

HAMBLEN COUNTY - MORRISTOWN
SOLID WASTE DISPOSAL SYSTEM
Financial Statements
Years Ended June 30, 2025 and 2024

Audited by:



HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Financial Statements

Years Ended June 30, 2025 and 2024

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INTRODUCTORY SECTION

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Roster of Officials and Board Members
Year Ended June 30, 2025

Officials

Mr. Dennis Barnes

Director

Board Members

Mr. Tom Rush, Chairman

Mr. Patrick McGuffin, Vice-Chairman

Mr. Mike Bell

Mr. Chris Cutshaw

Mr. Bob Garrett

Mr. Tim Horner

Mr. Matt Lacy

Mr. Ventrus Norfolk

Mr. Will Sliger

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, 2025 and 2024, 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, 2025 and 2024, 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.

Emphasis of a Matter

As described in Note 1 to the financial statements, in 2025, the Landfill adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Landfill's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 16, 2025, 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.

ClearPoint CPAs PC

Greeneville, Tennessee
December 16, 2025

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2025 and 2024

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, 2025, 2024 and 2023. 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 \$5,092,542, \$4,379,244, and \$4,679,162 (restated) (net position) at June 30, 2025, 2024, and 2023.
- The Landfill's net position increased (decreased) by \$713,298, (\$299,918), and \$1,368,765 which includes the restatement of (\$43,991) for the implementation of GASB 101 for the years ended June 30, 2025, 2024, and 2023.
- The Landfill closed 15 acres during fiscal year 2024. Total closure cost was \$2,925,626.
- The Landfill started construction on an expansion in May 2024 and expects to have the expansion completed during the fall of 2026. Total costs incurred at June 30, 2025 were \$12,919,097, including engineering fees. The contract approved for the expansion was originally \$15,376,407 and was amended during June 30, 2025 to \$15,474,407. Subsequent to year end, the contract was amended to \$18,488,857, the contract does not include any engineering fees paid by the Landfill for the expansion. To finance the expansion, the Landfill has signed promissory notes with Hamblen County, Tennessee for \$4,275,000 and \$6,290,000 and with the City of Morristown, Tennessee for \$4,500,000. No funding had been received by the Landfill as of June 30, 2024. A note receivable was recorded for \$9,005,511 that also includes issuance premiums of \$230,511 contributed from both the County and the City that do not have to be repaid. During fiscal year 2025, the Landfill received \$7,708,860 from the County and \$4,503,304 from the City. At June 30, 2025, there is a note receivable of \$3,168,847 that is all due from the County and also includes an issuance premium of \$85,500 contributed from the County that does not have to be repaid.
- The Landfill purchased an 87 acre Class III Landfill for \$706,825 during fiscal year 2024. Hamblen County, Tennessee and City of Morristown, Tennessee each contributed \$350,000 during fiscal year 2023. As a result of the Class III landfill purchased, the Landfill incurred an additional post closure liability of \$1,256,814 during fiscal year 2024.
- The Landfill signed a promissory note with Hamblen County, Tennessee for a capital outlay note for \$900,000 to purchase a shredder during fiscal year 2024.
- The Landfill implemented GASB Statement No. 101 - *Compensated Absences* that resulted in a restatement of (\$43,991).

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.

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

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

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 \$5,092,542, \$4,379,244, and \$4,679,162 at June 30, 2025, 2024, and 2023. Of the Landfill's net position, \$5,035,941, \$4,837,539, and \$3,875,143 represent its net investment in capital assets at June 30, 2025, 2024, and 2023. Because capital assets are used to provide services to customers, the assets are not available for future spending. The Landfill also had \$619,190, \$274,887, and \$287,402 at June 30, 2025, 2024, and 2023 as restricted net position for the pension asset. The Landfill also had \$85,500 and \$690,511 restricted for the landfill expansion at June 30, 2025 and 2024. The balance at June 30, 2025 is the premium from the bond issuance that Hamblen County, Tennessee contributed to the Landfill that does not have to be repaid and the balance at June 30, 2024 is the notes receivable due from Hamblen County, Tennessee and City of Morristown, Tennessee less the notes payables due to the County and City at June 30, 2024 of \$8,315,000. The additional \$900,000 owed to the County had already been spent for a shredder and is included in the net investment in capital assets at June 30, 2024. In 2023, the landfill received government support from the City of Morristown, Tennessee and Hamblen County, Tennessee for a total of \$700,000 for the purchase of an additional landfill that was purchased during 2024.

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

| | 2025 | 2024 | 2023 |
|---------------------------------|-----------|-----------|----------|
| Current and other assets | \$ 11,687 | \$ 16,091 | \$ 7,564 |
| Capital assets, net | 17,994 | 8,441 | 3,875 |
| Total assets | 29,681 | 24,532 | 11,439 |
| Deferred outflows of resources | 53 | 145 | 145 |
| Current liabilities | 1,467 | 3,585 | 367 |
| Non-current liabilities | 22,988 | 16,699 | 6,519 |
| Total liabilities | 24,455 | 20,284 | 6,886 |
| Deferred inflows of resources | 187 | 14 | 19 |
| Net position: | | | |
| Investment in capital assets | 5,036 | 4,838 | 3,875 |
| Restricted - pension | 619 | 275 | 287 |
| Restricted - land purchase | - | - | 700 |
| Restricted - landfill expansion | 85 | 690 | - |
| Unrestricted (deficit) | (648) | (1,424) | (183) |
| Net position | \$ 5,092 | \$ 4,379 | \$ 4,679 |

During the years ended June 30, 2025, 2024, and 2023, the Landfill's net position increased (decreased) by \$713,298, (\$299,918), and \$1,368,765, which includes the restatement of (\$43,991) for the implementation of GASB 101. Current and other assets decreased \$4,404,408 for 2025 compared to 2024. The largest decrease is the Landfill has a note receivable of \$3,168,847 at June 30, 2025 due from the County whereas in the prior year the note receivable due from both the County and the City was \$9,005,511 for the landfill expansion.

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

The pension asset at June 30, 2025 also increased \$344,303 compared to June 30, 2024 and is determined by an actuary report for TCRS. See notes to the financial statements for additional information. The Landfill also had an increase of \$64,530 for accounts receivable for 2025 compared to 2024 due to more weight received as the Landfill did not raise tipping fees during 2025. The Landfill also had an increase in cash, restricted retainage due for the landfill expansion, and investments of \$1,023,423, which is due to an increase in revenue to the Landfill during the year. The current and other assets increased \$8,527,081 for 2024 compared to 2023. The largest increase is a notes receivable recorded at June 30, 2024 for \$9,005,511. The receivable is due from Hamblen County, Tennessee and City of Morristown, Tennessee for bond proceeds and issuance premiums issued to finance the landfill's expansion. The Landfill also had a decrease in cash of \$748,342 at June 30, 2024 compared to June 30, 2023. The Landfill purchased an 87-acre landfill during the year for \$706,825. The Landfill also had an increase in restricted retainage at June 30, 2024 of \$141,381 because final retainage for the 15 acre closure was not paid until July 2024 and the Landfill had also incurred retainage of \$134,677 for the new landfill expansion. Current liabilities decreased (\$2,118,581) for 2025 compared to 2024 because at June 30, 2024, the Landfill owed \$2,568,366 to a contractor for the expansion that started in May 2024. Retainage payable also increased \$367,558 for 2025 compared to 2024 due to the expansion still in progress at June 30, 2025 and the closure retainage payable was paid during fiscal year 2025. Current liabilities increased \$3,218,530 for 2024 compared to 2023 because of \$2,568,366 due to a contractor for the expansion that started in May 2024. Also, the Landfill signed promissory notes with Hamblen County, Tennessee and City of Morristown, Tennessee to pay principal and interest for bonds issued to finance the expansion of the landfill. As a result of these promissory notes, current liabilities increased \$638,914. Non-current liabilities increased \$6,289,279 because of a second promissory note signed with the County during fiscal year 2025 for \$6,290,000. Non-current liabilities increased \$10,179,604 for 2024 compared to 2023 because of the promissory notes signed that increased non-current by \$8,576,086. The Landfill also purchased an 87-acre landfill during 2024 that was 41% full. As a result, the Landfill incurred an additional postclosure liability of \$1,256,814 for 2024. The changes for the deferred outflows and deferred inflows year over year are determined by actuary reports for both TCRS and OPEB. See notes to the financial statements for additional information.

The following is a summary of financial activities for the Landfill during the fiscal years ended June 30, 2025, 2024 and 2023:

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

| | 2025 | 2024 | 2023 |
|---|-----------------|-----------------|-----------------|
| Revenues | | | |
| Operating revenues | \$ 3,808 | \$ 3,300 | \$ 3,042 |
| Expenses | | | |
| Operating expenses | <u>2,909</u> | <u>3,735</u> | <u>2,372</u> |
| Operating income (loss) | 899 | (435) | 670 |
| Other financing sources | <u>(186)</u> | <u>135</u> | <u>743</u> |
| Increase (decrease) in net position | 713 | (300) | 1,413 |
| Net position, at the beginning of the year as previously reported | 4,379 | 4,679 | 3,310 |
| Restatement | <u>-</u> | <u>-</u> | <u>(44)</u> |
| Net position, at the beginning of the year, restated | <u>4,379</u> | <u>4,679</u> | <u>3,266</u> |
| Net position, at the end of the year | <u>\$ 5,092</u> | <u>\$ 4,379</u> | <u>\$ 4,679</u> |

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

Operating revenues increased from 2025 to 2024 by \$508,172 because of more waste brought to the Landfill during 2025 compared to 2024. Operating revenues increased from 2024 to 2023 by \$258,336 because of an increase in tipping fees from \$45 to \$50 effective July 1, 2023. Operating expenses decreased \$825,638 for 2025 compared to 2024 because postclosure costs decreased \$986,274 from the additional landfill that was purchased in 2024. Fringe benefits also decreased \$90,186 because of negative pension expense per the actuary report from TCRS. Operating expenses increased \$1,363,333 for 2024 compared to 2023 because the landfill purchased an additional landfill and incurred an additional postclosure liability of \$1,256,814. Other financing sources decreased \$320,594 during 2025 compared to 2024 because interest expense increased \$193,854 due to another bond issued by the County for the expansion. The Landfill also received \$62,994 for insurance proceeds for a compactor that caught fire. Government support decreased \$145,011 because the Landfill received premiums on one bond issuance in 2025 and on two bond issuances in 2024. Other financing sources decreased \$607,677 during 2024 compared to 2023 because in 2023 the Landfill received \$700,000 from Hamblen County, Tennessee and City of Morristown, Tennessee for the purchase of the 87-acre landfill. During 2024, the Landfill recognized \$230,511 in government support for issuance premiums contributed by both the County and the City that the Landfill does not have to pay back. The Landfill also incurred additional interest expense of \$277,307 during 2024 as the Landfill paid interest payments for a full year on both promissory notes to the County and the City. The interest rate for LGIP also increased for 2024 and the Landfill recorded \$128,450 more in interest income for 2024 compared to 2023.

Capital Assets

At June 30, 2025, 2024, and 2023, the Landfill had \$17,994,191, \$8,440,582, and \$3,875,143 (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 \$9,553,609 from 2024 to 2025. Significant additions during fiscal year 2025 included \$9,758,304 for an expansion that is still in progress at June 30, 2025, compactor fire damage repairs for \$49,994, Trackhoe/Excavator for \$136,990, and an undercarriage for a Cat D6. Disposals during 2025 were \$612,559. Significant disposals during 2025 included a pit burner for \$149,500 and pit work for \$47,353, a Cat 330 Excavator for \$170,020 as well as a fuel system for \$9,627 and a final drive for \$8,500. The Landfill sold the Cat 330 Excavator at an auction for \$16,000. Significant purchases during fiscal year 2024 were an 87-acre Class III landfill purchased for \$706,825, a shredder for \$911,515, a CAT D6T rebuild for \$233,549, and a CAT 826 Compactor for \$121,837. The Landfill also had construction in progress at June 30, 2024 for the new landfill expansion of \$3,160,793. The Landfill also had disposals of \$939,693 for a dump truck that was sold at auction for \$20,000 and other assets that had been scrapped by the Landfill.

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

| | 2025 | 2024 | 2023 |
|--------------------------|------------------|-----------------|-----------------|
| Land | \$ 1,551 | \$ 1,551 | \$ 844 |
| Construction in progress | 12,919 | 3,161 | 318 |
| Land improvements | 909 | 950 | 991 |
| Buildings | 133 | 150 | 175 |
| Machinery and equipment | 2,293 | 2,414 | 1,313 |
| Other capital assets | 189 | 215 | 234 |
| Total capital assets | <u>\$ 17,994</u> | <u>\$ 8,441</u> | <u>\$ 3,875</u> |

Debt

Debt for the Landfill at June 30, 2025 increased \$5,651,086 because the Landfill signed a new promissory note with Hamblen County, Tennessee for \$6,290,000. The Landfill paid principal payments of \$638,914 during fiscal year 2025. At June 30, 2024, the Landfill recorded debt from signed promissory notes with Hamblen County, Tennessee and City of Morristown, Tennessee for \$9,675,000. The Landfill signed a promissory note with Hamblen County, Tennessee for

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

\$4,275,000 and a promissory note with the City of Morristown, Tennessee for \$4,500,000. The Landfill also signed a promissory note with the County for \$900,000 for a capital outlay note to purchase a shredder that was purchased during fiscal year 2024. During 2024, the Landfill paid \$460,000 in principal.

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

| | 2025 | 2024 | 2023 |
|---------------|-----------|----------|------|
| Notes payable | \$ 14,866 | \$ 9,215 | \$ - |

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

There was no tipping fee increase for fiscal year 2025. The loss for fiscal year 2024 of \$298,524 was a result of incurring an additional postclosure liability of \$1,256,814 for the 87-acre landfill acquired during the year that was 41% full. The outlook for the Landfill looks positive for 2026 with a tipping fee increase from \$50 to \$60 effective August 1, 2025.

Subsequent to year end, the Landfill signed a promissory note with City of Morristown, Tennessee for a capital outlay note for \$590,000 to finance a piece of equipment. The note will bear interest at 3.95% with variable payments over 7 years that will be made by the Landfill to the City.

The Landfill started construction on an expansion in May 2024 and expects to have the expansion completed during the fall of 2026. The Landfill is currently waiting on a permit from the Tennessee Department of Environment and Conservation to start work again on the expansion. Total costs incurred at June 30, 2025 were \$12,919,097, including engineering fees. The contract approved for the expansion was originally \$15,376,407 and was amended during June 30, 2025 to \$15,474,407. Subsequent to year end, the contract was amended to \$18,488,857, the contract does not include any engineering fees paid by the Landfill for the expansion.

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, 2025 and 2024

| ASSETS | 2025 | 2024 |
|--|--------------|--------------|
| Current assets | | |
| Cash | \$ 978,242 | \$ 618,462 |
| Accounts receivable | 302,542 | 238,012 |
| Notes receivable | 3,168,847 | 9,005,511 |
| Investments | 3,582,638 | 3,577,604 |
| Total current assets | 8,032,269 | 13,439,589 |
| Non-current assets | | |
| Cash - restricted retainage expansion | 631,534 | 134,677 |
| Investments - restricted retainage closure | - | 129,299 |
| Investments - debt service | 2,403,982 | 2,112,931 |
| Pension | 619,190 | 274,887 |
| Total non-current assets | 3,654,706 | 2,651,794 |
| Capital assets | | |
| Capital assets, not being depreciated | 14,470,297 | 4,711,993 |
| Capital assets, being depreciated | 16,587,996 | 16,938,472 |
| Accumulated depreciation | (13,064,102) | (13,209,883) |
| Capital assets, net | 17,994,191 | 8,440,582 |
| Total assets | 29,681,166 | 24,531,965 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension | 51,468 | 142,558 |
| Other post-employment benefit | 1,704 | 2,476 |
| Total deferred outflows of resources | 53,172 | 145,034 |

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Statements of Net Position (Continued)

| LIABILITIES | 2025 | 2024 |
|--|---------------------|---------------------|
| Current liabilities | | |
| Accounts payable | \$ 69,234 | \$ 47,549 |
| Retirement contribution | 4,168 | 4,525 |
| Contractor payable | - | 2,568,366 |
| Retainage payable - closure | - | 129,299 |
| Retainage payable - expansion | 631,534 | 134,677 |
| Compensated absences, current | 30,799 | 28,412 |
| Accrued interest | 51,968 | 33,262 |
| Notes payable, current | 678,720 | 638,914 |
| Total current liabilities | <u>1,466,423</u> | <u>3,585,004</u> |
| Non-current liabilities | | |
| Compensated absences, non-current | 33,186 | 46,718 |
| Other post-employment benefit | 17,300 | 15,200 |
| Notes payable, non-current | 14,187,366 | 8,576,086 |
| Accrued closure and postclosure care costs | 8,750,294 | 8,060,863 |
| Total non-current liabilities | <u>22,988,146</u> | <u>16,698,867</u> |
| Total liabilities | <u>24,454,569</u> | <u>20,283,871</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension | 182,145 | 7,729 |
| Other post-employment benefit | 5,082 | 6,155 |
| Total deferred inflows of resources | <u>187,227</u> | <u>13,884</u> |
| NET POSITION | | |
| Net investment in capital assets | 5,035,941 | 4,837,539 |
| Restricted - pension | 619,190 | 274,887 |
| Restricted - landfill expansion | 85,500 | 690,511 |
| Unrestricted (deficit) | <u>(648,089)</u> | <u>(1,423,693)</u> |
| Total net position | <u>\$ 5,092,542</u> | <u>\$ 4,379,244</u> |

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2025 and 2024

| OPERATING REVENUES | 2025 | 2024 |
|---|--------------|--------------|
| Tipping fees | \$ 3,602,334 | \$ 3,089,679 |
| Tire disposal | 173,845 | 173,622 |
| Rent | 9,070 | 10,540 |
| Miscellaneous income | 23,144 | 26,380 |
| Total operating revenues | 3,808,393 | 3,300,221 |
| OPERATING EXPENSES | | |
| Salaries | 521,537 | 475,708 |
| Professional services | 331,405 | 264,578 |
| Equipment operations | 280,737 | 252,490 |
| Depreciation | 450,773 | 413,045 |
| Postclosure care costs | 689,431 | 1,675,705 |
| Fringe benefits | 142,177 | 232,363 |
| Fuel | 114,135 | 140,077 |
| Utilities and telephone | 69,392 | 79,708 |
| Insurance | 129,266 | 107,950 |
| Maintenance and repairs | 142,370 | 66,756 |
| Materials and supplies | 30,373 | 20,155 |
| Travel | 3,773 | 2,467 |
| Miscellaneous | 3,858 | 3,863 |
| Total operating expenses | 2,909,227 | 3,734,865 |
| Operating income (loss) | 899,166 | (434,644) |
| OTHER FINANCING SOURCES | | |
| Interest income | 289,761 | 324,815 |
| Interest expense | (625,123) | (431,269) |
| Gain on sale of equipment | 1,000 | 10,669 |
| Insurance proceeds | 62,994 | - |
| Government support | 85,500 | 230,511 |
| Total other financing sources | (185,868) | 134,726 |
| Change in net position | 713,298 | (299,918) |
| Net position, at the beginning of the year as previously reported | 4,379,244 | 4,723,153 |
| Restatement (See Note 12) | - | (43,991) |
| Net position at the beginning of the year, restated | 4,379,244 | 4,679,162 |
| Net position, at the end of the year | \$ 5,092,542 | \$ 4,379,244 |

HAMBLÉN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments received from customers | \$ 3,743,863 | \$ 3,279,160 |
| Payments to employees | (503,337) | (456,514) |
| Payments to suppliers | (4,030,166) | (1,418,362) |
| Net cash flows from operating activities | (789,640) | 1,404,284 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Maturities of investments, net | 101,731 | 52,706 |
| Interest earned | 42,169 | 17,447 |
| Net cash flows from investing activities | 143,900 | 70,153 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of capital assets | 17,005 | 20,000 |
| Proceeds from insurance | 62,994 | - |
| Principal payments on notes | (638,914) | (460,000) |
| Interest paid | (606,417) | (398,007) |
| Proceeds from Hamblen County bond issuances | 7,708,860 | - |
| Proceeds from City of Morristown bond issuance | 4,503,304 | - |
| Acquisition of capital assets | (9,544,455) | (1,384,772) |
| Net cash flows from capital and related financing activities | 1,502,377 | (2,222,779) |
| Net increase (decrease) in cash and cash equivalents | 856,637 | (748,342) |
| Cash and cash equivalents at the beginning of the year | 753,139 | 1,501,481 |
| Cash and cash equivalents at the end of the year | \$ 1,609,776 | \$ 753,139 |
| Supplemental Disclosures of Non-Cash Capital and Related Financing Activities | | |
| Acquisition of capital asset with note payable | \$ - | \$ 900,000 |
| Acquisition of capital assets recognized in contractor payable and retainage payable - expansion | \$ 475,931 | \$ 2,703,043 |
| Reconciliation of cash and cash equivalents from Statement of Cash Flows to Statement of Net Position | | |
| Cash | \$ 978,242 | \$ 618,462 |
| Cash-restricted retainage | 631,534 | 134,677 |
| Cash and cash equivalents at the end of the year | \$ 1,609,776 | \$ 753,139 |

HAMBLE COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM

Statements of Cash Flows (Continued)

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Reconciliation of operating income to net cash flows from operating activities: | | |
| Operating income (loss) | \$ 899,166 | \$ (434,644) |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation | 450,773 | 413,045 |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable | (64,530) | (21,061) |
| Pension asset | (344,303) | 12,515 |
| Deferred outflow of resources | 91,862 | (235) |
| (Decrease) increase in: | | |
| Accounts payable | 21,685 | (164,239) |
| Retainage payable - closure | (129,299) | - |
| Contractor payable | (2,568,366) | - |
| Compensated absences | (11,145) | 1,797 |
| Retirement contribution | (357) | (294) |
| Other post-employment benefit | 2,100 | (4,164) |
| Accrued closure and postclosure care costs | 689,431 | 1,607,025 |
| Deferred inflows of resources | 173,343 | (5,461) |
| Net cash flows from operating activities | <u>\$ (789,640)</u> | <u>\$ 1,404,284</u> |

HAMBLÉN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Notes to Financial Statements
June 30, 2025 and 2024

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 - net 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 assigned \$3.00 of the tipping fee for other capital expenditures and closure and postclosure costs. During fiscal year 2023, the Landfill assigned an additional \$7.00 of the tipping fee for debt service. During fiscal year 2024, the Landfill assigned tire disposal revenue and tire grant revenue from Hamblen County, Tennessee, less tire recycling fees to debt service for a shredder. As of the year ended June 30, 2025 and 2024, the Landfill assigned \$2,319,014 and \$2,088,356 for other capital expenditures and closure and postclosure costs. As of the year ended June 30, 2025 and 2024, the Landfill assigned \$2,655,311 and \$2,437,939 for debt service for the landfill expansion. As of the year ended June 30, 2025 and 2024, the Landfill assigned \$90,571 and \$104,098 for debt service for a shredder. Nonoperating revenues include interest income, proceeds from sale of capital assets, insurance proceeds and government support.

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 held by the Local Government Investment Pool ("LGIP").

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued) - 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:

| | |
|-------------------------|---------------|
| 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. A maximum of 42 days of annual leave can be carried over to the next year.

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. Although sick leave is not paid upon separation, historical data indicates that employees use a portion of the sick leave earned annually. Based on this usage pattern and in accordance with GASB Statement No. 101 - *Compensated Absences*, the Landfill recognizes a liability for leave that is attributable to services already rendered, is earned by the employee, and is more likely than not to be used or paid. The 2024 balance was restated to reflect the implementation of GASB Statement No. 101, as further described in Note 12.

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, 2025 and 2024.

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, 2025 and 2024.

Leases - 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. The Landfill does not have any leases subject to capitalization under GASB No. 87.

Subscription-Based Information Technology Arrangements - The District has implemented GASB Statement No. 96, which provides guidance on accounting for subscription-based information technology arrangements (SBITAs). It defines SBITAs, requires recognition of a right-to-use intangible asset and corresponding liability, outlines capitalization rules for related costs, and mandates note disclosures. Currently, the Landfill has no agreements that meet this definition.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impact of Recently Issued Accounting Pronouncements - In June 2022, the Governmental Accounting Standards Board ("GASB") issued Statement No. 101 - *Compensated Absences*, which revises the recognition and measurement guidance for compensated absences. Effective for financial statements for periods beginning after December 15, 2023, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Additionally, that objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previous required disclosures. As a result of implementing GASB Statement No. 101, a restatement of \$43,991 has been presented to reflect the implementation of this standard.

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.

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 December 16, 2025, 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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Funding Board; the State of Tennessee Local Government Investment Pool ("LGIP"); obligations of the Public Housing Authority and bonds to 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, 2025 and 2024, the carrying amount of the Landfill's cash and cash equivalents were \$1,012,619 and \$754,169 and were fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool.

At June 30, 2025 and 2024, the Landfill had \$6,527,785 and \$5,819,834 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, 2025 and 2024 consist of charges for fees and services totaling \$302,542 and \$238,012. The Landfill considers the accounts to be fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

NOTE 4 - NOTES RECEIVABLE

The Landfill has recorded a notes receivable at June 30, 2025 and 2024 of \$3,168,847 and \$9,005,511. The \$3,168,847 is due solely from Hamblen County, Tennessee (the "County") whereas the \$9,005,511 is due from the County and City of Morristown, Tennessee (the "City") for bond issuances owed to the Landfill for the landfill expansion. Also included in the notes receivable, is the issuance premium of \$85,500 and \$230,511 at June 30, 2025 and 2024. The \$85,500 is due solely from the County without requirement for repayment and \$230,511 is due for both bond issuances that were contributed to the Landfill by the County and City without requirement for repayment. See Note 6 for long-term debt issued in relation to the notes receivable.

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-------------|-------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 1,551,200 | \$ - | \$ - | \$ 1,551,200 |
| Construction in progress | 3,160,793 | 9,758,304 | - | 12,919,097 |
| Total capital assets, not being depreciated | 4,711,993 | 9,758,304 | - | 14,470,297 |
| Capital assets, being depreciated | | | | |
| Land improvements | 9,475,224 | - | - | 9,475,224 |
| Rental property | 345,478 | - | - | 345,478 |
| Buildings and improvements | 1,213,427 | - | (51,539) | 1,161,888 |
| Furniture and fixtures | 10,553 | - | - | 10,553 |
| Machinery and equipment | 5,745,392 | 262,083 | (532,379) | 5,475,096 |
| Office equipment | 148,398 | - | (28,641) | 119,757 |
| Total other capital assets | 16,938,472 | 262,083 | (612,559) | 16,587,996 |
| Less accumulated depreciation for | | | | |
| Land improvements | 8,525,038 | 40,720 | - | 8,565,758 |
| Rental property | 180,380 | 11,848 | - | 192,228 |
| Buildings and improvements | 1,063,145 | 17,565 | (51,443) | 1,029,267 |
| Furniture and fixtures | 10,169 | 384 | - | 10,553 |
| Office equipment | 99,650 | 12,913 | (28,641) | 83,922 |
| Machinery and equipment | 3,331,501 | 367,343 | (516,470) | 3,182,374 |
| Total accumulated depreciation | 13,209,883 | 450,773 | (596,554) | 13,064,102 |
| Total capital assets, being depreciated, net | 3,728,589 | (188,690) | (16,005) | 3,523,894 |
| Governmental activities capital assets, net | \$ 8,440,582 | \$ 9,569,614 | \$ (16,005) | \$ 17,994,191 |

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

NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2024, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|------------|-------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 844,375 | \$ 706,825 | \$ - | \$ 1,551,200 |
| Construction in progress | 318,442 | 2,842,351 | - | 3,160,793 |
| Total capital assets, not being depreciated | 1,162,817 | 3,549,176 | - | 4,711,993 |
| Capital assets, being depreciated | | | | |
| Land improvements | 9,475,224 | - | - | 9,475,224 |
| 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 | 5,251,934 | 1,433,151 | (939,693) | 5,745,392 |
| Office equipment | 142,910 | 5,488 | - | 148,398 |
| Total other capital assets | 16,439,526 | 1,438,639 | (939,693) | 16,938,472 |
| Less accumulated depreciation for | | | | |
| Land improvements | 8,484,318 | 40,720 | - | 8,525,038 |
| Rental property | 168,532 | 11,848 | - | 180,380 |
| Buildings and improvements | 1,038,620 | 24,525 | - | 1,063,145 |
| Furniture and fixtures | 9,676 | 493 | - | 10,169 |
| Office equipment | 87,103 | 12,547 | - | 99,650 |
| Machinery and equipment | 3,938,951 | 322,912 | (930,362) | 3,331,501 |
| Total accumulated depreciation | 13,727,200 | 413,045 | (930,362) | 13,209,883 |
| Total capital assets, being depreciated, net | 2,712,326 | 1,025,594 | (9,331) | 3,728,589 |
| Governmental activities capital assets, net | \$ 3,875,143 | \$ 4,574,770 | \$ (9,331) | \$ 8,440,582 |

Depreciation charged to expense was \$450,773 and \$413,045 for the years ended June 30, 2025 and 2024.

NOTE 6 - LONG-TERM DEBT

On February 10, 2023, the Landfill signed a promissory note with Hamblen County for \$4,275,000 for bond proceeds for expenses to construct an expansion at the Landfill, which will bear variable interest ranging from 5% to 4%. Variable payments over 14 years will be made by the Landfill annually beginning in June 2024. The bonds are general obligation debt of the County. The Landfill has recorded a notes receivable of \$4,502,207, including an issuance premium of \$227,207, at June 30, 2024 that was all received during fiscal year 2025. The County has contributed the issuance premium of \$227,207 to the Landfill that does not have to be repaid.

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

NOTE 6 - LONG-TERM DEBT (Continued)

On December 1, 2022, the Landfill signed a promissory note with the City of Morristown, Tennessee for \$4,500,000 for bond proceeds for expenses to construct an expansion at the Landfill, which will bear variable interest ranging from 5% to 4%. Variable payments over 14 years will be made by the Landfill annually beginning in June 2024. The bonds are general obligation debt of the City. The Landfill has recorded a notes receivable of \$4,503,304, including an issuance premium of \$3,304, at June 30, 2024 that was all received during fiscal year 2025. The City has contributed the issuance premium of \$3,304 to the Landfill that does not have to be repaid.

On August 16, 2024, the Landfill signed a promissory note with the County for \$6,290,000 for bond proceeds for expenses to construct an expansion at the Landfill, which will bear variable interest ranging from 5% to 4%. Variable payments over 18 years will be made by the Landfill annually beginning in June 2027. Interest payments will be made by the Landfill starting in June 2025. The bonds are general obligation debt of the County. The Landfill has recorded a notes receivable of \$3,168,847, which includes an issuance premium of \$85,500, at June 30, 2025 that will be received during fiscal year 2026. The County has contributed the issuance premium of \$85,500 to the Landfill that does not have to be repaid.

In the event of default for the promissory notes noted above with the County and the City for the landfill expansion, the County and City, by its agents or attorneys, may themselves or through a receiver enter into and take possession of the System and all funds and assets of the System and the Board and all books and records, papers and accounts of the Board pertaining thereto and to hold, operate and manage the same and forthwith exercise all rights, powers and franchises of the Board in respect thereof make any repairs, replacements or improvements deemed necessary or desirable, collect the earnings, rents, revenues, profits and income therefrom, and collect, receive and sequester the revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the County and City, its agents and counsel, and any charges of the County and City hereunder, and pay any Net Revenues of the System to the payment of the Notes. The net revenues of the Landfill secure the promissory notes. Net revenues of the Landfill for the next succeeding fiscal year should equal 1.10 times the amount of principal and interest payable during the next succeeding fiscal year on all indebtedness of the Board.

On December 15, 2023, the Landfill signed a promissory note with Hamblen County, Tennessee for \$900,000 for a capital outlay note, series 2023 to purchase a shredder. The promissory note bears interest at 4.76% and variable payments will be made over 5 years by the Landfill to the County. The capital outlay note is a direct borrowing and placement debt of the County. The net revenues of the Landfill secure the promissory note and must equal 1.10 times the amount of the principal and interest payable during the next succeeding fiscal year for all debt.

Long-term debt activity for the year ended June 30, 2025, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|--------------|------------|-------------------|-----------------------------------|
| Bonds and notes payable | | | | | |
| General obligation bonds | \$ 8,315,000 | \$ 6,290,000 | \$ 485,000 | \$ 14,120,000 | \$ 505,000 |
| Notes payable | 900,000 | - | 153,914 | 746,086 | 173,720 |
| Total bonds and notes payable | 9,215,000 | 6,290,000 | 638,914 | 14,866,086 | 678,720 |
| Other liabilities | | | | | |
| Compensated absences, restated | 75,130 | - | 11,145 | 63,985 | 30,799 |
| Total other liabilities | 75,130 | - | 11,145 | 63,985 | 30,799 |
| Total | \$ 9,290,130 | \$ 6,290,000 | \$ 650,059 | \$ 14,930,071 | \$ 709,519 |

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

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term debt activity for the year ended June 30, 2024, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|--------------|------------|-------------------|-----------------------------------|
| Bonds and notes payable | | | | | |
| General obligation bonds | \$ - | \$ 8,775,000 | \$ 460,000 | \$ 8,315,000 | \$ 485,000 |
| Notes payable | - | 900,000 | - | 900,000 | 153,914 |
| Total bonds and notes payable | - | 9,675,000 | 460,000 | 9,215,000 | 638,914 |
| Other liabilities | | | | | |
| Compensated absences, restated | 73,334 | 1,796 | - | 75,130 | 28,412 |
| Total other liabilities | 73,334 | 1,796 | - | 75,130 | 28,412 |
| Total | \$ 73,334 | \$ 9,676,796 | \$ 460,000 | \$ 9,290,130 | \$ 667,326 |

Long-term debt consisted of the following at June 30, 2025:

| | 2025 | 2024 |
|---|---------------|--------------|
| Promissory Note Payable to Hamblen County, Tennessee for repayment of Bond Series 2023, various interest rates from 4%-5%, due in varying amounts through June 2037. | \$ 3,815,000 | \$ 4,050,000 |
| Promissory Note Payable to Hamblen County, Tennessee for repayment of Bond Series 2024A, various interest rates from 4%-5%, due in varying amounts through June 2044. | 6,290,000 | - |
| Promissory Note Payable to City of Morristown, Tennessee for repayment of Bond Series 2022, various interest rates from 4%-5%, due in varying amounts through June 2037. | 4,015,000 | 4,265,000 |
| Promissory Note Payable to Hamblen County, Tennessee for repayment of Capital Outlay Note, Series 2023, interest rate of 4.76%, due in varying amounts through December 2028. | 746,086 | 900,000 |
| Amounts due within one year | (678,720) | (638,914) |
| Total long-term debt | \$ 14,187,366 | \$ 8,576,086 |

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

NOTE 6 - LONG-TERM DEBT (Continued)

Future maturities of long-term debt as of June 30, 2025, are as follows:

| Year Ended June 30 | Notes from direct borrowings and direct placements | |
|-----------------------|---|---------------------|
| | Principal | Interest |
| 2026 | \$ 678,720 | \$ 629,879 |
| 2027 | 816,989 | 596,163 |
| 2028 | 1,000,651 | 555,544 |
| 2029 | 1,049,726 | 505,754 |
| 2030 | 890,000 | 461,500 |
| 2031-2035 | 5,040,000 | 1,708,000 |
| 2036-2040 | 3,530,000 | 707,600 |
| 2041-2044 | 1,860,000 | 189,400 |
| | <u>\$ 14,866,086</u> | <u>\$ 5,353,840</u> |

NOTE 7 - 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>.

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.

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

NOTE 7 - RETIREMENT PLAN (Continued)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2024, 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 | 4 |
| Active employees | 8 |
| | <u>24</u> |

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, 2025, the employer contributions for the Landfill were \$35,798 based on a rate of 7.5 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, 2024, 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, 2024 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 |

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

The actuarial assumptions used in the June 30, 2024 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.

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:

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

NOTE 7 - RETIREMENT PLAN (Continued)

| Long-Term Expected Asset Class | Target Real Rate of Return | Allocation |
|---------------------------------------|-------------------------------|------------|
| 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% | 1% |
| | | 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.

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|---|--------------------------------------|--|---|
| Balances at 7/1/23 | \$ 2,596,185 | \$ 2,871,072 | \$ (274,887) |
| Changes for the year: | | | |
| Service Cost | 44,428 | - | 44,428 |
| Interest | 173,328 | - | 173,328 |
| Differences between expected and actual experience | (225,130) | - | (225,130) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 41,715 | (41,715) |
| Contributions - employee | - | 20,857 | (20,857) |
| Net investment income | - | 276,145 | (276,145) |
| Benefit payments, including refunds of employee contributions | (145,579) | (145,579) | - |
| Administrative expense | - | (1,788) | 1,788 |
| Net changes | (152,953) | 191,350 | (344,303) |
| Balances at 6/30/24 | \$ 2,443,232 | \$ 3,062,422 | \$ (619,190) |

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

NOTE 7 - RETIREMENT PLAN (Continued)

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) | \$ (338,257) | \$ (619,190) | \$ (857,029) |

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

For the year ended June 30, 2025, the Landfill recognized negative pension expense of (\$42,999).

For the year ended June 30, 2025, 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 | \$ 15,670 | \$ 150,087 |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 32,058 |
| Contributions subsequent to measurement date of June 30, 2024 | 35,798 | - |
| Total | \$ 51,468 | \$ 182,145 |

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2024," 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: | |
| 2026 | \$ (102,002) |
| 2027 | (30,540) |
| 2028 | (16,889) |
| 2029 | (17,044) |
| Total | \$ (166,475) |

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, 2025, the Landfill reported a payable of \$4,168 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2025.

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

NOTE 8 - 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, 2024, the following employees were covered by the benefit terms:

| | |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | 10 |
| | <hr/> |
| | 10 |

Total OPEB Liability

The Landfill's total OPEB liability of \$17,300 was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 3.93 percent |
| Salary increases | Payroll growth rate of 2.50 percent |
| Discount rate | 3.93 percent |
| Healthcare cost trend rates | 8.00 percent for 2023, grading down 0.5% per annum to an ultimate trend rate of 5.00%. |
| 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 3.93% as of June 30, 2024.

The healthcare cost trend rate was reset to 8.00% in 2023, grading down 0.5% per annum to an ultimate rate of 5.00% in years 2029 and later. The demographic assumptions were updated to be consistent with the Tennessee Consolidated Retirement System's (TCRS) June 30, 2022 actuarial valuation report. The mortality improvement scale was updated to MP-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based upon the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020.

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

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|-----------------------|----------------------------|
| Beginning balance | \$ 15,200 |
| Changes for the year: | |
| Service Cost | 1,446 |
| Interest | 654 |
| Net changes | 2,100 |
| Ending balance | \$ 17,300 |

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 (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

| | 1 % Decrease (2.93) | Current Discount Rate (3.93) | 1 % Increase (4.93) |
|----------------------------|------------------------|------------------------------------|------------------------|
| Net OPEB liability (asset) | \$ 18,483 | \$ 17,300 | \$ 16,197 |

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 (6.00 percent decreasing until 4.00 percent is reached) or 1-percentage-point higher (8.00 percent decreasing until 6.00 percent is reached) than the current healthcare cost trend rates:

| | 1 % Decrease (6.00) decreasing until 4.00% is reached | Healthcare Cost Trend Rates (7.00) decreasing until 5.00% is reached | 1 % Increase (8.00) decreasing until 6.00% is reached |
|----------------------------|---|--|---|
| Net OPEB liability (asset) | \$ 15,612 | \$ 17,300 | \$ 19,271 |

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

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2025, the Landfill recognized OPEB expense of \$1,799. At June 30, 2025, 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 | \$ 1,231 | \$ 52 |
| Differences between expected and actual experience | <u>473</u> | <u>5,030</u> |
| | <u>\$ 1,704</u> | <u>\$ 5,082</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:

| | |
|------------|-------------------|
| 2026 | \$ (304) |
| 2027 | (527) |
| 2028 | (924) |
| 2029 | (912) |
| 2030 | (711) |
| Thereafter | <u>-</u> |
| Total | <u>\$ (3,378)</u> |

NOTE 9 - 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.

The \$7,173,146 and \$6,804,049 reported as landfill closure and postclosure care liability at June 30, 2025 and 2024, 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 99.3% of Phase II of the landfill based upon a study conducted in 2025. 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 completed during fiscal year 2024. Total costs of the closure were \$2,925,626.

During the year ended June 30, 2024, the Landfill purchased an 87-acre Class III landfill. The closure and postclosure care liability at June 30, 2025 and 2024 was \$1,577,148 and \$1,256,814 based upon use of 49% of the Class III landfill based upon a study conducted in 2025.

The Landfill started construction on an expansion in May 2024 and expects to have the expansion completed during the fall of 2026. Total costs incurred at June 30, 2025 were \$12,919,097, including engineering fees. The contract approved for the expansion was originally \$15,376,407 and was amended during June 30, 2025 to \$15,474,407. Subsequent to year end, the contract was amended to \$18,488,857, the contract does not include any engineering fees paid by the Landfill for the expansion.

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

NOTE 9 - CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

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 10 - 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 11 - 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, 2025 and 2024.

NOTE 12 - RESTATEMENT

During the current fiscal year, the Landfill implemented GASB Statement No. 101, *Compensated Absences*. This standard updates the recognition and measurement criteria for liabilities related to employee leave benefits, such as vacation and sick leave. Implementation of this standard resulted in the identification of an understatement of its previously reported liability for compensated absences.

Accordingly, a restatement was recorded to increase the compensated absences liability and decrease the beginning net position by (\$43,991) at June 30, 2024. The beginning net position previously reported as \$4,723,153 was restated to \$4,679,162 to reflect this change.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to year end, the Landfill signed a promissory note with City of Morristown, Tennessee for a capital outlay note for \$590,000 to finance a piece of equipment. The note will bear interest at 3.95% with variable payments over 7 years that will be made by the Landfill to the City.

The Landfill also increased tipping fees effective August 1, 2025 to \$60 per ton.

REQUIRED SUPPLEMENTARY INFORMATION

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
June 30, 2025

| Measurement Period Ended | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 | 6/30/2023 | 6/30/2024 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability (asset) | | | | | | | | | | |
| Service cost | \$ 35,766 | \$ 42,947 | \$ 27,407 | \$ 24,075 | \$ 25,709 | \$ 44,884 | \$ 44,292 | \$ 44,050 | \$ 43,395 | \$ 44,428 |
| Interest | 135,072 | 129,650 | 130,790 | 135,072 | 142,122 | 152,776 | 157,906 | 154,639 | 165,428 | 173,328 |
| Changes of benefit terms | - | - | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | (149,639) | (37,172) | 26,807 | 47,878 | 74,624 | (5,581) | (30,913) | 93,731 | 47,012 | (225,130) |
| Changes of assumptions | - | - | 50,529 | - | - | - | 69,293 | - | - | - |
| Benefit payments, including refunds of employee contributions | (108,072) | (93,262) | (116,112) | (109,911) | (112,905) | (116,455) | (125,007) | (129,792) | (134,076) | (145,579) |
| Net change in total pension liability (asset) | (86,873) | 42,163 | 119,421 | 97,114 | 129,550 | 75,624 | 115,571 | 162,628 | 121,759 | (152,953) |
| Total pension liability (asset) - beginning | 1,819,228 | 1,732,355 | 1,774,518 | 1,893,939 | 1,991,053 | 2,120,603 | 2,196,227 | 2,311,798 | 2,474,426 | 2,596,185 |
| Total pension liability (asset) - ending (a) | <u>\$ 1,732,355</u> | <u>\$ 1,774,518</u> | <u>\$ 1,893,939</u> | <u>\$ 1,991,053</u> | <u>\$ 2,120,603</u> | <u>\$ 2,196,227</u> | <u>\$ 2,311,798</u> | <u>\$ 2,474,426</u> | <u>\$ 2,596,185</u> | <u>\$ 2,443,232</u> |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions - employer | \$ 52,111 | \$ 53,134 | \$ 50,052 | \$ 56,251 | \$ 62,429 | \$ 64,694 | \$ 59,490 | \$ 52,905 | \$ 41,072 | \$ 41,715 |
| Contributions - employee | 20,500 | 20,903 | 19,674 | 19,572 | 21,722 | 22,510 | 20,699 | 18,408 | 20,536 | 20,857 |
| Net investment income | 55,424 | 48,459 | 208,719 | 166,815 | 159,658 | 112,795 | 605,970 | (111,040) | 183,163 | 276,145 |
| Benefit payments, including refunds of employee contributions | (108,072) | (93,262) | (116,112) | (109,911) | (112,905) | (116,455) | (125,007) | (129,792) | (134,076) | (145,579) |
| Administrative expense | (558) | (703) | (723) | (812) | (847) | (818) | (799) | (821) | (1,451) | (1,788) |
| Net change in plan fiduciary net position | 19,405 | 28,531 | 161,610 | 131,915 | 130,057 | 82,726 | 560,353 | (170,340) | 109,244 | 191,350 |
| Plan fiduciary net position - beginning | 1,817,571 | 1,836,976 | 1,865,507 | 2,027,117 | 2,159,032 | 2,289,089 | 2,371,815 | 2,932,168 | 2,761,828 | 2,871,072 |
| Plan fiduciary net position - ending (b) | <u>\$ 1,836,976</u> | <u>\$ 1,865,507</u> | <u>\$ 2,027,117</u> | <u>\$ 2,159,032</u> | <u>\$ 2,289,089</u> | <u>\$ 2,371,815</u> | <u>\$ 2,932,168</u> | <u>\$ 2,761,828</u> | <u>\$ 2,871,072</u> | <u>\$ 3,062,422</u> |
| Net pension liability (asset) - ending (a) - (b) | (104,621) | (90,989) | (133,178) | (167,979) | (168,486) | (175,588) | (620,370) | (287,402) | (274,887) | (619,190) |
| Plan fiduciary net position as a % of the total pension liability | 106.04% | 105.13% | 107.03% | 108.44% | 107.95% | 107.99% | 126.83% | 111.61% | 110.59% | 125.34% |
| Covered employee payroll | \$ 409,998 | \$ 418,052 | \$ 393,488 | \$ 391,444 | \$ 434,437 | \$ 450,205 | \$ 413,985 | \$ 368,160 | \$ 410,725 | \$ 417,145 |
| Net pension liability (asset) as a % of covered employee payroll | -25.52% | -21.76% | -33.85% | -42.91% | -38.78% | -39.00% | -149.85% | -78.06% | -66.93% | -148.44% |

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.

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Contributions (Unaudited)
Year Ended June 30, 2025

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|------------|
| Actuarially determined contribution | \$ 53,134 | \$ 50,052 | \$ 56,251 | \$ 62,429 | \$ 61,228 | \$ 56,385 | \$ 50,143 | \$ 26,738 | \$ 27,156 | \$ 31,073 |
| Contributions in relation to the actuarially determined contribution | 53,134 | 50,052 | 56,251 | 62,429 | 64,694 | 59,490 | 52,905 | 41,072 | 41,715 | 35,798 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ (3,466) | \$ (3,105) | \$ (2,762) | \$ (14,334) | \$ (14,559) | \$ (4,725) |
| Covered employee payroll | \$ 418,052 | \$ 393,488 | \$ 391,444 | \$ 434,437 | \$ 450,205 | \$ 413,985 | \$ 368,160 | \$ 410,725 | \$ 417,145 | \$ 477,307 |
| Contributions as a percentage of covered employee payroll | 12.71% | 12.72% | 14.37% | 14.37% | 14.37% | 14.37% | 14.37% | 10.00% | 10.00% | 7.50% |

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 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: | 2.25 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: | 6.75 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: | 2.125 percent |
| 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. 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. |

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)
June 30, 2025

| 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> | <u>6/30/2022</u> | <u>6/30/2023</u> | <u>6/30/2024</u> |
|--|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability | | | | | | | | |
| Service cost | \$ 7,696 | \$ 7,663 | \$ 1,337 | \$ 1,572 | \$ 1,644 | \$ 1,407 | \$ 1,473 | \$ 1,446 |
| Interest | 5,510 | 5,982 | 554 | 409 | 512 | 735 | 546 | 654 |
| Changes of benefit terms | - | - | (114,153) | - | - | - | - | - |
| Differences between expected and actual experience | - | - | (28,292) | - | 1,625 | - | (7,136) | - |
| Changes in assumptions and other inputs | (1,856) | 2,183 | 1,017 | 39 | 1,920 | (112) | 953 | - |
| Benefit payments | <u>(9,878)</u> | <u>(11,404)</u> | <u>(159)</u> | <u>(709)</u> | <u>(2,980)</u> | <u>(4,000)</u> | <u>-</u> | <u>-</u> |
| Net change in total OPEB liability (asset) | 1,472 | 4,424 | (139,696) | 1,311 | 2,721 | (1,970) | (4,164) | 2,100 |
| 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> | <u>21,334</u> | <u>19,364</u> | <u>15,200</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> | <u>\$ 19,364</u> | <u>\$ 15,200</u> | <u>\$ 17,300</u> |
| Covered employee payroll | \$ 393,488 | \$ 391,444 | \$ 434,437 | \$ 450,205 | \$ 413,985 | \$ 368,160 | \$ 410,725 | \$ 477,307 |
| Net OPEB liability (asset) as a percentage of covered employee payroll | 38.77% | 40.11% | 3.98% | 4.13% | 5.15% | 5.26% | 3.70% | 3.62% |

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 8.0% in 2023, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2029 and later. The demographic assumptions were updated to be consistent with the Tennessee Consolidated Retirement System's (TCRS) June 30, 2022 actuarial valuation report. The mortality improvement scale was updated to PUB-2010 tables. The discount rate was based on the Bond Buyer's 20 Bond Index. The discount rate was 3.65% as of June 30, 2023 and 3.93% as of June 30, 2024.

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.

SUPPLEMENTARY INFORMATION

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Changes in Long-Term Debt by Individual Issue
June 30, 2025

| Description of indebtedness | Original Amount Of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7/1/2024 | Issued During Period | Paid and/or Matured During Period | Refunded During Period | Outstanding 6/30/2025 |
|---|--------------------------------|------------------|---------------------|--------------------------|-------------------------|----------------------------|--|------------------------------|--------------------------|
| Notes Payable | | | | | | | | | |
| Hamblen County Bond Series 2023 | \$ 4,275,000 | 5.00% | 2/10/2023 | 6/1/2037 | \$ 4,050,000 | \$ - | \$ 235,000 | \$ - | \$ 3,815,000 |
| Hamblen County Bond Series 2024A | 6,290,000 | 3.87% | 8/16/2024 | 6/1/2044 | - | 6,290,000 | - | - | 6,290,000 |
| City of Morristown Bond Series 2022 | 4,500,000 | 5.00% | 12/1/2022 | 6/1/2037 | 4,265,000 | - | 250,000 | - | 4,015,000 |
| Hamblen County Capital Outlay Note, Series 2023 | 900,000 | 4.76% | 12/22/2023 | 12/1/2028 | 900,000 | - | 153,914 | - | 746,086 |
| | | | | | <u>\$ 9,215,000</u> | <u>\$ 6,290,000</u> | <u>\$ 638,914</u> | <u>\$ -</u> | <u>\$ 14,866,086</u> |

HAMBLLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Long-Term Debt, Principal, and Interest Requirements by Year
June 30, 2025

| Year Ended June 30 | Hamblen County Bond Series 2023 | | Hamblen County Bond Series 2024A | | City of Morristown Bond Series 2022 | | Hamblen County Capital Outlay Note Series 2023 | | Total | |
|-----------------------|------------------------------------|---------------------|-------------------------------------|---------------------|--|---------------------|---|------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | \$ 245,000 | \$ 163,200 | \$ - | \$ 266,450 | \$ 260,000 | \$ 168,850 | \$ 173,720 | \$ 31,379 | \$ 678,720 | \$ 629,879 |
| 2027 | 260,000 | 150,950 | 100,000 | 266,450 | 275,000 | 155,850 | 181,989 | 22,913 | 816,989 | 596,163 |
| 2028 | 270,000 | 137,950 | 250,000 | 261,450 | 290,000 | 142,100 | 190,651 | 14,044 | 1,000,651 | 555,544 |
| 2029 | 285,000 | 124,450 | 265,000 | 248,950 | 300,000 | 127,600 | 199,726 | 4,754 | 1,049,726 | 505,754 |
| 2030 | 300,000 | 110,200 | 275,000 | 235,700 | 315,000 | 115,600 | - | - | 890,000 | 461,500 |
| 2031 | 310,000 | 98,200 | 290,000 | 221,950 | 325,000 | 103,000 | - | - | 925,000 | 423,150 |
| 2032 | 325,000 | 85,800 | 305,000 | 207,450 | 340,000 | 90,000 | - | - | 970,000 | 383,250 |
| 2033 | 335,000 | 72,800 | 320,000 | 192,200 | 355,000 | 76,400 | - | - | 1,010,000 | 341,400 |
| 2034 | 350,000 | 59,400 | 330,000 | 179,400 | 365,000 | 62,200 | - | - | 1,045,000 | 301,000 |
| 2035 | 365,000 | 45,400 | 345,000 | 166,200 | 380,000 | 47,600 | - | - | 1,090,000 | 259,200 |
| 2036 | 375,000 | 30,800 | 360,000 | 152,400 | 395,000 | 32,400 | - | - | 1,130,000 | 215,600 |
| 2037 | 395,000 | 15,800 | 375,000 | 138,000 | 415,000 | 16,600 | - | - | 1,185,000 | 170,400 |
| 2038 | - | - | 390,000 | 123,000 | - | - | - | - | 390,000 | 123,000 |
| 2039 | - | - | 405,000 | 107,400 | - | - | - | - | 405,000 | 107,400 |
| 2040 | - | - | 420,000 | 91,200 | - | - | - | - | 420,000 | 91,200 |
| 2041 | - | - | 440,000 | 74,400 | - | - | - | - | 440,000 | 74,400 |
| 2042 | - | - | 455,000 | 56,800 | - | - | - | - | 455,000 | 56,800 |
| 2043 | - | - | 475,000 | 38,600 | - | - | - | - | 475,000 | 38,600 |
| 2044 | - | - | 490,000 | 19,600 | - | - | - | - | 490,000 | 19,600 |
| | <u>\$ 3,815,000</u> | <u>\$ 1,094,950</u> | <u>\$ 6,290,000</u> | <u>\$ 3,047,600</u> | <u>\$ 4,015,000</u> | <u>\$ 1,138,200</u> | <u>\$ 746,086</u> | <u>\$ 73,090</u> | <u>\$ 14,866,086</u> | <u>\$ 5,353,840</u> |

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, 2025, 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 16, 2025.

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.

ClearPoint CPAs PC

Greeneville, Tennessee
December 16, 2025

HAMBLEN COUNTY - MORRISTOWN SOLID WASTE DISPOSAL SYSTEM
Schedule of Prior Year Findings
Year Ended June 30, 2025

Internal Control over Financial Reporting

There were no prior year findings.

Compliance and Other Matters

There were no prior year findings.