

HAMBLEN COUNTY - MORRISTOWN
SOLID WASTE DISPOSAL SYSTEM

Financial Statements

Years Ended June 30, 2022 and 2021

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Financial Statements

Years Ended June 30, 2022 and 2021

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INTRODUCTORY SECTION

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Roster of Officials and Board Members
Year Ended June 30, 2022

Officials

Mr. Dennis Barnes

Director

Board Members

Mr. Tom Rush, Chairman
Mr. Keith Jackson, Vice-Chairman
Mr. Mike Bell
Mr. Bill Brittain
Mr. Bob Garrett
Mr. Matt Lacy
Mr. Tim Horner
Mr. Patrick McGuffin
Mr. Ventrus Norfolk

FINANCIAL SECTION

Independent Auditors' Report

Board of Directors
Hamblen County - Morristown Solid Waste Disposal System
Morristown, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hamblen County - Morristown Solid Waste Disposal System (the "Landfill") as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Landfill's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Landfill, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Landfill and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Landfill's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Landfill's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Landfill's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of contributions, and schedule of changes in the total OPEB liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of the Landfill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 the Landfill's 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 Landfill's internal control over financial reporting and compliance.

Rodger Messer & Co, PLLC

Greenville, Tennessee
December 13, 2022

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2022 and 2021

This section of the Hamblen County - Morristown Solid Waste Disposal System (the "Landfill") financial report presents an overview and analysis of the Landfill's financial performance for the fiscal years ended June 30, 2022, 2021 and 2020. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Landfill exceeded its liabilities and deferred inflows of resources by \$3,310,397, \$3,091,869, and \$2,639,610 (net position) at June 30, 2022, 2021, and 2020.
- The Landfill's net position increased by \$218,528, \$452,259, and \$957,759 for the years ended June 30, 2022, 2021, and 2020.
- The Landfill substantially closed 15 acres with only a few items to be addressed under warranty for fiscal year 2023. Costs incurred during 2022 and 2021 were \$1,258,224 and \$1,378,938 for a total cost of \$2,637,162.
- The Landfill changed their scale policy effective January 1, 2022 to allow each person to bring 3 tons annually from one or more properties owned. After the limit is met, normal tipping fees will apply.
- The Landfill increased the price of tires from \$100 per ton to \$160 per ton starting February 1, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Landfill's financial statements. The basic financial statements consist of two parts: (1) government-wide financial statements and (2) notes to the financial statements.

Government-wide financial statements The government-wide financial statements are designed to provide readers with a broad overview of the Landfill's finances in a manner similar to a private-sector business. The Landfill is reported as a business-type activity.

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

The statement of revenues, expenses, and changes in net position presents information showing how the Landfill's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

Notes to the financial statements The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide financial statements.

Financial Analysis of the Landfill as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Landfill, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,310,397, \$3,091,869, and \$2,639,610 at June 30, 2022, 2021, and 2020. Of the Landfill's net position, \$3,693,080, \$3,545,359, and \$3,623,409 represent its investment in capital assets at June 30, 2022, 2021, and 2020. Because capital assets are used to provide services to customers, the assets are not available for future spending. The Landfill also had \$620,370 and \$175,588 at June 30, 2022 and 2021 as restricted net position for the pension asset.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Management's Discussion and Analysis (Unaudited) (Continued)

Hamblen County - Morristown Solid Waste Disposal System's Net Position
(in thousands)

	2022	2021	2020
Current and other assets	\$ 6,320	\$ 6,703	\$ 6,939
Capital assets, net	3,693	3,545	3,623
Total assets	<u>10,013</u>	<u>10,248</u>	<u>10,562</u>
Deferred outflows of resources	<u>127</u>	<u>115</u>	<u>139</u>
Current liabilities	217	391	97
Non-current liabilities	<u>6,255</u>	<u>6,860</u>	<u>7,916</u>
Total liabilities	6,472	7,251	8,013
Deferred inflows of resources	<u>358</u>	<u>20</u>	<u>49</u>
Net position:			
Investment in capital assets	3,693	3,545	3,623
Restricted - pension	620	176	168
Unrestricted	<u>(1,003)</u>	<u>(629)</u>	<u>(1,152)</u>
Net position	<u>\$ 3,310</u>	<u>\$ 3,092</u>	<u>\$ 2,639</u>

During the years ended June 30, 2022, 2021, and 2020, the Landfill's net position increased by \$218,528, \$452,259, and \$957,759. Current and other assets decreased \$382,488 for 2022 compared to 2021 because of expansion costs incurred as well as the substantial completion of the 15 acre closure that started during 2021. The expansion costs and 15 acre closure were paid with current and other assets as the Landfill had no debt as of June 30, 2022. Current and other assets decreased \$236,248 for 2021 compared to 2020 because of the increase in capital assets for 2021 and a 15 acre closure in progress at June 30, 2021 that the Landfill paid for with current and other assets as the Landfill has no debt. Capital assets, net increased approximately 4% for 2022 compared to 2021 due to expansion costs and completion of french drains. Capital assets, net decreased approximately 2% for 2021 compared to 2020 as depreciation expense of \$339,321 exceeded capital additions. Current liabilities decreased \$174,728 from 2021 to 2022 because in 2021, the Landfill had \$259,099 in accounts payable for the 15 acre closure and retainage payable also increased \$56,994 at June 30, 2022 compared to 2021 as the final retainage has not been paid out as of year end for the 15 acre closure. Current liabilities increased \$294,866 for 2021 compared to 2020 because of \$259,099 in accounts payable for a 15 acre closure in process at June 30, 2021. Non-current liabilities decreased \$604,569 from 2021 to 2022 because the 15 acre closure was substantially complete at June 30, 2022. The changes for the deferred outflows and deferred inflows year over year are determined by actuary reports for both TCRS and OPEB.

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Management's Discussion and Analysis (Unaudited) (Continued)

The following is a summary of financial activities for the Landfill during the fiscal years ended June 30, 2022, 2021 and 2020:

Hamblen County - Morristown Solid Waste Disposal System's Changes in Net Position
(in thousands)

	2022	2021	2020
Revenues			
Operating revenues	\$ 2,732	\$ 2,771	\$ 3,262
Expenses			
Operating expenses	<u>2,528</u>	<u>2,327</u>	<u>2,485</u>
Operating income	204	444	777
Other financing sources	<u>14</u>	<u>9</u>	<u>180</u>
Increase in net position	218	453	957
Net position, at the beginning of the year	<u>3,092</u>	<u>2,639</u>	<u>1,682</u>
Net position - ending	<u>\$ 3,310</u>	<u>\$ 3,092</u>	<u>\$ 2,639</u>

Operating revenues decreased slightly from 2021 to 2022 by \$38,010. Operating revenues have remained steady as there was no tipping fee increase for 2022. The decrease in revenue for 2021 of \$491,740 is a result of less waste brought to the landfill because one large customer started using a different landfill in Hamblen County and customers also were not quarantined at their homes due to the COVID-19 pandemic. Operating expenses increased \$200,487 or 8.61% from 2021 to 2022 because postclosure costs increased \$329,231 as calculated by the engineer for the current year, and per the TCRS actuary report, the Landfill had negative pension expense of \$57,508 compared to pension expense of \$52,807 for 2021. Operating expenses from 2021 to 2020 decreased \$157,571 or 6.34%. The decrease is a result of a decrease in salaries of \$34,197 because the Landfill did not have a Director from March to June 2021, postclosure costs decreased \$147,994 per the study performed by an engineer for 2021, and equipment operations decreased \$72,392 because of less rock being bought. Fringe benefits increased \$127,094 because of the actuary report for the OPEB plan for 2020 had changes of benefit terms that the retiree is now responsible for 100% of the premiums for dental and vision benefits through the City of Morristown and retirees participate in the self insured health plan through Hamblen County which lowered the OPEB liability and expenditures for 2020. No changes in benefit terms were noted for 2021. The Landfill also received \$90,232 in grant funds during 2020 which caused an increase in other financing sources for 2020 compared to 2021 and 2022. Other financing sources decreased \$171,331 for 2021 compared to 2020 because there were no grants for 2021 and the interest rate for LGIP dropped to 0.01%. The interest rate for LGIP stayed steady for fiscal year 2022.

Capital Assets

At June 30, 2022, 2021, and 2020, the Landfill had \$3,693,080, \$3,545,359, and \$3,623,409 (net of accumulated depreciation) invested in capital assets. This investment includes land and improvements, buildings and improvements, and other capital assets such as equipment, furniture and rental property. The following table shows the investment in capital assets for the current and previous fiscal years. Capital assets, net increased \$147,721 or 4% from 2021 to 2022 due to additional expansion costs and french drains. Capital assets, net decreased approximately 2% from 2020 to 2021 due to depreciation expense of \$339,321 exceeded capital additions.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Management's Discussion and Analysis (Unaudited) (Continued)

Capital Assets (Continued)

Hamblen County - Morristown Solid Waste Disposal System's Capital Assets
(net of depreciation, in thousands)

	2022	2021	2020
Land and improvements	\$ 2,096	\$ 1,758	\$ 1,721
Buildings	200	226	268
Other capital assets	1,397	1,561	1,634
Total capital assets	<u>\$ 3,693</u>	<u>\$ 3,545</u>	<u>\$ 3,623</u>

Discussion of known facts, decisions, or conditions expected to have a significant effect

Effective July 1, 2022, the Landfill increased their tipping fees from \$38 per ton to \$45 per ton. The tipping fee will increase to \$50 per ton effective July 1, 2023.

The Board after year end has also approved to purchase 87 acres for \$700,000 in which the cost will be split evenly between the City of Morristown and Hamblen County. The Board has also approved for the City of Morristown and Hamblen County to issue bonds of \$9,350,000 for expansion costs that will be paid for by the Landfill's tipping fee increase of \$7 per ton set aside for debt service. As of the date this report was issued, the land purchase, County's bond issuance, and bid for landfill expansion have not been finalized.

Requests for Information

This financial report is designed to provide a general overview of the Landfill's finances for all those with an interest in the Landfill's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Hamblen County - Morristown Solid Waste Disposal System, 3849 Sublett Road, Morristown, Tennessee 37813.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Statements of Net Position
June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 1,089,561	\$ 950,945
Accounts receivable	225,960	240,334
Prepaid	<u>6,000</u>	<u>-</u>
Total current assets	<u>1,321,521</u>	<u>1,191,279</u>
Non-current assets		
Investments	4,260,350	5,274,856
Cash - restricted retainage	118,186	61,192
Pension	<u>620,370</u>	<u>175,588</u>
Total non-current assets	<u>4,998,906</u>	<u>5,511,636</u>
Capital assets		
Capital assets, not depreciated	822,267	822,267
Capital assets, depreciated	16,275,600	15,830,853
Accumulated depreciation	<u>(13,404,787)</u>	<u>(13,107,761)</u>
Capital assets, net	<u>3,693,080</u>	<u>3,545,359</u>
Total assets	<u>10,013,507</u>	<u>10,248,274</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	123,531	113,382
Other post-employment benefit	<u>3,586</u>	<u>1,371</u>
Total deferred outflows of resources	<u>127,117</u>	<u>114,753</u>
LIABILITIES		
Current liabilities		
Accounts payable	76,551	308,348
Retainage payable	118,186	61,192
Accrued compensation	<u>21,943</u>	<u>21,868</u>
Total current liabilities	<u>216,680</u>	<u>391,408</u>
Non-current liabilities		
Other post-employment benefit	21,334	18,613
Accrued closure and postclosure care costs	<u>6,234,054</u>	<u>6,841,344</u>
Total non-current liabilities	<u>6,255,388</u>	<u>6,859,957</u>
Total liabilities	<u>6,472,068</u>	<u>7,251,365</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	348,239	3,721
Other post-employment benefit	<u>9,920</u>	<u>16,072</u>
Total deferred inflows of resources	<u>358,159</u>	<u>19,793</u>
NET POSITION		
Investment in capital assets	3,693,080	3,545,359
Restricted - pension	620,370	175,588
Unrestricted (deficit)	<u>(1,003,053)</u>	<u>(629,078)</u>
Total net position	<u>\$ 3,310,397</u>	<u>\$ 3,091,869</u>

The notes to the financial statements are an integral part of the financial statements.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Tipping fees	\$ 2,551,486	\$ 2,608,506
Tire disposal	148,800	132,272
Rent	12,600	10,180
Miscellaneous income	<u>19,694</u>	<u>19,632</u>
Total operating revenues	<u>2,732,580</u>	<u>2,770,590</u>
OPERATING EXPENSES		
Salaries	398,549	427,475
Depreciation	333,411	339,321
Professional services	282,342	333,963
Postclosure care costs	650,934	321,703
Equipment operations	340,912	292,101
Fringe benefits	78,507	194,777
Utilities and telephone	143,386	136,620
Maintenance and repairs	49,099	118,347
Fuel	119,318	66,085
Insurance	91,076	62,113
Materials and supplies	28,936	24,917
Travel	9,451	7,975
Miscellaneous	<u>1,984</u>	<u>2,021</u>
Total operating expenses	<u>2,527,905</u>	<u>2,327,418</u>
Operating income	<u>204,675</u>	<u>443,172</u>
OTHER FINANCING SOURCES		
Interest income	9,854	9,087
Gain on sale of equipment	<u>3,999</u>	<u>-</u>
Total other financing sources	<u>13,853</u>	<u>9,087</u>
Change in net position	218,528	452,259
Net position, at the beginning of the year	<u>3,091,869</u>	<u>2,639,610</u>
Net position, at the end of the year	<u>\$ 3,310,397</u>	<u>\$ 3,091,869</u>

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from customers	\$ 2,746,954	\$ 2,920,516
Payments to employees	(380,549)	(411,675)
Payments to suppliers	<u>(2,718,022)</u>	<u>(2,350,081)</u>
Net cash flows from operating activities	<u>(351,617)</u>	<u>158,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities (Purchases) of investments, net	1,023,238	(47,104)
Interest earned	<u>5,121</u>	<u>1,038</u>
Net cash flows from investing activities	<u>1,028,359</u>	<u>(46,066)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	16,001	-
Acquisition of capital assets	<u>(497,133)</u>	<u>(261,271)</u>
Net cash flows from capital and related financing activities	<u>(481,132)</u>	<u>(261,271)</u>
Net increase (decrease) in cash and cash equivalents	195,610	(148,577)
Cash and cash equivalents at the beginning of the year	<u>1,012,137</u>	<u>1,160,714</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,207,747</u>	<u>\$ 1,012,137</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 204,675	\$ 443,172
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	333,411	339,321
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable - tipping fees	14,374	149,926
Prepaid	(6,000)	-
Pension asset	(444,782)	(7,102)
Deferred outflow of resources	(12,364)	23,903
(Decrease) increase in:		
Accounts payable	(231,797)	294,965
Accrued compensation	75	(99)
Retainage payable	56,994	-
Other post-employment benefit	2,721	1,311
Deferred inflows of resources	338,366	(29,402)
Accrued closure and postclosure care costs	<u>(607,290)</u>	<u>(1,057,235)</u>
Net cash flows from operating activities	<u>\$ (351,617)</u>	<u>\$ 158,760</u>
Reconciliation of Cash and Cash Equivalents From Statement of Cash Flows		
To Statement of Net Position		
Cash	\$ 1,089,561	\$ 950,945
Cash - restricted retainage	<u>118,186</u>	<u>61,192</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,207,747</u>	<u>\$ 1,012,137</u>

The notes to the financial statements are an integral part of the financial statements.

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The Hamblen County - Morristown Solid Waste Disposal System (the "Landfill") is a joint venture of the City of Morristown, Tennessee (the "City") and Hamblen County, Tennessee (the "County"). The facility serves to operate a waste disposal system. The intent of the governing board is that the costs of providing service to the public be recovered through fees paid by the City, County, and local industries for the disposal of waste.

Basis of Presentation - The Landfill is an enterprise fund which is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Landfill follows Governmental Accounting Standards Board Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements.*"

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Net position is reported in three parts - investment in capital assets, restricted net position, and unrestricted net position, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Landfill's policy to use restricted resources first. Operating revenues include tipping fees, tire disposal, rent and miscellaneous income. Beginning July 1, 2018, the Landfill has assigned a \$3.00 tipping fee increase for closure and post closure costs. For the year ended June 30, 2022 and 2021, the Landfill has assigned \$204,135 and \$208,139. Nonoperating revenues include interest income, grant income, net increase in fair value of investments and proceeds from sale of capital assets.

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.

Budgets and Budgetary Accounting - The Landfill is not required to operate within an approved budget. However, budgets are used internally for managerial purposes.

Cash and Cash Equivalents - The Landfill considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments - Investments are reported at fair value. Investments consist of non-cash equivalents such as certificates of deposit with a maturity date greater than three months.

Capital Assets - Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available.

All purchases and construction costs that have an economic useful life that extends beyond 12 months and were acquired or produced for a cost in excess of \$1,000 are capitalized at the date of acquisition or construction, respectively. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Machinery and equipment	5-10 years
Buildings	10-31.5 years
Furniture and fixtures	10 years
Land improvements	10-50 years
Office equipment	5-13 years
Rental property	10-27.5 years

Accumulated Compensated Absences - It is the Landfill’s policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from service. Sick leave will be accumulated at one day per month and can be accumulated indefinitely, but can only be used as service time for early retirement if not otherwise used. A maximum of 42 days of annual leave can be carried over to the next year.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until that time. The Landfill had certain pension and other post-employment benefit items that qualify for reporting in this category at June 30, 2022 and 2021.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Landfill had certain pension and other post-employment benefit items that qualify for reporting in this category at June 30, 2022 and 2021.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Landfill’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (“TCRS”), and additions to/deductions from the Landfill’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Other Post-Employment Benefits (“OPEB”) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Landfill’s Post-Retirement Medical Insurance Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Plan has no investments as the net OPEB liability is not funded but expenses are paid as incurred.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no effect on the Landfill’s previously reported net position or change in net position.

Impact of Recently Issued Accounting Pronouncements - GASB Statement No. 87 - *Leases*, primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. There was no impact on the current financial statements from the implementation of this Statement.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of net position for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

State statutes require all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Landfill. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in the amount equal to 150% of the amount of uninsured deposits.

State statutes authorize the Landfill to invest in treasury bonds, notes, or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; other evidence of deposit at State and Federal chartered banks and Savings and Loan Associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool ("LGIP"); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

At June 30, 2022 and 2021, the carrying amount of the Landfill's cash and cash equivalents were \$1,122,874 and \$1,012,217 and were fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool.

At June 30, 2022 and 2021, the Landfill had \$4,378,536 and \$5,274,856 invested in the LGIP that were fully covered by securities held at a third party custodian in the State's name. The LGIP is reported at fair market value.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 and 2021 consist of charges for fees and services totaling \$225,960 and \$240,334. The Landfill considers the accounts to be fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 822,267	\$ -	\$ -	\$ 822,267
Total assets not being depreciated	<u>822,267</u>	<u>-</u>	<u>-</u>	<u>822,267</u>
Capital assets, being depreciated				
Land improvements	9,341,960	375,395	-	9,717,355
Rental property	345,478	-	-	345,478
Buildings and improvements	1,213,427	-	-	1,213,427
Furniture and fixtures	10,553	-	-	10,553
Machinery and equipment	4,818,444	101,314	(52,386)	4,867,372
Office equipment	100,991	20,424	-	121,415
Total other capital assets	<u>15,830,853</u>	<u>497,133</u>	<u>(52,386)</u>	<u>16,275,600</u>
Less accumulated depreciation for				
Land improvements	8,406,355	37,241	-	8,443,596
Rental property	144,196	12,487	-	156,683
Buildings and improvements	986,970	26,411	-	1,013,381
Furniture and fixtures	8,693	493	-	9,186
Office equipment	71,414	6,555	-	77,969
Machinery and equipment	3,490,133	250,224	(36,385)	3,703,972
Total accumulated depreciation	<u>13,107,761</u>	<u>333,411</u>	<u>(36,385)</u>	<u>13,404,787</u>
Total capital assets, being depreciated, net	<u>2,723,092</u>	<u>163,722</u>	<u>(16,001)</u>	<u>2,870,813</u>
Governmental activities capital assets, net	<u>\$ 3,545,359</u>	<u>\$ 163,722</u>	<u>\$ (16,001)</u>	<u>\$ 3,693,080</u>

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 822,267	\$ -	\$ -	\$ 822,267
Total assets not being depreciated	<u>822,267</u>	<u>-</u>	<u>-</u>	<u>822,267</u>
Capital assets, being depreciated				
Land improvements	9,271,971	69,989	-	9,341,960
Rental property	345,478	-	-	345,478
Buildings and improvements	1,213,427	-	-	1,213,427
Furniture and fixtures	10,553	-	-	10,553
Machinery and equipment	4,640,682	177,762	-	4,818,444
Office equipment	87,471	13,520	-	100,991
Total other capital assets	<u>15,569,582</u>	<u>261,271</u>	<u>-</u>	<u>15,830,853</u>
Less accumulated depreciation for				
Land improvements	8,372,592	33,763	-	8,406,355
Rental property	130,662	13,534	-	144,196
Buildings and improvements	945,416	41,554	-	986,970
Furniture and fixtures	8,200	493	-	8,693
Office equipment	65,728	5,686	-	71,414
Machinery and equipment	<u>3,245,842</u>	<u>244,291</u>	<u>-</u>	<u>3,490,133</u>
Total accumulated depreciation	<u>12,768,440</u>	<u>339,321</u>	<u>-</u>	<u>13,107,761</u>
Total capital assets, being depreciated, net	<u>2,801,142</u>	<u>(78,050)</u>	<u>-</u>	<u>2,723,092</u>
Governmental activities capital assets, net	<u>\$ 3,623,409</u>	<u>\$ (78,050)</u>	<u>\$ -</u>	<u>\$ 3,545,359</u>

Depreciation charged to expense was \$333,411 and \$339,321 for the years ended June 30, 2022 and 2021.

NOTE 5 - RETIREMENT PLAN

Plan Description

Employees of Morristown Hamblen County Landfill (the "Landfill") are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

Benefits Provided:

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLAs”) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (“CPI”) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
	22

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Landfill makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the Landfill were \$52,905 based on a rate of 14.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Landfill’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Landfill’s net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability (asset) as of the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period of July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions - In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Landfill will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/20	\$ 2,196,227	\$ 2,371,815	\$ (175,588)
Changes for the year:			
Service Cost	44,292	-	44,292
Interest	157,906	-	157,906
Differences between expected and actual experience	(30,913)	-	(30,913)
Changes of assumptions	69,293	-	69,293
Contributions - employer	-	59,490	(59,490)
Contributions - employee	-	20,699	(20,699)
Net investment income	-	605,970	(605,970)
Benefit payments, including refunds of employee contributions	(125,007)	(125,007)	-
Administrative expense	-	(799)	799
Net changes	<u>115,571</u>	<u>560,353</u>	<u>(444,782)</u>
Balances at 6/30/21	<u>\$ 2,311,798</u>	<u>\$ 2,932,168</u>	<u>\$ (620,370)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net position liability (asset) of the Landfill calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75) than the current rate:

	1 % Decrease (5.75)	Current Discount Rate (6.75)	1 % Increase (7.75)
Net pension liability (asset)	\$ (356,912)	\$ (620,370)	\$ (844,021)

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

For the year ended June 30, 2022, the Landfill recognized negative pension expense of \$(57,508).

For the year ended June 30, 2022, the Landfill reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,656	\$ 25,046
Changes in assumptions	51,970	-
Net difference between projected and actual earnings on pension plan investments	-	323,193
Contributions subsequent to measurement date of June 30, 2021	<u>52,905</u>	<u>-</u>
Total	<u>\$ 123,531</u>	<u>\$ 348,239</u>

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:	
2023	\$ (55,390)
2024	(67,963)
2025	(67,123)
2026	<u>(87,137)</u>
Total	<u>\$ (277,613)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2022, the Landfill reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Landfill’s defined benefit OPEB plan, Hamblen County - Morristown Solid Waste System Postretirement Medical Insurance Plan (the “Plan”), provides OPEB for all employees retiring after age 60 or with 30 years of service or until Medicare eligible. The Plan is a single-employer defined benefit OPEB plan administered by the Landfill. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides self-insured health benefits through Hamblen County, dental and vision insurance benefits are provided through City of Morristown. Post-65 retirees participate in the state-administered Medicare Supplement Plan. The retiree pays 100% of the medical, dental, and vision premiums. The retiree spouse can participate in the dental and vision plans only and pays 100% of the premiums.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>8</u>
	<u><u>11</u></u>

Total OPEB Liability

The Landfill’s total OPEB liability of \$21,334 was measured as of July 1, 2021, and was determined by an actuarial valuation as of July 1, 2021.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.16 percent
Salary increases	Payroll growth rate of 2.50 percent
Discount rate	2.16 percent
Healthcare cost trend rates	7.00 percent for 2021, grading down 0.5% per annum to an ultimate trend rate of 4.5%.
Retirees' share of benefit-related costs	Retirees pay 100% of the medical, dental, and vision premiums.

The discount rate was based on the Bond Buyer's 20 Bond Index. The index was 2.16% as of June 30, 2021.

The healthcare cost trend rate was reset to 7.0% in 2021, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2026 and later. The demographic assumptions were updated to be consistent with the Tennessee Consolidated Retirement System's (TCRS) June 30, 2020 actuarial valuation report. The mortality improvement scale was updated to MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based upon the results of an actuarial experience study for the period from July 1, 2019 through July 1, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 18,613
Changes for the year:	
Service Cost	1,644
Interest	512
Changes in benefit terms	-
Differences between expected and actual experience	1,625
Changes in assumptions and other inputs	1,920
Benefit payments	<u>(2,980)</u>
Net changes	<u>2,721</u>
Ending balance	<u>\$ 21,334</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Landfill, as well as what the Landfill's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1 % Decrease (2.54)	Current Discount Rate (3.54)	1 % Increase (4.54)
Net OPEB liability (asset)	<u>\$ 22,335</u>	<u>\$ 21,334</u>	<u>\$ 20,362</u>

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the Landfill, as well as what the Landfill's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent decreasing until 3.50 percent is reached) or 1-percentage-point higher (7.50 percent decreasing until 5.50 percent is reached) than the current healthcare cost trend rates:

	1 % Decrease (5.50) decreasing until 3.50% is reached	Healthcare Cost Trend Rates (6.50) decreasing until 4.50% is reached	1 % Increase (7.50) decreasing until 5.50% is reached
Net OPEB liability (asset)	<u>\$ 19,719</u>	<u>\$ 21,334</u>	<u>\$ 23,163</u>

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

For the year ended June 30, 2022, the Landfill recognized negative OPEB expense of \$(2,666). At June 30, 2022, the Landfill reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 2,249	\$ -
Differences between expected and actual experience	1,337	9,920
	<u>\$ 3,586</u>	<u>\$ 9,920</u>

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

Year ended June 30:	
2023	\$ (4,976)
2024	(3,022)
2025	631
2026	628
2027	405
Total	<u>\$ (6,334)</u>

NOTE 7 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that a final cover be placed on the Landfill site when it stops accepting waste, and that certain maintenance and monitoring functions be performed at the site for thirty years after closure. The Landfill has chosen to perform small closures instead of one large closure; therefore, the calculation of closure and postclosure care costs have been adjusted accordingly. The Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used at the balance sheet date.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements (Continued)

NOTE 7 - CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The \$6,234,054 and \$6,841,344 reported as landfill closure and postclosure care liability at June 30, 2022 and 2021, respectively, represent the cumulative amount reported to date based on the use of 100% of the estimated capacity of Phase I of the landfill and of the use of 98% of Phase II of the landfill based upon a study conducted in 2022. These amounts are based on what it would cost to perform all closure and postclosure care in 1996 adjusted by inflation. The Landfill closed Phase I in 1996 and started a 15 acre closure in 2021 that was substantially completed during 2022 other than items being addressed under warranty that will be completed during fiscal year 2023. Actual costs through June 30, 2022 were \$2,637,162.

The City and County have pledged to operate the Landfill and perform closure of the site in accordance with all requirements of the permit and any closure/postclosure plan, as such plan and permit may be amended, and pursuant to all applicable laws, statutes, rules and regulations.

NOTE 8 - RISK MANAGEMENT

The Landfill is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Landfill's risks of loss are covered by a commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Landfill may also be party to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. The Landfill does not believe that any liability that may ultimately result from these matters will have a material effect on the financial condition or results of the operations of the Landfill.

NOTE 9 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Landfill to concentrations of credit risk consist primarily of customer accounts receivable. Management does not believe significant credit risk exists as of June 30, 2022 and 2021.

REQUIRED SUPPLEMENTARY INFORMATION

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
June 30, 2022

Measurement Period Ended	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Total pension liability (asset)								
Service cost	\$ 40,562	\$ 35,766	\$ 42,947	\$ 27,407	\$ 24,075	\$ 25,709	\$ 44,884	\$ 44,292
Interest	145,638	135,072	129,650	130,790	135,072	142,122	152,776	157,906
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(167,160)	(149,639)	(37,172)	26,807	47,878	74,624	(5,581)	(30,913)
Changes of assumptions	-	-	-	50,529	-	-	-	69,293
Benefit payments, including refunds of employee contributions	(202,182)	(108,072)	(93,262)	(116,112)	(109,911)	(112,905)	(116,455)	(125,007)
Net change in total pension liability (asset)	(183,142)	(86,873)	42,163	119,421	97,114	129,550	75,624	115,571
Total pension liability (asset) - beginning	2,002,370	1,819,228	1,732,355	1,774,518	1,893,939	1,991,053	2,120,603	2,196,227
Total pension liability (asset) - ending (a)	\$ 1,819,228	\$ 1,732,355	\$ 1,774,518	\$ 1,893,939	\$ 1,991,053	\$ 2,120,603	\$ 2,196,227	\$ 2,311,798
Plan fiduciary net position								
Contributions - employer	\$ 59,291	\$ 52,111	\$ 53,134	\$ 50,052	\$ 56,251	\$ 62,429	\$ 64,694	\$ 59,490
Contributions - employee	23,828	20,500	20,903	19,674	19,572	21,722	22,510	20,699
Net investment income	266,967	55,424	48,459	208,719	166,815	159,658	112,795	605,970
Benefit payments, including refunds of employee contributions	(202,182)	(108,072)	(93,262)	(116,112)	(109,911)	(112,905)	(116,455)	(125,007)
Administrative expense	(507)	(558)	(703)	(723)	(812)	(847)	(818)	(799)
Other	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	147,397	19,405	28,531	161,610	131,915	130,057	82,726	560,353
Plan fiduciary net position - beginning	1,670,174	1,817,571	1,836,976	1,865,507	2,027,117	2,159,032	2,289,089	2,371,815
Plan fiduciary net position - ending (b)	\$ 1,817,571	\$ 1,836,976	\$ 1,865,507	\$ 2,027,117	\$ 2,159,032	\$ 2,289,089	\$ 2,371,815	\$ 2,932,168
Net pension liability (asset) - ending (a) - (b)	1,657	(104,621)	(90,989)	(133,178)	(167,979)	(168,486)	(175,588)	(620,370)
Plan fiduciary net position as a percentage of the total pension liability	99.91%	106.04%	105.13%	107.03%	108.44%	107.95%	107.99%	126.83%
Covered employee payroll	\$ 467,602	\$ 409,998	\$ 418,052	\$ 393,488	\$ 391,444	\$ 434,437	\$ 450,205	\$ 413,985
Net pension liability (asset) as a percentage of covered employee payroll	0.35%	-25.52%	-21.76%	-33.85%	-42.91%	-38.78%	-39.00%	-149.85%

Notes to Schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Contributions (Unaudited)
Year Ended June 30, 2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 59,291	\$ 52,111	\$ 53,134	\$ 50,052	\$ 56,251	\$ 62,429	\$ 61,228	\$ 56,385	\$ 50,143
Contributions in relation to the actuarially determined contribution	<u>59,291</u>	<u>52,111</u>	<u>53,134</u>	<u>50,052</u>	<u>56,251</u>	<u>62,429</u>	<u>64,694</u>	<u>59,490</u>	<u>52,905</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,466)</u>	<u>\$ (3,105)</u>	<u>\$ (2,762)</u>
Covered employee payroll	\$ 467,602	\$ 409,998	\$ 418,052	\$ 393,488	\$ 391,444	\$ 434,437	\$ 450,205	\$ 413,985	\$ 368,160
Contributions as a percentage of covered employee payroll	12.68%	12.71%	12.71%	12.72%	14.37%	14.37%	14.37%	14.37%	14.37%

GASB 68 requires a 10 year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	Varies by Year
Asset valuation method:	10-year smoothed within a 20 percent corridor to market value
Inflation:	2.5 percent
Salary increases:	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4 percent
Investment rate of return:	7.25 percent, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement.
Cost of Living Adjustments:	2.25 percent

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

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)
June 30, 2022

Measurement Period Ended	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
Total OPEB liability					
Service cost	\$ 7,696	\$ 7,663	\$ 1,337	\$ 1,572	\$ 1,644
Interest	5,510	5,982	554	409	512
Changes of benefit terms	-	-	(114,153)	-	-
Differences between expected and actual experience	-	-	(28,292)	-	1,625
Changes in assumptions and other inputs	(1,856)	2,183	1,017	39	1,920
Benefit payments	<u>(9,878)</u>	<u>(11,404)</u>	<u>(159)</u>	<u>(709)</u>	<u>(2,980)</u>
Net change in total OPEB liability (asset)	1,472	4,424	(139,696)	1,311	2,721
Total OPEB liability (asset) - beginning	<u>151,102</u>	<u>152,574</u>	<u>156,998</u>	<u>17,302</u>	<u>18,613</u>
Total OPEB liability (asset) - ending (a)	<u>\$ 152,574</u>	<u>\$ 156,998</u>	<u>\$ 17,302</u>	<u>\$ 18,613</u>	<u>\$ 21,334</u>
Covered employee payroll	\$ 393,488	\$ 391,444	\$ 434,437	\$ 450,205	\$ 413,985
Net OPEB liability (asset) as a percentage of covered employee payroll	38.77%	40.11%	3.98%	4.13%	5.15%

Notes to Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

Changes of benefit terms - The medical plan is through Hamblen County. The medical plan provisions are the same as Hamblen County. Additionally, the retiree is responsible for 100% of the premium for dental and vision benefits, through the City of Morristown.

Changes of assumptions - The healthcare cost trend rate was reset to 7.0% in 2021, grading down 0.5% per annum to an ultimate rate of 4.5% in years 2026 and later. The demographic assumptions were updated to be consistent with the Tennessee Consolidated Retirement System's (TCRS) June 30, 2020 actuarial valuation report. The mortality improvement scale was updated to MP-2021. The discount rate was based on the Bond Buyer's 20 Bond Index. The discount rate was 2.16% as of June 30, 2021 and 3.54% as of June 30, 2022.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

COMPLIANCE SECTION

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

Board of Directors
Hamblen County - Morristown Solid Waste Disposal System
Morristown, Tennessee

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 Hamblen County - Morristown Solid Waste Disposal System (the "Landfill"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Landfill's basic financial statements, and have issued our report thereon dated December 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Landfill's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control. Accordingly, we do not express an opinion on the effectiveness of the Landfill's internal control.

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

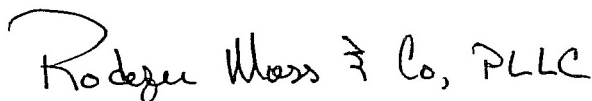
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

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 Landfill's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Landfill's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Greeneville, Tennessee
December 13, 2022

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Prior Year Findings
Year Ended June 30, 2022

Internal Control over Financial Reporting

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/ Current Year Finding Number</u>
2021-001	Misappropriated system funds (original finding #2021-001)	Corrected

Compliance and Other Matters

There were no prior year findings.