

Financial Statements

LOUDON COUNTY SOLID WASTE
DISPOSAL COMMISSION

Year Ended June 30, 2004

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Commissioners
Loudon County Solid Waste Disposal Commission
Loudon, Tennessee

We have audited the accompanying statement of net assets of Loudon County Solid Waste Disposal Commission, as of June 30, 2004, and the related statement of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B to the financial statements, effective July 1, 2003, Loudon County Solid Waste Disposal Commission adopted the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Loudon County Solid Waste Disposal Commission as of June 30, 2004, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Loudon County Solid Waste Disposal Commission. The accompanying financial schedules listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2005 on our consideration of Loudon County Solid Waste Disposal Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

December 12, 2005

Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis
June 30, 2004

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. The Loudon County Solid Waste Disposal Commission ("LCSWDC") is a governmental agency created by Loudon County, the City of Lenoir City and the City of Loudon to operate and manage the Matlock Bend Sanitary Landfill in Loudon, Tennessee. The Commission also serves as the Municipal Solid Waste Regional Board for the Loudon County Solid Waste Region under the Solid Waste Management Act of 1991. Effective July 1, 2003, LCSWDC adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

Financial Statement Review

The financial statements herein are comprised of the statement of net assets, the statement of revenue, expenses and changes in net assets, the statement of cash flows and the accompanying notes to the financial statements.

Financial Highlights as of June 30:

The Statement of Net Assets presents information on all LCSWDC'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 net assets:

	2004	2003	2002
Condensed balance sheet			
Assets:			
Current and other	\$1,761,676	\$ 1,735,027	\$1,708,374
Capital	291,314	298,033	305,407
Total assets	2,052,990	2,033,060	2,013,781
Liabilities:			
Current	169,868	155,632	140,710
Long-term	1,648,956	286,902	296,740
Total liabilities	1,818,824	442,534	437,450
Net assets:			
Invested in capital assets, net of related debt	291,314	298,033	305,407
Unrestricted (deficit)	(57,149)	1,292,493	1,270,924
Total net assets	<u>\$ 234,165</u>	<u>\$1,590,526</u>	<u>\$1,576,331</u>

Long-term liabilities at June 30, 2004 include estimated postclosure care costs for the current phase, not previously included.

**Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis (continued)
June 30, 2004**

The Statements of Revenues and Expenses present LCSWDC's results of operations. The table below is a condensed statement of revenues and expenses:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Condensed statement of revenues and expenses			
Operating revenues	\$ 1,610,580	\$ 1,608,782	\$ 1,421,088
Operating expenses	(1,724,499)	(1,645,966)	(1,609,622)
Depreciation and amortization	(6,113)	(7,374)	(7,374)
Net operating loss	(120,032)	(44,558)	(195,908)
Nonoperating income	47,774	58,753	51,146
Change in net assets	<u>\$ (72,258)</u>	<u>\$ 14,195</u>	<u>\$ (144,762)</u>

Results of Operations

Solid Waste revenue for 2004 was consistent with 2003.

The Loudon County Solid Waste Disposal Commission shows a positive net assets (formerly titled fund balance) and the amount is consistent with prior years, except for the increase in the estimated postclosure care cost liability recorded in 2004 (see Note I to the financial statements).

Other expenses in total, including operations, maintenance and depreciation were consistent with the prior year, except for in the current year increase in postclosure care costs.

Grant income, which is included in other income in the accompanying financial statements, was lower in 2004 due to a decreased volume of tires disposed at the Matlock Bend Landfill and because a planning grant received in the prior year was not continued in 2004. Interest income was lower due to lower interest rates in 2004.

The Statements of Cash Flows in the accompanying financial statements are 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 Statement of Cash Flows are classifications for non-capital related financing, capital related financing and investing activities.

**Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis (continued)
June 30, 2004**

Capital Assets

Capital Asset levels were consistent with the prior year.

Request for Information

Questions concerning this report or other requests for additional information should be directed to Steve Field, Chairman at (865) 576-1057 or at his office located at 100 River Road, #106, Loudon, Tennessee 37774.

Respectfully submitted,

Steve Field
Chairman

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS

CURRENT ASSETS

Cash		\$ 1,551,311
Accounts receivable, net of allowance for doubtful accounts		208,951
Interest receivable		<u>1,415</u>

TOTAL CURRENT ASSETS 1,761,676

PROPERTY AND EQUIPMENT

Land	\$ 243,379	
Landfill facilities	86,087	
Machinery & equipment	<u>101,793</u>	
	431,259	
Accumulated depreciation	<u>(139,945)</u>	<u>291,314</u>

TOTAL ASSETS \$ 2,052,990

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 157,666
Customer deposits		<u>12,202</u>

TOTAL CURRENT LIABILITIES 169,868

LONG-TERM LIABILITIES

Estimated postclosure care cost		1,648,956
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NET ASSETS

Invested in capital assets	\$ 291,314	
Unrestricted (deficit)	<u>(57,149)</u>	<u>234,165</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,052,990

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2004

REVENUES

Tipping fees		\$ 1,556,605
State surcharge		<u>53,974</u>
		1,610,580

EXPENSES

Salaries and wages		
Director	\$ 11,616	
Board of Commissioners compensation	<u>3,450</u>	15,066
Employee benefits		
Social security/Medicare	855	
Retirement	<u>69</u>	924
Contracted services		
Contracts with private agencies	7,500	
Advertising	288	
Accounting and audit	4,500	
Legal services	9,888	
Other contracted services	<u>1,118</u>	23,294
Fees		
Landfill facilities operation	1,520,183	
Trustee's commissions	15,742	
State surcharge	53,974	
Tire disposal expense	<u>38,999</u>	1,628,898
Supplies and materials		
Office supplies	691	
Postage	<u>9</u>	700
Wastewater treatment expense		24,745

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(continued)

Year Ended June 30, 2004

Other expenses		
Contributions to City of Loudon for debt service	15,000	
Permits	10,000	
Royalties	800	
Travel	2,639	
Communication	1,942	
Bad debts	<u>490</u>	30,870
Depreciation		<u>6,113</u>
		<u>1,730,612</u>
LOSS FROM OPERATIONS		(120,032)
OTHER INCOME		
State grant - tire disposal	23,573	
Sale of property	6,343	
Interest income	<u>17,858</u>	<u>47,774</u>
CHANGE IN NET ASSETS		(72,258)
NET ASSETS AT THE BEGINNING OF THE YEAR, as restated		<u>306,423</u>
NET ASSETS AT THE END OF THE YEAR		<u>\$ 234,165</u>

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Cash received from customers	\$ 1,571,716
Cash paid to suppliers and employees	<u>(1,619,822)</u>

NET CASH (USED) BY OPERATING ACTIVITIES	(48,106)
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CASH FROM NONCAPITAL FINANCING ACTIVITIES

State grant - tire disposal	23,573
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**CASH PROVIDED BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from sale of property	6,950
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CASH PROVIDED BY INVESTING ACTIVITIES

Interest received	<u>17,905</u>
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NET INCREASE IN CASH	322
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CASH AT THE BEGINNING OF THE YEAR	<u>1,550,991</u>
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CASH AT THE END OF THE YEAR	<u>\$ 1,551,311</u>
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LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2004

**RECONCILIATION OF (LOSS) FROM
OPERATIONS TO NET CASH (USED)
BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (120,032)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 6,113	
(Increase) decrease in:		
Accounts receivable	(38,864)	
Due from Monroe County	1,699	
Due from State of Tennessee	9,590	
Prepaid expenses	1,198	
(Decrease) increase in:		
Accounts payable	14,370	
Retirement payable	(340)	
Payroll deductions payable	(192)	
Customer deposits	400	
Estimated postclosure care cost	<u>77,952</u>	<u>71,926</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (48,106)</u>

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

NOTE A - DESCRIPTION OF ORGANIZATION

The Loudon County Solid Waste Disposal Commission has been delegated the authority and responsibility for operating the Loudon County Landfill under the Amended and Restated Loudon County Solid Waste Disposal Agreement dated March 1, 1993. This agreement was entered into pursuant to State laws requiring the creation of municipal solid waste regions and in addition to specific powers relative to the operation and management of the Matlock Bend Landfill, the Commission is granted all the powers and duties of a municipal solid waste region board as set forth in T.C.A. §68-211-813 et seq.

The seven member Board of Commissioners is appointed by the County Mayor (5 members), the Mayor of Loudon (1 member) and the Mayor of Lenoir City (1 member).

The Loudon County Solid Waste Disposal Commission has contracted with a company to operate the Loudon County Landfill. This company is responsible for the operation of Phase II/IV of the landfill and the closure and postclosure of Phases I and II/IV during the term of the contract which expires when Module C the company is currently operating is filled. As of June 30, 2004, the company estimates, if the current volume of waste continues to be accepted, the cell will reach capacity in January 2008. Phase I of the landfill was closed in July 1995 and closure was approved by the State during fiscal year ended June 30, 1998. Phase III was never developed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Commission uses the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when the liability is incurred. The Commission follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The Commission has not elected to follow FASB pronouncements issued after November 30, 1989.

The Commission's resources are classified for accounting and reporting purposes into the following three net asset groups:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The Commission had no debt as of June 30, 2004.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2004

Invested in capital assets, net of related debt at June 30, 2004 has been calculated as follows:

Capital assets	\$ 431,259
Accumulated depreciation	<u>(139,945)</u>
	<u>\$ 291,314</u>

Restricted: Net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or that expire by the passage of time. The Commission had no restricted net assets as of June 30, 2004.

Unrestricted: Net assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to bad debt expense. At June 30, 2004, the allowance for uncollectible accounts was \$1,961.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

NOTE C - CASH

Cash is stated at cost, which approximates market value. These balances were held by the County Trustee in the Commission's name and were insured by the Federal Deposit Insurance Corporation (FDIC) and the State of Tennessee Bank Collateral Pool. The Commission considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2004

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/04</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 243,985	\$ 0	\$ (606)	\$ 243,379
<u>Capital assets being depreciated</u>				
Landfill facilities	86,087	0	0	86,087
Machinery and equipment	<u>101,793</u>	<u>0</u>	<u>0</u>	<u>101,793</u>
	187,880	0	0	187,880
<u>Accumulated depreciation</u>				
Landfill facilities	(34,435)	(4,304)	0	(38,739)
Machinery and equipment	<u>(99,397)</u>	<u>(1,809)</u>	<u>0</u>	<u>(101,206)</u>
	<u>(133,832)</u>	<u>(6,113)</u>	<u>0</u>	<u>(139,945)</u>
	<u>\$ 298,033</u>	<u>\$ (6,113)</u>	<u>\$ (606)</u>	<u>\$ 291,314</u>

NOTE E - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require a final cover to be placed on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Phase I of the Matlock Bend Landfill was closed during the year ended June 30, 1996. However, state certification of closure was not approved until the year ended June 30, 1998.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Commission reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the date of the statement of net assets.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2004

At June 30, 2004, the estimated liability for closure and postclosure costs were as follows:

Phase I	\$ 853,549
Phase II/IV	<u>795,406</u>
	<u>\$ 1,648,955</u>

The liabilities were estimated based on information provided by the State of Tennessee Department of Environment and Conservation. Closure and postclosure costs related to Phase I were recognized by the Commission in prior periods based on landfill capacity as of the date of each statement of net assets (formerly titled the balance sheet). The liability for Phase II/IV represents the cumulative amount of closure and postclosure care costs reported to date based on the use of 18% of the estimated capacity of the landfill for that phase. The Commission will recognize the remaining estimated cost of \$3,623,516 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The Commission expects to close Phase II/IV of the landfill in August of 2030 (assuming 80,000 tons of disposal per year). Actual costs may vary based on inflation, deflation, technology, or applicable laws and regulations.

Loudon County, Tennessee has entered into Contracts in Lieu of Performance Bond with the State of Tennessee Department of Environment and Conservation for Phase I (dated February 24, 1994) and for Phase II/IV (dated September 1, 1997). In the event the County fails to perform closure and postclosure requirements pursuant to all applicable laws, statutes, rules and regulations as such laws, rules, statutes and regulations may be amended, the contract pledges future revenues of Loudon County, disbursed from the State of Tennessee to the County, up to the amount of \$5,272,470 (covering all phases of the landfill) as of June 30, 2004, for closure and postclosure care.

NOTE F - RISK MANAGEMENT

The Commission 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 Commission carries commercial insurance for these risks of loss, including general liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2004

NOTE G - CONTRIBUTIONS TO CITY OF LOUDON

The Commission makes contributions to the City of Loudon, not to exceed \$15,000 per year, for a period of twenty years to defray the cost associated with the retirement of debt incurred by the City of Loudon to extend utility service lines to the Matlock Bend Landfill. The loan payments commenced in March of 2002 and are expected to end in February of 2022. Quarterly contributions of \$3,750 were made, for a total contribution of \$15,000, during the year ended June 30, 2004.

NOTE H - COMMITMENTS

The Commission entered into an agreement with a contractor for the daily operations of the Matlock Bend Sanitary Landfill. The original agreement was dated April 5, 1994 and was amended by a first amendment dated as of October 1, 2001. The amendment provides that the contractor's operating agreement continues "until Module C is filled to capacity," which is expected to occur sometime in 2008.

NOTE I - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of the year have been restated to reflect additional liabilities related to the closure and postclosure care costs not previously reported:

Balance June 30, 2003, as originally reported	\$ 1,590,526
Increase in liability	<u>(1,284,103)</u>
Balance July 1, 2003, as restated	<u>\$ 306,423</u>

SUPPLEMENTARY INFORMATION

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

TIPPING FEES IN FORCE

June 30, 2004

<u>Customer</u>	<u>Unit Cost</u>
Gate rate – all customers without a designated rate	\$ 34.88 per ton
Waste Services of Tennessee	20.00 per ton
Trigen	19.95 per ton
Strongwell/Quazite	16.50 per ton
Staley's MSW	24.00 per ton
Staley's Ash	22.00 per ton
Viskase Ash	24.00 per ton
Kimberly Clark	17.00 per ton
Loudon County	34.88 per ton
Lenoir City	34.88 per ton
City of Loudon	34.88 per ton

See the accompanying independent accountants' audit report.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

BOARD OF COMMISSIONERS

June 30, 2004

Chairman
Vice-Chairman
Secretary/Treasurer
Member
Member
Member
Member

Steve Field
William Waldrop
Robert Phillips
Ted Sitzlar
Robert Phillips
Aprell Patterson
John Watkins

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2003</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2004</u>
\$ 0	\$ 23,573	\$ 23,573	\$ 0

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Commissioners
Loudon County Solid Waste Disposal Commission
Loudon, Tennessee

We have audited the financial statements of Loudon County Solid Waste Disposal Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated December 12, 2005. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Loudon County Solid Waste Disposal Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Loudon County Solid Waste Disposal Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loudon County Solid Waste Disposal Commission's financial statements are free of 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*.

The findings reported for the prior year were either corrected during the year or are no longer considered to be reportable conditions.

This report is intended solely for the information and use of management and governmental regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

December 12, 2005

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2004

Finding Number 2004-A-1 – Accounting Records

Condition: The Commission had not established adequate procedures to ensure its accounting records were complete and accurate and included all liabilities of the Commission. Specifically, the estimated liability for postclosure care costs was understated by approximately \$1,340,000. The information needed to determine the actual liability was not readily available; however, this information was eventually obtained and audit adjustments proposed (and subsequently recorded) to correct the financial statements.

It is critical that the interim financial statements be accurate and prepared in accordance with generally accepted accounting principles.

Recommendation: The Town should establish procedures to ensure its accounting records include all assets and liabilities and that accurate and timely financial statements are prepared and presented to the Board of Commissioners each month.

Management Response: The information regarding the postclosure care liability has been obtained and we will ensure that the financial records include the proper liability for postclosure care costs.