

Annual Financial Report

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

Year ended June 30, 2016

Morristown Utilities Commission

Annual Financial Report

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Report of Independent Auditors

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, 2016, and the related notes to the 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 that 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, 2016, 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, 2016, 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 4 through 7 and the schedule of funding progress on page 37 and the schedule of employer contributions on page 38 for Morristown Utilities Retiree Benefit Plan 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 managements' 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 Schedules of Long-Term Debt Principal and Interest Requirements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Board of Commissioners
Morristown Utilities Commission

Other Matters (*continued*)

Other Information (continued)

The Schedules of Long-Term Debt Principal and Interest Requirements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Long-term Debt Principal and Interest Requirements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, 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 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 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 25, 2016
Knoxville, Tennessee

Morristown Utilities Commission
Management's Discussion and Analysis

June 30, 2016

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 (we, 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 and liabilities 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 \$175,011, \$162,474, \$2,570,167 and \$2,488,631, respectively, as a result of operations discussed later. This overall increase has primarily been used to acquire additional capital assets in the current year.

Table 1	Morristown Utilities Commission Condensed Balance Sheets	
	June 30, 2016	June 30, 2015
Assets:		
Current and other assets	\$ 50,287,919	\$ 57,443,801
Net capital assets	198,514,335	190,727,280
Total assets	248,802,254	248,171,081
Liabilities:		
Current liabilities	23,599,396	24,791,246
Non-current liabilities	106,012,705	109,585,965
Total liabilities	129,612,101	134,377,211
Net position:		
Net investments in capital assets	98,984,414	97,838,424
Unrestricted	20,205,739	15,955,446
Total net position	\$119,190,153	\$113,793,870

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Results of Operations

As indicated in Table 2, operating revenues of the Commission increased by \$633,823 or 0.59% from fiscal year 2015 to 2016.

Table 2

Morristown Utilities Commission Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year ended June 30	
	2016	2015
Revenues:		
Operating revenues	\$108,199,878	\$107,566,055
Non-operating revenues	44,978	54,998
Total revenues	<u>108,244,856</u>	<u>107,621,053</u>
Expenses:		
Purchased power	60,623,773	62,677,604
Other operating expenses	38,355,763	37,003,958
Interest expense and financing costs	2,523,175	1,937,011
Total expenses	<u>101,502,711</u>	<u>101,618,573</u>
Income before contributions and transfers	6,742,145	6,002,480
Contributions	422,950	151,200
Transfers to the City	(1,768,812)	(1,568,661)
Changes in net position	5,396,283	4,585,019
Beginning net position	113,793,870	109,208,851
Ending net position	<u>\$119,190,153</u>	<u>\$113,793,870</u>

Assets

The Power System completed construction on the rebuild of the Parkway substation.

The Broadband System completed the implementation of the new voice switch. This allows MUC to independently offer telephone service to the residents of the City of Morristown and Hamblen County. The phone switch was brought online during 2016 with customers migrating from Windstream, MUC's previous phone provider, to the new switch. The new phone switch provides customers with a quality phone service that is managed locally.

The Wastewater System continued ongoing construction projects to upgrade and enhance the infrastructure of the wastewater plant, sewer lines and pumping stations.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Debt

During fiscal year 2016, the Wastewater System entered into a loan agreement providing for draws up to \$10,000,000 for the purpose of extension, construction, improvement and equipping of the Wastewater System of which \$60,000 was drawn in 2016. The Wastewater System continues to make draws (\$2,521,968) on loans to fund improvements related to our Tennessee Department of Environment and Conservation (TDEC) compliance order. The Power System drew an additional \$696,819 on the available balance of the \$7,000,000 loan to fund the construction of new electrical substations. Additional information on the Commission's long-term debt can be found in the notes to the financial statements included in this annual financial report.

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

Year ended June 30, 2016

	Power System	Water System	Wastewater System	Broadband System
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,210,346	\$ 3,246,738	\$ 7,923,659	\$ 2,928,561
Accounts receivable:				
Trade, net of allowance for doubtful accounts of \$277,201	7,838,058	-	-	-
Due from other funds	922,798	-	-	-
Due from others	315,713	1,819	106,189	16,649
Accrual for unbilled revenue	1,848,083	212,708	633,627	-
Other current assets	-	12,756	18,975	134,071
Materials and supplies inventories	957,269	422,531	177,170	-
Total current assets	22,092,267	3,896,552	8,859,620	3,079,281
Restricted assets:				
Cash and cash equivalents	-	2,156,702	4,950,693	172,341
Capital assets:				
Plant and equipment in service	113,172,594	66,817,529	119,076,791	13,079,551
Less accumulated depreciation	50,907,212	28,505,972	49,449,561	5,769,018
	62,265,382	38,311,557	69,627,230	7,310,533
Construction in progress	1,396,174	1,345,835	18,138,149	119,475
Net capital assets	63,661,556	39,657,392	87,765,379	7,430,008
Due from other funds	4,562,930	-	-	-
Plant acquisition adjustments, net of accumulated amortization	221,537	-	-	-
Other assets	290,966	-	5,030	-
Total assets	\$ 90,829,256	\$ 45,710,646	\$ 101,580,722	\$ 10,681,630

Morristown Utilities Commission

Balance Sheet (continued)

Year ended June 30, 2016

	Power System	Water System	Wastewater System	Broadband System
Liabilities and net position				
Current liabilities:				
Accounts payable:				
Trade	\$ 6,667,068	\$ 303,491	\$ 1,483,482	\$ 423,106
Due to other funds	-	69,039	127,163	726,596
City of Morristown	212,037	-	-	-
Unearned revenues	-	-	-	257,288
Customer deposits	4,152,217	-	-	88,900
Accrued payroll related liabilities	1,397,990	418,695	161,656	120,555
Other accrued liabilities	241,004	17,883	370,921	149,099
Current portion of capital lease obligation	-	-	-	18,877
Current portion of contractual obligation	65,145	-	88,953	-
Current portion of long-term debt	1,149,561	910,944	3,737,305	240,421
Total current liabilities	13,885,022	1,720,052	5,969,480	2,024,842
Accrued post retirement benefit obligation	527,375	115,584	10,794	197,566
Due to other funds	-	-	-	4,562,930
Capital lease obligation, less current portion	-	-	-	26,210
Contractual obligation, less current portion	65,146	-	2,230,909	-
Long-term debt, less current portion	17,559,646	11,760,271	64,069,337	4,886,937
Total liabilities	32,037,189	13,595,907	72,280,520	11,698,485
Net position:				
Net investment in capital assets	44,822,058	29,142,879	22,589,568	2,429,909
Unrestricted	13,970,009	2,971,860	6,710,634	(3,446,764)
Total net position	58,792,067	32,114,739	29,300,202	(1,016,855)
 Total liabilities and net position	 \$ 90,829,256	 \$ 45,710,646	 \$ 101,580,722	 \$ 10,681,630

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2016

	Power System	Water System	Wastewater System	Broadband System
Operating revenues:				
Metered sales	\$ 74,026,335	\$ 6,378,731	\$ 12,852,808	\$ -
Broadband sales	-	-	-	8,509,233
Interfund services provided	1,299,957	469,983	-	1,830,000
Other operating revenues	1,749,925	33,139	839,444	210,323
Total operating revenues	77,076,217	6,881,853	13,692,252	10,549,556
Operating expenses:				
Power purchased	60,623,773	-	-	-
Operations	5,353,781	3,749,395	3,847,087	6,016,442
Maintenance	2,568,603	720,384	1,018,513	357,304
Interfund services used	1,720,299	395,778	480,750	1,003,113
Depreciation and amortization	4,887,836	1,537,378	3,741,375	514,530
Taxes	355,875	-	-	87,320
Total operating expenses	75,510,167	6,402,935	9,087,725	7,978,709
Operating income	1,566,050	478,918	4,604,527	2,570,847
Other income (expense):				
Interest income	26,889	11,015	5,180	1,894
Financing cost	(103,621)	-	(162,373)	(29,438)
Interest expense	(88,515)	(389,289)	(1,695,267)	(54,672)
Net other expense	(165,247)	(378,274)	(1,852,460)	(82,216)
Income before contributions and transfers	1,400,803	100,644	2,752,067	2,488,631
Contributions	-	97,950	325,000	-
Transfers out (tax equivalent payments to City of Morristown)	(1,225,792)	(36,120)	(506,900)	-
Changes in net position	175,011	162,474	2,570,167	2,488,631
Net position at beginning of year	58,617,056	31,952,265	26,730,035	(3,505,486)
Net position at end of year	\$ 58,792,067	\$ 32,114,739	\$ 29,300,202	\$ (1,016,855)

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Cash Flows

Year ended June 30, 2016

	Power System	Water System	Wastewater System	Broadband System
Cash flows from operating activities				
Cash received from customers	\$ 77,302,358	\$ 6,882,401	\$ 13,648,523	\$ 10,593,131
Cash received from City of Morristown, Tennessee	1,282,128	-	-	-
Cash paid to suppliers and vendors	(64,469,516)	(3,000,326)	(6,197,356)	(6,255,833)
Cash paid to employees for services	(6,454,352)	(1,728,427)	(1,305,373)	(1,259,768)
Net cash flows from operating activities	7,660,618	2,153,648	6,145,794	3,077,530
Cash flows from noncapital financing activities				
Transfers to City of Morristown (tax equivalent payments)	(1,228,092)	(36,120)	(506,900)	-
Net interfund advances (repayments)	494,022	126,718	134,462	(755,202)
Net cash flows from noncapital financing activities	(734,070)	90,598	(372,438)	(755,202)
Cash flows from capital and related financing activities				
Principal payments on capital lease obligation	-	-	-	(16,086)
Net additions to capital assets	(6,632,087)	(2,270,650)	(8,266,189)	(756,825)
Contributions	-	97,950	325,000	-
Principal payments on long-term debt and contractual obligation	(1,177,056)	(881,473)	(3,603,634)	(231,076)
Interest paid on long-term debt	(88,515)	(389,289)	(1,695,267)	(54,672)
Financing costs paid on long-term debt	(103,621)	-	(162,373)	(29,438)
Proceeds from long-term borrowings	696,819	-	2,581,968	-
Net cash flows from capital and related financing activities	(7,304,460)	(3,443,462)	(10,820,495)	(1,088,097)
Cash flows from investing activities				
Interest received on cash and cash equivalents	26,889	11,015	5,180	1,894
(Decrease) increase in cash and cash equivalents	(351,023)	(1,188,201)	(5,041,959)	1,236,125
Cash and cash equivalents at beginning of year	10,561,369	6,591,641	17,916,311	1,864,777
Cash and cash equivalents at end of year	<u>\$ 10,210,346</u>	<u>\$ 5,403,440</u>	<u>\$ 12,874,352</u>	<u>\$ 3,100,902</u>
Cash and cash equivalents are classified as:				
Current assets	\$ 10,210,346	\$ 3,246,738	\$ 7,923,659	\$ 2,928,561
Restricted assets	-	2,156,702	4,950,693	172,341
Total cash and cash equivalents at end of year	<u>\$ 10,210,346</u>	<u>\$ 5,403,440</u>	<u>\$ 12,874,352</u>	<u>\$ 3,100,902</u>

Morristown Utilities Commission
Statement of Cash Flows (continued)

Year ended June 30, 2016

	Power System	Water System	Wastewater System	Broadband System
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 1,566,050	\$ 478,918	\$ 4,604,527	\$ 2,570,847
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	4,975,235	1,658,537	3,824,770	514,530
Changes in operating assets and liabilities:				
Accounts receivable	675,093	521	(15,440)	(14,721)
Accrual for unbilled/unearned revenues	(101,620)	27	(28,289)	51,196
Materials and supplies inventories	38,273	(28,034)	(22,483)	-
Other assets	581,117	(1,606)	(6,768)	(15,962)
Trade accounts payable	(304,301)	97,045	(2,211,684)	(64,234)
Customer deposits and prepayments	353,679	-	-	7,100
Other liabilities	(122,908)	(51,760)	1,161	28,774
Net cash flows from operating activities	<u>\$ 7,660,618</u>	<u>\$ 2,153,648</u>	<u>\$ 6,145,794</u>	<u>\$ 3,077,530</u>
Noncash disclosure:				
Acquisition of capital assets	\$ -	\$ -	\$ 746,546	\$ -

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Notes to Financial Statements

June 30, 2016

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 aldermen of the City. 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 or 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 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.

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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.

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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed, if material. 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 utilities districts. Such excess is amortized over the estimated useful life of the related property (periods of up to 20 years).

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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.

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.

Interest on Indebtedness

Interest is charged to expense, as incurred, except for interest related to borrowings used for construction projects which is capitalized, if material.

Subsequent Events

In preparation of the accompanying financial statements, management has evaluated events and transactions that have occurred since the balance sheet date through October 25, 2016, the date these financial statements were available for issuance.

Subsequent Pronouncements

In June 2015, the GASB issued two related Statements that affect accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74 (Statement No. 74), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. GASB Statement No. 75 (Statement No. 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees. Statement No. 74 is effective for fiscal year 2017, and Statement No. 75 is effective for fiscal year 2018.

The Commission has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

Morristown Utilities Commission
Notes to Financial Statements (continued)

2. Deposits and Investments

All of the Systems' deposits, as of June 30, 2016, 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.

As of June 30, 2016, the Water System, Wastewater System and Broadband System have restricted cash and cash equivalents totaling \$2,156,702, \$4,950,693 and \$172,341, respectively. The restricted assets consist of construction retainage in escrow and unspent bond proceeds described in Note 6.

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 Commission Employee Retirement Plan (the Plan), covering substantially all employees. The Commission is the administrator of the Plan and is responsible for establishing or amending the Plan provisions and contribution requirements.

System	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
Power	\$6,260,687	\$5,881,940	\$870,587	15%	\$367,676	6%
Water	1,663,147	1,649,644	244,255	15%	109,179	6%
Wastewater	1,310,427	1,047,942	155,819	15%	81,756	7%
Broadband	1,236,036	1,193,252	178,001	15%	52,463	4%

Under the 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 2016, 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 Plan and who have attained the age of 21 are eligible to participate in the 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, 2015	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 871,832	\$ 139,100	\$ –	\$ 1,010,932
Construction in progress	2,417,780	6,580,210	7,601,816	1,396,174
Total capital assets not being depreciated	3,289,612	6,719,310	7,601,816	2,407,106
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,663,232	–	–	8,663,232
Distribution transformers, meters, fixtures and devices	57,514,899	5,249,830	420,529	62,344,200
Buildings and improvements	5,725,145	879,646	–	6,604,791
Furniture, fixtures and equipment	33,588,888	1,243,248	282,697	34,549,439
Total capital assets being depreciated	105,492,164	7,372,724	703,226	112,161,662
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	5,591,856	236,915	–	5,828,771
Distribution transformers, meters fixtures and devices	23,311,118	2,252,791	562,398	25,001,511
Buildings and improvements	1,741,060	117,347	–	1,858,407
Furniture, fixtures and equipment	16,220,868	2,280,352	282,697	18,218,523
Total accumulated depreciation	46,864,902	4,887,405	845,095	50,907,212
Net capital assets being depreciated	58,627,262	2,485,319	(141,869)	61,254,450
Net capital assets	<u>\$ 61,916,874</u>	<u>\$9,204,629</u>	<u>\$7,459,947</u>	<u>\$ 63,661,556</u>

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, 2015	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 400,600	\$ —	\$ —	\$ 400,600
Construction in progress	379,524	2,270,533	1,304,222	1,345,835
Total capital assets not being depreciated	780,124	2,270,533	1,304,222	1,746,435
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	7,830,295	63,199	—	7,893,494
Distribution meters, fixtures and devices	39,466,975	648,029	6,973	40,108,031
Buildings and improvements	15,763,281	399,951	—	16,163,232
Furniture, fixtures and equipment	2,077,262	174,910	—	2,252,172
Total capital assets being depreciated	65,137,813	1,286,089	6,973	66,416,929
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	4,218,577	249,913	—	4,468,490
Distribution meters, fixtures and devices	15,808,293	1,003,147	25,223	16,786,217
Buildings and improvements	5,088,094	275,769	—	5,363,863
Furniture, fixtures and equipment	1,757,694	129,708	—	1,887,402
Total accumulated depreciation	26,872,658	1,658,537	25,223	28,505,972
Net capital assets being depreciated	38,265,155	(372,448)	(18,250)	37,910,957
Net capital assets	\$39,045,279	\$1,898,085	\$1,285,972	\$39,657,392

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, 2015	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 1,195,234	\$ –	\$ –	\$ 1,195,234
Construction in progress	13,762,533	8,999,407	4,623,791	18,138,149
Total capital assets not being depreciated	14,957,767	8,999,407	4,623,791	19,333,383
Capital assets being depreciated:				
Collection facilities, fixtures and devices	68,878,195	3,176,271	–	72,054,466
Treatment facilities, fixtures and devices	35,889,946	746,106	–	36,636,052
Pumping facilities, fixtures and devices	4,566,476	122,090	–	4,688,566
General facilities, fixtures and devices	3,909,778	592,695	–	4,502,473
Total capital assets being depreciated	113,244,395	4,637,162	–	117,881,557
Less accumulated depreciation:				
Collection facilities, fixtures and devices	25,226,484	1,743,313	–	26,969,797
Treatment facilities, fixtures and devices	17,268,584	900,893	–	18,169,477
Pumping facilities, fixtures and devices	907,674	766,563	–	1,674,237
General facilities, fixtures and devices	2,222,006	414,044	–	2,636,050
Total accumulated depreciation	45,624,748	3,824,813	–	49,449,561
Net capital assets being depreciated	67,619,647	812,349	–	68,431,996
Net capital assets	\$ 82,577,414	\$9,811,756	\$4,623,791	\$ 87,765,379

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, 2015	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2016
Capital assets not being depreciated-construction in progress	\$ 8,556	\$760,806	\$649,887	\$ 119,475
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	4,156,886	59,813	33,930	4,182,769
Distribution fixtures and devices	7,637,217	586,093	169,943	8,053,367
Furniture, fixtures and equipment	843,415	—	—	843,415
Total capital assets being depreciated	12,637,518	645,906	203,873	13,079,551
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	967,907	262,112	33,930	1,196,089
Distribution fixtures and devices	3,657,909	247,298	169,943	3,735,264
Furniture, fixtures and equipment	832,545	5,120	—	837,665
Total accumulated depreciation	5,458,361	514,530	203,873	5,769,018
Net capital assets being depreciated	7,179,157	131,376	—	7,310,533
Net capital assets	\$7,187,713	\$892,182	\$649,887	\$7,430,008

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
\$87,399	\$121,159	\$ 83,395	\$ —

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities

The following is a summary of long-term liabilities:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Power System:				
2003 Promissory Note	\$ 750,000	\$ —	\$ 250,000	\$ 500,000
2008 Promissory Note	13,431,571	—	403,929	13,027,642
2013 Promissory Note	4,628,619	696,819	378,000	4,947,438
Cooperative Notes, non-interest bearing, due in annual installments ranging from \$79,982 in 2017 to \$43,974 in 2020	314,108	—	79,981	234,127
	19,124,298	\$696,819	\$1,111,910	18,709,207
Less current portion	1,111,912			1,149,561
Long-term portion	<u>\$18,012,386</u>			<u>\$17,559,646</u>
Water System:				
2009 Promissory Note	\$ 6,080,000	\$ —	\$ 315,000	\$ 5,765,000
2002 DWSRF Promissory Note	6,412,439	—	517,188	5,895,251
2011 DWSRF Promissory Note	1,060,249	—	49,285	1,010,964
	13,552,688	\$ —	\$ 881,473	12,671,215
Less current portion	880,885			910,944
Long-term portion	<u>\$12,671,803</u>			<u>\$11,760,271</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Wastewater System:				
2008 – 50518 Promissory Note	\$ 3,015,000	\$ –	\$ 170,500	\$ 2,844,500
2008 – 50545 Promissory Note	1,358,310	–	68,970	1,289,340
2008 – 50532 Promissory Note	8,140,611	–	459,333	7,681,278
2008 – 50536 Promissory Note	1,340,500	–	75,250	1,265,250
2009 – Promissory Note	1,629,759	–	61,040	1,568,719
2007 CWSRF Promissory Note	8,518,096	–	435,312	8,082,784
2009 CWSRF Promissory Note	1,159,843	–	53,052	1,106,791
2013 CWSRF Promissory Note	2,478,032	2,521,968	53,643	4,946,357
General Obligation Bonds, Series 2012	23,827,767	–	1,087,800	22,739,967
2013 Promissory Note	16,142,587	–	1,000,000	15,142,587
2015 Promissory Note	–	60,000	–	60,000
	<u>67,610,505</u>	<u>2,581,968</u>	<u>3,464,900</u>	<u>66,727,573</u>
Unamortized bond premium	1,132,414	–	53,345	1,079,069
	<u>68,742,919</u>	<u>\$2,581,968</u>	<u>\$3,518,245</u>	<u>67,806,642</u>
Less current portion	3,661,482			3,737,305
Long-term portion	<u>\$65,081,437</u>			<u>\$64,069,337</u>
Broadband System:				
2008 Promissory Note	\$ 4,358,429	\$ –	\$ 131,071	\$ 4,227,358
Interfund loan from the Power System	6,044,728	–	828,230	5,216,498
2014 Promissory Note	1,000,000	–	100,000	900,000
	<u>11,403,157</u>	<u>\$ –</u>	<u>\$1,059,301</u>	<u>10,343,856</u>
Less current portion	843,002			893,989
Long-term portion	<u>\$10,560,155</u>			<u>\$ 9,449,867</u>

Power System

The Power System has a promissory note (2003 Promissory Note) with the City in the original principal amount of \$2,500,000. The note was issued to the Commission with proceeds from the City's loan agreement with the Public Building Authority of Sevier County Bonds. Principal is payable in annual installments of \$250,000 through 2018. Interest is payable quarterly at variable rates for 30 day commercial paper with a AA bond rating as determined by Standard and Poor (0.73% per annum as of June 30, 2016).

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Power System (continued)

The City has an outstanding promissory note (2008 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee, at a variable interest rate as defined in the agreement, payable in annual installments ranging between \$565,000 and \$1,360,000 through May 2035. The note provides for a variable interest rate (0.58% as of June 30, 2016), which is determined by the Remarketing Agent for the securities. In its sole discretion, the Remarketing Agent resets the minimum rate of interest that is necessary to remarket all of the outstanding bonds at par plus accrued interest if settled on a non-interest payment date, based on market conditions. Many factors are considered when determining the interest rates, and there is no standard formula used to determine them. The City has allocated the responsibility of the 2008 Promissory Note between the Power System and the Broadband System based upon their proportionate assets acquired with proceeds from the note.

The City has a loan agreement (2013 Promissory Note) with the Public Building Authority of the City of Clarksville in a principal amount not to exceed \$7,000,000. Interest is payable monthly at variable rates (1.26% as of June 30, 2016) as determined by the Trustee. Principal is payable annually in varying amounts ranging from \$393,000 in 2016 to \$605,000 in 2028 (if fully drawn).

Periodically, the Power System acquires additional service areas from local electric cooperatives servicing Hamblen County residents. As a result of the acquisitions of service areas, the Power System pays the cooperatives a calculated fee (Cooperative Notes) over a ten-year period based on lost revenues of the cooperatives.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Power System (continued)

Future debt service requirements of Power System long-term debt as of June 30, 2016, are as follows:

	Promissory Notes		Cooperative	Total
	Interest	Principal	Notes	Requirements
2017	\$ 135,209	\$ 1,069,579	\$ 79,982	\$ 1,284,770
2018	132,049	1,108,229	66,197	1,306,475
2019	122,487	896,879	43,974	1,063,340
2020	114,430	936,529	43,974	1,094,933
2021	106,029	977,180	—	1,083,209
2022-2026	390,868	5,596,927	—	5,987,795
2027-2031	183,203	4,065,648	—	4,248,851
2032-2036	56,947	3,824,109	—	3,881,056
Total	<u>\$1,241,222</u>	<u>\$18,475,080</u>	<u>\$234,127</u>	<u>\$19,950,429</u>

Water System

The City has an outstanding loan agreement (2009 Promissory Note) with the Public Building Authority of the City of Clarksville 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 3.38%. Principal is payable in varying amounts from \$330,000 in December 2016 to \$505,000 in December 2029.

The City has a revolving fund loan agreement (2002 DWSRF Promissory Note) with the State for the repayment of a principal amount up to \$10.5 million 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 \$44,238 in July 2016 to \$55,815 in April 2026. The note is payable from revenues derived from the operations of the Water System.

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 \$4,170 in July 2016 to \$6,382 in June 2032. The note is payable from revenues derived from operations of the Water System.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Water System (continued)

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

	Interest	Principal	Total Requirements
2017	\$ 364,804	\$ 910,944	\$ 1,275,748
2018	338,022	936,403	1,274,425
2019	310,489	962,275	1,272,764
2020	282,196	988,569	1,270,765
2021	253,047	1,020,297	1,273,344
2022-2026	795,588	5,489,339	6,284,927
2027-2031	170,147	2,286,095	2,456,242
2032	1,188	77,293	78,481
Total	<u>\$2,515,481</u>	<u>\$12,671,215</u>	<u>\$15,186,696</u>

Wastewater System

The City has an outstanding loan agreement (2008 - 50518 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$8,000,000 of which 50% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the construction and equipping of extensions and improvements to the Wastewater System and refunding of prior debt. Interest is payable monthly at variable rates (0.58% as of June 30, 2016) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$178,500 in May 2017 to \$305,500 in May 2028.

The City has an outstanding loan agreement (2008 - 50545 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$3,000,000 of which 57% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the installation of energy conservation measures and related upgrades to reduce energy costs in public facilities. Interest is payable monthly at variable rates (0.58% as of June 30, 2015) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$72,960 in May 2017 to \$130,530 in May 2029.

The City has an outstanding loan agreement (2008 - 50532 Promissory Note) with the Public Building Authority of the County of Montgomery, Tennessee in the original principal amount of \$20,000,000 of which 53.98% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of prepaying outstanding indebtedness. Interest is payable monthly at variable rates (0.58% as of June 30, 2016) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$482,542 in May 2017 to \$825,289 in May 2028.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The City has an outstanding loan agreement (2008 - 50536 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$5,035,000 of which 35% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of prepaying outstanding indebtedness. Interest is payable monthly at variable rates (0.58% as of June 30, 2016) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$78,750 in May 2017 to \$136,500 in May 2028.

The City has an outstanding loan agreement (2009 - Promissory Note) between the Public Building Authority of the City of Clarksville 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 prepaying 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 \$62,948 in December 2016 to \$105,663 in December 2034.

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 \$37,030 in July 2016 to \$50,476 in January 2032. The note is payable from revenues derived from the operations of the System.

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 \$4,544 in July 2016 to \$7,102 in October 2032. The note is payable from revenues derived from the operations of the System.

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 \$18,050 in July 2016 to \$24,241 in October 2036. The note is payable from revenues derived from the operations of the System.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

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 2016 to \$1,076,336 in October 2036. Interest is payable semi-annually at rates ranging between 3% and 4%. The bonds are subject to redemption at the direction of the City prior to maturity. 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.

During 2014, the City entered into a loan agreement (2013 Promissory Note) with the Public Building Authority of the City of Clarksville in the principal amount not to exceed \$20,000,000. Proceeds from the loan agreement were used for the extension, construction, improvement and equipping the Wastewater System. Interest is payable semiannually at a fixed rate of 3.65%. Principal of \$1,000,000 is payable annually, with final maturity in September 2033.

During 2016, the City entered into a loan agreement (2015 Promissory Note) with the Public Building Authority of the City of Clarksville in the principal amount not to exceed \$10,000,000. Proceeds from the loan agreement will be used for the extension, construction, improvement and equipping the Wastewater System. Interest is payable semiannually at fixed rate of 2.74%. Principal is payable annually.

Bonds payable are reported net of the applicable premium.

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

	Bonds		Promissory Notes		Total
	Interest	Principal	Interest	Principal	Requirements
2017	\$ 735,343	\$ 1,086,117	\$ 919,002	\$ 2,651,188	\$ 5,391,650
2018	702,759	1,086,117	861,544	2,649,095	5,299,515
2019	670,176	1,086,117	805,212	2,707,677	5,269,182
2020	637,592	1,086,117	748,369	2,769,888	5,241,966
2021	605,009	1,086,117	690,961	2,832,770	5,214,857
2022-2026	2,514,569	5,430,585	2,573,732	15,223,887	25,742,773
2027-2031	1,499,553	5,413,811	1,064,527	12,814,114	20,792,005
2032-2036	623,735	5,388,650	82,744	2,338,987	8,434,116
2037	18,322	1,076,336	—	—	1,094,658
Total	<u>\$8,007,058</u>	<u>\$22,739,967</u>	<u>\$7,746,091</u>	<u>\$43,987,606</u>	<u>\$82,480,722</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 and 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 (\$2,319,862 outstanding as of June 30, 2016) 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

The Broadband System was allocated a portion of the 2008 Promissory Note (Power System) based on the assets acquired from the proceeds of the note. In addition, the Broadband System has an interfund note payable to the Power System which is more fully described in Note 10.

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 \$100,000 in June 2016 to \$123,000 in June 2024.

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

	Interest	Principal	Total Requirements
2017	\$ 58,866	\$ 893,989	\$ 952,855
2018	53,744	905,975	959,719
2019	48,498	917,965	966,463
2020	43,128	929,959	973,087
2021	37,633	941,956	979,589
2022-2026	111,260	3,267,331	3,378,591
2027-2031	58,528	1,245,790	1,304,318
2032-2035	18,479	1,240,891	1,259,370
Total	<u>\$430,136</u>	<u>\$10,343,856</u>	<u>\$10,773,992</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

7. Leases

The Broadband System leases certain equipment with an original cost of \$98,112, under a capital lease agreement expiring in 2019. Amortization of the asset is included with depreciation expense in the accompanying financial statements. Accumulated amortization amounted to \$53,025 as of June 30, 2016.

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

2017	\$18,877
2018	18,877
2019	10,623
Total future minimum lease payments	48,377
Less amounts representing interest	3,290
Present value of future minimum lease payments (including \$18,877 classified as current)	<u>\$45,087</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.

9. Concentration of Credit Risk

The Systems provide electric, water, wastewater and broadband services to customers in the City and Hamblen County, Tennessee. Customers include residential, commercial and heavy industrial users. Residential customers for the Power and Broadband Systems are required to place deposits that approximate one month's account balance. Loss experience has not been significant to the Systems' operations.

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 \$1,051,000 in 2016. The Electric System also bills and collects stormwater and garbage fees for the City. Administrative charges for these services were approximately \$231,000 in 2016. Payment is due within approximately 30 days of the billing.

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. Related Party and Interfund Activities (continued)

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

Power System

Interfund Loan to Broadband System, (including \$653,568 classified as current)	\$ 5,216,498
Due from Broadband System	73,028
Due from Water System	69,039
Due from Wastewater System	127,163
Total interfund receivable	<u>\$ 5,485,728</u>

Water System

Due to Power System	\$ (69,039)
	<u>\$ (69,039)</u>

Wastewater System

Due to Power System	\$ (127,163)
	<u>\$ (127,163)</u>

Broadband System

Interfund Loan from Power System, (including \$653,568 classified as current)	\$(5,216,498)
Due to Power System	(73,028)
Total interfund payable	<u>\$(5,289,526)</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 equal to the highest rate earned on Power System investments (.25% at June 30, 2016). Interest incurred on the loan amounted to \$14,825 in 2016. 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.

The Power System allocates operating and maintenance costs to the Water and Broadband Systems based upon its usage of fiber lines in the Power System and the number of customers.

Morristown Utilities Commission

Notes to Financial Statements (continued)

10. Related Party and Interfund Activities (continued)

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

	Power		Water		Wastewater		Broadband	
	Services Provided	Services Used	Services Provided	Services Used	Services Provided	Services Used	Services Provided	Services Used
Rent	\$ 216,169	\$ –	\$ –	\$ 81,794	\$ –	\$ 46,739	\$ –	\$ 87,636
Meter Costs	–	–	415,530	–	–	415,530	–	–
Phone								
Answering	–	25,353	54,453	–	–	18,481	–	10,619
Fiber network usage	1,083,788	–	–	178,930	–	–	–	904,858
Collector point management	–	1,694,946	–	135,054	–	–	1,830,000	–
Total	<u>\$1,299,957</u>	<u>\$1,720,299</u>	<u>\$469,983</u>	<u>\$395,778</u>	<u>\$ –</u>	<u>\$480,750</u>	<u>\$1,830,000</u>	<u>\$1,003,113</u>

Fiber network usage includes pole attachment fees.

Other amounts reflected as due to/from other fund 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 are \$1,225,792 for the Power System, \$36,120 for the Water System and \$506,900 for the Wastewater System.

11. Post-Employment Benefits

The Systems provide post-employment benefits (OPEB), in accordance with its employee benefits plan, to all eligible retirees.

Current accounting guidance requires the recognition of liabilities for OPEB over the employment of participants rather than as premiums are paid. The Power, Water, Wastewater and Broadband Systems recognized \$53,742, \$18,145, \$(10,984) and \$22,689, respectively, for these benefits in 2016.

The Systems' OPEB is a single employer defined benefit plan and is not required to issue a separate financial report.

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

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

Funding Policy

The Systems funds the Plan on a pay-as-you-go basis and do not intend to contribute in excess of the annual premiums. The annual required contribution (ARC) is an actuarially determined amount that represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Annual OPEB and Net OPEB Obligation

	Power	Water	Wastewater	Broadband
Annual required contribution	\$ 99,302	\$ 28,851	\$22,964	\$ 24,506
Interest on net OPEB obligation	18,945	3,898	871	6,995
Adjustment to ARC	(23,234)	(4,780)	(1,068)	(8,579)
Annual OPEB cost	95,013	27,969	22,767	22,922
Contribution made	(41,271)	(9,824)	(33,751)	(233)
Increase (decrease) in net OPEB obligation	53,742	18,145	(10,984)	22,689
Net OPEB obligation, beginning of year	473,633	97,439	21,778	174,877
Net OPEB obligation, end of year	\$527,375	\$115,584	\$10,794	\$197,566

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Annual OPEB and Net OPEB Obligation (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

Fund	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
2016:			
Power System	\$ 95,013	43.4%	\$527,375
Water System	27,969	35.1%	115,584
Wastewater System	22,767	148.2%	10,794
Broadband System	22,922	1.0%	197,566
2015:			
Power System	\$108,124	49.6%	\$473,633
Water System	35,055	53.0%	97,439
Wastewater System	17,446	27.0%	21,778
Broadband System	31,534	—	174,877
2014:			
Power System	\$101,878	38.2%	\$419,085
Water System	33,339	48.8%	80,946
Wastewater System	10,192	11.2%	9,046
Broadband System	29,208	—	143,343

Funding Status and Funding Progress

System	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Power	07/01/15	\$—	\$866,799	\$866,799	—%	\$5,209,672	16.6%
Water	07/01/15	—	275,407	275,407	—%	1,427,421	19.3%
Wastewater	07/01/15	—	198,181	198,181	—%	760,323	26.1%
Broadband	07/01/15	—	100,906	100,906	—%	1,047,800	9.6%

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Actuarial Methods and Assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water, Wastewater and Broadband Systems and were as follows:

Funding Interest Rate	4%
2015 Medical/Rx Trend Rate	9%
Ultimate Medical/Rx Trend Rate	5%
Year Ultimate Trend Rate Reached	2019
Actuarial Cost Method	Entry Age Normal
Annual Payroll Growth Rate	2.5%
Remaining Amortization Period at June 30, 2016	24.12 years

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about the change in actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

The mortality rates are from the RP-2000 Combined Fully Generational Mortality Table with projection scale AA. It was assumed that the following percentages of eligible employees would retire each year:

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

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

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

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:

Year	Medical Rates	Dental Rates
2015	9%	5%
2016	8%	5%
2017	7%	5%
2018	6%	5%
2019+	5%	5%

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

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.

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.

Morristown Utilities Commission
Required Supplementary Information
Schedule of Funding Progress for
Morristown Utilities Retiree Benefit Plan
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)\c]
Power						
7/1/2015	\$ -	\$ 866,799	\$ 866,799	0%	\$ 5,209,672	17%
7/1/2013	-	939,342	939,342	0%	4,089,606	23%
7/1/2011	-	927,036	927,036	0%	4,210,185	22%
Water						
7/1/2015	-	275,407	275,407	0%	1,427,421	19%
7/1/2013	-	330,210	330,210	0%	1,221,906	27%
7/1/2011	-	288,818	288,818	0%	1,137,002	25%
Wastewater						
7/1/2015	-	198,181	198,181	0%	760,323	26%
1/1/2014	-	153,876	153,876	0%	583,274	26%
Broadband						
7/1/2015	-	100,906	100,906	0%	1,047,800	10%
7/1/2013	-	89,022	89,022	0%	1,076,414	8%
7/1/2011	-	64,160	64,160	0%	927,632	7%

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

Morristown Utilities Commission

Required Supplementary Information

Schedule of Employer Contributions for
Morristown Utilities Retiree Benefit Plan

June 30, 2016

	Fiscal Year	Annual Required Contribution	Contribution Made	Percentage Contributed
Power System	2016	\$ 99,302	\$ 41,271	42%
	2015	110,994	53,376	48%
	2014	105,784	38,891	37%
Water System	2016	28,851	9,824	34%
	2015	35,609	18,562	52%
	2014	34,040	16,271	48%
Wastewater System	2016	22,964	33,751	147%
	2015	17,508	4,714	27%
	2014	10,192	1,146	11%
Broadband System	2016	24,506	233	1%
	2015	32,515	-	-
	2014	30,460	-	-

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

Morristown Utilities Commission

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

June 30, 2016

Year Ending June 30,	2003 Promissory Note		2008 Promissory Note		2013 Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 250,000	\$ 3,675	\$ 426,579	\$ 75,762	\$ 393,000	\$ 55,772	\$ 1,069,579	\$ 135,209
2018	250,000	1,838	449,229	73,281	409,000	56,930	1,108,229	132,049
2019	-	-	471,879	70,669	425,000	51,818	896,879	122,487
2020	-	-	494,529	67,925	442,000	46,505	936,529	114,430
2021	-	-	517,180	65,049	460,000	40,980	977,180	106,029
2022	-	-	543,605	62,041	478,000	35,230	1,021,605	97,271
2023	-	-	570,030	58,880	498,000	29,255	1,068,030	88,135
2024	-	-	600,230	55,565	518,000	23,030	1,118,230	78,595
2025	-	-	630,431	52,074	538,000	16,555	1,168,431	68,629
2026	-	-	660,631	48,408	560,000	9,830	1,220,631	58,238
2027	-	-	694,606	44,566	226,438	2,830	921,044	47,396
2028	-	-	728,582	40,527	-	-	728,582	40,527
2029	-	-	766,332	36,290	-	-	766,332	36,290
2030	-	-	804,082	31,833	-	-	804,082	31,833
2031	-	-	845,608	27,157	-	-	845,608	27,157
2032	-	-	887,133	22,239	-	-	887,133	22,239
2033	-	-	932,433	17,080	-	-	932,433	17,080
2034	-	-	977,734	11,657	-	-	977,734	11,657
2035	-	-	1,026,809	5,971	-	-	1,026,809	5,971
	<u>\$ 500,000</u>	<u>\$ 5,513</u>	<u>\$ 13,027,642</u>	<u>\$ 866,974</u>	<u>\$ 4,947,438</u>	<u>\$ 368,735</u>	<u>\$ 18,475,080</u>	<u>\$ 1,241,222</u>

Morristown Utility Commission

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

June 30, 2016

Year Ending June 30,	2011 DWSRF Promissory Note		2002 DWSRF Promissory Note		2009 DWSRF Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 50,692	\$ 27,956	\$ 530,252	\$ 147,568	\$ 330,000	\$ 189,280	\$ 910,944	\$ 364,804
2018	52,145	26,503	544,258	133,562	340,000	177,957	936,403	338,022
2019	53,640	25,008	558,635	119,185	350,000	166,296	962,275	310,489
2020	55,178	23,470	573,391	104,429	360,000	154,297	988,569	282,196
2021	56,760	21,888	588,537	89,283	375,000	141,876	1,020,297	253,047
2022	58,387	20,261	604,082	73,738	390,000	128,947	1,052,469	222,946
2023	60,061	18,587	620,039	57,781	400,000	115,596	1,080,100	191,964
2024	61,783	16,865	636,417	41,403	415,000	101,823	1,113,200	160,091
2025	63,554	15,094	653,228	24,592	430,000	87,542	1,146,782	127,228
2026	65,376	13,272	586,412	7,332	445,000	72,755	1,096,788	93,359
2027	67,251	11,397	-	-	460,000	57,460	527,251	68,857
2028	69,179	9,469	-	-	475,000	41,659	544,179	51,128
2029	71,162	7,486	-	-	490,000	25,350	561,162	32,836
2030	73,202	5,446	-	-	505,000	8,533	578,202	13,979
2031	75,301	3,347	-	-	-	-	75,301	3,347
2032	77,293	1,188	-	-	-	-	77,293	1,188
	<u>\$ 1,010,964</u>	<u>\$ 247,237</u>	<u>\$ 5,895,251</u>	<u>\$ 798,873</u>	<u>\$ 5,765,000</u>	<u>\$ 1,469,371</u>	<u>\$ 12,671,215</u>	<u>\$ 2,515,481</u>

Morristown Utility Commission

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

June 30, 2016

Year Ending June 30,	2008-50545 Promissory Note		2008-50536 Promissory Note		2008-50518 Promissory Note		2008-50532 Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 72,960	\$ 5,415	\$ 78,750	\$ 5,314	\$ 178,500	\$ 11,947	\$ 482,542	\$ 32,261
2018	76,380	5,109	84,000	4,983	187,500	11,197	506,832	30,235
2019	80,370	4,788	87,500	4,631	197,000	10,410	532,200	28,106
2020	84,360	4,450	92,750	4,263	207,000	9,582	558,648	25,871
2021	88,350	4,096	96,250	3,873	217,500	8,713	586,716	23,524
2022	92,910	3,725	101,500	3,469	228,000	7,799	615,862	21,060
2023	97,470	3,335	106,750	3,043	239,500	6,842	646,629	18,474
2024	102,600	2,925	112,000	2,595	251,500	5,836	679,014	15,758
2025	107,730	2,495	117,250	2,124	264,000	4,780	713,018	12,906
2026	112,860	2,042	122,500	1,632	277,500	3,671	748,643	9,911
2027	118,560	1,568	129,500	1,117	291,000	2,505	785,885	6,767
2028	124,260	1,070	136,500	573	305,500	1,283	825,289	3,465
2029	130,530	548	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
	<u>\$ 1,289,340</u>	<u>\$ 41,566</u>	<u>\$ 1,265,250</u>	<u>\$ 37,617</u>	<u>\$ 2,844,500</u>	<u>\$ 84,565</u>	<u>\$ 7,681,278</u>	<u>\$ 228,338</u>

Morristown Utility Commission

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

June 30, 2016

Year Ending June 30,	2009 Promissory Note		2013 Promissory Note		2015 Promissory Note		2007 CWSRF Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 62,948	\$ 44,734	\$ 1,000,000	\$ 552,704	\$ 60,000	\$ 1,644	\$ 444,360	\$ 162,259
2018	64,855	42,875	1,000,000	516,204	-	-	453,600	153,018
2019	66,763	40,959	1,000,000	479,704	-	-	463,032	143,584
2020	68,670	38,999	1,000,000	443,204	-	-	472,656	133,955
2021	70,578	36,963	1,000,000	406,704	-	-	482,496	124,125
2022	72,485	34,881	1,000,000	370,204	-	-	492,528	114,091
2023	74,774	32,739	1,000,000	333,704	-	-	502,764	103,849
2024	77,063	30,530	1,000,000	297,204	-	-	513,228	93,393
2025	79,352	28,254	1,000,000	260,704	-	-	523,896	82,720
2026	81,641	25,911	1,000,000	224,204	-	-	534,792	71,825
2027	83,930	23,502	1,000,000	187,704	-	-	545,916	60,703
2028	86,219	21,026	1,000,000	151,204	-	-	557,268	49,350
2029	88,890	18,479	1,000,000	114,704	-	-	568,860	37,761
2030	91,560	15,853	1,000,000	78,204	-	-	580,680	25,930
2031	94,231	13,150	1,000,000	41,704	-	-	592,764	13,854
2032	96,901	10,369	142,587	5,211	-	-	351,460	2,414
2033	99,572	7,510	-	-	-	-	2,484	-
2034	102,624	4,568	-	-	-	-	-	-
2035	105,663	1,538	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
	\$ 1,568,719	\$ 472,840	\$ 15,142,587	\$ 4,463,271	\$ 60,000	\$ 1,644	\$ 8,082,784	\$ 1,372,831

Morristown Utility Commission

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

June 30, 2016

Year Ending June 30,	2009 CWSRF Promissory Note		2013 CWSRF Promissory Note		General Obligation Bonds, Series 2012		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 54,528	\$ 29,533	\$ 216,600	\$ 73,191	\$ 1,086,117	\$ 735,343	\$ 3,737,305	\$ 1,654,345
2018	56,028	28,026	219,900	69,897	1,086,117	702,759	3,735,212	1,564,303
2019	57,576	26,477	223,236	66,554	1,086,117	670,176	3,793,794	1,475,389
2020	59,172	24,885	226,632	63,159	1,086,117	637,592	3,856,005	1,385,960
2021	60,804	23,249	230,076	59,714	1,086,117	605,009	3,918,887	1,295,970
2022	62,484	21,568	233,580	56,215	1,086,117	572,425	3,985,466	1,205,437
2023	64,212	19,841	237,132	52,663	1,086,117	539,842	4,055,348	1,114,332
2024	65,988	18,066	240,732	49,058	1,086,117	507,258	4,128,242	1,022,623
2025	67,812	16,241	244,392	45,397	1,086,117	469,244	4,203,567	924,865
2026	69,684	14,367	248,112	41,681	1,086,117	425,800	4,281,849	821,044
2027	71,616	12,440	251,880	37,909	1,086,117	382,355	4,364,404	716,570
2028	73,596	10,460	255,720	34,079	1,086,117	338,910	4,450,469	611,420
2029	75,636	8,425	259,608	30,191	1,086,117	295,466	3,209,641	505,574
2030	77,724	6,334	263,556	26,243	1,077,730	257,577	3,091,250	410,141
2031	79,872	4,186	267,564	22,236	1,077,730	225,245	3,112,161	320,375
2032	82,080	1,978	271,632	18,167	1,077,730	192,914	2,022,390	231,053
2033	27,979	159	275,760	14,037	1,077,730	159,908	1,483,525	181,614
2034	-	-	279,948	9,844	1,077,730	125,555	1,460,302	139,967
2035	-	-	284,208	5,588	1,077,730	90,529	1,467,601	97,655
2036	-	-	216,089	1,362	1,077,730	54,829	1,293,819	56,191
2037	-	-	-	-	1,076,336	18,322	1,076,336	18,322
	<u>\$ 1,106,791</u>	<u>\$ 266,235</u>	<u>\$ 4,946,357</u>	<u>\$ 777,185</u>	<u>\$ 22,739,967</u>	<u>\$ 8,007,058</u>	<u>\$ 66,727,573</u>	<u>\$ 15,753,150</u>

Morristown Utility Commission

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

June 30, 2016

Year Ending June 30,	2008 Promissory Note		Interfund Loan from Power System		2014 Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 138,421	\$ 24,584	\$ 653,568	\$ 12,293	\$ 102,000	\$ 21,989	\$ 893,989	\$ 58,866
2018	145,771	23,779	655,204	10,657	105,000	19,308	905,975	53,744
2019	153,121	22,931	656,844	9,017	108,000	16,550	917,965	48,498
2020	160,471	22,041	658,488	7,373	111,000	13,714	929,959	43,128
2021	167,820	21,108	660,136	5,725	114,000	10,800	941,956	37,633
2022	176,395	20,132	661,788	4,073	117,000	7,809	955,183	32,014
2023	184,970	19,106	663,445	2,416	120,000	4,740	968,415	26,262
2024	194,770	18,030	607,025	756	123,000	1,593	924,795	20,379
2025	204,569	16,897	-	-	-	-	204,569	16,897
2026	214,369	15,708	-	-	-	-	214,369	15,708
2027	225,394	14,461	-	-	-	-	225,394	14,461
2028	236,418	13,150	-	-	-	-	236,418	13,150
2029	248,668	11,776	-	-	-	-	248,668	11,776
2030	260,918	10,329	-	-	-	-	260,918	10,329
2031	274,392	8,812	-	-	-	-	274,392	8,812
2032	287,867	7,216	-	-	-	-	287,867	7,216
2033	302,567	5,542	-	-	-	-	302,567	5,542
2034	317,266	3,783	-	-	-	-	317,266	3,783
2035	333,191	1,938	-	-	-	-	333,191	1,938
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
	<u>\$ 4,227,358</u>	<u>\$ 281,323</u>	<u>\$ 5,216,498</u>	<u>\$ 52,310</u>	<u>\$ 900,000</u>	<u>\$ 96,503</u>	<u>\$ 10,343,856</u>	<u>\$ 430,136</u>

Morristown Utilities Commission

Schedule of Net Position by Fund (Last Ten Years)

Fiscal Years 2016 - 2007 (in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Power System:										
Net investment in capital assets	\$ 44,822	\$ 42,597	\$ 41,510	\$ 39,421	\$ 37,913	\$ 34,586	\$ 32,756	\$ 32,023	\$ 31,914	\$ 31,941
Unrestricted	13,928	16,020	17,305	18,076	16,560	17,235	15,634	13,275	11,210	9,391
Total net position	\$ 58,750	58,617	\$ 58,815	\$ 57,497	\$ 54,473	\$ 51,821	\$ 48,390	\$ 45,298	\$ 43,124	\$ 41,332
Water System:										
Net investment in capital assets	\$ 30,054	\$ 28,406	\$ 26,909	\$ 26,730	\$ 26,034	\$ 25,841	\$ 24,597	\$ 23,359	\$ 22,356	\$ 21,812
Restricted	-	-	-	-	-	-	585	561	301	557
Unrestricted	2,060	3,546	4,523	4,385	4,465	3,794	2,625	2,406	2,450	2,087
Total net position	\$ 32,114	31,952	\$ 31,432	\$ 31,115	\$ 30,499	\$ 29,635	\$ 27,807	\$ 26,326	\$ 25,107	\$ 24,456
Wastewater System:										
Net investment in capital assets	\$ 26,416	\$ 24,851	\$ 18,009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,889	1,879	5,796	-	-	-	-	-	-	-
Total net position	\$ 29,305	26,730	\$ 23,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Broadband System:										
Net investment in capital assets	\$ 2,689	\$ 1,984	\$ 2,192	\$ 1,275	\$ 1,159	\$ 773	\$ 149	\$ 728	\$ 758	\$ (550)
Unrestricted deficit	(3,704)	(5,489)	(7,034)	(7,149)	(7,281)	(6,804)	(6,181)	(6,233)	(5,649)	(1,967)
Total net position	\$ (1,015)	(3,505)	\$ (4,842)	\$ (5,874)	\$ (6,122)	\$ (6,031)	\$ (6,032)	\$ (5,505)	\$ (4,891)	\$ (2,517)

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

Note 2: In 2012, the Commission implemented GASB 65 which changed the accounting for bond issue costs. This resulted in a restatement of net position for Power, Water, and Broadband of \$527,518, \$74,382, and \$170,225, respectively as of July 1, 2011.

Note 3: 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 2016 - 2007 (in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:										
Residential	\$ 16,058	\$ 17,001	\$ 16,878	\$ 16,472	\$ 15,645	\$ 17,235	\$ 15,022	\$ 15,941	\$ 13,418	\$ 12,177
Commercial	5,333	5,319	5,296	5,248	5,199	5,328	5,001	5,450	4,746	4,604
Industrial	51,352	51,648	52,096	51,961	52,499	51,678	44,811	48,565	42,996	39,757
Street and security lighting	1,222	1,184	1,155	1,170	1,232	1,197	1,114	1,183	1,054	1,001
Total metered revenue	73,965	75,152	75,425	74,851	74,575	75,438	65,948	71,139	62,214	57,539
Interfund services	1,300	1,316	1,190	963	773	546	685	-	-	-
Other revenues	1,750	1,434	1,545	1,323	1,215	1,182	1,048	1,144	1,137	1,093
Total operating revenues	77,015	77,902	78,160	77,137	76,563	77,166	67,681	72,283	63,351	58,632
Operating expenses:										
Power purchased from Tennessee Valley Authority	60,624	62,678	62,661	62,088	61,324	62,799	54,288	60,370	52,594	49,108
Operations	5,333	5,399	5,408	4,941	5,008	4,882	4,653	4,415	4,292	4,057
Maintenance	2,569	2,483	2,161	2,000	1,804	1,764	1,737	1,709	1,596	1,487
Interfund services	1,720	1,111	847	867	560	-	342	737	-	-
Depreciation	4,801	4,702	4,486	4,104	3,363	3,081	2,549	1,877	2,226	2,174
Amortization of plant acquisition adjustments	87	87	87	86	122	130	112	96	84	86
Taxes	356	336	305	318	260	226	204	204	204	190
Miscellaneous	-	-	-	42	-	29	12	52	21	25
Total operating expenses	75,490	76,796	75,955	74,446	72,441	72,911	63,897	69,460	61,017	57,127
Operating income	1,525	1,106	2,205	2,691	4,122	4,255	3,784	2,823	2,334	1,505
Other (expense) income	(166)	(147)	(131)	(108)	(46)	(47)	11	54	156	326
Income before reimbursement, contributions and transfers	1,359	959	2,074	2,583	4,076	4,208	3,795	2,877	2,490	1,831
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)	(1,226)	(1,157)	(1,087)	(1,061)	(896)	(777)	(703)	(703)	(699)	(656)
Increase (decrease) in net position	\$ 133	\$ (198)	\$ 1,318	\$ 3,023	\$ 3,180	\$ 3,431	\$ 3,092	\$ 2,174	\$ 1,791	\$ 1,175

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 2016 - 2007 (in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:										
General	\$ 6,129	\$ 6,163	\$ 6,182	\$ 6,161	\$ 6,330	\$ 6,590	\$ 6,444	\$ 6,015	\$ 5,261	\$ 5,029
Public authorities	55	57	58	80	81	88	66	61	52	54
Private fire protection	167	164	180	180	165	162	162	161	161	160
Public fire protection	26	27	30	29	27	26	31	34	33	33
Total metered sales	6,377	6,411	6,450	6,450	6,603	6,866	6,703	6,271	5,507	5,276
Interfund services	470	441	187	-	-	-	-	-	-	-
Other revenue	33	33	226	21	45	70	66	60	65	59
Total operating revenues	6,880	6,885	6,863	6,471	6,648	6,936	6,769	6,331	5,572	5,335
Operating expenses:										
Operations	3,748	3,531	3,622	3,176	3,144	3,186	2,931	3,165	2,872	2,730
Maintenance	720	561	674	594	541	589	518	488	568	434
Interfund services used	396	319	288	189	-	79	-	-	-	-
Depreciation and amortization	1,537	1,610	1,552	1,416	1,680	1,439	1,403	1,157	1,220	1,155
Miscellaneous	-	-	-	26	8	40	45	41	40	49
Total operating expenses	6,401	6,021	6,136	5,401	5,373	5,333	4,897	4,851	4,700	4,368
Operating income	479	864	727	1,070	1,275	1,603	1,872	1,480	872	967
Other income (expense):										
Interest income	11	8	12	15	17	20	21	37	111	123
Interest expense	(389)	(415)	(439)	(477)	(482)	(507)	(408)	(321)	(355)	(352)
Total other (expense) income	(378)	(407)	(427)	(462)	(465)	(487)	(387)	(284)	(244)	(229)
Income before contributions and transfers	101	457	300	608	810	1,116	1,485	1,196	628	738
Contributions	97	100	53	43	165	747	28	54	56	111
Transfers out (tax equivalent payments to City of Morristown)	(36)	(36)	(36)	(36)	(36)	(36)	(32)	(32)	(32)	(32)
Increase in net position	\$ 162	\$ 521	\$ 317	\$ 615	\$ 939	\$ 1,827	\$ 1,481	\$ 1,218	\$ 652	\$ 817

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 Three Years)

Fiscal Years 2016 - 2014 (in thousands)

	2016	2015	2014
Operating revenues:			
General	\$ 12,585	\$ 12,083	\$ 12,547
Public authorities	270	164	110
Total metered sales	12,855	12,247	12,657
Other revenues	839	809	420
Total operating revenues	13,694	13,056	13,077
Operating expenses:			
Operations	3,844	3,996	4,663
Maintenance	1,019	848	766
Interfund services used	481	443	201
Depreciation and amortization	3,741	3,276	2,510
Total operating expenses	9,085	8,563	8,140
Operating income	4,609	4,493	4,937
Other income (expense):			
Interest income	5	21	158
Financing cost	(162)	(90)	(222)
Interest expense	(1,695)	(1,174)	(905)
Total other expense	(1,852)	(1,243)	(969)
Income before contributions and transfers	2,757	3,250	3,968
Contributions	325	51	139
Transfers out (tax equivalent payments to City of Morristown)	(507)	(376)	(305)
Increase in net position	\$ 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 2016 - 2007 (in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:										
Video	\$ 3,823	\$ 3,483	\$ 2,876	\$ 2,802	\$ 2,729	\$ 2,555	\$ 2,544	\$ 2,214	\$ 1,790	\$ 1,137
Internet	2,832	2,638	2,657	2,307	2,105	1,702	1,536	1,390	1,124	575
Voice	1,854	2,118	2,096	2,086	1,981	1,935	1,934	1,867	1,511	798
Total broadband sales	8,509	8,239	7,629	7,195	6,815	6,192	6,014	5,471	4,425	2,510
Interfund services provided	1,830	1,173	921	937	560	-	342	737	-	-
Other revenue	210	311	387	217	225	130	146	85	79	39
Total operating revenues	10,549	9,723	8,937	8,349	7,600	6,322	6,502	6,293	4,504	2,549
Operating expenses:										
Operations	6,014	6,395	6,182	6,121	5,579	4,874	4,717	4,568	3,908	3,062
Maintenance	357	303	239	199	208	135	212	204	197	94
Interfund services used	1,003	1,057	962	845	773	467	685	-	-	-
Depreciation and amortization	515	482	372	821	860	757	1,282	1,532	1,489	741
Taxes	87	64	88	53	52	41	36	65	73	55
Total operating expenses	7,976	8,301	7,843	8,039	7,472	6,274	6,932	6,369	5,667	3,952
Operating income (loss)	2,573	1,422	1,094	310	128	48	(430)	(76)	(1,163)	(1,403)
Other income (expense):										
Interest income	2	2	2	2	2	1	1	8	30	-
Financing cost	(29)	(29)	(32)	-	-	-	-	-	-	-
Interest expense	(55)	(58)	(32)	(63)	(51)	(48)	(99)	(545)	(1,241)	(498)
Total other expense	(82)	(85)	(62)	(61)	(49)	(47)	(98)	(537)	(1,211)	(498)
Increase (decrease) in net position	\$ 2,491	\$ 1,337	\$ 1,032	\$ 249	\$ 79	\$ 1	\$ (528)	\$ (613)	\$ (2,374)	\$ (1,901)

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

Note 2: In 2009, the Broadband System began charging the Power System for outage and System management.

Note 3: In 2010, the Power System began charging the Broadband System for network usage.

Morristown Utilities Commission

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

Fiscal Years 2015 - 2006

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
PURCHASED POWER - (Megawatt Hours)										
Purchased from TVA	929,150	930,256	918,686	901,805	909,825	925,207	892,562	851,958	926,326	911,991
CONSUMPTION - (Megawatt Hours)										
Residential	154,310	165,278	167,038	161,666	153,060	173,555	166,887	164,160	165,828	162,131
Commercial	46,642	46,991	47,068	46,611	46,417	48,299	49,233	50,978	53,632	54,414
Industrial	697,274	681,164	672,250	663,585	676,897	676,441	640,236	605,244	674,587	661,511
Street and athletic	5,261	5,309	5,070	4,979	5,039	5,088	4,856	4,790	4,892	4,916
Outdoor lighting	4,765	4,678	4,761	4,730	4,860	4,909	4,766	4,825	4,960	4,922
Internal use	2,285	1,184	986	965	786	1,100	1,230	1,205	1,092	1,161
Total consumption	910,537	904,604	897,173	882,536	887,059	909,392	867,208	831,202	904,991	889,055
Line losses and megawatt hours unaccounted for	18,613	25,652	21,513	19,269	22,766	15,815	25,354	20,756	21,335	22,936
Percentage of line losses and megawatt hours unaccounted for to purchased power	2.00%	2.76%	2.34%	2.14%	2.50%	1.71%	2.84%	2.44%	2.30%	2.51%
ACTIVE SERVICE (number of customers)										
Residential	11,862	11,826	11,721	11,764	11,752	11,683	11,819	11,545	11,687	11,191
Commercial	2,160	2,141	2,120	2,121	2,105	2,085	2,109	2,166	2,210	2,707
Industrial	446	439	458	449	447	467	464	455	465	462
Street and athletic	75	76	73	70	71	69	69	69	70	69
Outdoor lighting	33	33	34	34	31	32	35	35	37	36
Total active service	14,576	14,515	14,406	14,438	14,406	14,336	14,496	14,270	14,469	14,465

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 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
PRODUCTION - (Thousands of gallons)										
Produced	3,087,467	3,094,732	3,177,165	3,179,415	3,211,089	3,391,595	3,244,465	3,249,905	3,391,690	3,249,146
CONSUMPTION - (Thousands of gallons)										
General	2,707,815	2,742,287	2,770,846	2,760,419	2,815,744	2,981,110	2,871,614	2,927,487	3,082,407	2,902,235
Public authorities	42,822	44,679	41,529	42,055	42,939	48,268	35,163	35,207	37,057	37,571
Public fire protection	-	-	-	-	-	-	2,917	5,000	5,000	5,000
Internal use	2,267	1,513	32,352	33,646	33,981	36,387	36,616	20,922	21,382	20,224
Total consumption	2,752,904	2,788,479	2,844,727	2,836,120	2,892,664	3,065,765	2,946,310	2,988,616	3,145,846	2,965,030
Gallons unaccounted for	334,563	306,253	332,438	343,295	318,425	325,830	298,155	261,289	245,844	284,116
Percent of gallons unaccounted for to production	10.84%	9.90%	10.46%	10.80%	9.92%	9.61%	9.19%	8.04%	7.25%	8.74%
ACTIVE SERVICE (number of customers)										
General	12,310	12,255	12,221	12,242	12,224	12,179	12,241	12,183	12,617	12,368
Public authorities	44	45	44	44	44	42	43	44	43	44
Private fire protection	295	289	284	283	285	280	283	278	276	271
Public fire protection	-	-	-	-	-	-	-	1	1	1
Total active service	12,649	12,589	12,549	12,569	12,553	12,501	12,567	12,506	12,937	12,684

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

Morristown Utilities Commission

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

Fiscal Years 2016 - 2014

	2016	2015	2014
TREATED - (Thousands of gallons)			
Treated	1,627,823	1,518,723	1,714,921
CONSUMPTION - (Thousands of gallons)			
General	1,217,364	1,239,402	1,256,780
Public authorities	9,633	10,200	9,726
Total consumption	1,226,997	1,249,602	1,266,506
ACTIVE SERVICE (number of customers)			
General	10,605	10,565	10,567
Public authorities	9	9	9
Total active service	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 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ACTIVE SERVICE (number of customers)										
Video	3,998	4,227	4,097	4,143	4,085	3,738	3,687	3,771	3,525	2,594
Internet	4,828	4,654	4,165	4,010	3,800	3,397	3,298	3,100	2,757	1,976
Voice	2,675	2,833	2,835	2,908	2,911	2,784	2,830	2,881	2,741	1,985
Total active service	11,501	11,714	11,097	11,061	10,796	9,919	9,815	9,752	9,023	6,555

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 2016 - 2007

Fiscal Year	Power			
	Promissory Notes	Cooperative Notes	Total	Per Customer
2016	\$ 18,475,080	\$ 234,127	\$ 18,709,207	\$ 1,284
2015	18,810,190	314,108	19,124,298	1,318
2014	18,331,536	394,089	18,725,625	1,230
2013	15,687,238	474,073	16,161,311	1,119
2012	15,937,655	554,056	16,491,711	1,145
2011	16,419,859	675,453	17,095,312	1,192
2010	16,886,961	796,852	17,683,813	1,220
2009	1,825,000	447,618	2,272,618	159
2008	1,950,000	538,123	2,488,123	174
2007	2,075,000	384,188	2,459,188	170

Fiscal Year	Water			
	Revenue Bonds	Promissory Notes	Total	Per Customer
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
2010	255,000	16,800,967	17,055,967	1,357
2009	730,000	9,898,263	10,628,263	850
2008	730,000	10,484,285	11,214,285	866
2007	950,000	11,043,213	11,993,213	946

Fiscal Year	Wastewater			
	Bonds	Promissory Notes	Total	Per Customer
2016	\$ 22,739,967	\$ 43,987,606	\$ 66,727,573	\$ 6,287
2015	23,827,767	43,782,738	67,610,505	6,390
2014	24,913,883	31,579,901	56,493,784	5,348

Fiscal Year	Broadband			
	Interfund Note	Promissory Notes	Total	Per Customer
2016	\$ 5,216,498	\$ 5,127,358	\$ 10,343,856	\$ 1,701
2015	6,044,728	5,358,429	11,403,157	1,876
2014	6,141,498	5,483,376	11,624,874	2,082
2013	6,372,792	4,603,423	10,976,215	2,016
2012	6,749,697	4,717,346	11,467,043	2,149
2011	6,493,816	4,825,142	11,318,958	3,028
2010	6,077,005	4,928,039	11,005,044	2,985
2009	6,354,668	20,115,000	26,469,668	7,019
2008	5,992,345	19,500,000	25,492,345	7,232
2007	-	19,500,000	19,500,000	7,517

Note 1: During 2010, the Power System assumed \$14,726,417 from the Broadband System associated with the transfer of assets.

Note 2: 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 2016 – 2007

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2010	6,769	3,494	3,275	673	268	941	3.48
2009	6,332	3,694	2,638	651	290	941	2.80
2008	5,573	3,480	2,093	540	312	852	2.46
2007	5,335	3,213	2,122	703	342	1,045	2.03

(1) Total Water System revenues (excluding interest).

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

Morristown Utilities Commission

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

Fiscal years 2016 – 2014

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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 revenues (excluding interest).

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

Morristown Utilities Commission

Schedule of Property, Casualty and Other Insurance

June 30, 2016

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Distributor's Insurance	Workers' Compensation	\$ 1,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Commercial General Liability	250,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Excess General Liability	750,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Automobile Liability	1,000,000	\$0	07/01/15 to 06/30/16
Distributor's Insurance	Umbrella Liability	2,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Property Damage	136,107,152	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Boiler & Machinery	50,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Commercial Crime	1,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Public Officials and Employees' Liability	5,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Fiduciary Liability	1,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Pollution Liability	1,000,000	N/A	07/01/15 to 06/30/16
Distributor's Insurance	Cyber and Privacy Protection	1,000,000	N/A	07/01/15 to 06/30/16

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 Electric Rates (Last Ten Years)

Fiscal Years 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Residential										
Customer charge per month	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 13.21	\$ 11.50	\$ 8.40
Energy charge:										
First 2,000 kWh	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175	0.07582	0.07943	0.07189
Additional kWh per month	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968	0.07375	0.00736	0.07002
Commercial, Industrial, Governmental and Institutional										
GSA-1 (demand of up to 1,000 kW through 2002, 50 kW thereafter)										
Customer charge per month	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$ 26.00	\$ 26.00	\$ 26.00	\$ 21.50	\$ 21.50	\$ 15.25
Energy charge per kWh per month	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137	0.08463	0.08787	0.07902
GSA-2 (demand of 1,001 to 2,500 kW through 2002, 51 to 1,000kW thereafter)										
Customer charge per month	\$ 135.50	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 127.00	\$ 127.00	\$ 127.00
Demand charge:										
First 50 kW per month	-	-	-	-	-	-	-	-	-	-
Excess over 50 kW per month	12.88	12.35	12.10	11.86	11.86	13.78	13.78	12.86	12.52	11.48
Energy charge:										
First 15,000 kWh per month	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381	0.08570	0.07896	0.0822	0.07404
Additional kWh per month	0.06236	0.06284	0.06695	0.06350	0.06491	0.06262	0.04861	0.04480	0.04904	0.04378
GSA-3 (demand of 2,501 to 5,000 through 2002, 1,001 to 5,000 kW)										
Customer charge per month	\$ 275.08	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 266.00	\$ 266.00	\$ 205.00
Demand charge:										
First 1,000kW per month	13.06	12.50	12.24	11.98	11.98	11.68	13.88	12.90	12.54	11.49
Excess over 1,000 kW per month	15.00	14.32	13.99	13.67	13.67	13.31	15.44	14.29	13.87	12.64
Energy charge:										
Per kWh per month	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903	0.04522	0.04946	0.04380
TDGSA (Demand > 5,001 kW)										
Demand charge:										
On peak	\$ 9.52	\$ 17.24	\$ 16.84	\$ 16.45	\$ 16.45	\$ -	\$ -	\$ -	\$ -	\$ -
Excess off peak	3.36	4.14	4.07	4.00	4.00	-	-	-	-	-
Excess over contract	9.52	17.24	16.84	16.45	16.45	-	-	-	-	-
Energy charge:										
On peak	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-	-	-
Off peak (first 425 kWh)	0.00000	0.06163	0.06568	0.06215	0.06226	-	-	-	-	-
Off peak (next 195 kWh)	0.00000	0.04198	0.04653	0.04349	0.04360	-	-	-	-	-
Off peak (additional kWh)	0.00000	0.02529	0.03026	0.02764	0.02775	-	-	-	-	-

Morristown Utilities Commission

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

Fiscal Years 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Commercial, Industrial, Governmental and Institutional (continued)										
GSB (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:										
Per kWh per month	-	-	-	-	-	19.92	13.27	11.63	11.89	10.61
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	0.10427	0.03740	0.03899	0.0307	0.03216
Additional kWh per month	-	-	-	-	-	0.02771	0.03074	0.03337	0.03113	0.02707
 GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)										
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	19.92	14.89	14.21	13.78	12.95
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	0.10427	0.04132	0.04625	0.04234	0.03872
Additional kWh per month	-	-	-	-	-	0.02771	0.03372	0.03928	0.03559	0.03241

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 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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 25,000 gallons	-	-	-	-	-	-	-	-	-	-
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	-
First 50,000 gallons	2.05	2.05	2.05	2.05	2.05	2.05	2.05	1.90	1.55	1.55
Next 50,000 gallons	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.65	1.30	1.30
Over 100,000 gallons	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.45	1.10	1.10
Minimum bill										
5/8" meter	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.45	7.75	7.75
3/4" meter	9.25	9.25	9.25	9.25	9.25	9.25	9.25	8.95	8.25	8.25
1" meter	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.70	9.25	9.25
1 1/2" meter	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.20	10.75	10.75
2" meter	16.00	16.00	16.00	16.00	16.00	16.00	16.00	15.70	15.25	15.25
3" meter	61.00	61.00	61.00	61.00	61.00	61.00	61.00	60.70	52.00	52.00
4" meter	71.00	71.00	71.00	71.00	71.00	71.00	71.00	70.70	70.00	70.00
6" meter	101.00	101.00	101.00	101.00	101.00	101.00	101.00	100.70	100.00	100.00
8" meter	114.30	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 25,000 gallons	-	-	-	-	-	-	-	-	-	-
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	-
First 50,000 gallons	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.80	3.10	3.10
Next 50,000 gallons	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.30	2.60	2.60
Over 100,000 gallons	3.20	3.20	3.20	3.20	3.20	3.20	3.20	2.90	2.20	2.20

Morristown Utilities Commission

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

Fiscal years 2016 - 2007

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Outside City Rate (continued)										
Minimum bill										
5/8" meter	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.25	\$ 10.85	\$ 10.85
3/4" meter	13.35	13.35	13.35	13.35	13.35	13.35	13.35	12.75	11.35	11.35
1" meter	14.10	14.10	14.10	14.10	14.10	14.10	14.10	13.50	12.10	12.10
1 1/2" meter	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.00	13.60	13.60
2" meter	20.10	20.10	20.10	20.10	20.10	20.10	20.10	19.50	18.10	18.10
3" meter	65.10	65.10	65.10	65.10	65.10	65.10	65.10	64.50	63.10	63.10
4" meter	75.10	75.10	75.10	75.10	75.10	75.10	75.10	74.50	73.10	73.10
6" meter	105.10	105.10	105.10	105.10	105.10	105.10	105.10	104.50	103.10	103.10
8" meter	118.40	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 Three Years)

Fiscal years 2016 - 2014

	2016	2015	2014
Inside City Rate			
Customer charge per month	\$ 10.50	\$ 9.17	\$ 9.17
Commodity charge (per 1,000 gallons)			
Over 1,000,000 gallons	9.25	-	-
Over 10,000,000 gallons	5.00	5.00	5.00
Outside City Rate			
Customer charge per month	\$ 21.00	\$ 36.68	\$ 18.34
Commodity charge (per 1,000 gallons)			
Over 10,000,000 gallons	10.00	10.00	10.00

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 2016 - 2007

Service	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Standard Cable:										
Expanded basic	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 41.95	\$ 41.95	\$ 41.95
Digital basic	68.95	68.95	60.95	54.95	54.95	54.95	54.95	49.95	49.95	49.95
Digital basic + 1	78.95	78.95	69.95	63.95	63.95	63.95	63.95	59.95	59.95	59.95
Digital basic + 2	86.95	86.95	77.95	71.95	71.95	71.95	71.95	67.95	67.95	67.95
Digital basic + 4	99.95	99.95	90.95	84.95	84.95	84.95	84.95	80.95	80.95	80.95
Premium channels	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-11.95	9.95-11.95	9.95-11.95
Internet:										
Residential										
Tier 1	34.95	34.95	34.95	34.95	34.95	34.95	34.95	29.95	29.95	29.95
Tier 2	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	44.95	59.95	59.95	59.95	59.95	59.95
Tier 4	99.95	99.95	99.95	99.95	74.95	99.95	99.95	99.95	99.95	99.95
Tier 5	-	-	-	-	99.95-199.95	159.95	159.95	-	-	-
Commercial										
Tier 1	49.95	49.95	44.95	44.95	44.95	44.95	44.95	39.95	39.95	39.95
Tier 2	79.95	79.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.95	149.90	149.95	149.95	149.95	149.95	149.95	149.95	149.95
Tier 5	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95	-
Tier 6	-	-	-	299.95	-	-	-	-	-	-
Telephone:										
Residential										
BasicPack	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95
PreferredPack	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95	3.75-8.95	3.75-8.95	3.75-8.95	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	0.05	0.05
Commercial										
Access Line	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95
Business Local Telephone Service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Power System Principal Customers

Current Year and Nine Years Prior

Name	2016			2007		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Inteplast Bags & Film Corp (formerly Vifan USA, Inc.)	\$ 3,825,416	1	4.97%	\$ 1,955,462	2	3.34%
Mahle Manufacturing Co.	3,331,248	2	4.33%	2,857,424	1	4.87%
JTEKT Automotive Morristown-Tennessee Inc.	2,979,463	3	3.87%	1,928,579	4	3.29%
Rich Products Corporation	2,309,731	4	3.00%	-	-	-
Meritor Automotive	2,303,845	5	2.99%	1,940,615	3	3.31%
Howmet Corp	1,944,669	6	2.52%	765,624	8	1.31%
ColorTech	1,558,355	7	2.02%	603,757	10	1.03%
Colgate Palmolive	1,211,384	8	1.57%	-	-	-
Team Technologies	1,037,512	9	1.35%	-	-	-
Otics USA Inc	1,034,921	10	1.34%	-	-	-
J.W. Allen	-	-	-	1,694,572	5	2.89%
Vacumet Corp.	-	-	-	877,459	6	1.50%
Lear Seigler, Inc.	-	-	-	812,644	7	1.39%
General Electric	-	-	-	705,415	9	1.20%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Water System Principal Customers

Current Year and Nine Years Prior

Name	2016			2007		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Alpha Talbott Utility District	\$ 812,151	1	11.80%	\$ 487,057	1	9.13%
Russellville-Whitesburg Utility District	751,318	2	10.92%	472,837	2	8.86%
Bean Station Utility District	541,672	3	7.87%	292,596	4	5.48%
Koch Foods	494,823	4	7.19%	384,098	3	7.20%
Mahle	138,620	5	2.01%	49,357	6	0.93%
Rich Products	100,597	6	1.46%	-	-	-
Morristown Wastewater System	99,557	7	1.45%	-	-	-
Colgate Palmolive	92,206	8	1.34%	-	-	-
City of Morristown	63,436	9	0.92%	-	-	-
Inteplast Bags & Film Corp (formerly Vifan USA, Inc.)	57,432	10	0.83%	-	-	-
South Morristown Utility District	-	-	-	88,438	5	1.66%
J.W. Allen	-	-	-	56,751	7	1.06%
Morristown Housing Authority	-	-	-	32,175	8	0.60%
JTEKT Automotive Morristown-Tennessee Inc.	-	-	-	24,875	9	0.47%
Morristown-Hamblen Healthcare System	-	-	-	22,810	10	0.43%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Wastewater System Principal Customers

Current Year and Two Years Prior

Name	2016			2014		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Koch Foods	\$ 2,207,396	1	16.12%	\$ 2,500,776	1	19.12%
Mahle Manufacturing Co.	640,031	2	4.67%	-	-	-
Rich Products Corporation	483,171	3	3.53%	497,132	2	3.80%
Colgate Palmolive	476,643	4	3.48%	378,625	3	2.90%
Hamblen County Board of Education	198,380	5	1.45%	146,647	5	1.12%
Morristown Housing Authority	192,384	6	1.41%	180,636	4	1.38%
Morristown Hamblen Hospital	168,414	7	1.23%	138,646	6	1.06%
Inteplast Bags & Film Corp (formerly Vifan USA, Inc.)	159,654	8	1.17%	-	-	-
JTEKT Automotive Morristown-Tennessee Inc.	113,902	9	0.83%	-	-	-
City of Morristown	111,546	10	0.81%	-	-	-
Meritor Automotive	-	-	-	85,515	7	0.65%
Hamblen County Justice Center	-	-	-	81,673	8	0.62%
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 2016 - 2007

Fiscal Year	Power	Water	Wastewater	Broadband	Total
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
2010	74	18	-	15	107
2009	67	19	-	14	100
2008	69	19	-	14	102
2007	73	18	-	13	104

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
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?	Click to access definition
+	Click to add a comment

Water Audit Report for: **Morristown Utilities Commission (0000474)**
Reporting Year: **2016** **7/2015 - 6/2016**

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

Volume from own sources: 9 3,087.459 MG/Yr
Water imported: 0.000 MG/Yr
Water exported: 0.000 MG/Yr

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: 3,026.921 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 10 2,751.013 MG/Yr
Billed unmetered: n/a 0.000 MG/Yr
Unbilled metered: 10 2.266 MG/Yr
Unbilled unmetered: 37.837 MG/Yr

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

AUTHORIZED CONSUMPTION: 2,791.116 MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: 1.25% MG/Yr

Use buttons to select
percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: 7.567 MG/Yr

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

Customer metering inaccuracies: 10 27.811 MG/Yr
Systematic data handling errors: 6.878 MG/Yr

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

Apparent Losses: 42.256 MG/Yr

Pcnt: 0.25% MG/Yr

1.00% MG/Yr
 0.25% MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 193.549 MG/Yr

WATER LOSSES: 235.805 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 275.908 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 5 275.0 miles
Number of active AND inactive 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:

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

(length of service line, beyond the property boundary,
that is the responsibility of the utility)

COST DATA

Total annual cost of operating water system: 10 \$4,145,861 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$2.05 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$533.08 \$/Million gallons ☐ 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.
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Water Audit Report for: **Morristown Utilities Commission (0000474)**

Reporting Year: **2016** **7/2015 - 6/2016**

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

System Attributes:

Apparent Losses:	42.256	MG/Yr
+ Real Losses:	193.549	MG/Yr
= Water Losses:	235.805	MG/Yr

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

Annual cost of Apparent Losses: **\$86,624**

Annual cost of Real Losses: **\$103,177**

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: **9.1%**

Non-revenue water as percent by cost of operating system: **5.1%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **8.39** gallons/connection/day

Real Losses per service connection per day: **38.43** gallons/connection/day

Real Losses per length of main per day*: **N/A**

Real Losses per service connection per day per psi pressure: **0.59** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **193.55** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.29**

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

Morristown Utilities Commission
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor	CFDA Number	Contract Number	Federal Expenditures
<u>Federal Awards</u>			
Environmental Protection Agency, Office of Water Through TN Department of Environment and Conservation	66.458	CS470001XX	\$ 194,499
TOTAL FEDERAL AWARDS			<u>\$ 194,499</u>

Loans Outstanding

At June 30, 2016, there were outstanding balances of \$14,135,932 on loans obtained through the State Revolving Loan Fund. The loans are 80% federally funded. Payments during the current fiscal year totaled \$542,007.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Commission under programs of the federal governments for the year ended June 30, 2016. The schedule is presented on the accrual basis of accounting.



Report of Independent Auditors 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, 2016, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements, and have issued our report thereon dated October 25, 2016.

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.

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.

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

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*.

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 25, 2016
Knoxville, Tennessee