

SEVIER SOLID WASTE, INC.

Pigeon Forge, Tennessee

FINANCIAL STATEMENTS

June 30, 2015



SEVIER SOLID WASTE, INC.

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INTRODUCTORY SECTION

SEVIER SOLID WASTE, INC.

ROSTER OF OFFICIALS

June 30, 2015

Russell Treadway	Board of Directors - Chairman
Cindy Cameron Ogle	Board of Directors - Vice Chairman
Larry Waters	Board of Directors - Secretary/Treasurer
Earlene Teaster	Board of Directors – Member
Tom Leonard	Manager

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sevier Solid Waste, Inc.
Pigeon Forge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Sevier Solid Waste, Inc. which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sevier Solid Waste, Inc., as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS and the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on pages 22 through 23 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Sevier Solid Waste, Inc. The introductory, supplementary and other information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The information included in the supplementary information section as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The information included in the introductory and other information sections as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of Sevier Solid Waste, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sevier Solid Waste, Inc.'s internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
November 16, 2015

SEVIER SOLID WASTE, INC.

Fiscal Year Ending June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis is intended to be an introduction to the financial statements and notes that follow this section and should be read in conjunction with them. Sevier Solid Waste, Inc. (SSWI) provides solid waste disposal services to citizens of Sevier County and is jointly owned by the City of Gatlinburg, the City of Sevierville, the City of Pigeon Forge and Sevier County (the Entities).

FINANCIAL STATEMENT REVIEW

The financial statements herein are comprised of the balance sheet, the statement of revenues, expenses and changes in net position, the statement of cash flows and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS AS OF JUNE 30:

The balance sheets shown below present information on all of SSWI's assets and liabilities. Current assets as well as other assets and liabilities are reported in order of their liquidity. The table below presents the significant components of the balance sheets:

Table 1

Condensed Balance Sheets				
	2015	As Restated 2014	Increase (Decrease)	
			Amount	Percent
Assets:				
Current and Other Assets	\$ 6,351,966	\$ 5,768,903	\$ 583,063	10.1%
Certificate of Deposit	1,544,473	1,532,974	11,499	0.8%
Capital Assets	<u>20,948,283</u>	<u>20,647,692</u>	<u>300,591</u>	1.5%
Total Assets	<u>28,844,722</u>	<u>27,949,569</u>	<u>895,153</u>	3.2%
Deferred Outflows of Resources:	<u>101,161</u>	<u>102,685</u>	<u>(1,524)</u>	0.0%
Total Assets and Deferred Outflows	<u>\$ 28,945,883</u>	<u>\$ 28,052,254</u>	<u>\$ 893,629</u>	3.2%
Liabilities:				
Current	443,755	626,717	(182,962)	-29.2%
Long-Term	<u>6,914,377</u>	<u>6,726,508</u>	<u>187,869</u>	2.8%
Total Liabilities	<u>7,358,132</u>	<u>7,353,225</u>	<u>4,907</u>	0.1%
Deferred Inflows of Resources	<u>140,604</u>	<u>0</u>	<u>140,604</u>	0.0%
Net Position:				
Net Investment in Capital Assets	20,419,394	19,792,996	626,398	3.2%
Unrestricted	<u>1,027,753</u>	<u>906,033</u>	<u>121,720</u>	13.4%
Total Net Position	<u>21,447,147</u>	<u>20,699,029</u>	<u>748,118</u>	3.6%
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 28,945,883</u>	<u>\$ 28,052,254</u>	<u>\$ 893,629</u>	3.2%

FINANCIAL HIGHLIGHTS AS OF JUNE 30: (Continued)

The statements of revenues, expenses, and changes in net position present SSWI's results of operations. The table below presents a condensed statement of revenues, expenses, and changes in net position:

Table 2

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2015	As Restated 2014	Increase (Decrease)	
			Amount	Percent
Operating Revenues	\$ 4,602,435	\$ 4,351,345	\$ 251,090	5.8%
Total Revenues	4,602,435	4,351,345	251,090	5.8%
Operating Expenses	2,828,861	2,807,958	20,903	0.7%
Depreciation	1,165,257	1,294,400	(129,143)	-10.0%
Total Expenses	3,994,118	4,102,358	(108,240)	-2.6%
Operating Income (Loss)	608,317	248,987	359,330	144.3%
Non-Operating Income (Expense), Net	139,801	68,105	71,696	105.3%
Income (Loss) before Capital Contributions	748,118	317,092	431,026	135.9%
Capital Contributions	0	1,575	(1,575)	-100.0%
Change in Net Position	748,118	318,667	429,451	134.8%
Total Net Position - Beginning of Year	20,699,029	20,349,557	349,472	1.7%
Prior Period Adjustment		30,805	(30,805)	0.0%
Net Position, Beginning of year as Restated	20,699,029	20,380,362	318,667	1.6%
Total Net Position - End of Year	\$ 21,447,147	\$ 20,699,029	\$ 748,118	3.6%

RESULTS OF OPERATIONS

Solid waste operating revenue for 2015 increased due to an increase in the volume of disposed waste. Expenses included in operations were similar to prior years.

The statement of cash flows in the accompanying financial statements is presented using the direct method. This method outlines the sources and uses of cash as it relates to operating income. In addition, included in the cash flows statements are classifications for non-capital related financing, capital related financing and investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital asset additions in fiscal year 2015 were approximately \$1,942,000, which consisted primarily of upgrades to the composting facility and various equipment as well as approximately \$747,000 in construction costs for a new recycling building.

Debt

Currently, Sevier Solid Waste, Inc. has no outstanding debt. For financial reporting purposes, SSWI has capitalized leases related to certain heavy equipment. As of June 30, 2015, SSWI has two capitalized leases in place with outstanding capital lease obligations totaling approximately \$529,000.

FUTURE OUTLOOK

The revenue estimate for next year was projected based on no increase in tipping fee rates. Total revenue and expenditures are budgeted to be approximately \$5.3 million for the fiscal year ending June 30, 2016.

No other facts, decisions, or conditions are currently known which would have a significant impact on the financial condition and results of operations of SSWI during the fiscal year ending June 30, 2015.

REQUEST FOR INFORMATION

Questions concerning this report or other requests for additional information should be directed to Tom Leonard, Manager at (865) 453-5676 or at his office located at 1826 Ridge Road, Pigeon Forge, Tennessee 37876.

SEVIER SOLID WASTE, INC.

BALANCE SHEET

	As of June 30,	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$	5,448,669
Receivables:		
Accounts Receivable		428,012
Due From Other Governments		300,000
Prepaid Expenses		<u>38,758</u>
Total Current Assets		<u>6,215,439</u>
NON-CURRENT ASSETS:		
Certificate of Deposit		1,544,473
Net Pension Asset		136,527
Capital Assets, Net		<u>20,948,283</u>
Total Non-Current Assets		<u>22,629,283</u>
TOTAL ASSETS		<u>28,844,722</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows		<u>101,161</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>28,945,883</u></u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES:		
Accounts Payable:		
Trade	\$	194,115
Compensated Absences		48,847
Unearned Revenue		27,282
Current Maturities of Capital Lease Obligations		133,522
Current Portion of Reserve for Closure and Post-Closure Costs		<u>39,989</u>
Total Current Liabilities		<u>443,755</u>
LONG-TERM LIABILITIES:		
Capital Lease Obligations, Less Current Maturities		395,366
Reserve for Closure and Post-Closure Costs, Less Current Portion		<u>6,519,011</u>
Total Long-Term Liabilities		<u>6,914,377</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows		<u>140,604</u>
NET POSITION:		
Net Investment in Capital Assets		20,419,394
Unrestricted		<u>1,027,753</u>
Total Net Position		<u>21,447,147</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$	<u><u>28,945,883</u></u>

The accompanying notes are an integral part of these financial statements.

SEVIER SOLID WASTE, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	For the Year Ended June 30,	<u>2015</u>
OPERATING REVENUES:		
Tipping Fees	\$	4,465,076
Other Income		<u>137,359</u>
Total Operating Revenues		<u>4,602,435</u>
OPERATING EXPENSES:		
Personnel Costs		1,150,255
Maintenance		404,513
Utilities		373,985
Closure and Post-Closure Costs		390,410
Fuel		183,001
General and Administrative		204,221
Supplies		7,770
Other Operating Expenses		<u>114,706</u>
Total Operating Expenses		<u>2,828,861</u>
OPERATING INCOME BEFORE DEPRECIATION		1,773,574
Depreciation		<u>(1,165,257)</u>
OPERATING INCOME (LOSS)		<u>608,317</u>
NONOPERATING INCOME (EXPENSE):		
Grant Income		300,000
Interest Income		17,084
Interest Expense		(19,329)
Gain (Loss) on the Sale or Disposal of Capital Assets		<u>(157,954)</u>
Net Nonoperating Income (Expense)		<u>139,801</u>
CHANGE IN NET POSITION		748,118
TOTAL NET POSITION - BEGINNING OF YEAR		<u>20,668,224</u>
PRIOR PERIOD ADJUSTMENT - See Note 9		30,805
NET POSITION, BEGINNING OF YEAR, AS RESTATED		<u>20,699,029</u>
TOTAL NET POSITION - END OF YEAR	\$	<u><u>21,447,147</u></u>

The accompanying notes are an integral part of these financial statements.

SEVIER SOLID WASTE, INC.
STATEMENT OF CASH FLOWS

	For the Year Ended June 30, <u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Forming Entities	\$ 3,039,306
Cash Received from Customers	1,589,170
Cash Paid to Employees	(840,810)
Cash Paid to Suppliers	<u>(1,659,291)</u>
Net Cash Provided by (Used in) Operating Activities	<u>2,128,375</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant Proceeds Received	<u>18,489</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Additions and Construction of Capital Assets	(1,789,283)
Interest Paid on Capital Lease Obligations	(19,329)
Repayment of Capital Lease Obligations	<u>(160,327)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,968,939)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	<u>5,585</u>
Net Cash Provided by (Used In) Investing Activities	<u>5,585</u>
NET INCREASE (DECREASE) IN CASH	183,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,265,159</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,448,669</u>

The accompanying notes are an integral part of these financial statements.

SEVIER SOLID WASTE, INC.

STATEMENT OF CASH FLOWS (Continued)

	For the Year Ended June 30,	<u>2015</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating Income (Loss)		\$ <u>608,317</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation		1,165,257
Changes in:		
Receivables		26,041
Prepaid Expenses		(7,556)
Accounts Payable		46,993
Reserve for Closure and Post-Closure Costs		357,000
Compensated Absences		(190)
Unearned Revenue		(1,208)
Net Pension Asset / Liability		(208,407)
Deferred Pension Outflows and Inflows		<u>142,128</u>
Total Adjustments		<u>1,520,058</u>
Net Cash Provided by (Used In) Operating Activities		\$ <u><u>2,128,375</u></u>
Supplementary Schedule of Noncash Capital and Related Financing Activities:		
Acquisition of Equipment through Capital Lease		\$ 178,042
Exchange of Equipment on Capital Leases		\$ 191,810
Gain (Loss) on the Sale or Disposal of Capital Assets		\$ (157,954)

The accompanying notes are an integral part of these financial statements.

SEVIER SOLID WASTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items set forth the significant accounting policies, not disclosed elsewhere in the notes to the financial statements, which the Sevier Solid Waste, Inc. ("SSWI" or the "Organization") follows in presenting its financial statements.

Reporting Entity - Sevier Solid Waste, Inc. ("SSWI") is a non-profit organization formed by Sevier County and the Cities of Sevierville, Gatlinburg and Pigeon Forge, Tennessee, to develop a comprehensive program for disposal of solid waste. In addition to providing for the disposal of solid waste for these entities, SSWI also oversees the operations of disposal and recycling of solid waste. Each of the four government entities (the "Entities"), which created SSWI, is given a place on the board of directors with voting interest directly proportionate to their pro rata shares for the year. None of the entities has a voting interest or financial responsibility greater than 50%. The criteria for including organizations with SSWI's reporting entity, as set forth in GASB No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of a component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. SSWI's financial statements do not include the operations of these member governments because none of the criteria for inclusion as set forth in GASB No. 14 have been met. As none of the four entities has a controlling interest in the Organization, SSWI is not included as a component unit of any of the four entities.

Basis of Presentation - The financial statements of SSWI have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

GAAP established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure and Basis of Accounting - The accounts of SSWI are organized on the basis of a proprietary fund type and are considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenses, as appropriate. Government resources are allocated to and accounted for in the fund based on the purposes for which they are to be spent and the means by which spending activities are controlled. The fund, in the financial statements of this report, is as follows:

PROPRIETARY FUND TYPE:

Enterprise Funds - Enterprise funds are used to account for operations (a) 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 (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of SSWI are tipping fees charged to customers. Operating expenses for SSWI include personnel costs, supplies and maintenance, recycling expenses, composting expenses, closure and post-closure costs related to landfills, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is SSWI's policy to use restricted resources first, then unrestricted resources as they are needed.

Income Tax - The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) .

Budgetary Control - Formal budgetary integration is employed as a management control device during the year for the fund. SSWI's budget is prepared on a detailed line item basis using a modified cash basis of accounting. Revenues are budgeted by source. Expenditures are budgeted by class.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, SSWI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable - Accounts receivable represents billed and uncollected amounts. Management considers all accounts receivable at year end to be collectible. Accounts receivable deemed by management to be uncollectible are written off after sufficient collection efforts.

Capital Assets - Capital assets are stated at cost less accumulated depreciation, computed on the straight-line basis over the estimated useful life of that asset. Estimated useful lives are as follows:

Buildings	10 - 30 years
Furniture and Fixtures	7 - 10 years
Equipment	5 - 10 years
Vehicles	5 years
Other Improvements	3 - 15 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Sevier Solid Waste's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Sevier Solid Waste'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.

Compensated Absences - Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with SSWI. Sick leave accrues to full-time, permanent employees to specified maximums. Vacation leave may be accumulated to a maximum of 240 hours with the excess at year-end converted to sick leave. An employee who is separated from the employment of SSWI shall be paid for his/her unused vacation leave on a regular pay period basis. Sick leave may be accumulated without a maximum limitation. Upon retirement, an employee's accumulated sick leave will be credited to his length of service, if it is advantageous to the employee in calculating retirement benefits. Dismissal or resignation will result in loss of accrued sick leave benefits. The liability for vested vacation attributable to SSWI is recorded as an expenditure when earned and as a liability until used by the employee.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources - In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Implementation of GASB Statements No. 67, 68, and 71 - During the fiscal year ended June 30, 2015, SSWI implemented GASB Statements No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*; No 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The requirements of these new standards and their effect on the financial statements are more fully explained in Notes 6 and 9.

NOTE 2 - CUSTODIAL CREDIT RISK - DEPOSITS

In the case of cash and cash equivalents and certificates of deposit, this is the risk that in the event of a bank failure, SSWI's deposits will not be returned or SSWI will not be able to recover collateral securities in the possession of an outside party. SSWI follows state law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, the book balances of SSWI's cash, cash equivalents, and certificate of deposit were \$6,993,142, and the bank balances were \$6,856,206. Of the bank balances, \$500,000 was covered by FDIC insurance and \$6,356,206 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee (the "State") Treasury Department.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance July 01, 2014	Additions	Decreases	Balance June 30, 2015
Land (nondepreciable)	\$ 3,761,366	\$ 0	\$ 0	\$ 3,761,366
Buildings	7,319,752	3,944	0	7,323,696
Composting Facility	15,850,414	280,189	0	16,130,603
Other Improvements	8,035,956	350	0	8,036,306
Furniture, Fixtures and Equipment	3,368,669	896,814	642,250	3,623,233
Vehicles	282,595	0	0	282,595
Construction in Progress	166,240	761,135	0	927,374
Total Capital Assets	<u>38,784,992</u>	<u>1,942,432</u>	<u>642,250</u>	<u>40,085,173</u>
Depreciation:				
Buildings	(1,431,662)	(242,029)	0	(1,673,691)
Composting Facility	(7,328,799)	(416,136)	0	(7,744,935)
Other Improvements	(7,459,461)	(141,329)	0	(7,600,790)
Furniture, Fixtures and Equipment	(1,697,578)	(335,900)	(165,667)	(1,867,811)
Vehicles	(219,800)	(29,863)	0	(249,663)
Total Accumulated Depreciation	<u>(18,137,300)</u>	<u>(1,165,257)</u>	<u>(165,667)</u>	<u>(19,136,890)</u>
Net Capital Assets	<u>\$ 20,647,692</u>	<u>\$ 777,175</u>	<u>\$ 476,583</u>	<u>\$ 20,948,283</u>

At June 30, 2015, the Organization did not have any contractual commitments for construction.

NOTE 4 - CAPITAL LEASE OBLIGATIONS

Changes in capital lease obligations for the year ended June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015	Due Within One Year
938H Wheel Loader	\$ 90,636	\$ 0	\$ 90,636	\$ 0	\$ 0
826H Landfill Compactor	436,283	0	85,437	350,846	88,210
950K Wheel Loader	176,064	0	176,064	0	0
930K Wheel Loader	0	178,042	0	178,042	45,312
Total Capital Lease Obligations	<u>702,983</u>	<u>\$ 178,042</u>	<u>\$ 352,137</u>	<u>528,888</u>	<u>\$ 133,522</u>
Less Current Maturities	<u>233,115</u>			<u>133,522</u>	
Capital Lease Obligations, Less Current Maturities	<u>\$ 469,868</u>			<u>\$ 395,366</u>	

The capital lease obligations as of June 30, 2015 are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2015
826H Landfill Compactor	3.20%	7/30/2012	7/30/2017	\$ 592,598	\$ 350,846
930K Wheel Loader	2.50%	6/30/2015	6/30/2018	\$ 178,042	178,042
					<u>\$ 528,888</u>

NOTE 4 - CAPITAL LEASE OBLIGATIONS (Continued)

Annual debt service requirements to maturity of the capital lease obligations are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 133,522	\$ 13,589
2017	137,143	9,967
2018	218,794	2,186
2019	39,429	91
	<u>\$ 528,888</u>	<u>\$ 25,833</u>

Equipment totaling \$897,464 as of June 30, 2015, with associated accumulated depreciation of \$172,841 respectively, has been recorded under capital leases and has been included in furniture, fixtures, and equipment on the balance sheet. This equipment is pledged as collateral for the above capital lease obligations. Amortization expense of \$59,260 for the equipment recorded under capital leases has been included in depreciation expense for the year ended June 30, 2015.

NOTE 5 - CLOSURE AND POST-CLOSURE COSTS

Sevier Solid Waste, Inc. is responsible for landfill closure and post-closure maintenance according to state law. A portion of the estimated total future cost of this care is allocated to each period that the landfill is operated. Total future cost is an estimate based on a first year cost and adjusted by an inflationary rate over the required years of post-closure maintenance and is periodically adjusted by management for changes in technology, applicable laws or regulations. Cost allocation starts at the date solid waste is accepted at the landfill site and is based on capacity filled each year.

Following is a schedule of phases of the landfills and their related reserves as of June 30, 2015:

	<u>Reserve for Closure and Post-Closure Maintenance</u>	<u>Percentage of Capacity Used</u>	<u>Remaining Estimated Closure and Post-Closure Expense Accrual</u>	<u>Estimated Remaining Useful Life (Years)</u>
<u>June 30, 2015</u>				
Phase II & III	\$ 55,000	100%	\$ 0	0
Phase I Extension	80,000	100%	0	0
Phase IV A	443,000	100%	0	0
Phase IV B & C	5,544,000	95%	293,000	1 - 3
Class IV Landfill	61,000	100%	0	0
Class III/IV Landfill	376,000	80%	94,000	2 - 4
Total (including \$39,989 classified as current)	<u>\$ 6,559,000</u>		<u>\$ 387,000</u>	

Although closure and post-closure care maintenance costs will be paid only near or after the date the landfill stops accepting waste, the Organization reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The Organization will recognize the remaining estimated cost of closure and post-closure maintenance of Phases IV B&C and Class III/IV as the remaining estimated capacity is filled. Given the difficulties inherent in estimating closure and post-closure reserves, it is reasonably possible that the projections used by management in arriving at the estimated reserve could change in the near term based on actual results, and that such changes could result in the future recognition of additional costs.

Tennessee Department of Environment and Conservation requires landfill operators to demonstrate the financial ability to service each landfill phase's closure and post-closure care costs. To comply with this financial assurance requirement, Sevier County has signed contracts in lieu of performance bonds on behalf of SSWI in the sum of \$2,043,653.

NOTE 6 - PENSION PLAN

Plan Description - Employees of Sevier Solid Waste 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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 5 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 years of 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% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to, but not yet Receiving Benefits	5
Active Employees	<u>19</u>
Total	<u><u>30</u></u>

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Sevier Solid Waste makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Sevier Solid Waste were \$101,161 based on a rate of 12.95% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sevier Solid Waste's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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) - Sevier Solid Waste's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

NOTE 6 - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%.
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. 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, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Markets International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.5%. 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 Sevier Solid Waste 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.

NOTE 6 - PENSION PLAN (Continued)

Changes in Net Pension Liability (Asset)

The changes in net pension liability are shown below:

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Position Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2013	\$ 1,404,836	\$ 1,332,956	\$ 71,880
Changes for the Year			
Service Cost	61,087	0	61,087
Interest	108,950	0	108,950
Difference between Expected and Actual Experience	(49,276)	0	(49,276)
Contributions - Employer	0	102,685	(102,685)
Net Investment Income	0	227,226	(227,226)
Benefit Payments - Including Refunds of Employee Contributions	(26,520)	(26,520)	0
Administrative Expenses	0	(743)	743
Net Changes	<u>94,241</u>	<u>302,648</u>	<u>(208,407)</u>
Balances at June 30, 2014	<u>\$ 1,499,077</u>	<u>\$ 1,635,604</u>	<u>\$ (136,527)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of Sevier Solid Waste calculated using the discount rate of 7.5%, 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 (6.5%) or 1- percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability (Asset):			
2015	\$ <u>78,661</u>	\$ <u>(136,527)</u>	\$ <u>(317,370)</u>

Pension Expense (Income) and Deferred Outflows and Inflows of Resources Related to Plan

Pension Expense - For the year ended June 30, 2015, Sevier Solid Waste recognized pension expense of \$34,882

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2015, Sevier Solid Waste 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	\$ 0	\$ 41,063
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	99,541
Contributions Subsequent to the Measurement Date of June 30, 2014	<u>101,161</u>	
Total	<u>\$ 101,161</u>	<u>\$ 140,604</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

NOTE 6 - PENSION PLAN (Continued)

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

<u>For the Years ended June 30:</u>	
2016	\$ 68,063
2017	(33,098)
2018	(33,098)
2019	(33,098)
2020	(8,212)
Thereafter	<u>0</u>
Total	\$ <u>(39,443)</u>

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

Payable to Pension Plan

At June 30, 2015, the Sevier Solid Waste did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2015 since all contributions were paid prior to year-end.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Organization received the following tipping and tonnage fees from the four Entities as follows:

	<u>June 30, 2015</u>	
	<u>Tipping Fees</u>	<u>Accounts Receivable</u>
Sevier County	\$ 972,268	\$ 86,992
Pigeon Forge	826,583	81,657
Gatlinburg	516,337	50,338
Sevierville	635,265	55,734
	<u>\$ 2,950,453</u>	<u>\$ 274,721</u>

NOTE 8 - RISK MANAGEMENT

SSWI 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. Because of this exposure, the Organization purchases commercial insurance for claims arising from these risks of loss. There have been no significant reductions in insurance coverage from coverage in the previous year, and settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - PRIOR PERIOD ADJUSTMENT AND ADOPTION OF NEW ACCOUNTING STANDARDS

During 2015 SSWI adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment to GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*, which requires SSWI to recognize a net pension liability on the proprietary fund balance sheet. SSWI also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This statement requires SSWI to record employer pension contributions after the measurement date to be recorded as a deferred outflow of resources. See Note 6 for additional information about the SSWI’s pension and retirement plans.

NOTE 9 - PRIOR PERIOD ADJUSTMENT AND ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

As a result of adopting GASB Statements No. 67, 68, and 71, SSWI has recorded a prior period adjustment to the unrestricted net position as of July 1, 2014.

	Effect of Prior Period Adjustments
Deferred Outflows of Resources, Beginning of Year, as calculated and reported under GASB Statements No. 71	\$ 102,685
Net Pension Liability, Beginning of Year, as calculated and reported under GASB Statements No. 67 & 68	<u>(71,880)</u>
Net Effect of Prior Period Adjustments for New Accounting Standards	30,805
Net Position, Beginning of Year, as Originally Reported	<u>20,668,224</u>
Net Position, Beginning of Year, as Restated	<u>\$ 20,699,029</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the normal course of conducting its business, the Organization may be involved in legal proceedings. Due to the nature and scope of the Organization's business which brings it into regular contact with the general public, a variety of businesses, and multiple governmental entities which regulate and examine its operations, the Organization is inherently subject to the hazards of potential litigation, claims and assessments. Additionally, routine examination performed by the Organization's federal and state oversight agencies could result in findings and violations which have an adverse effect on the Organization. Currently, management is not aware of any such conditions which would have a material adverse effect on the Organization.

REQUIRED SUPPLEMENTARY INFORMATION

SEVIER SOLID WASTE, INC.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 61,087
Interest	108,950
Differences between Expected and Actual Experience	(49,276)
Benefit Payments, Including Refunds of Employee Contributions	<u>(26,520)</u>
Net Change in Total Pension Liability	94,241
Total Pension Liability - Beginning	<u>1,404,836</u>
Total Pension Liability - Ending (a)	<u>\$ 1,499,077</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 102,685
Net Investment Income	227,226
Benefit Payments, Including Refunds of Employee Contributions	(26,520)
Administrative Expense	<u>(743)</u>
Net Change in Plan Fiduciary Net Position	302,648
Plan Fiduciary Net Position - Beginning	<u>1,332,956</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,635,604</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (136,527)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	109.11%
Covered-Employee Payroll	\$ 718,578
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-19.00%

Note: 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.

SEVIER SOLID WASTE, INC.

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN
THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2014	2015
Actuarially Determined Contribution	\$ 102,685	\$ 101,161
Contributions in Relation to the Actuarially Determined Contribution	102,685	101,161
Contribution Deficiency (Excess)	\$ 0	\$ 0
Covered-Employee Payroll	\$ 718,578	\$ 781,162
Contributions as a Percentage of Covered-Employee Payroll	14.29%	12.95%

Note: *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.*

Notes:

Valuation Date: July 1, 2013

Actuarial determined contribution amounts for FY 2015 were calculated as of July 1, 2013.

Methods and Assumptions used to Calculate Actuarially Determined Contribution:

Actuarial Cost Method (A):	Frozen initial liability
Amortization Method (B):	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period:	2 Years
Asset Valuation Method:	10-year smoothed within a 20.0% corridor to market value
Inflation	3.0%
Salary Increases:	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, 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	2.5%

SUPPLEMENTARY INFORMATION SECTION

SEVIER SOLID WASTE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2015

<u>Grantor or Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>Federal Awards</u>						
None	N/A	N/A	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<u>State Financial Assistance</u>						
<u>Tennessee Department of Environment and Conservation</u>						
Waste Tire Grant	N/A	30046	\$ (10,166)	\$ 10,166	\$ 0	\$ 0
Used Oil Equipment Grant		32701-01886	(8,323)	8,323	0	0
Recycling Hub and Spoke Grant		32701-01918	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>(300,000)</u>
			\$ <u>(18,489)</u>	\$ <u>18,489</u>	\$ <u>300,000</u>	\$ <u>(300,000)</u>
TOTAL FEDERAL AND STATE AWARDS			\$ <u>(18,489)</u>	\$ <u>18,489</u>	\$ <u>300,000</u>	\$ <u>(300,000)</u>

SEVIER SOLID WASTE, INC.

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Sevier Solid Waste, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

OTHER INFORMATION SECTION

SEVIER SOLID WASTE, INC.
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015

	Caterpillar Financial Services 826H Landfill Compactor 3.20%		Caterpillar Financial Services 930K Wheel Loader 2.50%		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 88,210	\$ 9,941	\$ 45,312	\$ 3,648	\$ 133,522	\$ 13,589
2017	91,074	7,076	46,069	2,891	137,143	9,967
2018	171,562	458	47,232	1,728	218,794	2,186
2019	0	0	39,429	91	39,429	91
	<u>\$ 350,846</u>	<u>\$ 17,475</u>	<u>\$ 178,042</u>	<u>\$ 8,358</u>	<u>\$ 528,888</u>	<u>\$ 25,833</u>

See Independent Auditor's Report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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TELEPHONE 865-769-0660



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Sevier Solid Waste, Inc.
Pigeon Forge, 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 Sevier Solid Waste, Inc., which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sevier Solid Waste, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sevier Solid Waste, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sevier Solid Waste, Inc.'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier Solid Waste, Inc.'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
November 16, 2015

