	6/20/36	4,286,621	-	226,632	-	4,059,989
2009 Promissory Note	5,000,000	2.91%	12/21/09	12/1/34	1,374,153	-	68,670	-	1,305,483
2013 Promissory Note	20,000,000	3.65%	9/23/13	9/1/33	1,000,000	-	1,000,000	-	-
2015 Promissory Note	10,000,000	2.74%	8/31/15	8/1/35	9,144,000	-	414,000	-	8,730,000
2016 Promissory Note	15,000,000	2.27%	12/23/16	12/1/36	3,874,000	-	628,000	-	3,246,000
Total Notes Payable through Wastewater System					<u>\$27,339,078</u>	<u>\$ -</u>	<u>\$ 2,869,130</u>	<u>\$ -</u>	<u>\$ 24,469,948</u>

Morristown Utilities Commission

Schedule of Changes in Long-term Debt by Individual Issue (continued)

Year ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/19	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/20
Business-Type Activities (continued)									
BONDS PAYABLE									
<u>Payable through Wastewater System</u>									
Series 2012 General Obligation Bonds	\$ 26,000,000	2% - 4%	5/30/12	10/1/36	\$ 19,481,617	\$ -	\$ 1,086,117	\$ -	\$ 18,395,500
Series 2018 General Obligation Bonds	10,060,000	3% - 4%	10/24/18	6/1/37	10,060,000	-	-	-	10,060,000
Series 2018 General Obligation Bonds - Refunding	10,480,000	4% - 5%	10/24/18	6/1/28	9,640,000	-	875,000	-	8,765,000
Series 2019 General Obligation Bonds - Refunding	12,775,000	3% - 5%	6/28/19	9/1/33	12,775,000	-	-	-	12,775,000
Total Bonds Payable through Wastewater System					<u>\$ 51,956,617</u>	<u>\$ -</u>	<u>\$ 1,961,117</u>	<u>\$ -</u>	<u>\$ 49,995,500</u>
NOTES PAYABLE									
<u>Payable through Broadband System</u>									
Interfund loan from the Power System	7,000,000	0.25%	7/5/05	1/1/25	\$ 2,211,000	\$ -	\$ 402,000	\$ -	\$ 1,809,000
2014 Promissory Note	1,000,000	2.59%	6/26/14	6/1/24	585,000	-	111,000	-	474,000
2016 Promissory Note	2,000,000	2.00%	12/23/16	12/1/21	1,224,000	-	400,000	-	824,000
Total Notes Payable through Broadband System					<u>\$ 4,020,000</u>	<u>\$ -</u>	<u>\$ 913,000</u>	<u>\$ -</u>	<u>\$ 3,107,000</u>
BONDS PAYABLE									
<u>Payable through Broadband System</u>									
Series 2018 General Obligation Bonds - Refunding	\$ 3,810,000	3% - 5%	10/24/18	6/1/35	\$ 3,660,000	\$ -	\$ 160,000	\$ -	\$ 3,500,000
Total Bonds Payable through Broadband System					<u>\$ 3,660,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>

Morristown Utilities Commission

Schedule of Net Position by Fund (Last Ten Years)

Fiscal Years 2020 - 2011 (in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Power System:										
Net investment in capital assets	\$ 52,336	\$ 49,272	\$ 47,702	\$ 44,873	\$ 44,822	\$ 42,597	\$ 41,510	\$ 39,421	\$ 37,913	\$ 34,586
Unrestricted	13,925	13,815	13,199	14,619	13,928	16,020	17,305	18,076	16,560	17,235
Total net position	\$ 66,261	\$ 63,087	\$ 60,901	\$ 59,492	\$ 58,750	\$ 58,617	\$ 58,815	\$ 57,497	\$ 54,473	\$ 51,821
Water System:										
Net investment in capital assets	\$ 30,965	\$ 30,783	\$ 29,837	\$ 29,387	\$ 30,054	\$ 28,406	\$ 26,909	\$ 26,730	\$ 26,034	\$ 25,841
Unrestricted	2,559	2,186	2,494	2,820	2,060	3,546	4,523	4,385	4,465	3,794
Total net position	\$ 33,524	\$ 32,969	\$ 32,331	\$ 32,207	\$ 32,114	\$ 31,952	\$ 31,432	\$ 31,115	\$ 30,499	\$ 29,635
Wastewater System:										
Net investment in capital assets	\$ 25,911	\$ 23,500	\$ 25,615	\$ 25,368	\$ 26,416	\$ 24,851	\$ 18,009	\$ -	\$ -	\$ -
Unrestricted	7,150	9,348	6,739	5,489	2,889	1,879	5,796	-	-	-
Total net position	\$ 33,061	\$ 32,848	\$ 32,354	\$ 30,857	\$ 29,305	\$ 26,730	\$ 23,805	\$ -	\$ -	\$ -
Broadband System:										
Net investment in capital assets	\$ 6,933	\$ 6,220	\$ 5,732	\$ 3,308	\$ 2,689	\$ 1,984	\$ 2,192	\$ 1,275	\$ 1,159	\$ 773
Unrestricted deficit	(2,133)	(2,193)	(2,512)	(1,638)	(3,704)	(5,489)	(7,034)	(7,149)	(7,281)	(6,804)
Total net position	\$ 4,800	\$ 4,027	\$ 3,220	\$ 1,670	\$ (1,015)	\$ (3,505)	\$ (4,842)	\$ (5,874)	\$ (6,122)	\$ (6,031)

Note 1: Information is summarized from the audited financial statements for the year indicated.

Note 2: The Commission assumed the assets, liabilities and operations of the Wastewater System as of December 30, 2013.

Morristown Utilities Commission

Schedule of Power System Revenues and Expenses (Last Ten Years)

Fiscal Years 2020 - 2011 (in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues:										
Residential	\$ 18,193	\$ 18,721	\$ 18,461	\$ 17,252	\$ 16,058	\$ 17,001	\$ 16,878	\$ 16,472	\$ 15,645	\$ 17,235
Commercial	5,874	6,155	5,863	5,622	5,333	5,319	5,296	5,248	5,199	5,328
Industrial	50,156	53,424	52,691	53,122	51,352	51,648	52,096	51,961	52,499	51,678
Street and security lighting	1,265	1,219	1,248	1,248	1,222	1,184	1,155	1,170	1,232	1,197
Total metered revenue	75,488	79,519	78,263	77,244	73,965	75,152	75,425	74,851	74,575	75,438
Interfund services	1,405	1,330	1,260	1,375	1,300	1,316	1,190	963	773	546
Other revenues	1,485	1,558	1,574	1,742	1,750	1,434	1,545	1,323	1,215	1,182
Total operating revenues	78,378	82,407	81,097	80,361	77,015	77,902	78,160	77,137	76,563	77,166
Operating expenses:										
Power purchased	58,010	63,322	62,697	62,673	60,624	62,678	62,661	62,088	61,324	62,799
Operations	5,364	5,407	5,364	5,316	5,333	5,399	5,408	4,941	5,008	4,882
Maintenance	2,985	2,984	2,622	2,732	2,569	2,483	2,161	2,000	1,804	1,764
Interfund services used	1,426	1,448	1,446	1,914	1,720	1,111	847	867	560	-
Depreciation and amortization	5,235	4,866	5,200	5,128	4,888	4,789	4,573	4,190	3,485	3,211
Taxes	417	375	375	374	356	336	305	318	260	226
Miscellaneous	-	-	-	-	-	-	-	42	-	29
Total operating expenses	73,437	78,402	77,704	78,137	75,490	76,796	75,955	74,446	72,441	72,911
Operating income	4,941	4,005	3,393	2,224	1,525	1,106	2,691	4,122	4,255	3,784
Net other expense	(330)	(527)	(240)	(237)	(166)	(147)	(131)	(108)	(46)	(47)
Income before reimbursement, contributions and transfers	4,611	3,478	3,153	1,987	1,359	959	2,074	2,583	4,076	4,208
TVA load control/capacity reimbursement	-	-	-	-	-	-	331	1,501	-	-
Contributions	-	-	-	-	-	-	-	-	-	1,501
Plant costs recovered through contributions	-	-	-	-	-	-	-	-	-	(1,501)
Transfers out (tax equivalent payments to City of Morristown)	(1,437)	(1,292)	(1,292)	(1,287)	(1,226)	(1,157)	(1,087)	(1,061)	(896)	(777)
Changes in net position	\$ 3,174	\$ 2,186	\$ 1,861	\$ 700	\$ 133	\$ (198)	\$ 1,318	\$ 3,023	\$ 3,180	\$ 3,431

Note 1: Information is summarized from the audited financial statements for the years indicated.

Morristown Utilities Commission

Schedule of Water System Revenues and Expenses (Last Ten Years)

Fiscal Years 2020 - 2011 (in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues:										
General	\$ 7,169	\$ 6,958	\$ 6,741	\$ 6,360	\$ 6,129	\$ 6,163	\$ 6,182	\$ 6,161	\$ 6,330	\$ 6,590
Public authorities	61	67	65	61	55	57	58	80	81	88
Private fire protection	181	176	173	169	167	164	180	180	165	162
Public fire protection	26	27	27	26	26	27	30	29	27	26
Total metered sales	7,437	7,228	7,006	6,616	6,377	6,411	6,450	6,450	6,603	6,866
Interfund services provided	471	510	519	517	470	441	187	-	-	-
Other operating revenues	24	28	29	36	33	33	226	21	45	70
Total operating revenues	7,932	7,766	7,554	7,169	6,880	6,885	6,863	6,471	6,648	6,936
Operating expenses:										
Operations	4,104	3,999	4,175	4,021	3,748	3,531	3,622	3,176	3,144	3,186
Maintenance	860	763	681	731	720	561	674	594	541	589
Interfund services used	466	460	453	445	396	319	288	189	-	79
Depreciation and amortization	1,796	1,748	1,671	1,561	1,537	1,610	1,552	1,416	1,680	1,439
Miscellaneous	-	-	-	-	-	-	-	26	8	40
Total operating expenses	7,226	6,970	6,980	6,758	6,401	6,021	6,136	5,401	5,373	5,333
Operating income	706	796	574	411	479	864	727	1,070	1,275	1,603
Net other expense	(182)	(219)	(238)	(347)	(378)	(407)	(427)	(462)	(465)	(487)
Income before contributions and transfers	524	577	336	64	101	457	300	608	810	1,116
Contributions	68	96	89	65	97	100	53	43	165	747
Transfers out (tax equivalent payments to City of Morristown)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)
Changes in net position	\$ 556	\$ 637	\$ 389	\$ 93	\$ 162	\$ 521	\$ 317	\$ 615	\$ 939	\$ 1,827

Note 1: Information is summarized from the audited financial statements for the years indicated.

Morristown Utilities Commission

Schedule of Wastewater System Revenues and Expenses (Last Seven Years)

Fiscal Years 2020 - 2014 (in thousands)

	2020	2019	2018	2017	2016	2015	2014
Operating revenues:							
General	\$ 13,928	\$ 14,076	\$ 13,795	\$ 13,453	\$ 12,585	\$ 12,083	\$ 12,547
Public authorities	310	340	334	329	270	164	110
Interfund services provided	62	55	9	-	-	-	-
Other operating revenues	1,196	1,183	1,253	746	839	809	420
Total operating revenues	15,496	15,654	15,391	14,528	13,694	13,056	13,077
Operating expenses:							
Operations	5,832	5,432	5,254	4,455	3,844	3,996	4,663
Maintenance	1,230	1,316	1,190	1,344	1,019	848	766
Interfund services used	540	553	538	532	481	443	201
Depreciation and amortization	5,241	4,727	4,430	4,167	3,741	3,276	2,510
Total operating expenses	12,843	12,028	11,412	10,498	9,085	8,563	8,140
Operating income	2,653	3,626	3,979	4,030	4,609	4,493	4,937
Net other expense	(1,802)	(2,622)	(2,037)	(2,056)	(1,852)	(1,243)	(969)
Income before contributions and transfers	851	1,004	1,942	1,974	2,757	3,250	3,968
Contributions	118	169	175	165	325	51	139
Transfers out (tax equivalent payments to City of Morristown)	(756)	(679)	(572)	(583)	(507)	(376)	(305)
Changes in net position	\$ 213	\$ 494	\$ 1,545	\$ 1,556	\$ 2,575	\$ 2,925	\$ 3,802

Note 1: Information is summarized from the audited financial statements for the year indicated.

Note 2: The Commission assumed the operations of the Wastewater System as of December 30, 2013.

Morristown Utilities Commission

Schedule of Broadband System Revenues and Expenses (Last Ten Years)

Fiscal Years 2020 - 2011 (in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues:										
Video	\$ 3,343	\$ 3,479	\$ 3,755	\$ 3,861	\$ 3,823	\$ 3,483	\$ 2,876	\$ 2,802	\$ 2,729	\$ 2,555
Internet	3,590	3,299	3,021	3,039	2,832	2,638	2,657	2,307	2,105	1,702
Voice	1,317	1,504	1,585	1,702	1,854	2,118	2,096	2,086	1,981	1,935
Total broadband sales	8,250	8,282	8,361	8,602	8,509	8,239	7,629	7,195	6,815	6,192
Interfund services provided	1,757	1,761	1,768	2,056	1,830	1,173	921	937	560	-
Other revenue	895	526	132	103	210	311	387	217	225	130
Total operating revenues	10,902	10,569	10,261	10,761	10,549	9,723	8,937	8,349	7,600	6,322
Operating expenses:										
Operations	7,106	6,943	6,368	5,756	6,014	6,395	6,182	6,121	5,579	4,874
Maintenance	549	434	412	337	357	303	239	199	208	135
Interfund services used	1,263	1,195	1,119	1,058	1,003	1,057	962	845	773	467
Depreciation and amortization	954	849	692	599	515	482	372	821	860	757
Taxes	93	127	30	192	87	64	88	53	52	41
Total operating expenses	9,965	9,548	8,621	7,942	7,976	8,301	7,843	8,039	7,472	6,274
Operating income	937	1,021	1,640	2,819	2,573	1,422	1,094	310	128	48
Net other expense	(164)	(214)	(152)	(133)	(82)	(85)	(62)	(61)	(49)	(47)
Changes in net position	\$ 773	\$ 807	\$ 1,488	\$ 2,686	\$ 2,491	\$ 1,337	\$ 1,032	\$ 249	\$ 79	\$ 1

Note 1: Information is summarized from the audited financial statements for the years indicated.

Morristown Utilities Commission

Schedule of Purchased Power, Consumption and Active Service Statistics (Last Ten Years)

Fiscal Years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PURCHASED POWER - (Megawatt Hours)										
Purchased from TVA	900,714	950,821	952,747	939,622	929,150	930,256	918,686	901,805	909,825	925,207
CONSUMPTION - (Megawatt Hours)										
Residential	158,084	162,067	164,838	156,476	154,310	165,278	167,038	161,666	153,060	173,555
Commercial	47,715	50,013	48,661	47,096	46,642	46,991	47,068	46,611	46,417	48,299
Industrial	665,725	706,163	705,478	707,411	697,274	681,164	672,250	663,585	676,897	676,441
Street and athletic	4,952	5,027	4,895	5,099	5,261	5,309	5,070	4,979	5,039	5,088
Outdoor lighting	4,247	4,409	4,668	4,756	4,765	4,678	4,761	4,730	4,860	4,909
Internal use	1,742	1,415	2,329	2,574	2,285	1,184	986	965	786	1,100
Total consumption	882,465	929,094	930,869	923,412	910,537	904,604	897,173	882,536	887,059	909,392
Line losses and megawatt hours unaccounted for	18,249	21,727	21,878	16,210	18,613	25,652	21,513	19,269	22,766	15,815
Percentage of line losses and megawatt hours unaccounted for to purchased power	2.03%	2.29%	2.30%	1.73%	2.00%	2.76%	2.34%	2.14%	2.50%	1.71%
ACTIVE SERVICE (number of customers)										
Residential	12,296	12,198	12,133	11,995	11,862	11,826	11,721	11,764	11,752	11,683
Commercial	2,231	2,239	2,191	2,163	2,160	2,141	2,120	2,121	2,105	2,085
Industrial	446	439	448	458	446	439	458	449	447	467
Street and athletic	79	79	79	76	75	76	73	70	71	69
Outdoor lighting	79	77	35	34	33	33	34	34	31	32
Total active service	15,131	15,032	14,886	14,726	14,576	14,515	14,406	14,438	14,406	14,336

Note 1: Information is compiled from internally generated statistical reports.

Morristown Utilities Commission

Schedule of Water Production, Consumption and Active Service Statistics (Last Ten Years)

Fiscal Years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PRODUCTION - (Thousands of gallons)										
Produced	3,290,079	3,229,077	3,237,094	3,276,264	3,087,467	3,094,732	3,177,165	3,179,415	3,211,089	3,391,595
CONSUMPTION - (Thousands of gallons)										
General	2,805,906	2,708,472	2,709,944	2,699,046	2,707,815	2,742,287	2,770,846	2,760,419	2,815,744	2,981,110
Public authorities	44,537	47,612	47,341	46,628	42,822	44,679	41,529	42,055	42,939	48,268
Internal use	130	1,934	1,643	1,216	2,267	1,513	32,352	33,646	33,981	36,387
Total consumption	2,850,573	2,758,018	2,758,928	2,746,890	2,752,904	2,788,479	2,844,727	2,836,120	2,892,664	3,065,765
Gallons unaccounted for	439,506	471,059	478,166	529,374	334,563	306,253	332,438	343,295	318,425	325,830
Percent of gallons unaccounted for to production	13.36%	14.59%	14.77%	16.16%	10.84%	9.90%	10.46%	10.80%	9.92%	9.61%
ACTIVE SERVICE (number of customers)										
General	12,519	12,446	12,407	12,327	12,310	12,255	12,221	12,242	12,224	12,179
Public authorities	44	44	44	44	44	45	44	44	44	42
Private fire protection	314	314	307	300	295	289	284	283	285	280
Public fire protection			-	-	-	-	-	-	-	-
Total active service	12,877	12,804	12,758	12,671	12,649	12,589	12,549	12,569	12,553	12,501

Note 1: Information is compiled from internally generated statistical reports.

Morristown Utilities Commission

Schedule of Wastewater Treated, Consumption and Active Service Statistics (Last Seven Years)

Fiscal Years 2020 - 2014

	2020	2019	2018	2017	2016	2015	2014
TREATED - (Thousands of gallons)							
Treated	1,689,818	1,869,038	1,267,145	1,368,995	1,627,823	1,518,723	1,714,921
CONSUMPTION - (Thousands of gallons)							
General	1,261,864	1,206,033	1,189,244	1,173,074	1,217,364	1,239,402	1,256,780
Public authorities	12,218	12,979	12,453	11,529	9,633	10,200	9,726
Total consumption	1,274,082	1,219,012	1,201,697	1,184,603	1,226,997	1,249,602	1,266,506
ACTIVE SERVICE (number of customers)							
General	10,753	10,719	10,685	10,594	10,605	10,565	10,567
Public authorities	9	9	9	9	9	9	9
Total active service	10,762	10,728	10,694	10,603	10,614	10,574	10,576

Note 1: Information is compiled from internally generated statistical reports.

Note 2: The Commission assumed operations of the Wastewater System in December 2013.

Morristown Utilities Commission

Schedule of Broadband Active Service Statistics (Last Ten Years)

Fiscal Years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ACTIVE SERVICE (number of customers)										
Video	2,920	3,229	3,495	3,779	3,998	4,227	4,097	4,143	4,085	3,738
Internet	5,608	5,269	5,168	5,046	4,828	4,654	4,165	4,010	3,800	3,397
Voice	1,940	2,117	2,306	2,510	2,675	2,833	2,835	2,908	2,911	2,784
Total active service	10,468	10,615	10,969	11,335	11,501	11,714	11,097	11,061	10,796	9,919

Note 1: Information is compiled from internally generated statistical reports.

Morristown Utilities Commission

Schedule of Outstanding Long-Term Debt by Type (Last Ten Years)

Fiscal Years 2020 - 2011

Fiscal Year	Power			
	Promissory		Total	Per Customer
	Bonds	Notes		
2020	\$ 18,740,000	\$ -	\$ 18,740,000	\$ 1,239
2019	19,815,000	-	19,815,000	1,318
2018	-	16,297,172	16,297,172	1,095
2017	-	17,405,401	17,405,401	1,182
2016	-	18,475,080	18,475,080	1,268
2015	-	18,810,190	18,810,190	1,296
2014	-	18,331,536	18,331,536	1,272
2013	-	15,687,238	15,687,238	1,087
2012	-	15,937,655	15,937,655	1,106
2011	-	16,419,859	16,419,859	1,145

Fiscal Year	Water			
	Revenue	Promissory	Total	Per Customer
	Bonds	Notes		
2020	\$ -	\$ 8,843,177	\$ 8,843,177	\$ 687
2019	-	9,832,385	9,832,385	768
2018	-	10,795,288	10,795,288	846
2017	-	11,759,671	11,759,671	928
2016	-	12,671,215	12,671,215	1,002
2015	-	13,552,688	13,552,688	1,077
2014	-	14,409,471	14,409,471	1,148
2013	-	15,241,951	15,241,951	1,213
2012	-	16,221,011	16,221,011	1,292
2011	-	16,852,375	16,852,375	1,348

Morristown Utilities Commission

Schedule of Outstanding Long-Term Debt by Type (Last Ten Years) (continued)

Fiscal Years 2020 - 2011

Fiscal Year	Wastewater			
	Bonds	Promissory Notes	Total	Per Customer
2020	\$ 49,995,500	\$ 24,469,948	\$ 74,465,448	\$ 6,919
2019	51,956,617	27,339,078	79,295,695	7,391
2018	25,056,734	51,091,736	76,148,470	7,121
2017	21,743,850	47,468,831	69,212,681	6,528
2016	22,739,967	43,987,606	66,727,573	6,287
2015	23,827,767	43,782,738	67,610,505	6,394
2014	24,913,883	31,579,901	56,493,784	5,342

Fiscal Year	Broadband				
	Bonds	Promissory Notes	Interfund Note	Total	Per Customer
2020	\$ 3,500,000	\$ 1,298,000	\$ 1,809,000	\$ 6,607,000	\$ 1,015
2019	3,660,000	1,809,000	2,211,000	7,680,000	1,231
2018	-	6,252,166	2,756,498	9,008,664	1,437
2017	-	6,886,937	3,416,498	10,303,435	1,650
2016	-	5,127,358	5,216,498	10,343,856	1,845
2015	-	5,358,429	6,044,728	11,403,157	1,876
2014	-	5,483,376	6,141,498	11,624,874	2,082
2013	-	4,603,423	6,372,792	10,976,215	2,016
2012	-	4,717,346	6,749,697	11,467,043	2,173
2011	-	4,825,142	6,493,816	11,318,958	3,028

Note 1: The Commission assumed the assets, liabilities and operations of the Wastewater System as of December 30, 2013.

Morristown Utilities Commission

Schedule of Water System Revenue Note Coverage (Last Ten Years)

Fiscal Years 2020 – 2011

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2020	\$ 7,932	\$ 5,430	\$ 2,502	\$ 1,020	\$ 217	\$ 1,237	2.02
2019	7,766	5,222	2,544	989	243	1,232	2.06
2018	7,553	5,309	2,244	962	268	1,230	1.82
2017	7,169	5,197	1,972	911	363	1,274	1.55
2016	6,880	4,864	2,016	881	391	1,272	1.58
2015	6,885	4,411	2,474	857	415	1,272	1.94
2014	6,863	4,584	2,279	537	219	756	3.01
2013	6,471	3,985	2,486	524	233	757	3.28
2012	6,648	3,693	2,955	478	200	678	4.36
2011	6,936	3,895	3,041	699	244	943	3.22

(1) Total Water System operating revenues.

(2) Total Water System operating expenses, excluding depreciation and amortization.

Morristown Utilities Commission

Schedule of Wastewater System Revenue Note Coverage (Last Seven Years)

Fiscal years 2020 – 2014

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2020	\$ 15,496	\$ 7,602	\$ 7,894	\$ 4,794	\$ 2,406	\$ 7,200	1.10
2019	\$ 15,654	\$ 7,301	\$ 8,353	\$ 4,830	\$ 2,394	\$ 7,224	1.16
2018	15,391	6,982	8,409	\$ 3,726	\$ 1,393	5,119	1.64
2017	14,528	6,330	8,198	2,253	1,889	4,142	1.98
2016	13,694	5,344	8,350	1,824	1,006	2,830	2.95
2015	13,056	5,287	7,769	1,019	1,174	2,193	3.54
2014	13,077	5,630	7,447	466	221	687	10.84

Note 1: The Commission assumed the assets, liabilities and operations of the Wastewater System as of December 30, 2013.

(1) Total Wastewater System operating revenues.

(2) Total Wastewater System operating expenses, excluding depreciation and amortization.

Morristown Utilities Commission
Schedule of Property, Casualty and Other Insurance
June 30, 2020

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Distributor's Insurance	Workers' Compensation	\$1,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Commercial General Liability	250,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Excess General Liability	750,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Automobile Liability	1,000,000	\$0	7/1/2019 to 6/30/2020
Distributor's Insurance	Umbrella Liability	2,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Property Damage	147,376,345	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Boiler & Machinery	50,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Commercial Crime	1,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Public Officials and Employees'	5,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Fiduciary Liability	1,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Pollution Liability	1,000,000	N/A	7/1/2019 to 6/30/2020
Distributor's Insurance	Cyber and Privacy Protection	1,000,000	N/A	7/1/2019 to 6/30/2020

Note 1: All policies are owned by the Morristown Utility Commission and represent combined single limit coverage of all systems, where applicable.

Morristown Utilities Commission
Schedule of Power Rates (Last Ten Years)
Fiscal Years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Residential										
Customer charge per month	\$25.27	\$25.27	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71
Energy charge:										
First 2,000 kWh	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934
Additional kWh per month	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934
Commercial, Industrial, Governmental and Institutional										
GSA-1 (demand of up 50 kW)										
Customer charge per month - single-phase	\$26.87	\$26.87	\$ 24.87	\$ 21.87	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.00	\$ 26.00
Customer charge per month - three-phase	44.19	44.19	42.19	39.19	37.00	37.00	37.00	37.00	26.00	26.00
Energy charge per kWh per month	0.10520	0.10852	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899
GSA-2 (demand of 51 to 1,000kW)										
Customer charge per month	\$135.50	\$135.50	\$ 135.50	\$ 135.50	\$ 135.50	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00
Demand charge:										
First 50 kW per month			-	-	-	-	-	-	-	-
Excess over 50 kW per month	13.66	13.66	13.36	13.12	12.88	12.35	12.10	11.86	11.86	13.78
Energy charge:										
First 15,000 kWh per month	0.09934	0.10266	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381
Additional kWh per month	0.06151	0.06479	0.06459	0.06515	0.06236	0.06284	0.06695	0.06350	0.06491	0.06262
GSA-3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	\$275.08	\$275.08	\$ 275.08	\$ 275.08	\$ 275.08	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00
Demand charge:										
First 1,000kW per month	13.91	13.91	13.58	13.32	13.06	12.50	12.24	11.98	11.98	11.68
Excess over 1,000 kW per month	16.04	16.04	15.64	15.32	15.00	14.32	13.99	13.67	13.67	13.31
Energy charge:										
Per kWh per month	0.06142	0.06470	0.06451	0.06508	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262

Morristown Utilities Commission

Schedule of Power Rates (Last Ten Years) (continued)

Fiscal Years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Commercial, Industrial, Governmental and Institutional (continued)										
MSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$ -	\$ -	\$ -	\$ -	\$ -
Demand charge:										
On peak	\$10.24	\$10.24	\$ 9.97	\$ 9.74	\$ 9.52	-	-	-	-	-
Excess off peak	2.26	2.26	2.18	2.16	2.14	-	-	-	-	-
Excess over contract	10.24	10.24	9.97	9.74	9.52	-	-	-	-	-
Energy charge:										
On peak	0.07016	0.07450	0.07372	0.07412	0.07150	-	-	-	-	-
Off peak (first 200 hours)	0.04516	0.04950	0.04938	0.05034	0.04827	-	-	-	-	-
Off peak (next 200 hours)	0.01547	0.01981	0.02046	0.02209	0.02069	-	-	-	-	-
Off peak (additional kWh)	0.12920	0.01726	0.01798	0.01966	0.01831	-	-	-	-	-

Note 1: Compiled from internal records

Note 2: Electric rates require approval by the Tennessee Valley Authority

Morristown Utilities Commission

Schedule of Water Rates (Last Ten Years)

Fiscal years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Inside City Rate										
Customer charge per month	\$4.65	\$4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	2.35	2.35	2.35	2.20	2.05	2.05	2.05	2.05	2.05	2.05
Next 50,000 gallons	2.10	2.10	2.10	1.95	1.80	1.80	1.80	1.80	1.80	1.80
Over 100,000 gallons	1.90	1.90	1.90	1.75	1.60	1.60	1.60	1.60	1.60	1.60
Minimum bill										
5/8" meter	9.35	9.35	9.35	9.05	8.75	8.75	8.75	8.75	8.75	8.75
3/4" meter	9.85	9.85	9.85	9.55	9.25	9.25	9.25	9.25	9.25	9.25
1" meter	10.60	10.60	10.60	10.30	10.00	10.00	10.00	10.00	10.00	10.00
1 1/2" meter	12.10	12.10	12.10	11.80	11.50	11.50	11.50	11.50	11.50	11.50
2" meter	16.60	16.60	16.60	16.30	16.00	16.00	16.00	16.00	16.00	16.00
3" meter	61.60	61.60	61.60	61.30	61.00	61.00	61.00	61.00	61.00	61.00
4" meter	71.60	71.60	71.60	71.30	71.00	71.00	71.00	71.00	71.00	71.00
6" meter	101.60	101.60	101.60	101.30	101.00	101.00	101.00	101.00	101.00	101.00
8" meter	114.90	114.90	114.90	114.60	114.30	114.30	114.30	114.30	114.30	114.30
Outside City Rate										
Customer charge per month	\$4.65	\$4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	4.70	4.70	4.70	4.40	4.10	4.10	4.10	4.10	4.10	4.10
Next 50,000 gallons	4.20	4.20	4.20	3.90	3.60	3.60	3.60	3.60	3.60	3.60
Over 100,000 gallons	3.80	3.80	3.80	3.50	3.20	3.20	3.20	3.20	3.20	3.20

Morristown Utilities Commission

Schedule of Water Rates (Last Ten Years) (continued)

Fiscal years 2020 - 2011

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Outside City Rate (continued)										
Minimum bill										
5/8" meter	\$14.05	\$14.05	\$ 14.05	\$ 13.45	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85
3/4" meter	14.55	14.55	14.55	13.95	13.35	13.35	13.35	13.35	13.35	13.35
1" meter	15.30	15.30	15.30	14.70	14.10	14.10	14.10	14.10	14.10	14.10
1 1/2" meter	16.80	16.80	16.80	16.20	15.60	15.60	15.60	15.60	15.60	15.60
2" meter	21.30	21.30	21.30	20.70	20.10	20.10	20.10	20.10	20.10	20.10
3" meter	66.30	66.30	66.30	65.70	65.10	65.10	65.10	65.10	65.10	65.10
4" meter	76.30	76.30	76.30	75.70	75.10	75.10	75.10	75.10	75.10	75.10
6" meter	106.30	106.30	106.30	105.70	105.10	105.10	105.10	105.10	105.10	105.10
8" meter	119.60	119.60	119.60	119.00	118.40	118.40	118.40	118.40	118.40	118.40
Monthly private fire protection service charge										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00

Note 1: Compiled from internal records

Morristown Utilities Commission

Schedule of Wastewater Rates (Last Seven Years)

Fiscal years 2020 - 2014

	2020	2019	2018	2017	2016	2015	2014
Inside City Rate							
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9.17	\$ 9.17
Commodity charge (per 1,000 gallons)							
2,001 - 1,000,000 gallons	11.50	11.50	11.50	11.50	10.50	-	-
1,000,001 - 10,000,000 gallons	10.00	10.00	10.00	10.00	9.25	-	-
Over 10,000,000 gallons	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Minimum bill							
5/8" meter	23.00	23.00	21.00	21.00	21.00	-	-
3/4" meter	25.30	25.30	23.10	23.10	23.10	-	-
1" meter	32.20	32.20	29.40	29.40	29.40	-	-
1 1/2" meter	41.40	41.40	37.80	37.80	37.80	-	-
2" meter	66.70	66.70	60.90	60.90	60.90	-	-
3" meter	253.00	253.00	231.00	231.00	231.00	-	-
4" meter	322.00	322.00	294.00	294.00	294.00	-	-
6" meter	483.00	483.00	441.00	441.00	441.00	-	-
10" meter	611.14	611.14	558.00	558.00	558.00	-	-

Morristown Utilities Commission

Schedule of Wastewater Rates (Last Seven Years) (continued)

Fiscal years 2020 - 2014

	2020	2019	2018	2017	2016	2015	2014
Outside City Rate							
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.68	\$ 18.34
Commodity charge (per 1,000 gallons)							
2,001 - 1,000,000 gallons	23.00	23.00	23.00	23.00	21.00	-	-
1,000,001 - 10,000,000 gallons	20.00	20.00	20.00	20.00	20.00	-	-
Over 10,000,000 gallons	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Minimum bill							
5/8" meter	23.00	23.00	21.00	21.00	21.00	-	-
3/4" meter	25.30	25.30	23.10	23.10	23.10	-	-
1" meter	32.20	32.20	29.40	29.40	29.40	-	-
1 1/2" meter	41.40	41.40	37.80	37.80	37.80	-	-
2" meter	66.70	66.70	60.90	60.90	60.90	-	-
3" meter	253.00	253.00	231.00	231.00	231.00	-	-
4" meter	322.00	322.00	294.00	294.00	294.00	-	-
6" meter	483.00	483.00	441.00	441.00	441.00	-	-
10" meter	611.14	611.14	558.00	558.00	558.00	-	-

Note 1: The Commission assumed the operations of the Wastewater System as of December 30, 2013.

Morristown Utilities Commission
Schedule of Monthly Broadband Rates (Last Ten Years)
Fiscal years 2020 - 2011

Service	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Standard Cable:										
Expanded basic	\$60.95	\$60.95	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95
Digital basic	72.95	72.95	72.95	72.95	68.95	68.95	60.95	54.95	54.95	54.95
Digital basic + 1	87.90	87.90	87.90	82.95	78.95	78.95	69.95	63.95	63.95	63.95
Digital basic + 2	99.90	99.90	99.90	90.95	86.95	86.95	77.95	71.95	71.95	71.95
Digital basic + 4	119.90	119.90	119.90	103.95	99.95	99.95	90.95	84.95	84.95	84.95
Premium channels	14.95-46.95	14.95-46.95	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95
Internet:										
Residential										
Tier 1	39.95	39.95	39.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95
Tier 2	59.95	59.95	59.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	44.95	59.95
Tier 4	99.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95	74.95	99.95
Tier 5	-	-	-	-	-	-	-	-	99.95-199.95	159.95
Commercial										
Tier 1	49.95	49.95	49.95	49.95	49.95	49.95	44.95	44.95	44.95	44.95
Tier 2	79.95	79.95	79.95	79.95	79.95	79.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	104.95	104.95	104.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.95	154.90	154.95	154.95	154.95	149.90	149.95	149.95	149.95
Tier 5	-	-	-	199.95	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	-	-	299.95	-	-
Telephone:										
Residential										
BasicPack	32.95	32.95	28.65	22.95	22.95	22.95	22.95	22.95	22.95	22.95
PreferredPack	48.95	48.95	28.65	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.75-17.95	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95
Long distance rate per minute	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial										
Access Line	29.95	29.95	29.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95
Business Local Telephone Service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	3.75-36.95	3.75-36.95	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Power System Principal Customers

Current Year and Nine Years Prior

Name	2020			2011		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Inteplast Bags & Film Corp	\$3,664,694	1	4.68%	\$3,857,579	1	5.00%
Mahle Manufacturing Co.	3,030,922	2	3.87%	3,229,013	2	4.18%
Rich Products Corporation	2,462,828	3	3.14%	-	-	-
Howmet Corporation	2,348,020	4	3.00%	1,075,227	7	1.39%
JTEKT Automotive Morristown-Tennessee	2,135,652	5	2.73%	2,201,143	5	2.85%
Meritor Automotive	2,023,224	6	2.58%	2,300,400	4	2.98%
ColorTech	1,702,678	7	2.17%	1,052,585	8	1.36%
Colgate Palmolive	1,490,087	8	1.90%	1,080,083	6	1.40%
Hamblen County Board of Education	1,412,448	9	1.80%	-	-	-
Team Technologies	1,355,203	10	1.73%	-	-	-
J W Allen Co.	-	-	-	2,341,176	3	3.03%
NCR	-	-	-	786,370	10	1.02%
Lear Seigler, Inc.	-	-	-	911,216	9	1.18%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Water System Principal Customers

Current Year and Nine Years Prior

Name	2020			2011		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Alpha Talbott Utility District	\$1,132,375	1	14.28%	\$891,180	1	12.85%
Russellville-Whitesburg Utility District	876,363	2	11.05%	813,439	2	11.73%
Bean Station Utility District	676,625	3	8.53%	519,753	4	7.49%
Koch Foods	567,892	4	7.16%	550,160	3	7.93%
Colgate Palmolive	171,409	5	2.16%	69,448	8	1.00%
Morristown Wastewater System	136,094	6	1.72%	-	-	-
Mahle Engine Components	108,919	7	1.37%	92,277	6	1.33%
Rich Products	98,783	8	1.25%	-	-	-
City of Morristown	68,301	9	0.86%	-	-	-
Inteplast Bags & Film Corp	54,837	10	0.69%	44,679	9	0.64%
South Morristown Utility District	-	-	-	238,813	5	3.44%
J.W. Allen	-	-	-	77,597	7	1.12%
Morristown Housing Authority	-	-	-	41,485	10	0.60%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Wastewater System Principal Customers

Current Year and Six Years Prior

Name	2020			2014		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Koch Foods	\$2,300,431	1	14.58%	\$2,500,776	1	19.12%
Colgate Palmolive	823,359	2	5.22%	378,625	3	2.90%
Mahle Manufacturing Co.	437,693	3	2.77%	-	-	-
Rich Products Corporation	423,548	4	2.68%	497,132	2	3.80%
Morristown Housing Authority	236,012	5	1.50%	180,636	4	1.38%
Hamblen County Board of Education	208,364	6	1.32%	146,647	5	1.12%
Walters State Community College	162,615	7	1.03%	-	-	-
Hamben County Justice Center	137,396	8	0.87%	81,673	8	0.62%
City of Morristown	127,140	9	0.81%			
Southeastern Provision LLC	126,201	10	0.80%	-	-	-
Morristown Hamblen Hospital				138,646	6	1.06%
Meritor Automotive	-	-	-	85,515	7	0.65%
Lakeway Regional Hospital	-	-	-	79,686	9	0.61%
Heritage Center	-	-	-	74,264	10	0.57%

Note 1: Compiled from internal records.

Note 2: The Commission assumed the operations of the Wastewater System as of December 30, 2013.

Morristown Utilities Commission

Schedule of Employees by System (Last Ten Years)

Fiscal years 2020 - 2011

Fiscal Year	Power	Water	Wastewater	Broadband	Total
2020	79	20	27	32	158
2019	85	20	29	32	166
2018	91	21	25	24	161
2017	90	21	26	21	158
2016	88	21	25	19	153
2015	84	21	17	18	140
2014	78	21	16	21	136
2013	71	22	-	24	117
2012	73	19	-	21	113
2011	75	19	-	17	111

Note 1: Compiled from internal records.

Note 2: The Commission assumed the assets, liabilities and operations of the Wastewater System as of December 30, 2013.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

? Click to access definition
+ Click to add a comment

Water Audit Report for: Morristown Utilities Commission (0000474)
Reporting Year: 2020 7/2019 - 6/2020

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

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

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

WATER SUPPLIED

<----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ?	9	3,290.000	MG/Yr
Water imported:	+ ?		0.000	MG/Yr
Water exported:	+ ?		0.000	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	9	2.00%	Value:		MG/Yr
					MG/Yr
					MG/Yr

WATER SUPPLIED: 3,225.490 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	10	2,850.000	MG/Yr
Billed unmetered:	+ ?	n/a	0.000	MG/Yr
Unbilled metered:	+ ?	10	0.130	MG/Yr
Unbilled unmetered:	+ ?		40.319	MG/Yr

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

AUTHORIZED CONSUMPTION: 2,890.449 MG/Yr

Click here: ?
for help using option buttons below

Pcnt: 1.25% Value: MG/Yr

Use buttons to select percentage of water supplied
OR
value

Pcnt: 0.25% Value: MG/Yr

1.00% MG/Yr
0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

335.042 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 8.064 MG/Yr

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

Customer metering inaccuracies:	+ ?	10	28.789	MG/Yr
Systematic data handling errors:	+ ?		7.125	MG/Yr

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

Apparent Losses: 43.978 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **291.064 MG/Yr**

WATER LOSSES: 335.042 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 375.490 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	5	275.0	miles
Number of <u>active AND inactive</u> service connections:	+ ?	7	13,800	
Service connection density:	?		50	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: + ? (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: + ? 4 65.0 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$5,471,847	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	10	\$2.35	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$557.39	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.

Water Audit Report for: Morristown Utilities Commission (0000474)
 Reporting Year: 2020 7/2019 - 6/2020

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

System Attributes:

	Apparent Losses:	43.978	MG/Yr
+	Real Losses:	291.064	MG/Yr
=	Water Losses:	335.042	MG/Yr

? Unavoidable Annual Real Losses (UARL): 84.41 MG/Yr

Annual cost of Apparent Losses: \$103,348

Annual cost of Real Losses: \$162,236 Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 11.6%
 Non-revenue water as percent by cost of operating system: 5.3% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 8.73 gallons/connection/day
 Real Losses per service connection per day: 57.79 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 0.89 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 291.06 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.45

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



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*

Board of Commissioners
Morristown Utilities Commission

We have audited, in accordance with the 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, the financial statements of the Power System, Water System, Wastewater System and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Systems' 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 Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control.

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

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 Systems' 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. We consider the deficiency described below to be a significant deficiency:

The Wastewater System expended approximately \$281,000 under an Appalachian Regional Commission grant (CFDA# 23.002) in fiscal year 2019. Although the federal grant related to 2019, the System recorded the related revenue in fiscal year 2020. In addition, the Wastewater System should have reported the federal grant on a schedule of expenditures of federal awards in fiscal year 2019 in accordance with the *State of Tennessee Audit Manual*.

Board of Commissioners
Morristown Utilities Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Systems' 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*.

The Systems' Response to the Finding

The System's response to the finding is as follows:

Procedures will be implemented by the Systems to enhance controls relating to the proper identification of expenditures incurred under federal grants.

The Systems' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Coulter & Justus, P.C.

October 28, 2020
Knoxville, Tennessee

Morristown Utilities Commission
Schedule of Prior Year Findings and Questioned Costs
June 30, 2020

Financial Statement Findings

Not applicable as there were no 2019 findings reported.