

Annual Financial Report

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

Year ended June 30, 2021

Morristown Utilities Commission

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Morristown Utilities Commission

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Morristown Utilities Commission
Board of Commissioners and Management
June 30, 2021

Board of Commissioners

George B. McGuffin, Chairman

Rod Isaacs, Secretary

B. Lynn Elkins, Member

Bryan Dickerson, Member

David Wild, Member

Management

Joseph S. Wigington, General Manager, CEO

Clark H. Rucker, Assistant General Manager, CFO

Michael R. Howard, Water System Manager

Bryan J. Delozier, Power System Manager

George A. Benjamin, Telecommunications Manager



Independent Auditor's Report

Board of Commissioners
Morristown Utilities Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Power System, Water System, Wastewater System, and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Commissioners
Morristown Utilities Commission

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Power System, Water System, Wastewater System, and Broadband System of the City as of June 30, 2021, 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, 2021, 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.

As discussed in Note 1 to the financial statements, the 2021 financial statements of the Water System have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Schedule of Changes in Total OPEB Liability and Related Ratios for the Morristown Utilities Retiree Benefit Plan on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Board of Commissioners
Morristown Utilities Commission

Other Matters (*continued*)

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control over financial reporting and compliance.

Coulter & Justus, P.C.

October 28, 2021
Knoxville, Tennessee

Morristown Utilities Commission
Management's Discussion and Analysis

June 30, 2021

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

Financial Statement Overview

The Balance Sheet includes the assets, deferred outflows of resources, liabilities and deferred inflows of resources of MUC that represent the available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of MUC. The change in net position is a function of the revenues and expenses, which are recorded in the Statement of Revenues, Expenses, and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statement of Cash Flows and the activity is segmented between operating, noncapital financing, capital and related financing, and investing 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 annual comprehensive 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 \$4,665,353, \$333,104, \$784,903 and \$1,404,663, respectively, as a result of operations discussed later. Net position also changed due to a prior period restatement as a result of management depreciating carbon filters over an incorrect useful life. The prior period restatement caused a decrease in net position for the Water System of \$1,625,814. The overall net increase has primarily been used to acquire additional capital assets in the current year.

Table 1

	Morristown Utilities Commission Condensed Balance Sheets	
	June 30, 2021	June 30, 2020
Assets:		
Current and other assets	\$ 45,525,138	\$ 40,241,839
Net capital assets	222,021,084	228,804,167
Total assets	267,546,222	269,046,006
Deferred outflows of resources	126,848	139,682
Liabilities:		
Current liabilities	24,944,763	23,046,530
Non-current liabilities	99,360,594	108,311,605
Total liabilities	124,305,357	131,358,135
Deferred inflows of resources	159,025	181,074
Net position:		
Net investments in capital assets	117,860,602	116,145,107
Unrestricted	25,348,086	21,501,372
Total net position	\$ 143,208,688	\$ 137,646,479

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Results of Operations

As indicated in Table 2, operating revenues of the Commission increased by \$1,987,811 or 1.8% from fiscal year 2020 to 2021.

Table 2

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

	2021	2020
Revenues:		
Operating revenues	\$114,696,320	\$112,708,509
Non-operating revenues	38,998	682,492
Total revenues	114,735,318	113,391,001
Expenses:		
Purchased power	56,116,057	58,010,075
Other operating expenses	46,508,978	45,461,327
Non-operating expenses	2,881,665	3,160,709
Total expenses	105,506,700	106,632,111
Income before contributions and transfers	9,228,618	6,758,890
Contributions	372,610	185,380
Transfers to the City	(2,413,205)	(2,229,271)
Changes in net position	7,188,023	4,714,999
Beginning net position, as previously reported	137,646,479	132,931,480
Prior period restatement	(1,625,814)	-
Beginning net position, as restated	136,020,665	132,931,480
Ending net position	\$143,208,688	\$137,646,479

Power System

The Power System serves 15,367 residential, commercial, and industrial customers with low cost, reliable power. The Power System is a distributor for the Tennessee Valley Authority (TVA), which has provided low cost, reliable, public power to the customers of Tennessee and portions of surrounding states since 1933. The system maintains over 300 miles of distribution lines and 39 miles of transmission lines with 10 substations.

Operating revenues were \$78,183,200 for fiscal year 2021 and \$78,377,930 for fiscal year 2020. The division purchases all electricity from TVA. The cost of purchased power was \$56,116,057 for fiscal year 2021 and \$58,010,075 for fiscal year 2020. The reduction in purchased power in fiscal year 2021 is due to a \$750,000 Pandemic Relief Credit received from TVA. When stated as a percent of revenues, purchased power was 71.78% in fiscal year 2021 and 74.01% in fiscal year 2020. Operations and maintenance expenses for fiscal year 2021 had a 1.61% decrease from fiscal year 2020.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Power System (continued)

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

The Power System has continued projects for routine improvements and replacement of existing electric distribution systems.

Water System

Currently, the Water System serves 12,981 water customers and 4 surrounding utility districts that spread into Hamblen, Grainger, and Jefferson counties. The system maintains 275 miles of pipe, numerous water storage reservoirs, and pump stations placed throughout the City of Morristown.

Operating revenues were \$8,170,396 for fiscal year 2021 and \$7,932,441 for fiscal year 2020. The Water System operates a regional water treatment plant and treats all water that is sold. Operations and maintenance expenses for fiscal year 2021 had a 2.20% increase from fiscal year 2020.

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

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021A, of which \$3,590,000 is attributed to the Water System for a current refunding of the 2002 DWSRF Promissory Note and 2011 DWSRF Promissory Note.

Wastewater System

The Wastewater System serves 10,883 wastewater customers, and maintains approximately 370 miles of pipe, several holding reservoirs, and sewer pump stations.

Operating revenues were \$16,986,027 for fiscal year 2021 and \$15,495,986 for fiscal year 2020. Operations and maintenance expenses for fiscal year 2021 had a 5.97% increase from fiscal year 2020.

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

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021A, of which \$21,740,000 is attributed to the Wastewater System for a current refunding of the General Obligations Bonds, Series 2012, 2007 CWSRF Promissory Note, and 2009 CWSRF Promissory Note.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Broadband System

The Broadband System serves 6,594 customers with television, phone, and internet services. The Broadband System also provides wholesale video, phone, and internet services to 3,440 customers of Newport Utilities in Newport, Tennessee.

Operating revenues were \$11,356,697 for fiscal year 2021 and \$10,902,152 for fiscal year 2020. Operations and maintenance expenses for fiscal year 2021 had a 3.62% decrease from fiscal year 2020.

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

Impact of Pandemic

As a result of the coronavirus (COVID-19) outbreak and global pandemic, certain economic uncertainties have arisen which resulted in industry volatility. The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. The duration of the uncertainties and the ultimate financial effects on the Commission's operations, net position, liquidity or capital resources cannot be reasonably estimated at this time.

Requests for Information

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

Morristown Utilities Commission

Balance Sheet

June 30, 2021

	Power System	Water System	Wastewater System	Broadband System
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 17,959,525	\$ 3,085,654	\$ 6,486,244	\$ 1,109,815
Accounts receivable:				
Trade, net of allowance for doubtful accounts of \$243,123	7,939,015	-	-	-
Due from other funds	398,929	20,836	236,774	111,780
Due from others	619,581	98,301	715,286	40,166
Accrual for unbilled revenue	1,899,777	282,227	812,397	-
Other current assets	12,170	18,442	42,195	240,235
Materials and supplies inventories	1,374,680	458,111	247,846	448
Total current assets	30,203,677	3,963,571	8,540,742	1,502,444
Capital assets:				
Plant and equipment in service	142,872,353	75,647,273	173,785,282	20,362,378
Less accumulated depreciation	72,287,680	39,003,883	73,759,796	8,414,178
	70,584,673	36,643,390	100,025,486	11,948,200
Construction in progress	1,460,101	553,862	788,671	16,701
Net capital assets	72,044,774	37,197,252	100,814,157	11,964,901
Due from other funds	1,008,071	-	-	-
Other assets	306,633	-	-	-
Total assets	103,563,155	41,160,823	109,354,899	13,467,345
Deferred outflows of resources:				
Other postemployment benefits	61,903	24,025	23,706	17,214
Total deferred outflows of resources	61,903	24,025	23,706	17,214
Total assets and deferred outflows of resources	\$ 103,625,058	\$ 41,184,848	\$ 109,378,605	\$ 13,484,559

Morristown Utilities Commission

Balance Sheet (continued)

June 30, 2021

	Power System	Water System	Wastewater System	Broadband System
Liabilities, deferred inflows of resources and net position				
Current liabilities:				
Accounts payable:				
Trade	\$ 6,280,548	\$ 249,997	\$ 732,903	\$ 413,230
Due to other funds	369,390	-	-	398,929
City of Morristown	318,960	-	-	-
Unearned revenues	-	-	-	264,188
Customer deposits	4,486,851	-	-	83,100
Accrued payroll related liabilities	1,587,393	422,314	352,854	307,136
Other accrued liabilities	79,313	12,476	486,121	95,958
Current portion of capital lease obligation	-	-	-	57,264
Current portion of contractual obligation	-	-	109,175	-
Current portion of long-term debt	1,175,000	1,052,469	4,896,194	713,000
Total current liabilities	14,297,455	1,737,256	6,577,247	2,332,805
 Total other postemployment benefits liability	1,195,413	442,747	240,465	311,451
Due to other funds	-	-	-	1,008,071
Capital lease obligation, less current portion	-	-	-	136,085
Contractual obligation, less current portion	-	-	1,763,268	-
Long-term debt, less current portion	17,062,162	6,769,748	66,950,508	3,480,676
Total liabilities	32,555,030	8,949,751	75,531,488	7,269,088
 Deferred inflows of resources:				
Other postemployment benefits	143,551	3,373	1,314	10,787
Total deferred inflows of resources	143,551	3,373	1,314	10,787
 Net position:				
Net investment in capital assets	53,807,612	29,375,035	27,100,079	7,577,876
Unrestricted (deficit)	17,118,865	2,856,689	6,745,724	(1,373,192)
Total net position	70,926,477	32,231,724	33,845,803	6,204,684
 Total liabilities, deferred inflows of resources and net position	<u>\$ 103,625,058</u>	<u>\$ 41,184,848</u>	<u>\$ 109,378,605</u>	<u>\$ 13,484,559</u>

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2021

	Power System	Water System	Wastewater System	Broadband System
Operating revenues:				
Metered sales	\$ 74,974,451	\$ 7,611,410	\$ 16,159,332	\$ -
Broadband sales	-	-	-	8,609,151
Interfund services provided	1,530,951	470,504	61,713	1,756,800
Other operating revenues	1,677,798	88,482	764,982	990,746
Total operating revenues	78,183,200	8,170,396	16,986,027	11,356,697
Operating expenses:				
Power purchased	56,116,057	-	-	-
Operations	5,161,685	4,077,992	6,270,162	6,783,109
Maintenance	3,052,969	995,283	1,213,945	595,667
Interfund services used	1,425,351	465,731	539,896	1,388,990
Depreciation and amortization	5,210,102	2,156,803	5,667,624	966,555
Taxes	455,576	-	-	81,538
Total operating expenses	71,421,740	7,695,809	13,691,627	9,815,859
Operating income	6,761,460	474,587	3,294,400	1,540,838
Other income (expense):				
Interest income	25,522	3,751	8,907	818
Interest expense	(552,424)	(242,724)	(1,949,524)	(136,993)
Net other expense	(526,902)	(238,973)	(1,940,617)	(136,175)
Income before contributions and transfers	6,234,558	235,614	1,353,783	1,404,663
Contributions	-	133,610	239,000	-
Transfers out (tax equivalent payments to City of Morristown)	(1,569,205)	(36,120)	(807,880)	-
Changes in net position	4,665,353	333,104	784,903	1,404,663
Net position at beginning of year, as previously reported	66,261,124	33,524,434	33,060,900	4,800,021
Prior period restatement	-	(1,625,814)	-	-
Net position at beginning of year, as restated	66,261,124	31,898,620	33,060,900	4,800,021
Net position at end of year	\$ 70,926,477	\$ 32,231,724	\$ 33,845,803	\$ 6,204,684

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Cash Flows

Year ended June 30, 2021

	Power System	Water System	Wastewater System	Broadband System
Cash flows from operating activities				
Cash received from customers	\$ 76,583,984	\$ 8,048,927	\$ 16,373,385	\$ 11,389,136
Cash received from City of Morristown, Tennessee	1,608,382	-	-	-
Cash paid to suppliers and vendors	(59,469,947)	(3,843,633)	(5,493,999)	(6,730,069)
Cash paid to employees for services	(6,233,238)	(1,682,834)	(2,105,270)	(2,111,099)
Net cash flows from operating activities	12,489,181	2,522,460	8,774,116	2,547,968
Cash flows from noncapital financing activities				
Transfers to City of Morristown (tax equivalent payments)	(1,542,790)	(36,120)	(807,880)	-
Net interfund advances (repayments)	769,786	(42,642)	(186,458)	(540,686)
Net cash flows from noncapital financing activities	(773,004)	(78,762)	(994,338)	(540,686)
Cash flows from capital and related financing activities				
Principal payments on capital lease obligation	-	-	-	(45,312)
Net additions to capital assets	(5,493,992)	(1,226,527)	(1,591,517)	(906,765)
Contributions	-	133,610	239,000	-
Principal payments on long-term debt and contractual obligation	(1,120,000)	(1,020,960)	(4,883,862)	(692,000)
Interest paid on long-term debt	(764,321)	(242,724)	(2,442,305)	(168,759)
Net cash flows from capital and related financing activities	(7,378,313)	(2,356,601)	(8,678,684)	(1,812,836)
Cash flows from investing activities				
Interest received on cash and cash equivalents	25,522	3,751	8,907	818
Increase (decrease) in cash and cash equivalents	4,363,386	90,848	(889,999)	195,264
Cash and cash equivalents at beginning of year	13,596,139	2,994,806	7,376,243	914,551
Cash and cash equivalents at end of year	\$ 17,959,525	\$ 3,085,654	\$ 6,486,244	\$ 1,109,815

Morristown Utilities Commission
Statement of Cash Flows (continued)

Year ended June 30, 2021

	Power System	Water System	Wastewater System	Broadband System
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 6,761,460	\$ 474,587	\$ 3,294,400	\$ 1,540,838
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	5,354,481	2,211,417	5,779,262	1,030,910
Changes in operating assets and liabilities:				
Accounts receivable	(584,123)	(77,515)	(538,300)	19,544
Accrual for unbilled revenue	(225,463)	(43,954)	(74,342)	-
Materials and supplies inventories	(22,738)	(73,039)	(14,621)	-
Other assets	127,707	(1,325)	(11,085)	(87,472)
Trade accounts payable	523,456	14,915	263,485	(6,555)
Customer deposits and prepayments	691,045	-	-	-
Other liabilities	(194,261)	19,106	29,790	1,156
Total other postemployment benefits liability	71,335	(4,407)	43,410	49,836
Deferred outflows of resources	6,242	3,400	2,309	883
Deferred inflows of resources	(19,960)	(725)	(192)	(1,172)
Net cash flows from operating activities	<u>\$ 12,489,181</u>	<u>\$ 2,522,460</u>	<u>\$ 8,774,116</u>	<u>\$ 2,547,968</u>

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Notes to Financial Statements

June 30, 2021

1. Significant Accounting Policies

General

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

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

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

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Measurement Focus

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

Fiscal Year-End

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

Deposits and Investments

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

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

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

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

Restricted Assets

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

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 to pay franchise and excise tax to the State of Tennessee.

Capital Assets

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

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

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

Compensated Absences

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflows of resources (expense) until that time. In addition to liabilities, the statement of net position reports deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. Statement No. 87 is effective for fiscal years beginning after June 15, 2021.

Prior Period Restatement

An adjustment to beginning net position has been recorded to the Water System to recognize an error in the calculation of depreciation expense. The error was a result of carbon filters being depreciated over an incorrect useful life. Therefore, an adjustment to decrease the Water System's net position as of July 1, 2020 totaling \$1,625,814 has been recognized in the Statement of Revenues, Expenses, and Changes in Net Position. The error resulted in an understatement of depreciation expense of approximately \$320,000 for the year ending June 30, 2020.

2. Deposits and Investments

All of the Systems' deposits, as of June 30, 2021, 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.

Morristown Utilities Commission
Notes to Financial Statements (continued)

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. During 2021, the Power System received approximately \$750,000 from TVA through a Pandemic Relief Credit provided to local power utilities.

4. Retirement Plan

The Systems share in a defined contribution retirement plan, Morristown Utilities Retiree Benefit Plan (the Retirement Plan), covering substantially all employees. The Commission is the administrator of the Retirement Plan and is responsible for establishing or amending the Retirement Plan provisions and contribution requirements.

System	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
Power	\$6,371,003	6,245,357	935,814	15%	\$448,682	7%
Water	1,701,787	1,675,645	245,819	15%	126,475	8%
Wastewater	2,152,268	2,087,070	311,942	15%	174,904	8%
Broadband	2,137,475	2,069,162	307,899	15%	110,657	5%

Under the Retirement Plan terms, the Systems will match participant contributions up to 3% of the participant's salary and may also contribute an additional amount to the Plan at its discretion. During 2021, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed six months of service as defined by the Retirement Plan and who have attained the age of 21 are eligible to participate in the Retirement Plan. Participants are 100% vested in the employer contributions when they are made.

Morristown Utilities Commission
Notes to Financial Statements (continued)

5. Capital Assets

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

	Balance July 1, 2020	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,010,932	\$ –	\$ –	\$ 1,010,932
Construction in progress	994,910	5,810,627	5,345,436	1,460,101
Total capital assets not being depreciated	2,005,842	5,810,627	5,345,436	2,471,033
Capital assets being depreciated:				
Transmission equipment, fixtures, and devices	8,675,271	–	–	8,675,271
Distribution transformers, meters, fixtures, and devices	73,086,947	3,162,621	747,995	75,501,573
Buildings and improvements	14,145,216	16,670	–	14,161,886
Furniture, fixtures, and equipment	42,254,582	1,493,573	225,464	43,522,691
Total capital assets being depreciated	138,162,016	4,672,864	973,459	141,861,421
Less accumulated depreciation:				
Transmission equipment, fixtures, and devices	6,779,523	238,129	–	7,017,652
Distribution transformers, meters, fixtures, and devices	32,440,686	2,485,882	1,103,932	33,822,636
Buildings and improvements	2,415,497	262,442	–	2,677,939
Furniture, fixtures, and equipment	26,626,889	2,368,028	225,464	28,769,453
Total accumulated depreciation	68,262,595	5,354,481	1,329,396	72,287,680
Net capital assets being depreciated	69,899,421	(681,617)	(355,937)	69,573,741
Net capital assets	\$ 71,905,263	\$ 5,129,010	\$ 4,989,499	\$ 72,044,774

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, 2020	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 469,878	\$ —	\$ —	\$ 469,878
Construction in progress	83,087	1,219,238	748,463	553,862
Total capital assets not being depreciated	552,965	1,219,238	748,463	1,023,740
Capital assets being depreciated:				
Transmission equipment, fixtures, and devices	8,129,790	35,160	—	8,164,950
Distribution meters, fixtures, and devices	43,851,617	674,018	8,119	44,517,516
Buildings and improvements	19,879,144	16,093	—	19,895,237
Furniture, fixtures, and equipment	2,588,552	11,140	—	2,599,692
Total capital assets being depreciated	74,449,103	736,411	8,119	75,177,395
Less accumulated depreciation:				
Transmission equipment, fixtures, and devices	5,537,914	202,781	—	5,740,695
Distribution meters, fixtures, and devices	20,874,681	1,134,352	27,460	21,981,573
Buildings and improvements	8,342,145	754,114	—	9,096,259
Furniture, fixtures, and equipment	2,065,186	120,170	—	2,185,356
Total accumulated depreciation	36,819,926	2,211,417	27,460	39,003,883
Net capital assets being depreciated	37,629,177	(1,475,006)	(19,341)	36,173,512
Net capital assets	\$38,182,142	\$(255,768)	\$ 729,122	\$37,197,252

Accumulated depreciation for distribution meters, fixtures, and devices as of July 1, 2020 has been restated as further discussed in Note 1.

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, 2020	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 1,195,234	\$ 30,714	\$ –	\$ 1,225,948
Construction in progress	467,724	1,496,851	1,175,904	788,671
Total capital assets not being depreciated	1,662,958	1,527,565	1,175,904	2,014,619
Capital assets being depreciated:				
Collection facilities, fixtures, and devices	93,560,173	577,026	–	94,137,199
Treatment facilities, fixtures, and devices	54,382,275	106,476	–	54,488,751
Pumping facilities, fixtures, and devices	16,348,423	103,922	–	16,452,345
Buildings and improvements	2,356,672	–	–	2,356,672
General facilities, fixtures, and devices	4,671,935	452,432	–	5,124,367
Total capital assets being depreciated	171,319,478	1,239,856	–	172,559,334
Less accumulated depreciation:				
Collection facilities, fixtures, and devices	34,684,794	2,365,499	–	37,050,293
Treatment facilities, fixtures, and devices	24,049,789	1,685,501	–	25,735,290
Pumping facilities, fixtures, and devices	5,127,771	1,406,316	–	6,534,087
Buildings and improvements	101,187	47,133	–	148,320
General facilities, fixtures, and devices	4,016,993	274,813	–	4,291,806
Total accumulated depreciation	67,980,534	5,779,262	–	73,759,796
Net capital assets being depreciated	103,338,944	(4,539,406)	–	98,799,538
Net capital assets	\$105,001,902	\$(3,011,841)	\$1,175,904	\$100,814,157

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, 2020	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2021
Capital assets not being depreciated- construction in progress	\$ 23,175	\$ 868,489	\$874,963	\$ 16,701
Capital assets being depreciated:				
Transmission equipment, fixtures, and devices	8,723,522	14,850	17,160	8,721,212
Distribution fixtures and devices	9,968,971	795,223	310,357	10,453,837
Furniture, fixtures, and equipment	1,129,491	103,166	45,328	1,187,329
Total capital assets being depreciated	19,821,984	913,239	372,845	20,362,378
Less accumulated depreciation:				
Transmission equipment, fixtures, and devices	2,052,548	348,794	17,160	2,384,182
Distribution fixtures and devices	4,833,394	615,946	310,357	5,138,983
Furniture, fixtures, and equipment	870,171	66,170	45,328	891,013
Total accumulated depreciation	7,756,113	1,030,910	372,845	8,414,178
Net capital assets being depreciated	12,065,871	(117,671)	–	11,948,200
Net capital assets	\$12,089,046	\$ 750,818	\$874,963	\$11,964,901

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
\$144,379	\$54,614	\$111,638	\$64,355

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities

The following is a summary of long-term liabilities:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Power System:				
General obligation bonds	\$18,740,000	\$ —	\$1,120,000	\$17,620,000
Unamortized bond premium	829,059	—	211,897	617,162
	<u>19,569,059</u>	<u>\$ —</u>	<u>\$1,331,897</u>	<u>18,237,162</u>
Less current portion	1,120,000			1,175,000
Long-term portion	<u>\$18,449,059</u>			<u>\$17,062,162</u>
Water System:				
Promissory notes	\$ 8,843,177	\$ —	\$ 1,020,960	\$ 7,822,217
Less current portion	1,020,297			1,052,469
Long-term portion	<u>\$ 7,822,880</u>			<u>\$ 6,769,748</u>
Wastewater System:				
General obligation bonds	\$49,995,500	\$ —	\$2,881,117	\$47,114,383
Promissory notes	24,469,948	—	1,907,887	22,562,061
Contractual obligation	1,979,439	—	106,996	1,872,443
	<u>76,444,887</u>	<u>—</u>	<u>4,896,000</u>	<u>71,548,887</u>
Unamortized bond premium	2,645,834		475,576	2,170,258
	<u>79,090,721</u>	<u>\$ —</u>	<u>\$5,371,576</u>	<u>73,719,145</u>
Less current portion	4,898,863			5,005,369
Long-term portion	<u>\$74,191,858</u>			<u>\$68,713,776</u>
Broadband System:				
General obligation bonds	\$ 3,500,000	\$ —	\$ 170,000	\$ 3,330,000
Promissory notes	1,298,000	—	522,000	776,000
Interfund loan from the Power System	1,809,000	—	402,000	1,407,000
	<u>6,607,000</u>	<u>—</u>	<u>1,094,000</u>	<u>5,513,000</u>
Unamortized bond premium	119,442	—	31,766	87,676
	<u>6,726,442</u>	<u>\$ —</u>	<u>\$1,125,766</u>	<u>5,600,676</u>
Less current portion	1,089,933			1,111,929
Long-term portion	<u>\$ 5,636,509</u>			<u>\$ 4,488,747</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

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

Power System

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$4,375,000 was attributed to the Power System for renovations to an administrative building. An additional \$16,410,000 of the proceeds were used for a current refunding of the 2008 Promissory Note and 2013 Promissory Note then outstanding, and \$960,562 in previously undrawn funds on the 2013 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2038. The outstanding principal balance of the bonds is \$17,620,000 at June 30, 2021.

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

Future debt service requirements of Power System long-term debt as of June 30, 2021, are as follows:

	Principal	Interest	Total Requirements
2022	\$ 1,175,000	\$ 712,488	\$1,887,488
2023	1,225,000	653,738	1,878,738
2024	1,285,000	592,488	1,877,488
2025	1,345,000	528,238	1,873,238
2026	1,405,000	460,988	1,865,988
2027-2031	5,935,000	1,449,090	7,384,090
2032-2036	4,650,000	550,238	5,200,238
2037-2038	600,000	36,200	636,200
	\$17,620,000	\$4,983,468	\$22,603,468

Water System

The City has a revolving fund loan agreement (2002 DWSRF Promissory Note) with the State for the repayment of a principal amount up to \$10,500,000 for the purpose of expanding an existing water treatment facility of the Water System. The Water System drew a total of \$10,492,582 before closing out the project during 2007. Interest is payable monthly at an annual percentage rate of 2.61% on the outstanding balance. Principal is payable monthly in varying amounts from \$49,741 in July 2021 to \$55,815 in April 2026. The note is payable from revenues derived from the operations of the Water System. The outstanding principal balance of this promissory note is \$3,069,624 at June 30, 2021.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Water System (continued)

The City has an outstanding loan agreement (2009 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the original principal amount of \$7,500,000. Proceeds from the loan agreement were used for various capital projects of the Water System. Interest is payable quarterly at a fixed rate of 2.52%. Principal is payable in varying amounts from \$390,000 in December 2021 to \$505,000 in December 2029. The outstanding principal balance of this promissory note is \$4,010,000 at June 30, 2021.

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 \$4,802 in July 2021 to \$6,382 in June 2032. The note is payable from revenues derived from operations of the Water System. The outstanding principal balance of this promissory note is \$742,593 at June 30, 2021.

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021A, of which \$3,590,000 is attributed to the Water System for a current refunding of the 2002 DWSRF Promissory Note and 2011 DWSRF Promissory Note. The bonds attributed to the Water System were issued at a premium of \$155,024. The underwriters discount was \$23,382 with an additional \$19,944 in other issuance costs. The interest rate is 2% with maturity in 2032. The intent of the refunding is to consolidate debt and lower required debt service through interest savings. The transaction resulted in an economic gain of \$192,784 and a reduction of \$201,038 in future debt service payments.

The future debt service requirements on Water System long-term debt as of June 30, 2021, are as follows:

	Principal	Interest	Total Requirements
2022	\$1,052,469	\$190,137	\$1,242,606
2023	1,080,100	162,552	1,242,652
2024	1,113,200	134,183	1,247,383
2025	1,146,782	104,954	1,251,736
2026	1,066,234	74,847	1,141,081
2027-2031	2,286,095	136,307	2,422,402
2032	77,337	1,189	78,526
Total	\$7,822,217	\$804,169	\$8,626,386

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System

During 2012, the City issued \$31,000,000 of General Obligations Bonds, Series 2012, \$26,000,000 of which related to the Wastewater System. The bonds were issued for the purpose of financing the cost of constructing, improving and extending the Wastewater System. The bonds consist of serial maturities that mature in increasing amounts ranging from \$1,086,117 in October 2021 to \$1,076,337 in October 2036. Interest is payable semi-annually at rates ranging between 2% and 4%. The bonds mature on October 1, 2022, and thereafter are subject to redemption as a whole or in part at any time at the direction of the City. The bonds are payable from and secured by income and revenues from the operation of the Wastewater System. The outstanding principal balance of these bonds is \$17,309,383 at June 30, 2021.

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$10,060,000 is attributed to the Wastewater System, including \$9,910,000 to replace previously undrawn loan proceeds on the 2016 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2037. The outstanding principal balance of these bonds is \$10,060,000 at June 30, 2021.

The General Obligation Bonds, Series 2018, also included \$10,480,000 in proceeds used for a current refunding of various outstanding promissory notes. The interest rate ranges from 4% to 5% with maturity in 2028. The outstanding principal balance of these bonds is \$7,845,000 at June 30, 2021.

In June 2019, the City issued General Obligation Bonds, Series 2019, of \$12,775,000 attributable to the Wastewater System for an advanced refunding of \$14,000,000 of outstanding maturities of the 2013 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2034. The outstanding principal balance of these bonds is \$11,900,000 at June 30, 2021.

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021A, of which \$21,740,000 is attributed to the Wastewater System for a current refunding of the General Obligations Bonds, Series 2012, 2007 CWSRF Promissory Note, and 2009 CWSRF Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,240,237. The underwriters discount was \$141,597 with an additional \$123,814 in other issuance costs. The interest rate is 2% with maturity in 2037. The intent of the refunding is to consolidate debt and lower required debt service through interest savings. The transaction resulted in an economic gain of \$2,729,859 and a reduction of \$2,883,634 in future debt service payments.

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

The City has a revolving fund loan agreement (2007 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount up to \$12,500,000 for the purpose of rehabilitation and site work at the wastewater treatment plant. The City drew a total of \$10,016,558 before closing out the project in 2012. Interest is payable monthly at a fixed rate of 2.06% on the outstanding balance. Principal is payable monthly in varying amounts from \$41,044 in July 2021 to \$50,476 in January 2032. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$5,766,493 at June 30, 2021.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The City has a revolving fund loan agreement (2009 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount up to \$1,600,000 for the purpose of rehabilitation and site work at various pump stations. The City drew a total of \$1,287,983 before closing out the project during 2014. Interest is payable monthly at a fixed rate of 2.73% on the outstanding balance. Principal is payable monthly in varying amounts from \$5,207 in July 2021 to \$7,102 in October 2032. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$823,750 at June 30, 2021.

The City has an outstanding loan agreement (2009 Promissory Note) between the Public Building Authority of the City of Clarksville, Tennessee and First Tennessee Bank in the original principal amount of \$5,000,000 of which 38.15% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of repaying outstanding indebtedness and construction, extension, renovation and improvement of the Wastewater System, including the acquisition of certain equipment. Interest is payable quarterly at a fixed rate of 2.91%. Principal is payable annually in varying amounts from \$72,485 in December 2021 to \$105,669 in December 2034. The outstanding principal balance of this promissory note is \$1,234,905 at June 30, 2021.

The City has a revolving fund loan agreement (2013 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount of \$5,000,000 for the purpose of rehabilitation and site work at the wastewater treatment plant. Interest is payable monthly at a fixed rate of 1.51% on the outstanding balance. Principal is also payable monthly in varying amounts from \$19,465 in July 2021 to \$24,241 in March 2036. The note is payable from revenues derived from the operations of the System. The outstanding principal balance of this promissory note is \$3,829,913 at June 30, 2021.

During 2016, the City entered into a loan agreement (2015 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the principal amount of \$10,000,000. Proceeds from the loan agreement were used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at a fixed rate of 2.74%. Principal is payable annually in varying amounts from \$437,000 in August 2021 to \$961,000 in August 2035. The outstanding principal balance of this promissory note is \$8,304,000 at June 30, 2021.

During 2017, the City entered into a loan agreement (2016 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee in the principal amount not to exceed \$15,000,000. As of June 30, 2021, \$5,090,000 has been drawn on the loan. Proceeds from the loan agreement were used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at a fixed rate of 2.27%. Principal is payable annually in varying amounts from \$657,000 in December 2021 to \$586,000 in December 2024. The outstanding principal balance of this promissory note is \$2,603,000 at June 30, 2021.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The future debt service requirements on Wastewater long-term debt as of June 30, 2021, are as follows:

	Bonds		Promissory Notes		Total
	Principal	Interest	Principal	Interest	Requirements
2022	\$ 2,941,117	\$ 1,741,444	\$ 1,955,077	\$ 497,538	\$ 7,135,176
2023	3,001,117	1,615,861	1,999,882	452,375	7,069,235
2024	3,056,117	1,487,402	2,047,011	406,655	6,997,185
2025	3,116,117	1,350,638	1,975,452	360,093	6,802,300
2026	3,181,117	1,205,444	1,421,229	321,124	6,128,914
2027-2031	15,628,811	4,058,673	7,612,087	1,093,723	28,393,294
2032-2036	13,843,650	1,607,848	5,551,323	293,939	21,296,760
2037	2,346,337	69,122	—	—	2,415,459
Total	\$47,114,383	\$13,136,432	\$22,562,061	\$3,425,447	\$86,238,323

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

During 2009, the City entered into an asset purchase agreement for the acquisition of a wastewater treatment plant located in Hamblen County, Tennessee. The agreement provided for an initial down payment of \$750,000 plus ongoing Flow Fees generally ranging between \$182,500 (minimum Flow Fee if annual volume fails to exceed the average of 500,000 gallons per day) and \$736,125 annually through 2034 depending on the volume of discharges. The City recorded the acquisition (and related contractual obligation) at the then estimated fair value of the wastewater treatment plant. The obligation (\$1,872,443 outstanding as of June 30, 2021) is payable monthly at \$15,208, which includes interest at the imputed rate of 4.10%. Flow fees in excess of \$15,208, if any, will be charged to expense as incurred.

Broadband System

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$3,810,000 is attributed to the Broadband System for a current refunding of its then outstanding 2008 Promissory Note. The interest rate ranges from 3% to 5% with maturity in 2035. The outstanding principal balance of the bonds is \$3,330,000 at June 30, 2021.

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Broadband System (continued)

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 \$117,000 in June 2022 to \$123,000 in June 2024. The outstanding principal balance of this promissory note is \$360,000 at June 30, 2021.

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

The Broadband System has an interfund promissory note payable to the Power System which is more fully described in Note 9.

Future debt service requirements on Broadband System long-term debt (including its interfund note payable) as of June 30, 2021, are as follows:

	Bonds		Promissory Notes		Total
	Principal	Interest	Interest	Principal	Requirements
2022	\$ 180,000	\$128,700	\$ 931,929	\$15,040	\$1,255,669
2023	185,000	119,700	519,928	6,812	831,440
2024	195,000	110,450	523,929	2,664	832,043
2025	205,000	100,700	207,214	160	513,074
2026	215,000	88,450	—	—	303,450
2027-2031	1,220,000	311,950	—	—	1,531,950
2032-2035	1,130,000	98,200	—	—	1,228,200
Total	<u>\$3,330,000</u>	<u>\$958,150</u>	<u>\$2,183,000</u>	<u>\$24,676</u>	<u>\$6,495,826</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

7. Leases

The Broadband System leases certain equipment with an original cost of \$293,664, under a capital lease agreement expiring in 2025. Amortization of the asset is included with depreciation expense in the accompanying financial statements. Accumulated amortization totals \$101,968 as of June 30, 2021.

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

2022	\$ 57,264
2023	57,264
2024	57,264
2025	42,948
Total future minimum lease payments	<u>214,740</u>
Less amounts representing interest	<u>21,391</u>
Present value of future minimum lease payments (including \$57,264 classified as current)	<u><u>\$193,349</u></u>

8. Concentration of Credit Risk

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

9. 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 \$1,360,000 in 2021. The Power System also bills and collects stormwater and garbage fees for the City. Administrative charges for these services were approximately \$248,000 in 2021. Payment is due within approximately 30 days of the billing.

Morristown Utilities Commission
Notes to Financial Statements (continued)

9. Related Party and Interfund Activities (continued)

Interfund receivables and payables consist of the following as of June 30, 2021:

Power System

Interfund loan to Broadband System (including \$398,929 classified as current)	\$ 1,407,000
Due to Broadband System	(111,780)
Due to Water System	(20,836)
Due to Wastewater System	(236,774)
Total interfund receivable	<u>\$ 1,037,610</u>

Water System

Due from Power System	\$ 20,836
Total interfund receivable	<u>\$ 20,836</u>

Wastewater System

Due from Power System	\$ 236,774
Total interfund receivable	<u>\$ 236,774</u>

Broadband System

Interfund loan from Power System, (including \$398,929 classified as current)	\$(1,407,000)
Due from Power System	111,780
Total interfund payable	<u>\$(1,295,220)</u>

In accordance with Tennessee Code Annotated 7-52-603(b), a line of credit was executed allowing the Broadband System to borrow up to \$7,000,000 from the Power System at an interest rate of 0.25%. Interest incurred on the loan amounted to \$4,140 in 2021. 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, including building rentals to the Water, Wastewater, and Broadband Systems based upon their usage of fiber lines in the Power System, number of customers, and square footage of use. The Water System allocates meter costs to the Wastewater System based upon number of customers. The Wastewater System allocates warehouse rent to the Water System based upon square footage of use. The Broadband System allocates collector point costs to the Power and Water Systems based upon their collector point usage.

Morristown Utilities Commission
Notes to Financial Statements (continued)

9. Related Party and Interfund Activities (continued)

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

	Services Provided	Services Used
Power	\$ 1,530,951	\$1,425,351
Water	470,504	465,731
Wastewater	61,713	539,896
Broadband	1,756,800	1,388,990
Total	<u>\$3,819,968</u>	<u>\$3,819,968</u>

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

The tax equivalent payments made to the City based on the Systems' capital assets along with average operating revenue, less power costs were \$1,569,205 for the Power System, \$36,120 for the Water System and \$807,880 for the Wastewater System.

10. Post-Employment Benefits

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

The amounts reported as of June 30, 2021 are based on an actuarial valuation performed as of July 1, 2019, and updated to June 30, 2021.

Plan Description

The Systems provide medical, dental and life insurance benefits to retirees. Employees who retire at age 55 with 10 years of service are eligible to participate for five years or until age 65. The Systems pay either 90% or 95% of the monthly premium amount that is paid for active employees of the retiree's medical premiums. The Systems pay 100% of the monthly premium amount that is paid for active employees of the retiree's dental and life insurance premiums.

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.

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. Post-Employment Benefits (continued)

Plan Description (continued)

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

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

Total OPEB Liability

Total OPEB liability of the Commission is as follows as of June 30, 2021:

	Power System	Water System	Wastewater System	Broadband System
Total OPEB liability	\$1,195,413	\$442,747	\$240,465	\$311,451

Changes in Total OPEB Liability

The changes in total OPEB liability for all Systems were as follows for 2021:

Total OPEB liability at beginning of year	\$2,029,902
Changes for the year:	
Service cost	213,360
Interest	48,405
Changes in benefit terms	—
Differences between expected and actual experience	—
Changes in assumptions and other inputs	5,014
Benefit payments	(106,605)
Net changes for the year	160,174
Total OPEB liability at end of year	\$2,190,076

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. 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. A discount rate of 2.16% was used for the year ending June 30, 2021, based on the Bond Buyer's 20 Bond Index. The mortality rates are from the RPH-2014 Total Dataset fully generational projected table with projection scale MP-2019.

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

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

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

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

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

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

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

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the Systems calculated using the discount rate of 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
\$2,288,277	\$2,190,076	\$2,088,357

The following presents the total OPEB liability of the Systems as of June 30, 2021, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
\$1,934,463	\$2,190,076	\$2,493,908

Morristown Utilities Commission
Notes to Financial Statements (continued)

10. Post-Employment Benefits (continued)

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

For the year ended June 30, 2021, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$114,839, \$40,506, \$45,527, and \$56,692, respectively. At June 30, 2021, the Systems reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			
	Power	Water	Wastewater	Broadband
Experience loss	\$ –	\$ 2,548	\$10,773	\$ –
Change in assumptions	61,903	21,477	12,933	17,214
Total	\$61,903	\$24,025	\$23,706	\$17,214

	Deferred Inflows of Resources			
	Power	Water	Wastewater	Broadband
Experience gain	\$134,673	\$ –	\$ –	\$ 8,807
Change in assumptions	8,878	3,373	1,314	1,980
Total	\$143,551	\$3,373	\$1,314	\$10,787

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

	Power	Water	Wastewater	Broadband
Year ended June 30:				
2022	\$(11,112)	\$ 3,477	\$ 2,784	\$ 650
2023	(11,112)	3,477	2,784	650
2024	(11,112)	3,477	2,784	650
2025	(11,112)	3,477	2,784	650
2026	(11,112)	3,729	2,784	650
Thereafter	(26,088)	3,015	8,472	3,177
Total	\$(81,648)	\$20,652	\$22,392	\$6,427

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. 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.

12. Pandemic

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic significantly impacted the economic conditions in the United States of America and created uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time.

Morristown Utilities Commission

Required Supplementary Information

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

Year ended June 30, 2021

	2021	2020	2019	2018
Changes for the year:				
Service cost	\$ 213,360	\$ 176,287	\$ 156,987	\$ 159,163
Interest	48,405	66,096	74,345	64,374
Changes in benefit terms	-	(52,328)	-	-
Differences between expected and actual experience	-	(164,865)	-	-
Changes in assumptions and other inputs	5,014	107,229	36,980	(27,201)
Benefit payments	(106,605)	(92,391)	(84,282)	(58,468)
Net changes for the year	160,174	40,028	184,030	137,868
Total OPEB liability at beginning of year	2,029,902	1,989,874	1,805,844	1,667,976
Total OPEB liability at end of year	\$ 2,190,076	\$ 2,029,902	\$ 1,989,874	\$ 1,805,844
Covered employee payroll	\$ 11,656,684	\$ 11,372,375	\$ 10,311,836	\$ 10,060,328
Total OPEB liability as a percentage of covered employee payroll	18.79%	17.85%	19.30%	17.95%
Changes in assumptions:				
Discount rates	2.16%	2.21%	3.50%	3.87%

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

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

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

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

Morristown Utilities Commission

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

June 30, 2021

Year Ending June 30	Series 2018 General Obligation Bonds		Series 2018 General Obligation Bonds - Refunding		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 165,000	\$ 152,875	\$ 1,010,000	\$ 559,613	\$ 1,175,000	\$ 712,488
2023	170,000	144,625	1,055,000	509,113	1,225,000	653,738
2024	180,000	136,125	1,105,000	456,363	1,285,000	592,488
2025	190,000	127,125	1,155,000	401,113	1,345,000	528,238
2026	200,000	117,625	1,205,000	343,363	1,405,000	460,988
2027	210,000	107,625	1,260,000	283,113	1,470,000	390,738
2028	220,000	99,225	1,305,000	232,713	1,525,000	331,938
2029	225,000	90,425	725,000	180,513	950,000	270,938
2030	235,000	83,675	745,000	158,763	980,000	242,438
2031	240,000	76,625	770,000	136,413	1,010,000	213,038
2032	245,000	69,125	790,000	112,350	1,035,000	181,475
2033	255,000	61,163	820,000	86,675	1,075,000	147,838
2034	265,000	52,875	845,000	60,025	1,110,000	112,900
2035	275,000	43,600	870,000	30,450	1,145,000	74,050
2036	285,000	33,975	-	-	285,000	33,975
2037	295,000	24,000	-	-	295,000	24,000
2038	305,000	12,200	-	-	305,000	12,200
	\$ 3,960,000	\$ 1,432,888	\$ 13,660,000	\$ 3,550,580	\$ 17,620,000	\$ 4,983,468

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	2002 DWSRF Promissory Note		2009 Promissory Note		2011 DWSRF Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 604,082	\$ 73,738	\$ 390,000	\$ 96,138	\$ 58,387	\$ 20,261	\$ 1,052,469	\$ 190,137
2023	620,039	57,781	400,000	86,184	60,061	18,587	1,080,100	162,552
2024	636,417	41,403	415,000	75,915	61,783	16,865	1,113,200	134,183
2025	653,228	24,592	430,000	65,268	63,554	15,094	1,146,782	104,954
2026	555,858	7,332	445,000	54,243	65,376	13,272	1,066,234	74,847
2027	-	-	460,000	42,840	67,251	11,397	527,251	54,237
2028	-	-	475,000	31,059	69,179	9,469	544,179	40,528
2029	-	-	490,000	18,900	71,162	7,486	561,162	26,386
2030	-	-	505,000	6,363	73,202	5,446	578,202	11,809
2031	-	-	-	-	75,301	3,347	75,301	3,347
2032	-	-	-	-	77,337	1,189	77,337	1,189
	<u>\$ 3,069,624</u>	<u>\$ 204,846</u>	<u>\$ 4,010,000</u>	<u>\$ 476,910</u>	<u>\$ 742,593</u>	<u>\$ 122,413</u>	<u>\$ 7,822,217</u>	<u>\$ 804,169</u>

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	2007 CWSRF Promissory Note		2009 CWSRF Promissory Note		2013 CWSRF Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 492,528	\$ 114,091	\$ 62,484	\$ 21,568	\$ 233,580	\$ 56,215
2023	502,764	103,849	64,212	19,841	237,132	52,663
2024	513,228	93,393	65,988	18,066	240,732	49,058
2025	523,896	82,720	67,812	16,241	244,392	45,397
2026	534,792	71,825	69,684	14,367	248,112	41,681
2027	545,916	60,703	71,616	12,440	251,880	37,909
2028	557,268	49,350	73,596	10,460	255,720	34,079
2029	568,860	37,761	75,636	8,425	259,608	30,191
2030	580,680	25,930	77,724	6,334	263,556	26,243
2031	592,764	13,854	79,872	4,186	267,564	22,236
2032	353,797	2,414	82,080	1,978	271,632	18,167
2033	-	-	33,046	159	275,760	14,037
2034	-	-	-	-	279,948	9,844
2035	-	-	-	-	284,208	5,588
2036	-	-	-	-	216,089	1,362
2037	-	-	-	-	-	-
	<u>\$ 5,766,493</u>	<u>\$ 655,890</u>	<u>\$ 823,750</u>	<u>\$ 134,065</u>	<u>\$ 3,829,913</u>	<u>\$ 444,670</u>

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	2009 Promissory Note		2015 Promissory Note		2016 Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 72,485	\$ 34,881	\$ 437,000	\$ 219,108	\$ 657,000	\$ 51,675
2023	74,774	32,739	449,000	206,692	672,000	36,591
2024	77,063	30,530	462,000	194,453	688,000	21,155
2025	79,352	28,254	474,000	180,808	586,000	6,673
2026	81,641	25,911	487,000	167,340	-	-
2027	83,930	23,502	501,000	153,487	-	-
2028	86,218	21,026	514,000	139,655	-	-
2029	88,889	18,479	529,000	124,645	-	-
2030	91,559	15,853	543,000	109,628	-	-
2031	94,231	13,150	558,000	94,197	-	-
2032	96,901	10,369	573,000	78,565	-	-
2033	99,571	7,510	589,000	62,063	-	-
2034	102,622	4,568	605,000	45,333	-	-
2035	105,669	1,538	622,000	28,133	-	-
2036	-	-	961,000	2,311	-	-
2037	-	-	-	-	-	-
	<u>\$ 1,234,905</u>	<u>\$ 268,310</u>	<u>\$ 8,304,000</u>	<u>\$ 1,806,418</u>	<u>\$ 2,603,000</u>	<u>\$ 116,094</u>

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	Series 2012 General Obligation Bonds		Series 2018 General Obligation Bonds		Series 2018 General Obligation Bonds - Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,086,117	\$ 572,425	\$ -	\$ 339,069	\$ 965,000	\$ 367,100
2023	1,086,117	539,842	-	339,069	1,015,000	318,850
2024	1,086,117	507,258	-	339,069	1,065,000	268,100
2025	1,086,117	469,244	-	339,069	1,115,000	214,850
2026	1,086,117	425,800	-	339,069	1,170,000	159,100
2027	1,086,117	382,355	-	339,069	1,230,000	100,600
2028	1,086,117	338,910	-	339,069	1,285,000	51,400
2029	1,086,117	295,466	985,000	339,069	-	-
2030	1,077,730	257,577	1,015,000	309,519	-	-
2031	1,077,730	225,245	1,045,000	279,069	-	-
2032	1,077,730	192,914	1,075,000	246,413	-	-
2033	1,077,730	159,908	1,110,000	211,475	-	-
2034	1,077,730	125,555	1,145,000	175,400	-	-
2035	1,077,730	90,529	1,185,000	135,325	-	-
2036	1,077,730	54,829	1,230,000	93,850	-	-
2037	1,076,337	18,322	1,270,000	50,800	-	-
	\$ 17,309,383	\$ 4,656,179	\$ 10,060,000	\$ 4,214,403	\$ 7,845,000	\$ 1,480,000

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	Series 2019 General Obligation Bonds - Refunding		Total	
	Principal	Interest	Principal	Interest
2022	\$ 890,000	\$ 462,850	\$ 4,896,194	\$ 2,238,982
2023	900,000	418,100	5,000,999	2,068,236
2024	905,000	372,975	5,103,128	1,894,057
2025	915,000	327,475	5,091,569	1,710,731
2026	925,000	281,475	4,602,346	1,526,568
2027	935,000	234,975	4,705,459	1,345,040
2028	935,000	192,900	4,792,919	1,176,849
2029	935,000	155,500	4,528,110	1,009,536
2030	930,000	122,850	4,579,249	873,934
2031	920,000	95,100	4,635,161	747,037
2032	910,000	67,650	4,440,140	618,470
2033	900,000	40,500	4,085,107	495,652
2034	900,000	13,500	4,110,300	374,200
2035	-	-	3,274,607	261,113
2036	-	-	3,484,819	152,352
2037	-	-	2,346,337	69,122
	\$ 11,900,000	\$ 2,785,850	\$ 69,676,444	\$ 16,561,879

Morristown Utility Commission

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

June 30, 2021

Year Ending June 30	Interfund Loan from Power System		2014 Promissory Note		2016 Promissory Note		Series 2018 General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 398,929	\$ 3,071	\$ 117,000	\$ 7,809	\$ 416,000	\$ 4,160	\$ 180,000	\$ 128,700	\$ 1,111,929	\$ 143,740
2023	399,928	2,072	120,000	4,740	-	-	185,000	119,700	704,928	126,512
2024	400,929	1,071	123,000	1,593	-	-	195,000	110,450	718,929	113,114
2025	207,214	160	-	-	-	-	205,000	100,700	412,214	100,860
2026	-	-	-	-	-	-	215,000	88,450	215,000	88,450
2027	-	-	-	-	-	-	225,000	79,700	225,000	79,700
2028	-	-	-	-	-	-	235,000	70,700	235,000	70,700
2029	-	-	-	-	-	-	245,000	61,300	245,000	61,300
2030	-	-	-	-	-	-	255,000	53,950	255,000	53,950
2031	-	-	-	-	-	-	260,000	46,300	260,000	46,300
2032	-	-	-	-	-	-	270,000	38,175	270,000	38,175
2033	-	-	-	-	-	-	280,000	29,400	280,000	29,400
2034	-	-	-	-	-	-	285,000	20,300	285,000	20,300
2035	-	-	-	-	-	-	295,000	10,325	295,000	10,325
	<u>\$ 1,407,000</u>	<u>\$ 6,374</u>	<u>\$ 360,000</u>	<u>\$ 14,142</u>	<u>\$ 416,000</u>	<u>\$ 4,160</u>	<u>\$ 3,330,000</u>	<u>\$ 958,150</u>	<u>\$ 5,513,000</u>	<u>\$ 982,826</u>

Morristown Utilities Commission

Schedule of Changes in Long-term Debt by Individual Issue

Year ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/20	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/21
Business-Type Activities									
BONDS PAYABLE									
<u>Payable through Power System</u>									
Series 2018 General Obligation Bonds	\$ 4,375,000	3% - 5%	10/24/18	6/1/38	\$ 4,115,000	\$ -	\$ 155,000	\$ -	\$ 3,960,000
Series 2018 General Obligation Bonds - Refunding	16,410,000	3% - 5%	10/24/18	6/1/35	14,625,000	-	965,000	-	13,660,000
Total Bonds Payable through Power System					<u>\$ 18,740,000</u>	<u>\$ -</u>	<u>\$ 1,120,000</u>	<u>\$ -</u>	<u>\$ 17,620,000</u>
NOTES PAYABLE									
<u>Payable through Water System</u>									
2002 DWSRF Promissory Note	\$ 8,500,000	2.61%	8/9/01	4/30/26	\$ 3,658,857	\$ -	\$ 589,233	\$ -	\$ 3,069,624
2009 Promissory Note	7,500,000	2.52%	12/21/09	12/1/29	4,385,000	-	375,000	-	4,010,000
2011 DWSRF Promissory Note	2,000,000	2.83%	9/3/09	6/30/32	799,320	-	56,727	-	742,593
Total Notes Payable through Water System					<u>\$ 8,843,177</u>	<u>\$ -</u>	<u>\$ 1,020,960</u>	<u>\$ -</u>	<u>\$ 7,822,217</u>
NOTES PAYABLE									
<u>Payable through Wastewater System</u>									
2007 CWSRF Promissory Note	12,500,000	2.06%	5/15/07	1/20/32	\$ 6,248,989	\$ -	\$ 482,496	\$ -	\$ 5,766,493
2009 CWSRF Promissory Note	1,600,000	2.73%	5/2/11	10/20/32	879,487	-	55,737	-	823,750
2013 CWSRF Promissory Note	5,000,000	1.51%	3/27/13	6/20/36	4,059,989	-	230,076	-	3,829,913
2009 Promissory Note	5,000,000	2.91%	12/21/09	12/1/34	1,305,483	-	70,578	-	1,234,905
2015 Promissory Note	10,000,000	2.74%	8/31/15	8/1/35	8,730,000	-	426,000	-	8,304,000
2016 Promissory Note	15,000,000	2.27%	12/23/16	12/1/36	3,246,000	-	643,000	-	2,603,000
Total Notes Payable through Wastewater System					<u>\$ 24,469,948</u>	<u>\$ -</u>	<u>\$ 1,907,887</u>	<u>\$ -</u>	<u>\$ 22,562,061</u>

Morristown Utilities Commission

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

Year ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/20	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/21
Business-Type Activities (continued)									
BONDS PAYABLE									
<u>Payable through Wastewater System</u>									
Series 2012 General Obligation Bonds	\$ 26,000,000	2% - 4%	5/30/12	10/1/36	\$ 18,395,500	\$ -	\$ 1,086,117	\$ -	\$ 17,309,383
Series 2018 General Obligation Bonds	10,060,000	3% - 4%	10/24/18	6/1/37	10,060,000	-	-	-	10,060,000
Series 2018 General Obligation Bonds - Refunding	10,480,000	4% - 5%	10/24/18	6/1/28	8,765,000	-	920,000	-	7,845,000
Series 2019 General Obligation Bonds - Refunding	12,775,000	3% - 5%	6/28/19	9/1/33	12,775,000	-	875,000	-	11,900,000
Total Bonds Payable through Wastewater System					<u>\$ 49,995,500</u>	<u>\$ -</u>	<u>\$ 2,881,117</u>	<u>\$ -</u>	<u>\$ 47,114,383</u>
NOTES PAYABLE									
<u>Payable through Broadband System</u>									
Interfund loan from the Power System	7,000,000	0.25%	7/5/05	1/1/25	\$ 1,809,000	\$ -	\$ 402,000	\$ -	\$ 1,407,000
2014 Promissory Note	1,000,000	2.59%	6/26/14	6/1/24	474,000	-	114,000	-	360,000
2016 Promissory Note	2,000,000	2.00%	12/23/16	12/1/21	824,000	-	408,000	-	416,000
Total Notes Payable through Broadband System					<u>\$ 3,107,000</u>	<u>\$ -</u>	<u>\$ 924,000</u>	<u>\$ -</u>	<u>\$ 2,183,000</u>
BONDS PAYABLE									
<u>Payable through Broadband System</u>									
Series 2018 General Obligation Bonds - Refunding	\$ 3,810,000	3% - 5%	10/24/18	6/1/35	\$ 3,500,000	\$ -	\$ 170,000	\$ -	\$ 3,330,000
Total Bonds Payable through Broadband System					<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 3,330,000</u>

Morristown Utilities Commission

Schedule of Net Position by Fund (Last Ten Years)

Fiscal Years 2021 - 2012 (in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Power System:										
Net investment in capital assets	\$ 53,807	\$ 52,336	\$ 49,272	\$ 47,702	\$ 44,873	\$ 44,822	\$ 42,597	\$ 41,510	\$ 39,421	\$ 37,913
Unrestricted	17,119	13,925	13,815	13,199	14,619	13,928	16,020	17,305	18,076	16,560
Total net position	<u>\$ 70,926</u>	<u>\$ 66,261</u>	<u>\$ 63,087</u>	<u>\$ 60,901</u>	<u>\$ 59,492</u>	<u>\$ 58,750</u>	<u>\$ 58,617</u>	<u>\$ 58,815</u>	<u>\$ 57,497</u>	<u>\$ 54,473</u>
Water System:										
Net investment in capital assets	\$ 29,375	\$ 30,965	\$ 30,783	\$ 29,837	\$ 29,387	\$ 30,054	\$ 28,406	\$ 26,909	\$ 26,730	\$ 26,034
Unrestricted	2,857	2,559	2,186	2,494	2,820	2,060	3,546	4,523	4,385	4,465
Total net position	<u>\$ 32,232</u>	<u>\$ 33,524</u>	<u>\$ 32,969</u>	<u>\$ 32,331</u>	<u>\$ 32,207</u>	<u>\$ 32,114</u>	<u>\$ 31,952</u>	<u>\$ 31,432</u>	<u>\$ 31,115</u>	<u>\$ 30,499</u>
Wastewater System:										
Net investment in capital assets	\$ 27,100	\$ 25,911	\$ 23,500	\$ 25,615	\$ 25,368	\$ 26,416	\$ 24,851	\$ 18,009	\$ -	\$ -
Unrestricted	6,746	7,150	9,348	6,739	5,489	2,889	1,879	5,796	-	-
Total net position	<u>\$ 33,846</u>	<u>\$ 33,061</u>	<u>\$ 32,848</u>	<u>\$ 32,354</u>	<u>\$ 30,857</u>	<u>\$ 29,305</u>	<u>\$ 26,730</u>	<u>\$ 23,805</u>	<u>\$ -</u>	<u>\$ -</u>
Broadband System:										
Net investment in capital assets	\$ 7,578	\$ 6,933	\$ 6,220	\$ 5,732	\$ 3,308	\$ 2,689	\$ 1,984	\$ 2,192	\$ 1,275	\$ 1,159
Unrestricted deficit	(1,373)	(2,133)	(2,193)	(2,512)	(1,638)	(3,704)	(5,489)	(7,034)	(7,149)	(7,281)
Total net position	<u>\$ 6,205</u>	<u>\$ 4,800</u>	<u>\$ 4,027</u>	<u>\$ 3,220</u>	<u>\$ 1,670</u>	<u>\$ (1,015)</u>	<u>\$ (3,505)</u>	<u>\$ (4,842)</u>	<u>\$ (5,874)</u>	<u>\$ (6,122)</u>

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

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

Morristown Utilities Commission

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

Fiscal Years 2021 - 2012 (in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues:										
Residential	\$ 18,513	\$ 18,193	\$ 18,721	\$ 18,461	\$ 17,252	\$ 16,058	\$ 17,001	\$ 16,878	\$ 16,472	\$ 15,645
Commercial	5,857	5,874	6,155	5,863	5,622	5,333	5,319	5,296	5,248	5,199
Industrial	49,060	50,156	53,424	52,691	53,122	51,352	51,648	52,096	51,961	52,499
Street and security lighting	1,544	1,265	1,219	1,248	1,248	1,222	1,184	1,155	1,170	1,232
Total metered revenue	74,974	75,488	79,519	78,263	77,244	73,965	75,152	75,425	74,851	74,575
Interfund services	1,531	1,405	1,330	1,260	1,375	1,300	1,316	1,190	963	773
Other operating revenues	1,678	1,485	1,558	1,574	1,742	1,750	1,434	1,545	1,323	1,215
Total operating revenues	78,183	78,378	82,407	81,097	80,361	77,015	77,902	78,160	77,137	76,563
Operating expenses:										
Power purchased	56,116	58,010	63,322	62,697	62,673	60,624	62,678	62,661	62,088	61,324
Operations	5,162	5,364	5,407	5,364	5,316	5,333	5,399	5,408	4,941	5,008
Maintenance	3,053	2,985	2,984	2,622	2,732	2,569	2,483	2,161	2,000	1,804
Interfund services used	1,425	1,426	1,448	1,446	1,914	1,720	1,111	847	867	560
Depreciation and amortization	5,210	5,235	4,866	5,200	5,128	4,888	4,789	4,573	4,190	3,485
Taxes	456	417	375	375	374	356	336	305	318	260
Miscellaneous	-	-	-	-	-	-	-	-	42	-
Total operating expenses	71,422	73,437	78,402	77,704	78,137	75,490	76,796	75,955	74,446	72,441
Operating income	6,761	4,941	4,005	3,393	2,224	1,525	1,106	2,691	4,122	4,255
Net other expense	(527)	(330)	(527)	(240)	(237)	(166)	(147)	(131)	(108)	(46)
Income before reimbursement, contributions and transfers	6,234	4,611	3,478	3,153	1,987	1,359	959	2,074	2,583	4,076
TVA load control/capacity reimbursement	-	-	-	-	-	-	-	331	1,501	-
Contributions	-	-	-	-	-	-	-	-	-	-
Plant costs recovered through contributions	-	-	-	-	-	-	-	-	-	-
Transfers out (tax equivalent payments to City of Morristown)	(1,569)	(1,437)	(1,292)	(1,292)	(1,287)	(1,226)	(1,157)	(1,087)	(1,061)	(896)
Changes in net position	\$ 4,665	\$ 3,174	\$ 2,186	\$ 1,861	\$ 700	\$ 133	\$ (198)	\$ 1,318	\$ 3,023	\$ 3,180

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 2021 - 2012 (in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues:										
General	\$ 7,337	\$ 7,169	\$ 6,958	\$ 6,741	\$ 6,360	\$ 6,129	\$ 6,163	\$ 6,182	\$ 6,161	\$ 6,330
Public authorities	66	61	67	65	61	55	57	58	80	81
Private fire protection	181	181	176	173	169	167	164	180	180	165
Public fire protection	27	26	27	27	26	26	27	30	29	27
Total metered sales	7,611	7,437	7,228	7,006	6,616	6,377	6,411	6,450	6,450	6,603
Interfund services provided	471	471	510	519	517	470	441	187	-	-
Other operating revenues	88	24	28	29	36	33	33	226	21	45
Total operating revenues	8,170	7,932	7,766	7,554	7,169	6,880	6,885	6,863	6,471	6,648
Operating expenses:										
Operations	4,078	4,104	3,999	4,175	4,021	3,748	3,531	3,622	3,176	3,144
Maintenance	995	860	763	681	731	720	561	674	594	541
Interfund services used	466	466	460	453	445	396	319	288	189	-
Depreciation and amortization	2,157	1,796	1,748	1,671	1,561	1,537	1,610	1,552	1,416	1,680
Miscellaneous	-	-	-	-	-	-	-	-	26	8
Total operating expenses	7,696	7,226	6,970	6,980	6,758	6,401	6,021	6,136	5,401	5,373
Operating income	474	706	796	574	411	479	864	727	1,070	1,275
Net other expense	(239)	(182)	(219)	(238)	(347)	(378)	(407)	(427)	(462)	(465)
Income before contributions and transfers	235	524	577	336	64	101	457	300	608	810
Contributions	134	68	96	89	65	97	100	53	43	165
Transfers out (tax equivalent payments to City of Morristown)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)
Changes in net position	\$ 333	\$ 556	\$ 637	\$ 389	\$ 93	\$ 162	\$ 521	\$ 317	\$ 615	\$ 939

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 Eight Years)

Fiscal Years 2021 - 2014 (in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues:								
General	\$ 15,801	\$ 13,928	\$ 14,076	\$ 13,795	\$ 13,453	\$ 12,585	\$ 12,083	\$ 12,547
Public authorities	358	310	340	334	329	270	164	110
Interfund services provided	62	62	55	9	-	-	-	-
Other operating revenues	765	1,196	1,183	1,253	746	839	809	420
Total operating revenues	16,986	15,496	15,654	15,391	14,528	13,694	13,056	13,077
Operating expenses:								
Operations	6,270	5,832	5,432	5,254	4,455	3,844	3,996	4,663
Maintenance	1,214	1,230	1,316	1,190	1,344	1,019	848	766
Interfund services used	540	540	553	538	532	481	443	201
Depreciation and amortization	5,668	5,241	4,727	4,430	4,167	3,741	3,276	2,510
Total operating expenses	13,692	12,843	12,028	11,412	10,498	9,085	8,563	8,140
Operating income	3,294	2,653	3,626	3,979	4,030	4,609	4,493	4,937
Net other expense	(1,940)	(1,802)	(2,622)	(2,037)	(2,056)	(1,852)	(1,243)	(969)
Income before contributions and transfers	1,354	851	1,004	1,942	1,974	2,757	3,250	3,968
Contributions	239	118	169	175	165	325	51	139
Transfers out (tax equivalent payments to City of Morristown)	(808)	(756)	(679)	(572)	(583)	(507)	(376)	(305)
Changes in net position	\$ 785	\$ 213	\$ 494	\$ 1,545	\$ 1,556	\$ 2,575	\$ 2,925	\$ 3,802

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

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

Morristown Utilities Commission

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

Fiscal Years 2021 - 2012 (in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues:										
Video	\$ 3,215	\$ 3,343	\$ 3,479	\$ 3,755	\$ 3,861	\$ 3,823	\$ 3,483	\$ 2,876	\$ 2,802	\$ 2,729
Internet	4,219	3,590	3,299	3,021	3,039	2,832	2,638	2,657	2,307	2,105
Voice	1,175	1,317	1,504	1,585	1,702	1,854	2,118	2,096	2,086	1,981
Total broadband sales	8,609	8,250	8,282	8,361	8,602	8,509	8,239	7,629	7,195	6,815
Interfund services provided	1,757	1,757	1,761	1,768	2,056	1,830	1,173	921	937	560
Other operating revenues	991	895	526	132	103	210	311	387	217	225
Total operating revenues	11,357	10,902	10,569	10,261	10,761	10,549	9,723	8,937	8,349	7,600
Operating expenses:										
Operations	6,783	7,106	6,943	6,368	5,756	6,014	6,395	6,182	6,121	5,579
Maintenance	596	549	434	412	337	357	303	239	199	208
Interfund services used	1,389	1,263	1,195	1,119	1,058	1,003	1,057	962	845	773
Depreciation and amortization	967	954	849	692	599	515	482	372	821	860
Taxes	81	93	127	30	192	87	64	88	53	52
Total operating expenses	9,816	9,965	9,548	8,621	7,942	7,976	8,301	7,843	8,039	7,472
Operating income	1,541	937	1,021	1,640	2,819	2,573	1,422	1,094	310	128
Net other expense	(136)	(164)	(214)	(152)	(133)	(82)	(85)	(62)	(61)	(49)
Changes in net position	\$ 1,405	\$ 773	\$ 807	\$ 1,488	\$ 2,686	\$ 2,491	\$ 1,337	\$ 1,032	\$ 249	\$ 79

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

Morristown Utilities Commission

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

Fiscal Years 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
PURCHASED POWER - (Megawatt Hours)										
Purchased from TVA	898,801	900,714	950,821	952,747	939,622	929,150	930,256	918,686	901,805	909,825
CONSUMPTION - (Megawatt Hours)										
Residential	162,584	158,084	162,067	164,838	156,476	154,310	165,278	167,038	161,666	153,060
Commercial	47,818	47,715	50,013	48,661	47,096	46,642	46,991	47,068	46,611	46,417
Industrial	654,808	665,725	706,163	705,478	707,411	697,274	681,164	672,250	663,585	676,897
Street and athletic	4,810	4,952	5,027	4,895	5,099	5,261	5,309	5,070	4,979	5,039
Outdoor lighting	3,910	4,247	4,409	4,668	4,756	4,765	4,678	4,761	4,730	4,860
Internal use	1,686	1,742	1,415	2,329	2,574	2,285	1,184	986	965	786
Total consumption	875,616	882,465	929,094	930,869	923,412	910,537	904,604	897,173	882,536	887,059
Line losses and megawatt hours unaccounted for	23,185	18,249	21,727	21,878	16,210	18,613	25,652	21,513	19,269	22,766
Percentage of line losses and megawatt hours unaccounted for to purchased power	2.58%	2.03%	2.29%	2.30%	1.73%	2.00%	2.76%	2.34%	2.14%	2.50%
ACTIVE SERVICE (number of customers)										
Residential	12,460	12,296	12,198	12,133	11,995	11,862	11,826	11,721	11,764	11,752
Commercial	2,252	2,231	2,239	2,191	2,163	2,160	2,141	2,120	2,121	2,105
Industrial	428	446	439	448	458	446	439	458	449	447
Street and athletic	82	79	79	79	76	75	76	73	70	71
Outdoor lighting	145	79	77	35	34	33	33	34	34	31
Total active service	15,367	15,131	15,032	14,886	14,726	14,576	14,515	14,406	14,438	14,406

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 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
PRODUCTION - (Thousands of gallons)										
Produced	3,419,951	3,290,079	3,229,077	3,237,094	3,276,264	3,087,467	3,094,732	3,177,165	3,179,415	3,211,089
CONSUMPTION - (Thousands of gallons)										
General	2,872,138	2,805,906	2,708,472	2,709,944	2,699,046	2,707,815	2,742,287	2,770,846	2,760,419	2,815,744
Public authorities	44,471	44,537	47,612	47,341	46,628	42,822	44,679	41,529	42,055	42,939
Internal use	138	130	1,934	1,643	1,216	2,267	1,513	32,352	33,646	33,981
Total consumption	2,916,747	2,850,573	2,758,018	2,758,928	2,746,890	2,752,904	2,788,479	2,844,727	2,836,120	2,892,664
Gallons unaccounted for	503,204	439,506	471,059	478,166	529,374	334,563	306,253	332,438	343,295	318,425
Percent of gallons unaccounted for to production	14.71%	13.36%	14.59%	14.77%	16.16%	10.84%	9.90%	10.46%	10.80%	9.92%
ACTIVE SERVICE (number of customers)										
General	12,615	12,519	12,446	12,407	12,327	12,310	12,255	12,221	12,242	12,224
Public authorities	44	44	44	44	44	44	45	44	44	44
Private fire protection	322	314	314	307	300	295	289	284	283	285
Total active service	12,981	12,877	12,804	12,758	12,671	12,649	12,589	12,549	12,569	12,553

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

Morristown Utilities Commission

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

Fiscal Years 2021 - 2014

	2021	2020	2019	2018	2017	2016	2015	2014
TREATED - (Thousands of gallons)								
Treated	1,628,712	1,689,818	1,869,038	1,267,145	1,368,995	1,627,823	1,518,723	1,714,921
CONSUMPTION - (Thousands of gallons)								
General	1,219,702	1,261,864	1,206,033	1,189,244	1,173,074	1,217,364	1,239,402	1,256,780
Public authorities	9,634	12,218	12,979	12,453	11,529	9,633	10,200	9,726
Total consumption	1,229,336	1,274,082	1,219,012	1,201,697	1,184,603	1,226,997	1,249,602	1,266,506
ACTIVE SERVICE (number of customers)								
General	10,874	10,753	10,719	10,685	10,594	10,605	10,565	10,567
Public authorities	9	9	9	9	9	9	9	9
Total active service	10,883	10,762	10,728	10,694	10,603	10,614	10,574	10,576

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

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

Morristown Utilities Commission

Schedule of Broadband Active Service Statistics (Last Ten Years)

Fiscal Years 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
ACTIVE SERVICE (number of customers)										
Video	2,721	2,920	3,229	3,495	3,779	3,998	4,227	4,097	4,143	4,085
Internet	5,950	5,608	5,269	5,168	5,046	4,828	4,654	4,165	4,010	3,800
Voice	1,812	1,940	2,117	2,306	2,510	2,675	2,833	2,835	2,908	2,911
Total active service	10,483	10,468	10,615	10,969	11,335	11,501	11,714	11,097	11,061	10,796

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 2021 - 2012

Fiscal Year	Power			
	Bonds	Promissory Notes	Total	Per Customer
2021	\$ 17,620,000	\$ -	\$ 17,620,000	\$ 1,147
2020	18,740,000	-	18,740,000	1,239
2019	19,815,000	-	19,815,000	1,318
2018	-	16,297,172	16,297,172	1,095
2017	-	17,405,401	17,405,401	1,182
2016	-	18,475,080	18,475,080	1,268
2015	-	18,810,190	18,810,190	1,296
2014	-	18,331,536	18,331,536	1,272
2013	-	15,687,238	15,687,238	1,087
2012	-	15,937,655	15,937,655	1,106

Fiscal Year	Water			
	Revenue Bonds	Promissory Notes	Total	Per Customer
2021	\$ -	\$ 7,822,217	\$ 7,822,217	\$ 603
2020	-	8,843,177	8,843,177	687
2019	-	9,832,385	9,832,385	768
2018	-	10,795,288	10,795,288	846
2017	-	11,759,671	11,759,671	928
2016	-	12,671,215	12,671,215	1,002
2015	-	13,552,688	13,552,688	1,077
2014	-	14,409,471	14,409,471	1,148
2013	-	15,241,951	15,241,951	1,213
2012	-	16,221,011	16,221,011	1,292

Morristown Utilities Commission

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

Fiscal Years 2021 - 2012

Wastewater					
Fiscal Year	Bonds	Promissory Notes	Total	Per Customer	
2021	\$ 47,114,383	\$ 22,562,061	\$ 69,676,444	\$ 6,402	
2020	49,995,500	24,469,948	74,465,448	6,919	
2019	51,956,617	27,339,078	79,295,695	7,391	
2018	25,056,734	51,091,736	76,148,470	7,121	
2017	21,743,850	47,468,831	69,212,681	6,528	
2016	22,739,967	43,987,606	66,727,573	6,287	
2015	23,827,767	43,782,738	67,610,505	6,394	
2014	24,913,883	31,579,901	56,493,784	5,342	

Broadband					
Fiscal Year	Bonds	Promissory Notes	Interfund Note	Total	Per Customer
2021	\$ 3,330,000	\$ 776,000	\$ 1,407,000	\$ 5,513,000	\$ 836
2020	3,500,000	1,298,000	1,809,000	6,607,000	1,015
2019	3,660,000	1,809,000	2,211,000	7,680,000	1,231
2018	-	6,252,166	2,756,498	9,008,664	1,437
2017	-	6,886,937	3,416,498	10,303,435	1,650
2016	-	5,127,358	5,216,498	10,343,856	1,845
2015	-	5,358,429	6,044,728	11,403,157	1,876
2014	-	5,483,376	6,141,498	11,624,874	2,082
2013	-	4,603,423	6,372,792	10,976,215	2,016
2012	-	4,717,346	6,749,697	11,467,043	2,173

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

Morristown Utilities Commission

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

Fiscal Years 2021 – 2012

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2021	\$ 8,170	\$ 5,539	\$ 2,631	\$ 1,052	\$ 190	\$ 1,242	2.12
2020	7,932	5,430	2,502	1,020	217	1,237	2.02
2019	7,766	5,222	2,544	989	243	1,232	2.06
2018	7,553	5,309	2,244	962	268	1,230	1.82
2017	7,169	5,197	1,972	911	363	1,274	1.55
2016	6,880	4,864	2,016	881	391	1,272	1.58
2015	6,885	4,411	2,474	857	415	1,272	1.94
2014	6,863	4,584	2,279	537	219	756	3.01
2013	6,471	3,985	2,486	524	233	757	3.28
2012	6,648	3,693	2,955	478	200	678	4.36

(1) Total Water System operating revenues.

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

Morristown Utilities Commission

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

Fiscal years 2021 – 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
2021	\$ 16,986	\$ 8,024	\$ 8,962	\$ 4,896	\$ 2,239	\$ 7,135	1.26
2020	15,496	7,602	7,894	4,794	2,406	7,200	1.10
2019	15,654	7,301	8,353	4,830	2,394	7,224	1.16
2018	15,391	6,982	8,409	3,726	1,393	5,119	1.64
2017	14,528	6,330	8,198	2,253	1,889	4,142	1.98
2016	13,694	5,344	8,350	1,824	1,006	2,830	2.95
2015	13,056	5,287	7,769	1,019	1,174	2,193	3.54
2014	13,077	5,630	7,447	466	221	687	10.84

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

(1) Total Wastewater System operating revenues.

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

Morristown Utilities Commission
Schedule of Property, Casualty and Other Insurance

June 30, 2021

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Distributor's Insurance	Workers' Compensation	\$1,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Commercial General Liability	250,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Excess General Liability	750,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Automobile Liability	1,000,000	\$0	7/1/2020 to 6/30/2021
Distributor's Insurance	Umbrella Liability	2,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Property Damage	147,376,345	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Boiler & Machinery	50,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Commercial Crime	1,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Public Officials and Employees'	5,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Fiduciary Liability	1,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Pollution Liability	1,000,000	N/A	7/1/2020 to 6/30/2021
Distributor's Insurance	Cyber and Privacy Protection	1,000,000	N/A	7/1/2020 to 6/30/2021

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

Morristown Utilities Commission

Schedule of Power Rates (Last Ten Years)

Fiscal Years 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Residential										
Customer charge per month	\$26.27	\$25.27	\$25.27	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71
Energy charge:										
First 2,000 kWh	0.09480	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242
Additional kWh per month	0.09480	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242
Commercial, Industrial, Governmental and Institutional										
GSA-1 (demand of up 50 kW)										
Customer charge per month - single-phase	\$27.87	\$26.87	\$26.87	\$ 24.87	\$ 21.87	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.00
Customer charge per month - three-phase	45.19	44.19	44.19	42.19	39.19	37.00	37.00	37.00	37.00	26.00
Energy charge per kWh per month	0.10784	0.10520	0.10852	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219
GSA-2 (demand of 51 to 1,000kW)										
Customer charge per month	\$135.50	\$135.50	\$135.50	\$ 135.50	\$ 135.50	\$ 135.50	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00
Demand charge:										
First 50 kW per month				-	-	-	-	-	-	-
Excess over 50 kW per month	13.66	13.66	13.66	13.36	13.12	12.88	12.35	12.10	11.86	11.86
Energy charge:										
First 15,000 kWh per month	0.10252	0.09934	0.10266	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702
Additional kWh per month	0.06465	0.06151	0.06479	0.06459	0.06515	0.06236	0.06284	0.06695	0.06350	0.06491
GSA-3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	\$275.08	\$275.08	\$275.08	\$ 275.08	\$ 275.08	\$ 275.08	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00
Demand charge:										
First 1,000kW per month	13.91	13.91	13.91	13.58	13.32	13.06	12.50	12.24	11.98	11.98
Excess over 1,000 kW per month	16.04	16.04	16.04	15.64	15.32	15.00	14.32	13.99	13.67	13.67
Energy charge:										
Per kWh per month	0.06456	0.06142	0.06470	0.06451	0.06508	0.06230	0.06279	0.06691	0.06348	0.06489

Morristown Utilities Commission

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

Fiscal Years 2021- 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Commercial, Industrial, Governmental and Institutional (continued)										
MSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$1,500.00	\$1,500.00	\$1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -	\$ -	\$ -
Demand charge:										
On peak	\$10.24	\$10.24	\$10.24	\$ 9.97	\$ 9.74	\$ 9.52	-	-	-	-
Excess off peak	2.26	2.26	2.26	2.18	2.16	2.14	-	-	-	-
Excess over contract	10.24	10.24	10.24	9.97	9.74	9.52	-	-	-	-
Energy charge:										
On peak	0.07403	0.07016	0.07450	0.07372	0.07412	0.07150	-	-	-	-
Off peak (first 200 hours)	0.04903	0.04516	0.04950	0.04938	0.05034	0.04827	-	-	-	-
Off peak (next 200 hours)	0.01934	0.01547	0.01981	0.02046	0.02209	0.02069	-	-	-	-
Off peak (additional kWh)	0.01679	0.12920	0.01726	0.01798	0.01966	0.01831	-	-	-	-

Note 1: Compiled from internal records

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

Morristown Utilities Commission

Schedule of Water Rates (Last Ten Years)

Fiscal Years 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Inside City Rate										
Customer charge per month	\$4.65	\$4.65	\$4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	2.35	2.35	2.35	2.35	2.20	2.05	2.05	2.05	2.05	2.05
Next 50,000 gallons	2.10	2.10	2.10	2.10	1.95	1.80	1.80	1.80	1.80	1.80
Over 100,000 gallons	1.90	1.90	1.90	1.90	1.75	1.60	1.60	1.60	1.60	1.60
Minimum bill										
5/8" meter	9.35	9.35	9.35	9.35	9.05	8.75	8.75	8.75	8.75	8.75
3/4" meter	9.85	9.85	9.85	9.85	9.55	9.25	9.25	9.25	9.25	9.25
1" meter	10.60	10.60	10.60	10.60	10.30	10.00	10.00	10.00	10.00	10.00
1 1/2" meter	12.10	12.10	12.10	12.10	11.80	11.50	11.50	11.50	11.50	11.50
2" meter	16.60	16.60	16.60	16.60	16.30	16.00	16.00	16.00	16.00	16.00
3" meter	61.60	61.60	61.60	61.60	61.30	61.00	61.00	61.00	61.00	61.00
4" meter	71.60	71.60	71.60	71.60	71.30	71.00	71.00	71.00	71.00	71.00
6" meter	101.60	101.60	101.60	101.60	101.30	101.00	101.00	101.00	101.00	101.00
8" meter	114.90	114.90	114.90	114.90	114.60	114.30	114.30	114.30	114.30	114.30
Outside City Rate										
Customer charge per month	\$4.65	\$4.65	\$4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	4.70	4.70	4.70	4.70	4.40	4.10	4.10	4.10	4.10	4.10
Next 50,000 gallons	4.20	4.20	4.20	4.20	3.90	3.60	3.60	3.60	3.60	3.60
Over 100,000 gallons	3.80	3.80	3.80	3.80	3.50	3.20	3.20	3.20	3.20	3.20

Morristown Utilities Commission

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

Fiscal Years 2021 - 2012

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Outside City Rate (continued)										
Minimum bill										
5/8" meter	\$14.05	\$14.05	\$14.05	\$ 14.05	\$ 13.45	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85
3/4" meter	14.55	14.55	14.55	14.55	13.95	13.35	13.35	13.35	13.35	13.35
1" meter	15.30	15.30	15.30	15.30	14.70	14.10	14.10	14.10	14.10	14.10
1 1/2" meter	16.80	16.80	16.80	16.80	16.20	15.60	15.60	15.60	15.60	15.60
2" meter	21.30	21.30	21.30	21.30	20.70	20.10	20.10	20.10	20.10	20.10
3" meter	66.30	66.30	66.30	66.30	65.70	65.10	65.10	65.10	65.10	65.10
4" meter	76.30	76.30	76.30	76.30	75.70	75.10	75.10	75.10	75.10	75.10
6" meter	106.30	106.30	106.30	106.30	105.70	105.10	105.10	105.10	105.10	105.10
8" meter	119.60	119.60	119.60	119.60	119.00	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 Eight Years)

Fiscal Years 2021 - 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Inside City Rate								
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9.17	\$ 9.17
Commodity charge (per 1,000 gallons)								
2,001 - 1,000,000 gallons	12.50	11.50	11.50	11.50	11.50	10.50	-	-
1,000,001 - 10,000,000 gallons	10.00	10.00	10.00	10.00	10.00	9.25	-	-
Over 10,000,000 gallons	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Minimum bill								
5/8" meter	25.00	23.00	23.00	21.00	21.00	21.00	-	-
3/4" meter	32.50	25.30	25.30	23.10	23.10	23.10	-	-
1" meter	48.75	32.20	32.20	29.40	29.40	29.40	-	-
1 1/2" meter	85.00	41.40	41.40	37.80	37.80	37.80	-	-
2" meter	136.25	66.70	66.70	60.90	60.90	60.90	-	-
3" meter	325.00	253.00	253.00	231.00	231.00	231.00	-	-
4" meter	487.50	322.00	322.00	294.00	294.00	294.00	-	-
6" meter	887.50	483.00	483.00	441.00	441.00	441.00	-	-
10" meter	1,762.50	611.14	611.14	558.00	558.00	558.00	-	-

Morristown Utilities Commission

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

Fiscal Years 2021 - 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Outside City Rate								
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.68	\$ 18.34
Commodity charge (per 1,000 gallons)								
2,001 - 1,000,000 gallons	25.00	23.00	23.00	23.00	23.00	21.00	-	-
1,000,001 - 10,000,000 gallons	20.00	20.00	20.00	20.00	20.00	20.00	-	-
Over 10,000,000 gallons	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Minimum bill								
5/8" meter	25.00	23.00	23.00	21.00	21.00	21.00	-	-
3/4" meter	32.50	25.30	25.30	23.10	23.10	23.10	-	-
1" meter	48.75	32.20	32.20	29.40	29.40	29.40	-	-
1 1/2" meter	85.00	41.40	41.40	37.80	37.80	37.80	-	-
2" meter	136.25	66.70	66.70	60.90	60.90	60.90	-	-
3" meter	325.00	253.00	253.00	231.00	231.00	231.00	-	-
4" meter	487.50	322.00	322.00	294.00	294.00	294.00	-	-
6" meter	887.50	483.00	483.00	441.00	441.00	441.00	-	-
10" meter	1,762.50	611.14	611.14	558.00	558.00	558.00	-	-

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

Morristown Utilities Commission

Schedule of Monthly Broadband Rates (Last Ten Years)

Fiscal Years 2021 - 2012

Service	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Standard Cable:										
Expanded basic	\$60.95	\$60.95	\$60.95	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95
Digital basic	72.95	72.95	72.95	72.95	72.95	68.95	68.95	60.95	54.95	54.95
Digital basic + 1	87.90	87.90	87.90	87.90	82.95	78.95	78.95	69.95	63.95	63.95
Digital basic + 2	99.90	99.90	99.90	99.90	90.95	86.95	86.95	77.95	71.95	71.95
Digital basic + 4	119.90	119.90	119.90	119.90	103.95	99.95	99.95	90.95	84.95	84.95
Premium channels	14.95-46.95	14.95-46.95	14.95-46.95	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95
Internet:										
Residential										
Tier 1	44.95	39.95	39.95	39.95	34.95	34.95	34.95	34.95	34.95	34.95
Tier 2	64.95	59.95	59.95	59.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	79.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	44.95
Tier 4	104.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95	74.95
Tier 5	-	-	-	-	-	-	-	-	-	99.95-199.95
Commercial										
Tier 1	54.95	49.95	49.95	49.95	49.95	49.95	49.95	44.95	44.95	44.95
Tier 2	84.95	79.95	79.95	79.95	79.95	79.95	79.95	74.95	74.95	74.95
Tier 3	109.95	104.95	104.95	104.95	104.95	104.95	104.95	99.95	99.95	99.95
Tier 4	159.95	154.95	154.95	154.90	154.95	154.95	154.95	149.90	149.95	149.95
Tier 5	-	-	-	-	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	-	-	-	299.95	-
Telephone:										
Residential										
BasicPack	32.95	32.95	32.95	28.65	22.95	22.95	22.95	22.95	22.95	22.95
PreferredPack	48.95	48.95	48.95	28.65	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.75-17.95	3.75-17.95	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95
Long distance rate per minute	-	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial										
Access Line	29.95	29.95	29.95	29.95	25.95	25.95	25.95	25.95	25.95	25.95
Business Local Telephone Service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	3.75-36.95	3.75-36.95	3.75-36.95	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95
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	2021			2012		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Inteplast Bags & Film Corp	\$3,389,150	1	4.53%	\$4,572,626	1	6.13%
Mahle Manufacturing Co.	2,894,434	2	3.87%	3,487,689	2	4.68%
Rich Products Corporation	2,487,360	3	3.33%	-	-	-
Howmet Corporation	2,293,739	4	3.07%	1,114,200	7	1.49%
Meritor Automotive	2,265,868	5	3.03%	2,361,686	5	3.17%
JTEKT Automotive Morristown-Tennessee	2,214,589	6	2.96%	2,579,955	3	3.46%
ColorTech	1,570,951	7	2.10%	1,079,403	8	1.45%
Colgate Palmolive	1,471,227	8	1.97%	1,150,039	6	1.54%
Hamblen County Board of Education	1,402,719	9	1.88%	-	-	-
Koch Foods LLC	1,316,023	10	1.76%	-	-	-
J W Allen Co.	-	-	-	2,420,764	4	3.25%
Lear Seigler, Inc.	-	-	-	924,251	9	1.24%
AP & P Manufacturing	-	-	-	817,697	10	1.10%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Water System Principal Customers

Current Year and Nine Years Prior

Name	2021			2012		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Alpha Talbott Utility District	\$1,131,243	1	14.95%	\$879,622	1	12.68%
Russellville-Whitesburg Utility District	863,316	2	11.41%	791,335	2	11.41%
Bean Station Utility District	720,529	3	9.52%	511,921	4	7.38%
Koch Foods	554,473	4	7.33%	547,539	3	7.89%
Colgate Palmolive	214,644	5	2.84%	62,027	8	0.89%
Morristown Wastewater System	146,417	6	1.93%	-	-	-
Mahle Engine Components	126,302	7	1.67%	112,133	5	1.62%
Rich Products	123,844	8	1.64%	-	-	-
City of Morristown	65,205	9	0.86%	-	-	-
Morristown Housing Authority	49,058	10	0.65%	40,167	10	0.58%
South Morristown Utility District	-	-	-	86,034	6	1.24%
J.W. Allen	-	-	-	81,168	7	1.17%
Inteplast Bags & Film Corp	-	-	-	42,010	9	0.61%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Wastewater System Principal Customers

Current Year and Seven Years Prior

Name	2021			2014		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Koch Foods	\$2,291,344	1	14.58%	\$2,500,776	1	19.12%
Colgate Palmolive	1,041,792	2	6.48%	378,625	3	2.90%
Rich Products Corporation	553,632	3	3.44%	497,132	2	3.80%
Mahle Manufacturing Co.	473,427	4	2.94%	-	-	-
Morristown Housing Authority	281,059	5	1.75%	180,636	4	1.38%
Southeastern Provision LLC	245,678	6	1.53%	-	-	-
GFL Environmental	238,443	7	1.48%	-	-	-
Hamblen County Board of Education	215,223	8	1.34%	146,647	5	1.12%
Walters State Community College	200,743	9	1.25%	-	-	-
Iatric Manufacturing	173,384	10	1.08%	-	-	-
Morristown Hamblen Hospital				138,646	6	1.06%
Meritor Automotive	-	-	-	85,515	7	0.65%
Hamben County Justice Center	-	-	-	81,673	8	0.62%
Lakeway Regional Hospital	-	-	-	79,686	9	0.61%
Heritage Center	-	-	-	74,264	10	0.57%

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 2021 - 2012

Fiscal Year	Power	Water	Wastewater	Broadband	Total
2021	78	20	29	29	156
2020	79	20	27	32	158
2019	85	20	29	32	166
2018	91	21	25	24	161
2017	90	21	26	21	158
2016	88	21	25	19	153
2015	84	21	17	18	140
2014	78	21	16	21	136
2013	71	22	-	24	117
2012	73	19	-	21	113

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: **2021** **7/2020 - 6/2021**

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 3,419.000 MG/Yr
Water imported: MG/Yr
Water exported: 9 1,395.000 MG/Yr

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: 1,984.314 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 10 1,520.000 MG/Yr
Billed unmetered: n/a MG/Yr
Unbilled metered: 10 0.138 MG/Yr
Unbilled unmetered: 24.804 MG/Yr

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

AUTHORIZED CONSUMPTION: 1,544.942 MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: ☐ ☐ MG/Yr
Value:

Use buttons to select
percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

439.372 MG/Yr

Apparent Losses

Unauthorized consumption: 4.961 MG/Yr

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

Customer metering inaccuracies: 10 15.355 MG/Yr
Systematic data handling errors: 3.800 MG/Yr

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

Apparent Losses: 24.116 MG/Yr

Pcnt: ☐ ☐ MG/Yr
Value:

1.00% ☐ ☐ MG/Yr
 0.25% ☐ ☐ MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **415.256 MG/Yr**

WATER LOSSES: 439.372 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 464.314 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 5 312.6 miles
Number of active AND inactive service connections: 7 13,800
Service connection density: 44 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 \$5,568,059 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$2.58 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$551.00 \$/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: Unauthorized consumption

2: Systematic data handling errors

3: Volume from own sources



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: **2021** **7/2020 - 6/2021**

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

System Attributes:

Apparent Losses:	24.116	MG/Yr
+	Real Losses:	415.256 MG/Yr
=	Water Losses:	439.372 MG/Yr

? Unavoidable Annual Real Losses (UARL): **89.23** MG/Yr

Annual cost of Apparent Losses: **\$62,219**

Annual cost of Real Losses: **\$228,806**

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: **23.4%**

Non-revenue water as percent by cost of operating system: **5.5%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **4.79** gallons/connection/day

Real Losses per service connection per day: **82.44** gallons/connection/day

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

Real Losses per service connection per day per psi pressure: **1.27** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **415.26** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **4.65**

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



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

Board of Commissioners
Morristown Utilities Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Power System, Water System, Wastewater System, and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements and have issued our report thereon dated October 28, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-01 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Systems in a separate letter dated October 28, 2021.

The Systems' Response to the Finding

The Systems' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Coulter & Justus, P.C.

October 28, 2021
Knoxville, Tennessee

Morristown Utilities Commission
Schedule of Findings and Responses

June 30, 2021

Section I – Summary of Auditor’s Results

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

2021-01 Review of Useful Lives and Depreciation

Criteria or Specific Requirement – Internal control procedures over capital assets should include procedures whereby useful lives and related depreciation estimates are reviewed for accuracy on a regular basis.

Condition – During the year, the accounting department discovered an error in the calculation of depreciation expense for carbon filters used in the Water System. The error was a result of the filters being depreciated over an incorrect useful life (fifty years) due to being categorized as a component of a water filtration building under construction. The filters should have been depreciated over a three-year term. The error was discovered when a project manager requisitioned new filters. Management corrected the depreciation calculation in fiscal year 2021.

Cause and Effect – There was limited review of useful lives and depreciation computations performed by the accounting department, subsequent to the assets being placed in service. An incorrect useful life was used as a result of this limited review. The effect of the depreciation calculation error resulted in an understatement of accumulated depreciation of \$1,625,814 resulting from understated depreciation expense over twelve years based on the calculations during this period of time.

Recommendations – We recommend the accounting department implement procedures to include a manual review of the accuracy of depreciation expense and useful lives utilized when significant assets are acquired or placed in service for compliance with the Systems’ capitalization policy.

Management’s Response – We concur with the audit recommendations. After the initial discovery of the depreciation being calculated incorrectly, we reviewed other useful lives for accuracy. We have implemented procedures to incorporate an additional layer of review with project managers to ensure that useful lives align with the Systems’ capitalization policy.

Section III – Summary Schedule of Prior Audit Findings

Not applicable as there were no prior year findings reported.

MORRISTOWN UTILITIES COMMISSION

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Morristown Utilities Commission

Management's Corrective Action Plan

June 30, 2021

Finding 2021-01: Review of Useful Lives and Depreciation

Person(s) Responsible for Implementing the Corrective Action:

Brandon Stubblefield

Controller, Morristown Utilities Commission

Corrective Action Planned:

The accounting department has reviewed depreciation expense computations and useful lives as a result of this finding. We have implemented procedures to incorporate an additional layer of review with project managers to ensure that useful lives align with the Systems' capitalization policy when an asset is acquired or construction in progress is completed. We also implemented additional controls for routine review of depreciation calculations.

Anticipated Completion Date of Corrective Action:

Management implemented the corrective actions during FY 2021.


Brandon Stubblefield