

Annual Financial Report

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

Year ended June 30, 2018

Morristown Utilities Commission
Annual Financial Report
Board of Commissioners and Management
Year ended June 30, 2018

Board of Commissioners

George B. McGuffin, Chairman

Harold L. Nichols, Secretary

B. Lynn Elkins, Member

Bryan Dickerson, Member

Rod Isaacs, Member

Management

Joseph S. Wigington, General Manager, CEO

Clark H. Rucker, Assistant General Manager, CFO

Michael R. Howard, Water System Manager

Bryan J. Delozier, Power System Manager

George A. Benjamin, Telecommunications Manager

Morristown Utilities Commission

Annual Financial Report

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Report of Independent Auditors

Board of Commissioners
Morristown Utilities Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Power System, Water System, Wastewater System and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee (the City), as of and for the year ended June 30, 2018, 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.

Auditors' 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 auditors' 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 auditors consider 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, 2018, 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, 2018, 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.

Also as discussed in Note 1 to the financial statements, in 2018 the Systems adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 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 Other Supplementary Information, Statistical Section and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, 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 25, 2018
Knoxville, Tennessee

Morristown Utilities Commission
Management's Discussion and Analysis

June 30, 2018

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 Morrilltown Utilities Commission (we, the Commission, or MUC). The Commission is responsible for the operation of four major funds of the City of Morrilltown, Tennessee. These funds are the Power System, the Water System, the Wastewater System and the Broadband System. This discussion and analysis is reported at the Commission level. The financial performance of the Commission is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Statement Overview

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

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

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Financial Position

The primary indicator of financial position is net position. The net position of the Power System, Water System, Wastewater System and Broadband System increased by \$1,860,694, \$388,556, \$1,544,920 and \$1,488,404, respectively, as a result of operations discussed later. Net position also changed due to a prior period restatement as a result of implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75). The prior period restatement caused a decrease in net position for the Power System, Water System, and Wastewater System of \$451,055, \$264,684 and \$47,000, respectively. The prior period restatement caused an increase in net position for the Broadband System of \$62,042. 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, 2018	June 30, 2017
Assets:		
Current and other assets	\$ 43,745,580	\$ 51,625,159
Net capital assets	220,709,453	202,965,872
Total assets	264,455,033	254,591,031
Liabilities:		
Current liabilities	26,525,737	24,827,023
Non-current liabilities	109,097,433	105,538,309
Total liabilities	135,623,170	130,365,332
Deferred inflows of resources	24,287	-
Net position:		
Net investments in capital assets	108,886,942	102,936,049
Unrestricted	19,920,634	21,289,650
Total net position	\$128,807,576	\$124,225,699

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Results of Operations

As indicated in Table 2, operating revenues of the Commission increased by \$1,482,576 or 1.3% from fiscal year 2017 to 2018 primarily as a result of rate increases in Power in October 2017 and Water in January 2018.

Table 2

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

	Year ended June 30	
	2018	2017
Revenues:		
Operating revenues	\$114,301,561	\$112,818,985
Non-operating revenues	170,224	68,257
Total revenues	114,471,785	112,887,242
Expenses:		
Purchased power	62,696,950	62,673,543
Other operating expenses	42,019,265	40,660,461
Interest expense and financing costs	2,836,939	2,842,366
Total expenses	107,553,154	106,176,370
Income before contributions and transfers	6,918,631	6,710,872
Contributions	263,600	230,150
Transfers to the City	(1,899,657)	(1,905,476)
Changes in net position	5,282,574	5,035,546
Beginning net position, as previously reported	124,225,699	119,190,153
Prior period restatement	(700,697)	-
Beginning net position, as restated	123,525,002	119,190,153
Ending net position	\$128,807,576	\$124,225,699

Assets

A major project the Power System has been working on for the last year is new construction in the Merchants Greene multiuse retail area. The Power System has completed lighting and electrical service to prepare for future businesses coming into the area. Construction crews installed both transmission lines and fiber lines at Cedar Creek as part of upgrades of the transmission circuit from that TVA delivery point back into town. In support of the Broadband System, the Power System completed electrical upgrades to the FiberNET NOC. The Power System also began the Architectural and Construction Bidding process for the new Administration building, which is set to open Fall of 2019.

Morristown Utilities Commission

Management's Discussion and Analysis (continued)

Assets (continued)

The Water System completed multiple projects to upgrade the water system at the East Industrial Park, where many top water contributors are located. The Water System constructed a new water tank and pump station, along with upgrading the main water lines that go into the park. The Carbon Contactor filter media at Walters Drive was also replaced to maintain system water quality standards.

The Wastewater System crew has been busy this past year getting the Lowland Treatment Plant into operation. To do that, the Wastewater System completed upgrades to the Treatment Plant to bring it into service. The Wastewater System installed wastewater lines to divert flow from the East Tennessee Progress Center to the new Lowland Treatment Plant. Throughout the year, work continued on new construction projects throughout the Wastewater System in order to meet TDEC orders. These projects should be completed by spring 2019.

The Broadband System worked on multiple projects simultaneously throughout the year. Engineers and crews worked on implementing the new IPTV video platform along with upgrading internet and phone service to create a new FiberNET MAX platform. The Broadband System launched this service in September and are now installing it in customers' homes. The Broadband System is in contract with Newport Utilities to provide them with wholesale services. FiberNET crews have worked alongside Newport personnel to construct, implement, and assist as Newport went live with fiber to the home services. To accommodate the headend infrastructure for these projects, the Broadband System upgraded the Electric and HVAC systems within the NOC to ensure the system was capable of handling the new loads.

Debt

During fiscal year 2018, the Wastewater System drew \$11,665,000 on existing loans for the purpose of extension, construction, improvement and equipping of the Wastewater System. The other Systems did not draw on existing debt or enter into any new loan agreements during the fiscal year.

In October 2018, the City issued \$64,325,000 in General Obligation Bonds, Series 2018 of which \$45,135,000 relates to the Commission. Proceeds of \$4,375,000 will be used by the Power System for renovations to an administrative building. Proceeds of \$10,060,000 were used by the Wastewater System of which a portion refinanced undrawn proceeds on the 2016 Promissory Note. The remaining proceeds of \$3,810,000, \$16,410,000 and \$10,480,000 for the Broadband System, Power System and Wastewater System, respectively, were used to refund debt.

Additional information on the Commission's long-term debt can be found in the notes to the financial statements included in this annual financial report.

Morristown Utilities Commission
Management's Discussion and Analysis (continued)

Requests for Information

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

Morristown Utilities Commission

Balance Sheet

Year ended June 30, 2018

	Power System	Water System	Wastewater System	Broadband System
Assets				
Current assets:				
Cash and cash equivalents	\$ 11,428,663	\$ 3,053,849	\$ 9,116,748	\$ 1,687,145
Accounts receivable:				
Trade, net of allowance for doubtful accounts of \$288,242	8,762,691	-	-	-
Due from other funds	1,076,375	30,338	-	-
Due from others	462,134	13,417	103,377	39,345
Accrual for unbilled revenue	1,839,471	226,752	667,683	-
Other current assets	-	8,637	19,295	145,569
Materials and supplies inventories	1,304,340	348,423	241,595	-
Total current assets	<u>24,873,674</u>	<u>3,681,416</u>	<u>10,148,698</u>	<u>1,872,059</u>
Restricted assets:				
Cash and cash equivalents	-	58,900	728,870	-
Capital assets:				
Plant and equipment in service	120,715,542	69,566,392	141,685,917	15,017,709
Less accumulated depreciation	<u>59,718,672</u>	<u>31,717,758</u>	<u>57,813,131</u>	<u>6,544,903</u>
	60,996,870	37,848,634	83,872,786	8,472,806
Construction in progress	<u>3,002,646</u>	<u>2,724,797</u>	<u>20,268,921</u>	<u>3,521,993</u>
Net capital assets	63,999,516	40,573,431	104,141,707	11,994,799
Due from other funds	2,112,203	-	-	-
Plant acquisition adjustments, net of accumulated amortization	92,414	-	-	-
Other assets	174,662	-	2,684	-
Total assets	<u><u>\$ 91,252,469</u></u>	<u><u>\$ 44,313,747</u></u>	<u><u>\$ 115,021,959</u></u>	<u><u>\$ 13,866,858</u></u>

Morristown Utilities Commission

Balance Sheet (continued)

Year ended June 30, 2018

	Power System	Water System	Wastewater System	Broadband System
Liabilities, deferred inflows of resources and net position				
Current liabilities:				
Accounts payable:				
Trade	\$ 6,655,803	\$ 313,814	\$ 2,597,632	\$ 339,613
Due to other funds	-	-	61,016	1,045,697
City of Morristown	218,222	-	-	-
Unearned revenues	-	-	-	259,656
Customer deposits	4,285,231	-	-	118,800
Accrued payroll related liabilities	1,393,947	410,749	201,273	180,103
Other accrued liabilities	384,908	37,832	450,200	140,341
Current portion of capital lease obligation	-	-	-	10,282
Current portion of contractual obligation	-	-	96,549	-
Current portion of long-term debt	896,879	962,275	4,811,794	653,121
Total current liabilities	13,834,990	1,724,670	8,218,464	2,747,613
Total other postemployment benefits liability	1,101,624	419,030	100,055	185,135
Due to other funds	-	-	-	2,112,203
Contractual obligation, less current portion	-	-	2,037,981	-
Long-term debt, less current portion	15,400,293	9,833,013	72,309,054	5,599,045
Total liabilities	30,336,907	11,976,713	82,665,554	10,643,996
Deferred inflows of resources:				
Other postemployment benefits	14,038	5,548	1,890	2,811
Total deferred inflows of resources	14,038	5,548	1,890	2,811
Net position:				
Net investment in capital assets	47,702,344	29,837,043	25,615,199	5,732,356
Unrestricted (deficit)	13,199,180	2,494,443	6,739,316	(2,512,305)
Total net position	60,901,524	32,331,486	32,354,515	3,220,051
Total liabilities, deferred inflows of resources and net position	\$ 91,252,469	\$ 44,313,747	\$ 115,021,959	\$ 13,866,858

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2018

	Power System	Water System	Wastewater System	Broadband System
Operating revenues:				
Metered sales	\$ 78,262,760	\$ 7,005,669	\$ 14,128,788	\$ -
Broadband sales	-	-	-	8,360,510
Interfund services provided	1,260,322	518,723	9,132	1,767,600
Other operating revenues	1,573,883	28,986	1,252,969	132,219
Total operating revenues	81,096,965	7,553,378	15,390,889	10,260,329
Operating expenses:				
Power purchased	62,696,950	-	-	-
Operations	5,363,763	4,175,419	5,253,552	6,367,804
Maintenance	2,622,173	680,709	1,190,344	412,377
Interfund services used	1,446,055	452,533	537,747	1,119,442
Depreciation and amortization	5,200,118	1,671,278	4,429,897	691,538
Taxes	375,016	-	-	29,500
Total operating expenses	77,704,075	6,979,939	11,411,540	8,620,661
Operating income	3,392,890	573,439	3,979,349	1,639,668
Other income (expense):				
Interest income	95,895	26,186	47,022	1,121
Financing cost	-	-	(86,196)	(27,551)
Interest expense	(336,369)	(264,049)	(1,997,940)	(124,834)
Net other expense	(240,474)	(237,863)	(2,037,114)	(151,264)
Income before contributions and transfers	3,152,416	335,576	1,942,235	1,488,404
Contributions	-	89,100	174,500	-
Transfers out (tax equivalent payments to City of Morristown)	(1,291,722)	(36,120)	(571,815)	-
Changes in net position	1,860,694	388,556	1,544,920	1,488,404
Net position at beginning of year, as previously reported	59,491,885	32,207,614	30,856,595	1,669,605
Prior period restatement	(451,055)	(264,684)	(47,000)	62,042
Net position at beginning of year, as restated	59,040,830	31,942,930	30,809,595	1,731,647
Net position at end of year	\$ 60,901,524	\$ 32,331,486	\$ 32,354,515	\$ 3,220,051

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Statement of Cash Flows

Year ended June 30, 2018

	Power System	Water System	Wastewater System	Broadband System
Cash flows from operating activities				
Cash received from customers	\$ 78,606,056	\$ 7,536,446	\$ 15,407,214	\$ 10,244,928
Cash received from City of Morristown, Tennessee	1,616,901	-	-	-
Cash paid to suppliers and vendors	(65,871,425)	(3,352,776)	(5,936,218)	(6,312,928)
Cash paid to employees for services	(6,477,163)	(1,659,101)	(1,684,552)	(1,572,554)
Net cash flows from operating activities	<u>7,874,369</u>	<u>2,524,569</u>	<u>7,786,444</u>	<u>2,359,446</u>
Cash flows from noncapital financing activities				
Transfers to City of Morristown (tax equivalent payments)	(1,282,279)	(36,120)	(571,815)	-
Net interfund advances (repayments)	833,694	(141,043)	(236,405)	(456,246)
Net cash flows from noncapital financing activities	<u>(448,585)</u>	<u>(177,163)</u>	<u>(808,220)</u>	<u>(456,246)</u>
Cash flows from capital and related financing activities				
Principal payments on capital lease obligation	-	-	-	(17,851)
Net additions to capital assets	(6,636,914)	(3,318,917)	(15,798,932)	(2,522,336)
Contributions	-	89,100	174,500	-
Principal payments on long-term debt and contractual obligation	(1,173,375)	(964,383)	(4,878,929)	(634,771)
Interest paid on long-term debt	(336,369)	(264,049)	(1,997,940)	(124,834)
Financing costs paid on long-term debt	-	-	(86,196)	(27,551)
Proceeds from long-term borrowings	-	-	11,665,000	-
Net cash flows from capital and related financing activities	<u>(8,146,658)</u>	<u>(4,458,249)</u>	<u>(10,922,497)</u>	<u>(3,327,343)</u>
Cash flows from investing activities				
Interest received on cash and cash equivalents	95,895	26,186	47,022	1,121
Decrease in cash and cash equivalents	(624,979)	(2,084,657)	(3,897,251)	(1,423,022)
Cash and cash equivalents at beginning of year	12,053,642	5,197,406	13,742,869	3,110,167
Cash and cash equivalents at end of year	<u>\$ 11,428,663</u>	<u>\$ 3,112,749</u>	<u>\$ 9,845,618</u>	<u>\$ 1,687,145</u>
Cash and cash equivalents are classified as:				
Current assets	\$ 11,428,663	\$ 3,053,849	\$ 9,116,748	\$ 1,687,145
Restricted assets	-	58,900	728,870	-
Total cash and cash equivalents at end of year	<u>\$ 11,428,663</u>	<u>\$ 3,112,749</u>	<u>\$ 9,845,618</u>	<u>\$ 1,687,145</u>

Morristown Utilities Commission
Statement of Cash Flows (continued)
Year ended June 30, 2018

	Power System	Water System	Wastewater System	Broadband System
Reconciliation of operating income to net cash flows from operating activities				
Operating income	\$ 3,392,890	\$ 573,439	\$ 3,979,349	\$ 1,639,668
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	5,216,710	1,724,725	4,547,644	750,263
Changes in operating assets and liabilities:				
Accounts receivable	(849,740)	(10,368)	(1,226)	(30,068)
Accrual for unbilled revenues	(18,842)	(6,564)	17,551	-
Materials and supplies inventories	(201,052)	33,212	18,039	-
Other assets	4,347	2,181	5,447	20,782
Trade accounts payable	261,431	182,703	(837,348)	1,792
Customer deposits and prepayments	(9,773)	-	-	12,300
Other liabilities	(2,384)	6,441	24,837	(65,713)
Total other postemployment benefits liability	66,744	13,252	30,261	27,611
Deferred inflows of resources	14,038	5,548	1,890	2,811
Net cash flows from operating activities	<u>\$ 7,874,369</u>	<u>\$ 2,524,569</u>	<u>\$ 7,786,444</u>	<u>\$ 2,359,446</u>
Noncash disclosure:				
Acquisition of capital assets	\$ -	\$ -	\$ 1,643,209	\$ -

See accompanying Notes to Financial Statements.

Morristown Utilities Commission

Notes to Financial Statements

June 30, 2018

1. Significant Accounting Policies

General

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

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

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

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Measurement Focus

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

Fiscal Year-End

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

Deposits and Investments

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

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

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

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

Restricted Assets

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Material and Supplies Inventories

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

Income Taxes

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

Capital Assets

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

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

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

Plant Acquisition Adjustments

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Compensated Absences

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

Interest on Indebtedness

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

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.

Reclassifications

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

Subsequent Events

In preparation of the accompanying financial statements, management has evaluated events and transactions that have occurred since the balance sheet date through October 25, 2018, the date these financial statements were available for issuance.

Recently Adopted Pronouncements

In June 2015, the GASB issued GASB Statement No. 75 that addresses accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This standard was adopted in 2018 and resulted in a restatement of beginning net position of \$(451,055), \$(264,684), \$(47,000) and \$62,042 for the Power, Water, Wastewater and Broadband Systems, respectively. This caused an increase in the total OPEB liability for the Power, Water and Wastewater Systems and a decrease in the total OPEB liability for the Broadband System.

Morristown Utilities Commission
Notes to Financial Statements (continued)

2. Deposits and Investments

All of the Systems' deposits, as of June 30, 2018, are covered by the bank collateral pool administered by the State Treasurer. Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized.

As of June 30, 2018, the Water System and Wastewater System have restricted cash and cash equivalents totaling \$58,900 and \$728,870, respectively. The restricted assets consist of construction retainage in escrow and unspent bond proceeds described in Note 6.

3. Power Contract

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

4. Retirement Plan

The Systems share in a defined contribution retirement plan, Morristown Utilities 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	\$6,477,368	\$6,036,752	\$893,135	15%	\$391,543	6%
Water	1,665,933	1,628,461	241,677	15%	101,077	6%
Wastewater	1,692,847	1,639,469	242,825	15%	122,477	7%
Broadband	1,603,631	1,483,120	222,066	15%	65,876	4%

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 2018, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed six months of service as defined by the Retirement Plan and who have attained the age of 21 are eligible to participate in the Retirement Plan. Participants are 100% vested in the employer contributions when they are made.

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, 2017	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,010,932	\$ –	\$ –	\$ 1,010,932
Construction in progress	474,989	6,740,085	4,212,428	3,002,646
Total capital assets not being depreciated	1,485,921	6,740,085	4,212,428	4,013,578
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,663,232	–	–	8,663,232
Distribution transformers, meters, fixtures and devices	64,640,231	2,271,013	412,134	66,499,110
Buildings and improvements	6,837,435	561,792	71,800	7,327,427
Furniture, fixtures and equipment	35,902,453	1,376,364	63,976	37,214,841
Total capital assets being depreciated	116,043,351	4,209,169	547,910	119,704,610
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	6,065,840	237,826	–	6,303,666
Distribution transformers, meters fixtures and devices	26,667,569	2,507,838	366,563	28,808,844
Buildings and improvements	1,981,415	126,781	18,787	2,089,409
Furniture, fixtures and equipment	20,297,751	2,281,650	62,648	22,516,753
Total accumulated depreciation	55,012,575	5,154,095	447,998	59,718,672
Net capital assets being depreciated	61,030,776	(944,926)	99,912	59,985,938
Net capital assets	\$ 62,516,697	\$5,795,159	\$4,312,340	\$ 63,999,516

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, 2017	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 400,600	\$ –	\$ –	\$ 400,600
Construction in progress	1,332,175	3,733,828	2,341,206	2,724,797
Total capital assets not being depreciated	1,732,775	3,733,828	2,341,206	3,125,397
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	7,994,905	43,902	–	8,038,807
Distribution meters, fixtures and devices	40,791,417	487,018	85,469	41,192,966
Buildings and improvements	16,256,862	1,432,747	–	17,689,609
Furniture, fixtures and equipment	2,245,727	97,583	98,900	2,244,410
Total capital assets being depreciated	67,288,911	2,061,250	184,369	69,165,792
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	4,721,052	301,599	–	5,022,651
Distribution meters, fixtures and devices	17,785,980	1,044,526	29,769	18,800,737
Buildings and improvements	5,640,135	329,811	–	5,969,946
Furniture, fixtures and equipment	1,895,280	48,789	19,645	1,924,424
Total accumulated depreciation	30,042,447	1,724,725	49,414	31,717,758
Net capital assets being depreciated	37,246,464	336,525	134,955	37,448,034
Net capital assets	<u>\$38,979,239</u>	<u>\$4,070,353</u>	<u>\$2,476,161</u>	<u>\$40,573,431</u>

Morristown Utilities Commission

Notes to Financial Statements (continued)

5. Capital Assets (continued)

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

	Balance July 1, 2017	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,195,234	\$ –	\$ –	\$ 1,195,234
Construction in progress	9,710,288	17,455,659	6,897,026	20,268,921
Total capital assets not being depreciated	10,905,522	17,455,659	6,897,026	21,464,155
Capital assets being depreciated:				
Collection facilities, fixtures and devices	72,215,260	3,513,795	40,674	75,688,381
Treatment facilities, fixtures and devices	52,306,396	680,984	–	52,987,380
Pumping facilities, fixtures and devices	4,900,753	180,753	–	5,081,506
Buildings and improvements	–	2,339,211	–	2,339,211
General facilities, fixtures and devices	4,267,272	178,352	51,419	4,394,205
Total capital assets being depreciated	133,689,681	6,893,095	92,093	140,490,683
Less accumulated depreciation:				
Collection facilities, fixtures and devices	28,758,457	1,857,423	40,569	30,575,311
Treatment facilities, fixtures and devices	19,440,248	1,423,064	–	20,863,312
Pumping facilities, fixtures and devices	2,458,885	800,508	–	3,259,393
Buildings and improvements	–	18,787	–	18,787
General facilities, fixtures and devices	2,690,403	447,862	41,937	3,096,328
Total accumulated depreciation	53,347,993	4,547,644	82,506	57,813,131
Net capital assets being depreciated	80,341,688	2,345,451	9,587	82,677,552
Net capital assets	\$91,247,210	\$19,801,110	\$6,906,613	\$104,141,707

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, 2017	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2018
Capital assets not being depreciated-construction in progress	\$ 2,306,084	\$2,515,136	\$1,299,227	\$ 3,521,993
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	4,599,992	649,016	9,464	5,239,544
Distribution fixtures and devices	8,339,819	514,527	54,466	8,799,880
Furniture, fixtures and equipment	876,203	142,884	40,802	978,285
Total capital assets being depreciated	13,816,014	1,306,427	104,732	15,017,709
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	1,095,833	227,152	9,464	1,313,521
Distribution fixtures and devices	3,978,623	442,478	54,466	4,366,635
Furniture, fixtures and equipment	824,916	80,633	40,802	864,747
Total accumulated depreciation	5,899,372	750,263	104,732	6,544,903
Net capital assets being depreciated	7,916,642	556,164	-	8,472,806
 Net capital assets	 \$10,222,726	 \$3,071,300	 \$1,299,227	 \$11,994,799

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
\$16,592	\$53,447	\$117,747	\$58,725

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities

The following is a summary of long-term liabilities:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Power System:				
2003 Promissory Note	\$ 250,000	\$ -	\$ 250,000	\$ -
2008 Promissory Note	12,601,063	-	449,229	12,151,834
2013 Promissory Note	4,554,338	-	409,000	4,145,338
	<u>17,405,401</u>	<u>\$ -</u>	<u>1,108,229</u>	<u>16,297,172</u>
Less current portion	1,108,229			896,879
Long-term portion	<u>\$16,297,172</u>			<u>\$15,400,293</u>
Water System:				
2002 DWSRF Promissory Note	\$ 5,364,395	\$ -	\$ 572,243	\$ 4,792,152
2009 Promissory Note	5,435,000	-	340,000	5,095,000
2011 DWSRF Promissory Note	960,276	-	52,140	908,136
	<u>11,759,671</u>	<u>\$ -</u>	<u>\$ 964,383</u>	<u>10,795,288</u>
Less current portion	936,403			962,275
Long-term portion	<u>\$10,823,268</u>			<u>\$ 9,833,013</u>
Wastewater System:				
2008 – 50518 Promissory Note	\$ 2,666,000	\$ -	\$ 187,500	\$ 2,478,500
2008 – 50532 Promissory Note	7,198,736	-	506,832	6,691,904
2008 – 50536 Promissory Note	1,186,500	-	84,000	1,102,500
2008 – 50545 Promissory Note	1,216,380	-	76,380	1,140,000
2007 CWSRF Promissory Note	7,638,424	-	453,600	7,184,824
2009 CWSRF Promissory Note	1,052,263	-	56,028	996,235
2013 CWSRF Promissory Note	4,729,757	-	219,900	4,509,857
2012 General Obligation Bonds	21,653,850	-	1,086,116	20,567,734
2009 Promissory Note	1,505,771	-	64,855	1,440,916
2013 Promissory Note	17,000,000	-	1,000,000	16,000,000
2015 Promissory Note	3,275,000	6,665,000	393,000	9,547,000
2016 Promissory Note	90,000	5,000,000	601,000	4,489,000
Contractual Obligation	2,230,902	-	96,372	2,134,530
	<u>71,443,583</u>	<u>11,665,000</u>	<u>4,825,583</u>	<u>78,283,000</u>
Unamortized bond premium	1,025,724	-	53,346	972,378
	<u>72,469,307</u>	<u>\$11,665,000</u>	<u>\$4,878,929</u>	<u>79,255,378</u>
Less current portion	4,310,885			4,908,343
Long-term portion	<u>\$68,158,422</u>			<u>\$74,347,035</u>

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Broadband System:				
2008 Promissory Note	\$ 4,088,937	\$ -	\$ 145,771	\$3,943,166
Interfund loan from the Power System	3,416,498	-	660,000	2,756,498
2014 Promissory Note	798,000	-	105,000	693,000
2016 Promissory Note	2,000,000	-	384,000	1,616,000
	<u>10,303,435</u>	<u>\$ -</u>	<u>\$1,294,771</u>	<u>9,008,664</u>
Less current portion	1,125,077			1,297,416
Long-term portion	<u>\$ 9,178,358</u>			<u>\$7,711,248</u>

Power System

The City has an outstanding promissory note (2008 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee, in the original principal amount of \$20,115,000 of which 75.5% is attributed to the Power System. Interest is payable monthly at variable rates (1.51% as of June 30, 2018) as determined by the Remarketing Agent for the securities. In its sole discretion, the Remarketing Agent resets the minimum rate of interest that is necessary to remarket all of the outstanding bonds at par plus accrued interest if settled on a non-interest payment date, based on market conditions. Many factors are considered when determining the interest rates, and there is no standard formula used to determine them. Principal is payable by the Power System in annual installments ranging between \$471,875 and \$1,026,800 through May 2035. The City has allocated the responsibility of the 2008 Promissory Note between the Power System and the Broadband System based upon their proportionate assets acquired with proceeds from the note.

The City has a loan agreement (2013 Promissory Note) with the Public Building Authority of the City of Clarksville in a principal amount not to exceed \$7,000,000. As of June 30, 2018, \$6,039,438 has been drawn on the loan and payments of \$1,894,100 have been made. Interest is payable monthly at variable rates (1.27% as of June 30, 2018) as determined by the Trustee. Principal is payable annually in varying amounts ranging from \$425,000 in 2019 to \$605,000 in 2028 (if fully drawn).

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$4,375,000 is attributed to the Power System for renovations to an administrative building. An additional \$16,410,000 of the proceeds were used for a current refunding of the 2008 Promissory Note and 2013 Promissory Note, including \$960,562 in previously undrawn funds on the 2013 Promissory Note. The bonds attributed to the Power System were issued at a premium of \$1,148,541. The underwriters discount was \$205,143 with an additional \$94,330 in other issuance costs. The interest rate ranges from 3% to 5% with maturity in 2038. The intent of the refunding is to convert the variable interest rate to a fixed rate.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Power System (continued)

Future debt service requirements of Power System long-term debt as of June 30, 2018, are as follows:

	Interest	Principal	Total Requirements
2019	\$ 236,587	\$ 896,879	\$ 1,133,466
2020	224,100	936,529	1,160,629
2021	211,055	977,180	1,188,235
2022	197,442	1,021,605	1,219,047
2023	183,201	1,068,030	1,251,231
2024-2028	682,725	5,156,818	5,839,543
2029-2033	351,921	4,235,588	4,587,509
2034-2035	46,091	2,004,543	2,050,634
Total	\$2,133,122	\$16,297,172	\$18,430,294

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 \$10.5 million for the purpose of expanding an existing water treatment facility of the Water System. The Water System drew a total of \$10,492,582 before closing out the project during 2007. Interest is payable monthly at an annual percentage rate of 2.61% on the outstanding balance. Principal is payable monthly in varying amounts from \$45,999 in July 2018 to \$55,815 in April 2026. The note is payable from revenues derived from the operations of the Water System.

The City has an outstanding loan agreement (2009 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$7,500,000. Proceeds from the loan agreement were used for various capital projects of the Water System. Interest is payable quarterly at a fixed rate of 2.52%. Principal is payable in varying amounts from \$350,000 in December 2018 to \$505,000 in December 2029.

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 \$4,412 in July 2018 to \$6,382 in June 2032. The note is payable from revenues derived from operations of the Water System.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Water System (continued)

The future debt service requirements on Water System long-term debt as of June 30, 2018, are as follows:

	Interest	Principal	Total Requirements
2019	\$ 268,177	\$ 962,275	\$ 1,230,452
2020	242,937	988,569	1,231,506
2021	216,948	1,020,297	1,237,245
2022	190,137	1,052,469	1,242,606
2023	162,552	1,080,100	1,242,652
2024-2028	408,749	4,399,611	4,808,360
2029-2032	42,731	1,291,967	1,334,698
Total	\$1,532,231	\$10,795,288	\$12,327,519

Wastewater System

The City has an outstanding loan agreement (2008 - 50518 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$8,000,000 of which 50% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the construction and equipping of extensions and improvements to the Wastewater System and refunding of prior debt. Interest is payable monthly at variable rates (1.51% as of June 30, 2018) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$197,000 in May 2019 to \$305,500 in May 2028.

The City has an outstanding loan agreement (2008 - 50532 Promissory Note) with the Public Building Authority of the County of Montgomery, Tennessee in the original principal amount of \$20,000,000 of which 53.98% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of prepaying outstanding indebtedness. Interest is payable monthly at variable rates (1.51% as of June 30, 2018) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$532,200 in May 2019 to \$825,289 in May 2028.

The City has an outstanding loan agreement (2008 - 50536 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$5,035,000 of which 35% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of prepaying outstanding indebtedness. Interest is payable monthly at variable rates (1.51% as of June 30, 2018) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$87,500 in May 2019 to \$136,500 in May 2028.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The City has an outstanding loan agreement (2008 - 50545 Promissory Note) with the Public Building Authority of the City of Clarksville in the original principal amount of \$3,000,000 of which 57% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the installation of energy conservation measures and related upgrades to reduce energy costs in public facilities. Interest is payable monthly at variable rates (1.51% as of June 30, 2018) as determined by the Remarketing Agent. Principal is payable annually in varying amounts from \$80,370 in May 2019 to \$130,530 in May 2029.

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 \$38,586 in July 2018 to \$50,476 in January 2032. The note is payable from revenues derived from the operations of the System.

The City has a revolving fund loan agreement (2009 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount up to \$1,600,000 for the purpose of rehabilitation and site work at various pump stations. The City drew a total of \$1,287,983 before closing out the project during 2014. Interest is payable monthly at a fixed rate of 2.73% on the outstanding balance. Principal is payable monthly in varying amounts from \$4,798 in July 2018 to \$7,102 in October 2032. The note is payable from revenues derived from the operations of the System.

The City has a revolving fund loan agreement (2013 CWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority for the repayment of a principal amount of \$5,000,000 for the purpose of rehabilitation and site work at the wastewater treatment plant. Interest is payable monthly at a fixed rate of 1.51% on the outstanding balance. Principal is also payable monthly in varying amounts from \$18,603 in July 2018 to \$24,241 in March 2036. The note is payable from revenues derived from the operations of the 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 2018 to \$1,076,337 in October 2036. Interest is payable semi-annually at rates ranging between 3% and 4%. The bonds are subject to redemption at the direction of the City prior to maturity. The bonds mature on October 1, 2022, and thereafter are subject to redemption as a whole or in part at any time at the direction of the City. The bonds are payable from and secured by income and revenues from the operation of the Wastewater System.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

The City has an outstanding loan agreement (2009 - Promissory Note) between the Public Building Authority of the City of Clarksville and First Tennessee Bank in the original principal amount of \$5,000,000 of which 38.15% is attributed to the Wastewater System. Proceeds from the loan agreement were used for the purpose of prepaying outstanding indebtedness and construction, extension, renovation and improvement of the Wastewater System, including the acquisition of certain equipment. Interest is payable quarterly at a fixed rate of 2.91%. Principal is payable annually in varying amounts from \$66,763 in December 2018 to \$105,669 in December 2034.

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

During 2016, the City entered into a loan agreement (2015 Promissory Note) with the Public Building Authority of the City of Clarksville in the principal amount not to exceed \$10,000,000. The loan was fully drawn in 2018. Proceeds from the loan agreement are being used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at a fixed rate of 2.74%. Principal is payable annually in varying amounts from \$403,000 in August 2018 to \$961,000 in August 2035.

During 2017, the City entered into a loan agreement (2016 Promissory Note) with the Public Building Authority of the City of Clarksville in the principal amount not to exceed \$15,000,000. As of June 30, 2018, \$5,090,000 has been drawn on the loan. Proceeds from the loan agreement are being used for the extension, construction, improvement and equipping of the Wastewater System. Interest is payable semiannually at fixed rate of 2.27%. Principal is payable annually in varying amounts from \$615,000 in December 2018 to \$921,000 in December 2036 (if fully drawn).

In October 2018, the City issued General Obligation Bonds, Series 2018, of which \$10,060,000 is attributed to the Wastewater System, including \$9,910,000 to replace previously undrawn loan proceeds on the 2016 Promissory Note. An additional \$10,480,000 in proceeds were used for a current refunding of the 2008 – 50518 Promissory Note, the 2008 – 50532 Promissory Note, the 2008 – 50536 Promissory Note and the 2008 – 50545 Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,135,003. The underwriters discount was \$202,725 with an additional \$93,218 in other issuance costs. The interest rate ranges from 3% to 5% with maturity in 2037. The intent of the refunding is to convert the variable interest rate to a fixed rate.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Wastewater System (continued)

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

The future debt service requirements on Wastewater long-term debt as of June 30, 2018, are as follows:

	Bonds		Promissory Notes		Total Requirements
	Interest	Principal	Interest	Principal	
2019	\$ 670,176	\$ 1,086,117	\$ 1,393,217	\$ 3,725,677	\$ 6,875,187
2020	637,592	1,086,117	1,301,094	3,811,888	6,836,691
2021	605,009	1,086,117	1,205,917	3,901,769	6,798,812
2022	572,425	1,086,117	1,109,733	3,993,349	6,761,624
2023	539,842	1,086,117	1,011,775	4,090,231	6,727,965
2024-2028	2,123,567	5,430,585	3,613,357	19,709,945	30,877,454
2029-2033	1,131,110	5,397,037	1,490,945	12,171,340	20,190,432
2034-2037	289,235	4,309,527	134,432	4,176,537	8,909,731
Total	<u>\$6,568,956</u>	<u>\$20,567,734</u>	<u>\$11,260,470</u>	<u>\$55,580,736</u>	<u>\$93,977,896</u>

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 (\$2,134,530 outstanding as of June 30, 2018) is payable monthly at \$15,208, which includes interest at the imputed rate of 4.10%. Flow fees in excess of \$15,208, if any, will be charged to expense as incurred.

Broadband System

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

During 2014, the City entered into a loan agreement (2014 Promissory Note) with First Tennessee Bank in the principal amount of \$1,000,000. Proceeds from the loan agreement were used for the purchase, installation integration and bringing into operational status a phone switch. Interest is payable semi-annually at a fixed rate of 2.59%. Principal is payable annually in varying amounts from \$108,000 in June 2019 to \$123,000 in June 2024.

Morristown Utilities Commission
Notes to Financial Statements (continued)

6. Long-Term Liabilities (continued)

Broadband System (continued)

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 are for the purpose of improving the telecommunications system. Interest is payable semi-annually at a fixed rate of 2.00%. Principal is payable annually in varying amounts from \$392,000 in December 2018 to \$416,000 in December 2021.

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 the 2008 Promissory Note. The bonds attributed to the Broadband System were issued at a premium of \$210,534. The underwriters discount was \$37,604 with an additional \$17,291 in other issuance costs. The interest rate ranges from 3% to 5% with maturity in 2035. The intent of the refunding is to convert the variable interest rate to a fixed rate.

Future debt service requirements on Broadband System long-term debt (including its interfund note payable) as of June 30, 2018, are as follows:

	Interest	Principal	Total Requirements
2019	\$111,059	\$1,297,416	\$1,408,475
2020	96,362	1,317,378	1,413,740
2021	81,311	1,337,344	1,418,655
2022	65,907	1,358,540	1,424,447
2023	54,766	474,597	529,363
2024-2028	206,176	1,198,520	1,404,696
2029-2033	114,194	1,374,412	1,488,606
2034-2035	14,957	650,457	665,414
Total	\$744,732	\$9,008,664	\$9,753,396

7. Leases

The Broadband System leases certain equipment with an original cost of \$98,112, under a capital lease agreement expiring in 2019. Amortization of the asset is included with depreciation expense in the accompanying financial statements. Accumulated amortization totals \$86,497 as of June 30, 2018.

Future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments, are as follows in 2019:

Total future minimum lease payments	\$12,352
Less amounts representing interest	2,070
Present value of future minimum lease payments (classified as current)	\$10,282

Morristown Utilities Commission
Notes to Financial Statements (continued)

8. Tennessee Valley Authority Home Insulation Program

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

9. Concentration of Credit Risk

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

10. Related Party and Interfund Activities

As described in Note 1, the Commission is an administrative unit of the City. The Systems provide electrical, water, wastewater and broadband service to the City, which generated revenues of approximately \$1,382,000 in 2018. The Electric System also bills and collects stormwater and garbage fees for the City. Administrative charges for these services were approximately \$235,000 in 2018. Payment is due within approximately 30 days of the billing.

Interfund receivables and payables consist of the following as of June 30, 2018:

Power System	
Interfund loan to Broadband System (including \$644,295 classified as current)	\$2,756,498
Due from Broadband System	401,402
Due to Water System	(30,338)
Due from Wastewater System	61,016
Total interfund receivable	<u>\$3,188,578</u>
 Water System	
Due from Power System	<u>\$ 30,338</u>
Total interfund receivable	<u>\$ 30,338</u>
 Wastewater System	
Due to Power System	<u>\$ (61,016)</u>
Total interfund payable	<u>\$ (61,016)</u>
 Broadband System	
Interfund loan from Power System, (including \$644,295 classified as current)	\$(2,756,498)
Due to Power System	(401,402)
Total interfund payable	<u>\$(3,157,900)</u>

Morristown Utilities Commission

Notes to Financial Statements (continued)

10. Related Party and Interfund Activities (continued)

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 \$8,777 in 2018. 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.

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

	<u>Services Provided</u>	<u>Services Used</u>
Power	\$1,260,322	\$1,446,055
Water	518,723	452,533
Wastewater	9,132	537,747
Broadband	<u>1,767,600</u>	<u>1,119,442</u>
Total	<u>\$3,555,777</u>	<u>\$3,555,777</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 are \$1,291,722 for the Power System, \$36,120 for the Water System and \$571,815 for the Wastewater System.

11. Post-Employment Benefits

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Plan Description

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

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

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

	Actives	Inactives Receiving Benefits	Total
Male	126	3	129
Female	32	–	32
Total	158	3	161

Total OPEB Liability

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

	Power System	Water System	Wastewater System	Broadband System
Total OPEB liability	\$1,101,624	\$419,030	\$100,055	\$185,135

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Changes in Total OPEB Liability

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

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

Actuarial Methods and Assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water, Wastewater and Broadband Systems. A discount rate of 3.87% was used for the year ending June 30, 2018, based on the Bond Buyer's 20 Bond Index. A discount rate of 3.58% was used for the year ending June 30, 2017. The mortality rates are from the RP-2000 Combined Fully Generational Mortality Table with projection scale AA.

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

It was also 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:

Year	Medical Rates	Dental Rates
2017	9%	5%
2018	8%	5%
2019	7%	5%
2020	6%	5%
2021	5%	5%

It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement. It was also assumed that 10% of the male and 10% of the female employees who elect retiree health coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used. It was assumed that 80% of adults are non-smokers and 20% are smokers.

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

Sensitivity of the Total OPEB Liability

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

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

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

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

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

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

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

Morristown Utilities Commission
Notes to Financial Statements (continued)

11. Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

12. Risk Management

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

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

Morristown Utilities Commission

Required Supplementary Information

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

June 30, 2018

	<u>2018</u>
Changes for the year:	
Service cost	\$ 159,163
Interest	64,374
Changes in assumptions and other inputs	(27,201)
Benefit payments	<u>(58,468)</u>
Net changes for the year	137,868
Total OPEB liability at beginning of year	<u>1,667,976</u>
Total OPEB liability at end of year	<u>\$ 1,805,844</u>
Covered employee payroll	2,515,082
Total OPEB liability as a percentage of covered employee payroll	72%

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

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

This schedule 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, 2018

Year Ending June 30	2008 Promissory Note		2013 Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 471,879	\$ 184,769	\$ 425,000	\$ 51,818	\$ 896,879	\$ 236,587
2020	494,529	177,595	442,000	46,505	936,529	224,100
2021	517,180	170,075	460,000	40,980	977,180	211,055
2022	543,605	162,212	478,000	35,230	1,021,605	197,442
2023	570,030	153,946	498,000	29,255	1,068,030	183,201
2024	600,230	145,279	518,000	23,030	1,118,230	168,309
2025	630,431	136,152	538,000	16,555	1,168,431	152,707
2026	660,631	126,567	560,000	9,830	1,220,631	136,397
2027	694,606	116,522	226,338	2,830	920,944	119,352
2028	728,582	105,960	-	-	728,582	105,960
2029	766,332	94,882	-	-	766,332	94,882
2030	804,082	83,230	-	-	804,082	83,230
2031	845,608	71,004	-	-	845,608	71,004
2032	887,133	58,147	-	-	887,133	58,147
2033	932,433	44,658	-	-	932,433	44,658
2034	977,734	30,479	-	-	977,734	30,479
2035	1,026,809	15,612	-	-	1,026,809	15,612
	\$ 12,151,834	\$ 1,877,089	\$ 4,145,338	\$ 256,033	\$ 16,297,172	\$ 2,133,122

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30	2002 DWSRF Promissory Note		2009 Promissory Note		2011 DWSRF Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 558,635	\$ 119,185	\$ 350,000	\$ 123,984	\$ 53,640	\$ 25,008	\$ 962,275	\$ 268,177
2020	573,391	104,429	360,000	115,038	55,178	23,470	988,569	242,937
2021	588,537	89,283	375,000	105,777	56,760	21,888	1,020,297	216,948
2022	604,082	73,738	390,000	96,138	58,387	20,261	1,052,469	190,137
2023	620,039	57,781	400,000	86,184	60,061	18,587	1,080,100	162,552
2024	636,417	41,403	415,000	75,915	61,783	16,865	1,113,200	134,183
2025	653,228	24,592	430,000	65,268	63,554	15,094	1,146,782	104,954
2026	557,823	7,332	445,000	54,243	65,376	13,272	1,068,199	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	-	-	-	-	77,302	1,189	77,302	1,189
	\$ 4,792,152	\$ 517,743	\$ 5,095,000	\$ 821,709	\$ 908,136	\$ 192,779	\$ 10,795,288	\$ 1,532,231

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30	2008-50518 Promissory Note		2008-50532 Promissory Note		2008-50536 Promissory Note		2008-50545 Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 197,000	\$ 37,425	\$ 532,200	\$ 101,048	\$ 87,500	\$ 16,648	\$ 80,370	\$ 17,214
2020	207,000	34,451	558,648	93,012	92,750	15,327	84,360	16,000
2021	217,500	31,325	586,716	84,576	96,250	13,926	88,350	14,727
2022	228,000	28,041	615,862	75,717	101,500	12,473	92,910	13,392
2023	239,500	24,598	646,629	66,417	106,750	10,940	97,470	11,990
2024	251,500	20,981	679,014	56,653	112,000	9,328	102,600	10,518
2025	264,000	17,184	713,018	46,400	117,250	7,637	107,730	8,968
2026	277,500	13,197	748,643	35,633	122,500	5,866	112,860	7,342
2027	291,000	9,007	785,885	24,329	129,500	4,017	118,560	5,638
2028	305,500	4,613	825,289	12,462	136,500	2,061	124,260	3,847
2029	-	-	-	-	-	-	130,530	1,971
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
	\$ 2,478,500	\$ 220,822	\$ 6,691,904	\$ 596,247	\$ 1,102,500	\$ 98,223	\$ 1,140,000	\$ 111,607

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30	2007 CWSRF Promissory Note		2009 CWSRF Promissory Note		2013 CWSRF Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 463,032	\$ 143,584	\$ 57,576	\$ 26,477	\$ 223,236	\$ 66,554
2020	472,656	133,955	59,172	24,885	226,632	63,159
2021	482,496	124,125	60,804	23,249	230,076	59,714
2022	492,528	114,091	62,484	21,568	233,580	56,215
2023	502,764	103,849	64,212	19,841	237,132	52,663
2024	513,228	93,393	65,988	18,066	240,732	49,058
2025	523,896	82,720	67,812	16,241	244,392	45,397
2026	534,792	71,825	69,684	14,367	248,112	41,681
2027	545,916	60,703	71,616	12,440	251,880	37,909
2028	557,268	49,350	73,596	10,460	255,720	34,079
2029	568,860	37,761	75,636	8,425	259,608	30,191
2030	580,680	25,930	77,724	6,334	263,556	26,243
2031	592,764	13,854	79,872	4,186	267,564	22,236
2032	353,944	2,414	82,080	1,978	271,632	18,167
2033	-	-	27,979	159	275,760	14,037
2034	-	-	-	-	279,948	9,844
2035	-	-	-	-	284,208	5,588
2036	-	-	-	-	216,089	1,362
2037	-	-	-	-	-	-
	\$ 7,184,824	\$ 1,057,554	\$ 996,235	\$ 208,676	\$ 4,509,857	\$ 634,097

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30	Series 2012 General Obligation Bonds		2009 Promissory Note		2013 Promissory Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,086,117	\$ 670,176	\$ 66,763	\$ 40,959	\$ 1,000,000	\$ 593,922
2020	1,086,117	637,592	68,670	38,999	1,000,000	556,805
2021	1,086,117	605,009	70,577	36,963	1,000,000	519,688
2022	1,086,117	572,425	72,485	34,881	1,000,000	482,572
2023	1,086,117	539,842	74,774	32,739	1,000,000	445,455
2024	1,086,117	507,258	77,063	30,530	1,000,000	408,338
2025	1,086,117	469,244	79,352	28,254	1,000,000	371,221
2026	1,086,117	425,800	81,641	25,911	1,000,000	334,104
2027	1,086,117	382,355	83,930	23,502	1,000,000	296,987
2028	1,086,117	338,910	86,218	21,026	1,000,000	259,870
2029	1,086,117	295,466	88,889	18,479	1,000,000	222,754
2030	1,077,730	257,577	91,559	15,853	1,000,000	185,637
2031	1,077,730	225,245	94,231	13,150	1,000,000	148,520
2032	1,077,730	192,914	96,901	10,369	1,000,000	111,403
2033	1,077,730	159,908	99,571	7,510	1,000,000	74,286
2034	1,077,730	125,555	102,623	4,568	1,000,000	35,755
2035	1,077,730	90,529	105,669	1,538	-	-
2036	1,077,730	54,829	-	-	-	-
2037	1,076,337	18,322	-	-	-	-
	\$ 20,567,734	\$ 6,568,956	\$ 1,440,916	\$ 385,231	\$ 16,000,000	\$ 5,047,317

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30	2015		2016		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 403,000	\$ 254,422	\$ 615,000	\$ 94,964	\$ 4,811,794	\$ 2,063,393
2020	414,000	243,645	628,000	80,856	4,898,005	1,938,686
2021	426,000	231,194	643,000	66,430	4,987,886	1,810,926
2022	437,000	219,108	657,000	51,675	5,079,466	1,682,158
2023	449,000	206,692	672,000	36,591	5,176,348	1,551,617
2024	462,000	194,453	688,000	21,155	5,278,242	1,419,731
2025	474,000	180,808	586,000	13,346	5,263,567	1,287,420
2026	487,000	167,340	-	-	4,768,849	1,143,066
2027	501,000	153,487	-	-	4,865,404	1,010,374
2028	514,000	139,655	-	-	4,964,468	876,333
2029	529,000	124,645	-	-	3,738,640	739,692
2030	543,000	109,628	-	-	3,634,249	627,202
2031	558,000	94,197	-	-	3,670,161	521,388
2032	573,000	78,565	-	-	3,455,287	415,810
2033	589,000	62,063	-	-	3,070,040	317,963
2034	605,000	45,333	-	-	3,065,301	221,055
2035	622,000	28,133	-	-	2,089,607	125,788
2036	961,000	2,311	-	-	2,254,819	58,502
2037	-	-	-	-	1,076,337	18,322
	\$ 9,547,000	\$ 2,535,679	\$ 4,489,000	\$ 365,017	\$ 76,148,470	\$ 17,829,426

Morristown Utility Commission

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

June 30, 2018

Year Ending June 30,	2008		Interfund Loan from Power System		2014		2016		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 153,121	\$ 59,956	\$ 644,295	\$ 6,153	\$ 108,000	\$ 16,550	\$ 392,000	\$ 28,400	\$ 1,297,416	\$ 111,059
2020	160,471	57,627	645,907	4,541	111,000	13,714	400,000	20,480	1,317,378	96,362
2021	167,820	55,187	647,524	2,924	114,000	10,800	408,000	12,400	1,337,344	81,311
2022	176,395	52,635	649,145	1,303	117,000	7,809	416,000	4,160	1,358,540	65,907
2023	184,970	49,954	169,627	72	120,000	4,740	-	-	474,597	54,766
2024	194,770	47,141	-	-	123,000	1,593	-	-	317,770	48,734
2025	204,569	44,180	-	-	-	-	-	-	204,569	44,180
2026	214,369	41,069	-	-	-	-	-	-	214,369	41,069
2027	225,394	37,810	-	-	-	-	-	-	225,394	37,810
2028	236,418	34,383	-	-	-	-	-	-	236,418	34,383
2029	248,668	30,788	-	-	-	-	-	-	248,668	30,788
2030	260,918	27,007	-	-	-	-	-	-	260,918	27,007
2031	274,392	23,040	-	-	-	-	-	-	274,392	23,040
2032	287,867	18,868	-	-	-	-	-	-	287,867	18,868
2033	302,567	14,491	-	-	-	-	-	-	302,567	14,491
2034	317,266	9,890	-	-	-	-	-	-	317,266	9,890
2035	333,191	5,067	-	-	-	-	-	-	333,191	5,067
2036	-	-	-	-	-	-	-	-	-	-
	\$ 3,943,166	\$ 609,093	\$ 2,756,498	\$ 14,993	\$ 693,000	\$ 55,206	\$ 1,616,000	\$ 65,440	\$ 9,008,664	\$ 744,732

Morristown Utilities Commission

Schedule of Net Position by Fund (Last Ten Years)

Fiscal Years 2018 - 2009 (in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Power System:										
Net investment in capital assets	\$ 47,702	\$ 44,873	\$ 44,822	\$ 42,597	\$ 41,510	\$ 39,421	\$ 37,913	\$ 34,586	\$ 32,756	\$ 32,023
Unrestricted	13,199	14,619	13,928	16,020	17,305	18,076	16,560	17,235	15,634	13,275
Total net position	\$ 60,901	\$ 59,492	\$ 58,750	\$ 58,617	\$ 58,815	\$ 57,497	\$ 54,473	\$ 51,821	\$ 48,390	\$ 45,298
Water System:										
Net investment in capital assets	\$ 29,837	\$ 29,387	\$ 30,054	\$ 28,406	\$ 26,909	\$ 26,730	\$ 26,034	\$ 25,841	\$ 24,597	\$ 23,359
Restricted	-	-	-	-	-	-	-	-	585	561
Unrestricted	2,494	2,820	2,060	3,546	4,523	4,385	4,465	3,794	2,625	2,406
Total net position	\$ 32,331	\$ 32,207	\$ 32,114	\$ 31,952	\$ 31,432	\$ 31,115	\$ 30,499	\$ 29,635	\$ 27,807	\$ 26,326
Wastewater System:										
Net investment in capital assets	\$ 25,615	\$ 25,368	\$ 26,416	\$ 24,851	\$ 18,009	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	6,739	5,489	2,889	1,879	5,796	-	-	-	-	-
Total net position	\$ 32,354	\$ 30,857	\$ 29,305	\$ 26,730	\$ 23,805	\$ -	\$ -	\$ -	\$ -	\$ -
Broadband System:										
Net investment in capital assets	\$ 5,732	\$ 3,308	\$ 2,689	\$ 1,984	\$ 2,192	\$ 1,275	\$ 1,159	\$ 773	\$ 149	\$ 728
Unrestricted deficit	(2,512)	(1,638)	(3,704)	(5,489)	(7,034)	(7,149)	(7,281)	(6,804)	(6,181)	(6,233)
Total net position	\$ 3,220	\$ 1,670	\$ (1,015)	\$ (3,505)	\$ (4,842)	\$ (5,874)	\$ (6,122)	\$ (6,031)	\$ (6,032)	\$ (5,505)

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 2018 - 2009 (in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
Residential	\$ 18,461	\$ 17,252	\$ 16,058	\$ 17,001	\$ 16,878	\$ 16,472	\$ 15,645	\$ 17,235	\$ 15,022	\$ 15,941
Commercial	5,863	5,622	5,333	5,319	5,296	5,248	5,199	5,328	5,001	5,450
Industrial	52,691	53,122	51,352	51,648	52,096	51,961	52,499	51,678	44,811	48,565
Street and security lighting	1,248	1,248	1,222	1,184	1,155	1,170	1,232	1,197	1,114	1,183
Total metered revenue	78,263	77,244	73,965	75,152	75,425	74,851	74,575	75,438	65,948	71,139
Interfund services	1,260	1,375	1,300	1,316	1,190	963	773	546	685	-
Other revenues	1,574	1,742	1,750	1,434	1,545	1,323	1,215	1,182	1,048	1,144
Total operating revenues	81,097	80,361	77,015	77,902	78,160	77,137	76,563	77,166	67,681	72,283
Operating expenses:										
Power purchased	62,697	62,673	60,624	62,678	62,661	62,088	61,324	62,799	54,288	60,370
Operations	5,364	5,316	5,333	5,399	5,408	4,941	5,008	4,882	4,653	4,415
Maintenance	2,622	2,732	2,569	2,483	2,161	2,000	1,804	1,764	1,737	1,709
Interfund services used	1,446	1,914	1,720	1,111	847	867	560	-	342	737
Depreciation and amortization	5,200	5,128	4,888	4,789	4,573	4,190	3,485	3,211	2,661	1,973
Taxes	375	374	356	336	305	318	260	226	204	204
Miscellaneous	-	-	-	-	-	42	-	29	12	52
Total operating expenses	77,704	78,137	75,490	76,796	75,955	74,446	72,441	72,911	63,897	69,460
Operating income	3,393	2,224	1,525	1,106	2,205	2,691	4,122	4,255	3,784	2,823
Other (expense) income	(240)	(237)	(166)	(147)	(131)	(108)	(46)	(47)	11	54
Income before reimbursement, contributions and transfers	3,153	1,987	1,359	959	2,074	2,583	4,076	4,208	3,795	2,877
TVA load control/capacity reimbursement	-	-	-	-	331	1,501	-	-	-	-
Contributions	-	-	-	-	-	-	-	1,501	-	-
Plant costs recovered through contributions	-	-	-	-	-	-	-	(1,501)	-	-
Transfers out (tax equivalent payments to City of Morristown)	(1,292)	(1,287)	(1,226)	(1,157)	(1,087)	(1,061)	(896)	(777)	(703)	(703)
Increase (decrease) in net position	\$ 1,861	\$ 700	\$ 133	\$ (198)	\$ 1,318	\$ 3,023	\$ 3,180	\$ 3,431	\$ 3,092	\$ 2,174

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 2018 - 2009 (in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
General	\$ 6,741	\$ 6,360	\$ 6,129	\$ 6,163	\$ 6,182	\$ 6,161	\$ 6,330	\$ 6,590	\$ 6,444	\$ 6,015
Public authorities	65	61	55	57	58	80	81	88	66	61
Private fire protection	173	169	167	164	180	180	165	162	162	161
Public fire protection	27	26	26	27	30	29	27	26	31	34
Total metered sales	7,006	6,616	6,377	6,411	6,450	6,450	6,603	6,866	6,703	6,271
Interfund services provided	519	517	470	441	187	-	-	-	-	-
Other operating revenues	29	36	33	33	226	21	45	70	66	60
Total operating revenues	7,554	7,169	6,880	6,885	6,863	6,471	6,648	6,936	6,769	6,331
Operating expenses:										
Operations	4,175	4,021	3,748	3,531	3,622	3,176	3,144	3,186	2,931	3,165
Maintenance	681	731	720	561	674	594	541	589	518	488
Interfund services used	453	445	396	319	288	189	-	79	-	-
Depreciation and amortization	1,671	1,561	1,537	1,610	1,552	1,416	1,680	1,439	1,403	1,157
Miscellaneous	-	-	-	-	-	26	8	40	45	41
Total operating expenses	6,980	6,758	6,401	6,021	6,136	5,401	5,373	5,333	4,897	4,851
Operating income	574	411	479	864	727	1,070	1,275	1,603	1,872	1,480
Other income (expense):										
Interest income	26	16	11	8	12	15	17	20	21	37
Interest expense	(264)	(363)	(389)	(415)	(439)	(477)	(482)	(507)	(408)	(321)
Net other expense	(238)	(347)	(378)	(407)	(427)	(462)	(465)	(487)	(387)	(284)
Income before contributions and transfers	336	64	101	457	300	608	810	1,116	1,485	1,196
Contributions	89	65	97	100	53	43	165	747	28	54
Transfers out (tax equivalent payments to City of Morristown)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(32)	(32)
Increase in net position	\$ 389	\$ 93	\$ 162	\$ 521	\$ 317	\$ 615	\$ 939	\$ 1,827	\$ 1,481	\$ 1,218

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 Five Years)

Fiscal Years 2018 - 2014 (in thousands)

	2018	2017	2016	2015	2014
Operating revenues:					
General	\$ 13,795	\$ 13,453	\$ 12,585	\$ 12,083	\$ 12,547
Public authorities	334	329	270	164	110
Total metered sales	14,129	13,782	12,855	12,247	12,657
Interfund services provided	9	-	-	-	-
Other operating revenues	1,253	746	839	809	420
Total operating revenues	15,391	14,528	13,694	13,056	13,077
Operating expenses:					
Operations	5,254	4,455	3,844	3,996	4,663
Maintenance	1,190	1,344	1,019	848	766
Interfund services used	538	532	481	443	201
Depreciation and amortization	4,430	4,167	3,741	3,276	2,510
Total operating expenses	11,412	10,498	9,085	8,563	8,140
Operating income	3,979	4,030	4,609	4,493	4,937
Other income (expense):					
Interest income	47	14	5	21	158
Financing cost	(86)	(182)	(162)	(90)	(222)
Interest expense	(1,998)	(1,888)	(1,695)	(1,174)	(905)
Net other expense	(2,037)	(2,056)	(1,852)	(1,243)	(969)
Income before contributions and transfers	1,942	1,974	2,757	3,250	3,968
Contributions	175	165	325	51	139
Transfers out (tax equivalent payments to City of Morristown)	(572)	(583)	(507)	(376)	(305)
Increase in net position	\$ 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 2018 - 2009 (in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
Video	\$ 3,755	\$ 3,861	\$ 3,823	\$ 3,483	\$ 2,876	\$ 2,802	\$ 2,729	\$ 2,555	\$ 2,544	\$ 2,214
Internet	3,021	3,039	2,832	2,638	2,657	2,307	2,105	1,702	1,536	1,390
Voice	1,585	1,702	1,854	2,118	2,096	2,086	1,981	1,935	1,934	1,867
Total broadband sales	8,361	8,602	8,509	8,239	7,629	7,195	6,815	6,192	6,014	5,471
Interfund services provided	1,768	2,056	1,830	1,173	921	937	560	-	342	737
Other revenue	132	103	210	311	387	217	225	130	146	85
Total operating revenues	10,261	10,761	10,549	9,723	8,937	8,349	7,600	6,322	6,502	6,293
Operating expenses:										
Operations	6,368	5,756	6,014	6,395	6,182	6,121	5,579	4,874	4,717	4,568
Maintenance	412	337	357	303	239	199	208	135	212	204
Interfund services used	1,119	1,058	1,003	1,057	962	845	773	467	685	-
Depreciation and amortization	692	599	515	482	372	821	860	757	1,282	1,532
Taxes	30	192	87	64	88	53	52	41	36	65
Total operating expenses	8,621	7,942	7,976	8,301	7,843	8,039	7,472	6,274	6,932	6,369
Operating income (loss)	1,640	2,819	2,573	1,422	1,094	310	128	48	(430)	(76)
Other income (expense):										
Interest income	1	1	2	2	2	2	2	1	1	8
Financing cost	(28)	(29)	(29)	(29)	(32)	-	-	-	-	-
Interest expense	(125)	(105)	(55)	(58)	(32)	(63)	(51)	(48)	(99)	(545)
Total other expense	(152)	(133)	(82)	(85)	(62)	(61)	(49)	(47)	(98)	(537)
Increase (decrease) in net position	\$ 1,488	\$ 2,686	\$ 2,491	\$ 1,337	\$ 1,032	\$ 249	\$ 79	\$ 1	\$ (528)	\$ (613)

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 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
PURCHASED POWER - (Megawatt Hours)										
Purchased from TVA	952,747	939,622	929,150	930,256	918,686	901,805	909,825	925,207	892,562	851,958
CONSUMPTION - (Megawatt Hours)										
Residential	164,838	156,476	154,310	165,278	167,038	161,666	153,060	173,555	166,887	164,160
Commercial	48,661	47,096	46,642	46,991	47,068	46,611	46,417	48,299	49,233	50,978
Industrial	705,478	707,411	697,274	681,164	672,250	663,585	676,897	676,441	640,236	605,244
Street and athletic	4,895	5,099	5,261	5,309	5,070	4,979	5,039	5,088	4,856	4,790
Outdoor lighting	4,668	4,756	4,765	4,678	4,761	4,730	4,860	4,909	4,766	4,825
Internal use	2,329	2,574	2,285	1,184	986	965	786	1,100	1,230	1,205
Total consumption	930,869	923,412	910,537	904,604	897,173	882,536	887,059	909,392	867,208	831,202
Line losses and megawatt hours unaccounted for	21,878	16,210	18,613	25,652	21,513	19,269	22,766	15,815	25,354	20,756
Percentage of line losses and megawatt hours unaccounted for to purchased power	2.30%	1.73%	2.00%	2.76%	2.34%	2.14%	2.50%	1.71%	2.84%	2.44%
ACTIVE SERVICE (number of customers)										
Residential	12,133	11,995	11,862	11,826	11,721	11,764	11,752	11,683	11,819	11,545
Commercial	2,191	2,163	2,160	2,141	2,120	2,121	2,105	2,085	2,109	2,166
Industrial	448	458	446	439	458	449	447	467	464	455
Street and athletic	79	76	75	76	73	70	71	69	69	69
Outdoor lighting	35	34	33	33	34	34	31	32	35	35
Total active service	14,886	14,726	14,576	14,515	14,406	14,438	14,406	14,336	14,496	14,270

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 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
PRODUCTION - (Thousands of gallons)										
Produced	3,237,094	3,276,264	3,087,467	3,094,732	3,177,165	3,179,415	3,211,089	3,391,595	3,244,465	3,249,905
CONSUMPTION - (Thousands of gallons)										
General	2,709,944	2,699,046	2,707,815	2,742,287	2,770,846	2,760,419	2,815,744	2,981,110	2,871,614	2,927,487
Public authorities	47,341	46,628	42,822	44,679	41,529	42,055	42,939	48,268	35,163	35,207
Public fire protection	-	-	-	-	-	-	-	-	2,917	5,000
Internal use	1,643	1,216	2,267	1,513	32,352	33,646	33,981	36,387	36,616	20,922
Total consumption	2,758,928	2,746,890	2,752,904	2,788,479	2,844,727	2,836,120	2,892,664	3,065,765	2,946,310	2,988,616
Gallons unaccounted for	478,166	529,374	334,563	306,253	332,438	343,295	318,425	325,830	298,155	261,289
Percent of gallons unaccounted for to production	14.77%	16.16%	10.84%	9.90%	10.46%	10.80%	9.92%	9.61%	9.19%	8.04%
ACTIVE SERVICE (number of customers)										
General	12,407	12,327	12,310	12,255	12,221	12,242	12,224	12,179	12,241	12,183
Public authorities	44	44	44	45	44	44	44	42	43	44
Private fire protection	307	300	295	289	284	283	285	280	283	278
Public fire protection	-	-	-	-	-	-	-	-	-	1
Total active service	12,758	12,671	12,649	12,589	12,549	12,569	12,553	12,501	12,567	12,506

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

Morristown Utilities Commission

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

Fiscal Years 2018 - 2014

	2018	2017	2016	2015	2014
TREATED - (Thousands of gallons)					
Treated	1,267,145	1,368,995	1,627,823	1,518,723	1,714,921
CONSUMPTION - (Thousands of gallons)					
General	1,189,244	1,173,074	1,217,364	1,239,402	1,256,780
Public authorities	12,453	11,529	9,633	10,200	9,726
Total consumption	1,201,697	1,184,603	1,226,997	1,249,602	1,266,506
ACTIVE SERVICE (number of customers)					
General	10,685	10,594	10,605	10,565	10,567
Public authorities	9	9	9	9	9
Total active service	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 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
ACTIVE SERVICE (number of customers)										
Video	3,495	3,779	3,998	4,227	4,097	4,143	4,085	3,738	3,687	3,771
Internet	5,168	5,046	4,828	4,654	4,165	4,010	3,800	3,397	3,298	3,100
Voice	2,306	2,510	2,675	2,833	2,835	2,908	2,911	2,784	2,830	2,881
Total active service	10,969	11,335	11,501	11,714	11,097	11,061	10,796	9,919	9,815	9,752

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 2018 - 2009

Fiscal Year	Power					
	Promissory		Total	Per Customer		
	Notes					
2018	\$	16,297,172	\$	16,297,172	\$	1,095
2017		17,405,401		17,405,401		1,182
2016		18,475,080		18,475,080		1,268
2015		18,810,190		18,810,190		1,296
2014		18,331,536		18,331,536		1,272
2013		15,687,238		15,687,238		1,087
2012		15,937,655		15,937,655		1,106
2011		16,419,859		16,419,859		1,145
2010		16,886,961		16,886,961		1,165
2009		1,825,000		1,825,000		128

Fiscal Year	Water							
	Revenue	Promissory		Total	Per Customer			
	Bonds	Notes						
2018	\$	-	\$	10,795,288	\$	10,795,288	\$	846
2017		-		11,759,671		11,759,671		928
2016		-		12,671,215		12,671,215		1,002
2015		-		13,552,688		13,552,688		1,077
2014		-		14,409,471		14,409,471		1,148
2013		-		15,241,951		15,241,951		1,213
2012		-		16,221,011		16,221,011		1,292
2011		-		16,852,375		16,852,375		1,348
2010		255,000		16,800,967		17,055,967		1,357
2009		730,000		9,898,263		10,628,263		850

Fiscal Year	Wastewater							
	Promissory		Total	Per Customer				
	Notes							
2018	\$	25,056,734	\$	51,091,736	\$	76,148,470	\$	7,121
2017		21,743,850		47,468,831		69,212,681		6,528
2016		22,739,967		43,987,606		66,727,573		6,287
2015		23,827,767		43,782,738		67,610,505		6,394
2014		24,913,883		31,579,901		56,493,784		5,342

Fiscal Year	Broadband							
	Interfund	Promissory		Total	Per Customer			
	Note	Notes						
2018	\$	2,756,498	\$	6,252,166	\$	9,008,664	\$	1,437
2017		3,416,498		6,886,937		10,303,435		1,650
2016		5,216,498		5,127,358		10,343,856		1,845
2015		6,044,728		5,358,429		11,403,157		1,876
2014		6,141,498		5,483,376		11,624,874		2,082
2013		6,372,792		4,603,423		10,976,215		2,016
2012		6,749,697		4,717,346		11,467,043		2,173
2011		6,493,816		4,825,142		11,318,958		3,028
2010		6,077,005		4,928,039		11,005,044		2,985
2009		6,354,668		20,115,000		26,469,668		7,019

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

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

Morristown Utilities Commission

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

Fiscal Years 2018 – 2009

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2018	\$ 7,553	\$ 5,309	\$ 2,244	\$ 962	\$ 268	\$ 1,230	1.82
2017	7,169	5,197	1,972	911	363	1,274	1.55
2016	6,880	4,864	2,016	881	391	1,272	1.58
2015	6,885	4,411	2,474	857	415	1,272	1.94
2014	6,863	4,584	2,279	537	219	756	3.01
2013	6,471	3,985	2,486	524	233	757	3.28
2012	6,648	3,693	2,955	478	200	678	4.36
2011	6,936	3,895	3,041	699	244	943	3.22
2010	6,769	3,494	3,275	673	268	941	3.48
2009	6,332	3,694	2,638	651	290	941	2.80

(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 Five Years)

Fiscal years 2018 – 2014

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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, 2018

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Distributor's Insurance	Workers' Compensation	\$ 1,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Commercial General Liability	250,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Excess General Liability	750,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Automobile Liability	1,000,000	\$0	07/01/17 to 06/30/18
Distributor's Insurance	Umbrella Liability	2,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Property Damage	143,275,538	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Boiler & Machinery	50,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Commercial Crime	1,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Public Officials and Employees' Liability	5,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Fiduciary Liability	1,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Pollution Liability	1,000,000	N/A	07/01/17 to 06/30/18
Distributor's Insurance	Cyber and Privacy Protection	1,000,000	N/A	07/01/17 to 06/30/18

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

Morristown Utilities Commission
Schedule of Electric Rates (Last Ten Years)
Fiscal Years 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Residential										
Customer charge per month	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 13.21
Energy charge:										
First 2,000 kWh	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175	0.07582
Additional kWh per month	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968	0.07375
Commercial, Industrial, Governmental and Institutional										
GSA-1 (demand of up to 1,000 kW through 2002, 50 kW thereafter)										
Customer charge per month - single-phase	\$ 24.87	\$ 21.87	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 21.50
Customer charge per month - three-phase	42.19	39.19	37.00	37.00	37.00	37.00	26.00	26.00	26.00	21.50
Energy charge per kWh per month	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137	0.08463
GSA-2 (demand of 1,001 to 2,500 kW through 2002, 51 to 1,000kW thereafter)										
Customer charge per month	\$ 135.50	\$ 135.50	\$ 135.50	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 133.00	\$ 127.00
Demand charge:										
First 50 kW per month	-	-	-	-	-	-	-	-	-	-
Excess over 50 kW per month	13.36	13.12	12.88	12.35	12.10	11.86	11.86	13.78	13.78	12.86
Energy charge:										
First 15,000 kWh per month	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381	0.08570	0.07896
Additional kWh per month	0.06459	0.06515	0.06236	0.06284	0.06695	0.06350	0.06491	0.06262	0.04861	0.04480
GSA-3 (demand of 2,501 to 5,000 through 2002, 1,001 to 5,000 kW)										
Customer charge per month	\$ 275.08	\$ 275.08	\$ 275.08	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 270.00	\$ 266.00
Demand charge:										
First 1,000kW per month	13.58	13.32	13.06	12.50	12.24	11.98	11.98	11.68	13.88	12.90
Excess over 1,000 kW per month	15.64	15.32	15.00	14.32	13.99	13.67	13.67	13.31	15.44	14.29
Energy charge:										
Per kWh per month	0.06451	0.06508	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903	0.04522
TDMSA (Demand > 5,001 kW)										
Demand charge:										
On peak	\$ 9.97	\$ 9.74	\$ 9.52	\$ 17.24	\$ 16.84	\$ 16.45	\$ 16.45	\$ -	\$ -	\$ -
Excess off peak	4.24	3.40	3.36	4.14	4.07	4.00	4.00	-	-	-
Excess over contract	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-	-
Energy charge:										
On peak	0.07152	0.07197	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-
Off peak (first 200 kWh)	0.04718	0.04819	0.00000	0.06163	0.06568	0.06215	0.06226	-	-	-
Off peak (next 200 kWh)	0.02126	0.02209	0.00000	0.04198	0.04653	0.04349	0.04360	-	-	-
Off peak (additional kWh)	0.01878	0.01966	0.00000	0.02529	0.03026	0.02764	0.02775	-	-	-

Morristown Utilities Commission

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

Fiscal Years 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Commercial, Industrial, Governmental and Institutional (continued)										
TDMSA (Demand > 5,001 kW)										
Demand charge:										
On peak	\$ 9.97	\$ 9.74	\$ 9.52	\$ 17.24	\$ 16.84	\$ 16.45	\$ 16.45	\$ -	\$ -	\$ -
Excess off peak	4.24	3.40	3.36	4.14	4.07	4.00	4.00	-	-	-
Excess over contract	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-	-	-
Energy charge:										
On peak	0.07152	0.07197	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-
Off peak (first 200 kWh)	0.04718	0.04819	0.00000	0.06163	0.06568	0.06215	0.06226	-	-	-
Off peak (next 200 kWh)	0.02126	0.02209	0.00000	0.04198	0.04653	0.04349	0.04360	-	-	-
Off peak (additional kWh)	0.01878	0.01966	0.00000	0.02529	0.03026	0.02764	0.02775	-	-	-
MSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demand charge:										
On peak	\$ 9.97	\$ 9.74	\$ 9.52	-	-	-	-	-	-	-
Excess off peak	2.18	2.16	2.14	-	-	-	-	-	-	-
Excess over contract	9.97	9.74	9.52	-	-	-	-	-	-	-
Energy charge:										
On peak	0.07372	0.07412	0.07150	-	-	-	-	-	-	-
Off peak (first 200 hours)	0.04938	0.05034	0.04827	-	-	-	-	-	-	-
Off peak (next 200 hours)	0.02046	0.02209	0.02069	-	-	-	-	-	-	-
Off peak (additional kWh)	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 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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	2.20	2.05	2.05	2.05	2.05	2.05	2.05	2.05	1.90
Next 50,000 gallons	2.10	1.95	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.65
Over 100,000 gallons	1.90	1.75	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.45
Minimum bill										
5/8" meter	9.35	9.05	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.45
3/4" meter	9.85	9.55	9.25	9.25	9.25	9.25	9.25	9.25	9.25	8.95
1" meter	10.60	10.30	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.70
1 1/2" meter	12.10	11.80	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.20
2" meter	16.60	16.30	16.00	16.00	16.00	16.00	16.00	16.00	16.00	15.70
3" meter	61.60	61.30	61.00	61.00	61.00	61.00	61.00	61.00	61.00	60.70
4" meter	71.60	71.30	71.00	71.00	71.00	71.00	71.00	71.00	71.00	70.70
6" meter	101.60	101.30	101.00	101.00	101.00	101.00	101.00	101.00	101.00	100.70
8" meter	114.90	114.60	114.30	114.30	114.30	114.30	114.30	114.30	114.30	-
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	4.40	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.80
Next 50,000 gallons	4.20	3.90	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.30
Over 100,000 gallons	3.80	3.50	3.20	3.20	3.20	3.20	3.20	3.20	3.20	2.90

Morristown Utilities Commission

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

Fiscal years 2018 - 2009

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Outside City Rate (continued)										
Minimum bill										
5/8" meter	\$ 14.05	\$ 13.45	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.85	\$ 12.25
3/4" meter	14.55	13.95	13.35	13.35	13.35	13.35	13.35	13.35	13.35	12.75
1" meter	15.30	14.70	14.10	14.10	14.10	14.10	14.10	14.10	14.10	13.50
1 1/2" meter	16.80	16.20	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.00
2" meter	21.30	20.70	20.10	20.10	20.10	20.10	20.10	20.10	20.10	19.50
3" meter	66.30	65.70	65.10	65.10	65.10	65.10	65.10	65.10	65.10	64.50
4" meter	76.30	75.70	75.10	75.10	75.10	75.10	75.10	75.10	75.10	74.50
6" meter	106.30	105.70	105.10	105.10	105.10	105.10	105.10	105.10	105.10	104.50
8" meter	119.60	119.00	118.40	118.40	118.40	118.40	118.40	118.40	118.40	-
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 Five Years)

Fiscal years 2018 - 2014

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

Morristown Utilities Commission

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

Fiscal years 2018 - 2014

	2018	2017	2016	2015	2014
Outside City Rate					
Customer charge per month	\$ -	\$ -	\$ -	\$ 36.68	\$ 18.34
Commodity charge (per 1,000 gallons)					
2,001 - 1,000,000 gallons	23.00	23.00	21.00	-	-
1,000,001 - 10,000,000 gallons	20.00	20.00	20.00	-	-
Over 10,000,000 gallons	10.00	10.00	10.00	10.00	10.00
Minimum bill					
5/8" meter	21.00	21.00	21.00	-	-
3/4" meter	23.10	23.10	23.10	-	-
1" meter	29.40	29.40	29.40	-	-
1 1/2" meter	37.80	37.80	37.80	-	-
2" meter	60.90	60.90	60.90	-	-
3" meter	231.00	231.00	231.00	-	-
4" meter	294.00	294.00	294.00	-	-
6" meter	441.00	441.00	441.00	-	-
10" meter	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 2018 - 2009

Service	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Standard Cable:										
Expanded basic	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 41.95
Digital basic	72.95	72.95	68.95	68.95	60.95	54.95	54.95	54.95	54.95	49.95
Digital basic + 1	87.90	82.95	78.95	78.95	69.95	63.95	63.95	63.95	63.95	59.95
Digital basic + 2	99.90	90.95	86.95	86.95	77.95	71.95	71.95	71.95	71.95	67.95
Digital basic + 4	119.90	103.95	99.95	99.95	90.95	84.95	84.95	84.95	84.95	80.95
Premium channels	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-11.95
Internet:										
Residential										
Tier 1	39.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	29.95
Tier 2	59.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	74.95	74.95	44.95	59.95	59.95	59.95
Tier 4	99.95	99.95	99.95	99.95	99.95	99.95	74.95	99.95	99.95	99.95
Tier 5	-	-	-	-	-	-	99.95-199.95	159.95	159.95	-
Commercial										
Tier 1	49.95	49.95	49.95	49.95	44.95	44.95	44.95	44.95	44.95	39.95
Tier 2	79.95	79.95	79.95	79.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	104.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.90	154.95	154.95	154.95	149.90	149.95	149.95	149.95	149.95	149.95
Tier 5	-	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	299.95	-	-	-	-
Telephone:										
Residential										
BasicPack	28.65	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95
PreferredPack	28.65	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95	3.75-8.95	3.75-8.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial										
Access Line	29.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95	25.95
Business Local Telephone Service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95	6.95-25.95	6.95-25.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note 1: Compiled from internal records.

Morristown Utilities Commission
Schedule of Power System Principal Customers
Current Year and Nine Years Prior

Name	2018			2009		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Inteplast Bags & Film Corp (formerly Vifan USA, Inc.)	\$ 3,693,519	1	4.72%	\$ 2,704,806	2	3.80%
Mahle Manufacturing Co.	3,511,495	2	4.49%	3,096,177	1	4.35%
JTEKT Automotive Morristown-Tennessee Inc.	2,486,905	3	3.18%	2,057,054	4	2.89%
Rich Products Corporation	2,430,496	4	3.11%	-	-	-
Meritor Automotive	2,282,005	5	2.92%	2,039,269	5	2.87%
Howmet Corporation	2,146,189	6	2.74%	1,492,201	6	2.10%
ColorTech	1,725,185	7	2.20%	-	-	-
Hamblen County Board of Education	1,513,457	8	1.93%	-	-	-
Team Technologies	1,301,707	9	1.66%	-	-	-
Koch Foods LLC	1,300,564	10	1.66%	-	-	-
JW Allen Co.	-	-	-	2,352,584	3	3.31%
Macdermid Graphics Arts	-	-	-	1,235,105	7	1.74%
Vacumet Corp.	-	-	-	1,100,657	8	1.55%
Berkline BenchCraft, LLC	-	-	-	981,476	9	1.38%
Lear Seigler, Inc.	-	-	-	919,881	10	1.29%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Water System Principal Customers

Current Year and Nine Years Prior

Name	2018			2009		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Alpha Talbott Utility District	\$ 930,943	1	6.69%	\$ 689,352	1	10.99%
Russellville-Whitesburg Utility District	894,641	2	6.43%	641,151	2	10.22%
Bean Station Utility District	587,645	3	4.22%	393,879	3	6.28%
Koch Foods	531,465	4	3.82%	392,209	4	6.25%
Colgate Palmolive	151,046	5	1.09%	77,537	7	0.92%
Mahle Engine Components	127,018	6	0.91%	59,276	8	0.76%
Morristown Wastewater System	105,049	7	0.76%	-	-	-
Rich Products	99,384	8	0.71%	-	-	-
City of Morristown	68,768	9	0.49%	-	-	-
Hamblen County Board of Education	49,595	10	0.36%	-	-	-
South Morristown Utility District	-	-	-	149,571	5	2.38%
J.W. Allen	-	-	-	78,881	6	1.06%
Morristown Housing Authority	-	-	-	42,454	9	0.52%
Morristown Hamblen Hospital	-	-	-	27,946	10	0.47%

Note 1: Compiled from internal records.

Morristown Utilities Commission

Schedule of Wastewater System Principal Customers

Current Year and Four Years Prior

Name	2018			2014		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Koch Foods	\$ 2,203,585	1	15.60%	\$ 2,500,776	1	19.12%
Colgate Palmolive	757,952	2	5.36%	378,625	3	2.90%
Mahle Manufacturing Co.	605,799	3	4.29%	-	-	-
Rich Products Corporation	436,845	4	3.09%	497,132	2	3.80%
Morristown Housing Authority	255,247	5	1.81%	180,636	4	1.38%
Hamblen County Board of Education	237,954	6	1.68%	146,647	5	1.12%
Walters State Community College	151,726	7	1.07%	-	-	-
Morristown Hamblen Hospital	144,758	8	1.02%	138,646	6	1.06%
Meritor Automotive	142,937	9	1.01%	-	-	-
Hamben County Justice Center	135,977	10	96.00%	-	-	-
Meritor Automotive	-	-	-	85,515	7	0.65%
Hamblen County Justice Center	-	-	-	81,673	8	0.62%
Lakeway Regional Hospital	-	-	-	79,686	9	0.61%
Heritage Center	-	-	-	74,264	10	0.57%

Note 1: Compiled from internal records.

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

Morristown Utilities Commission

Schedule of Employees by System (Last Ten Years)

Fiscal years 2018 - 2009

Fiscal Year	Power	Water	Wastewater	Broadband	Total
2018	91	21	25	24	161
2017	90	21	26	21	158
2016	88	21	25	19	153
2015	84	21	17	18	140
2014	78	21	16	21	136
2013	71	22	-	24	117
2012	73	19	-	21	113
2011	75	19	-	17	111
2010	74	18	-	15	107
2009	67	19	-	14	100

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: **2018** **7/2017 - 6/2018**

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

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

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

WATER SUPPLIED

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

Volume from own sources:	+	?	9	3,219.000	MG/Yr
Water imported:	+	?		0.000	MG/Yr
Water exported:	+	?		0.000	MG/Yr

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: 3,155.882 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	10	2,753.000	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	10	1.643	MG/Yr
Unbilled unmetered:	+	?		39.449	MG/Yr

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

AUTHORIZED CONSUMPTION: 2,794.092 MG/Yr

Click here: ?
for help using option buttons below

Pcnt:	+	?	10	1.25%	MG/Yr
Value:					MG/Yr

Use buttons to select percentage of water supplied
OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

361.791 MG/Yr

Apparent Losses

Unauthorized consumption:	+	?		7.890	MG/Yr
---------------------------	---	---	--	-------	-------

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

Customer metering inaccuracies:	+	?	10	27.825	MG/Yr
Systematic data handling errors:	+	?		6.883	MG/Yr

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

Apparent Losses: 42.597 MG/Yr

Pcnt:	+	?	10	0.25%	MG/Yr
Value:					MG/Yr

Pcnt:	+	?	10	1.00%	MG/Yr
Value:					MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 319.194 MG/Yr

WATER LOSSES: 361.791 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 402.882 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

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

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

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

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	+	?	10	\$4,700,240	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	\$2.20	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$533.08	\$/Million gallons

Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: Morristown Utilities Commission (0000474)
 Reporting Year: 2018 7/2017 - 6/2018

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

System Attributes:

	Apparent Losses:	42.597	MG/Yr
+	Real Losses:	319.194	MG/Yr
=	Water Losses:	361.791	MG/Yr

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

Annual cost of Apparent Losses: \$93,713

Annual cost of Real Losses: \$170,156 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: 12.8%
 Non-revenue water as percent by cost of operating system: 6.1% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 8.46 gallons/connection/day
 Real Losses per service connection per day: 63.37 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 0.97 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 319.19 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 3.78

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

Morristown Utilities Commission
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

Federal Grantor	Program Name	CFDA Number	Contract Number	Federal Expenditures
<u>Federal Awards</u>				
Appalachian Regional Commission	Appalachian Area Development	23.002	4210	\$ 230,230
TOTAL FEDERAL AWARDS				<u>\$ 230,230</u>

Loans Outstanding

At June 30, 2018, there were outstanding balances of \$18,391,204 on loans obtained through the State Revolving Loan Fund. The loans are 80% federally funded. Payments during the current fiscal year totaled \$1,353,911.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Commission under programs of the federal governments for the year ended June 30, 2018. The schedule is presented on the accrual basis of accounting. The Commission did not elect to use the 10% de minimis indirect cost rate.

Morristown Utilities Commission

Schedule of Prior Year Findings and Questioned Costs

June 30, 2018

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status
2017-001	Bank Reconciliations	Corrected

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

Board of Commissioners
Morristown Utilities Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Power System, Water System, Wastewater System and Broadband System (collectively, the Systems), enterprise funds of the City of Morristown, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

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

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

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

Board of Commissioners
Morristown Utilities Commission

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Systems in a separate letter dated October 25, 2018.

Purpose of this Report

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

Coulter & Justus, P.C.

October 25, 2018
Knoxville, Tennessee