

**AUDIT REPORT**

**Loudon County Solid Waste Disposal Commission**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 1997**

**B. J. KING**

**CERTIFIED PUBLIC ACCOUNTANT  
9217 PARK WEST BOULEVARD  
KNOXVILLE, TENNESSEE 37923**

Loudon County Solid Waste Disposal Commission

Table of Contents

June 30, 1997

	<u>Page</u>
Independent Auditor's Report	1
 <u>FINANCIAL STATEMENTS</u>	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5-6
 <u>SUPPORTING SCHEDULES</u>	
Schedule of Fixed Assets and Depreciation	7
Schedule of Tipping Fees in Force	8
Schedule of Board of Commissioners	9
Schedule of State Grant Activity	10
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11

**B. J. KING**  
CERTIFIED PUBLIC ACCOUNTANT  
9217 PARK WEST BOULEVARD  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE: (423) 693-1800

Independent Auditor's Report

December 19, 1997

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

I have audited the accompanying general-purpose financial statements of the Loudon County Solid Waste Disposal Commission, as of and for the year ended June 30, 1997, as listed in the table of contents. These financial statements are the responsibility of the Loudon County Solid Waste Disposal Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Loudon County Solid Waste Disposal Commission, as of June 30, 1997, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated December 19, 1997, on my consideration of the Loudon County Solid Waste Disposal Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the financial statements of the Loudon County Solid Waste Disposal Commission, taken as a whole. The accompanying supplemental schedules are not necessary for the fair presentation of the financial statements but are presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*B. J. King*

FINANCIAL STATEMENTS

Loudon County Solid Waste Disposal Commission  
Balance Sheet  
June 30, 1997

Assets

Current Assets

Cash on Deposit - County Trustee	\$ 1,501,477.99	
Accounts Receivable (Net of Allowance for Uncollectibles of \$901.23)	193,043.03	
Interest Receivable	4,657.83	
Due from Other Government	317.74	
Total Current Assets		\$ 1,699,496.59

Fixed Assets

Property and Equipment	\$ 435,429.76	
Less Accumulated Depreciation	(90,385.00)	
Total Fixed Assets		345,044.76
Total Assets		<u>\$ 2,044,541.35</u>

Liabilities and Retained Earnings

Liabilities

Current Liabilities

Accounts Payable	\$ 5,880.00	
Contracts Payable	166,312.73	
State Surcharge Payable	11,263.85	
Total Current Liabilities		\$ 183,456.58

Long-Term Liabilities

Customer Deposits	\$ 10,602.00	
Estimated Postclosure Care Cost	345,918.00	
Total Long-Term Liabilities		356,520.00
Total Liabilities		<u>\$ 539,976.58</u>

Retained Earnings

Unreserved		1,504,564.77
Total Liabilities and Fund Equity		<u>\$ 2,044,541.35</u>

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



Loudon County Solid Waste Disposal Commission  
Statement of Revenues, Expenses and Changes  
in Retained Earnings  
For the Fiscal Year Ended June 30, 1997

Operating Revenues

Tipping Fees	\$ 1,460,325.56	
State Surcharge	<u>38,677.19</u>	
Total Operating Revenues		\$ 1,499,002.75

Operating Expenses

Landfill Facilities Operation Fees	\$ 1,298,989.88	
State Surcharge	38,677.19	
State Maintenance Fee	6,000.00	
Board of Commissioners Compensation	2,750.00	
Legal Fees	325.00	
Accounting, Administrative and Clerical Services	18,000.00	
Audit Services	3,000.00	
Seminar and Travel Expenses	597.26	
Recycling Administration	1,200.00	
Water and Soil Testing Expense	1,439.41	
Wastewater Treatment Expense	3,251.13	
Tire Recycling Expense	24,320.00	
Insurance Premiums	2,590.50	
Postage and Copy Expense	302.94	
Software Maintenance Fee	800.00	
Office Expense	152.84	
Depreciation Expense	9,749.00	
Bad Debt Expense	6,975.25	
Miscellaneous Expenses	<u>389.80</u>	
Total Operating Expenses		<u>1,419,510.20</u>

Operating Income		\$ 79,492.55
------------------	--	--------------

Nonoperating Revenues

Tennessee Department of Environment and Conservation Grants	\$ 5,478.38	
Interest Income	<u>55,892.10</u>	
Total Nonoperating Revenue		<u>61,370.48</u>

Net Income		\$ 140,863.03
Retained Earnings, July 1, 1996		<u>1,363,701.74</u>
Retained Earnings, June 30, 1997		<u>\$ 1,504,564.77</u>

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

Loudon County Solid Waste Disposal Commission  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 1997

Cash Flows from Operating Activities

Operating Income	<u>\$ 79,492.55</u>
Adjustments to Reconcile Operating Income to Net Income Provided by Operating Activities:	
Depreciation Expense	9,749.00
Changes in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(82,548.23)
Increase in Due from Other Government	(317.74)
Increase in Accounts Payable	1,560.00
Increase in Contracts Payable	68,178.19
Increase in State Surcharge Payable	2,634.65
Increase in Customer Deposits	200.00
Decrease in Estimated Closure and Postclosure Care Costs	<u>(203,734.00)</u>
Total Adjustments	<u>(204,278.13)</u>
Net Cash Provided by Operating Activities	<u>(124,785.58)</u>

Cash Flows from Noncapital Financing Activities

Tennessee Department of Environment and Conservation Grants	<u>6,322.20</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,322.20</u>

Cash Flows from Investing Activities

Interest Income	<u>55,484.91</u>
Net Cash Provided by Investing Activities	<u>55,484.91</u>

Net Decrease in Cash	(62,978.47)
Cash, July 1, 1996	<u>1,564,456.46</u>
Cash, June 30, 1997	<u>\$ 1,501,477.99</u>

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

Loudon County Solid Waste Disposal Commission  
Notes to Financial Statements  
June 30, 1997

Organization and Operations

The Commission has been delegated the authority and responsibility for operating the Loudon County Landfill. This agreement is pursuant to State laws requiring the creation of municipal solid waste regions and 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 Executive (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 of the landfill and the closure and postclosure of Phase I and Phase II during the term of the contract which goes through March 31, 2004, unless earlier terminated as provided in the contract. Phase I of the landfill was closed in July 1995, and closure was completed during fiscal year ended June 30, 1997.

Summary of Significant Accounting Policies

The financial statements of Loudon County Solid Waste Disposal Commission have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements: Financial Accounting Standards Board Statements and Interpretations, and APB Opinions and Accounting Research Bulletins. The Commission has not elected to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The following is a summary of the more significant accounting policies:

1. Basis of Accounting and Measurement Focus  
Transactions are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
2. Property and Depreciation  
Property and equipment are recorded at cost. Maintenance and repair costs are charged to expense as incurred. When property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts. Depreciation is calculated using the straight-line method to allocate the cost of depreciable assets over their estimated useful lives, which range from five to twenty years. Property placed in service during the fiscal year is depreciated only for the time actually in service. Depreciation expense for the fiscal year ended June 30, 1997, amounted to \$9,749.00.
3. Statement of Cash Flows  
For purposes of the statement of cash flows, the Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.
4. Allowance for Uncollectible Accounts Receivable  
The Commission provides an allowance for uncollectible accounts equal to the estimated collection losses that will be incurred based on historical experience and a review of the current status of receivables.

Cash on Deposit with Loudon County Trustee

All funds of the Loudon County Solid Waste Authority Commission were deposited with the Loudon County, Tennessee Trustee at June 30, 1997. All deposits in excess of FDIC coverage are required to be collateralized by Tennessee law. These funds were adequately collateralized at June 30, 1997.

Concentration of Credit Risk

The Loudon County Solid Waste Disposal Commission provides sanitary services to citizens, governments and industries in Loudon County. The Commission grants credit to its customers, substantially all of whom are local governments and businesses. A significant portion of the Commission's revenue is attributable to a relatively small number of industrial plants and governmental entities.



Loudon County Solid Waste Disposal Commission  
Notes to Financial Statements (Continued)

Closure and Postclosure Care Cost

Phase I of the Matlock Bend Landfill was closed during fiscal year ended June 30, 1996; however, state certification of closure had not been approved as of the date of this audit. State and Federal laws and regulations require the Commission to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure costs were recognized by the Commission in prior periods based on landfill capacity as of each balance sheet date. The \$345,918.00 reported as estimated postclosure care cost at June 30, 1997, consists of the following:

Estimated Present Value of Postclosure Cost	\$285,273.00
Estimated Contingency Cost	<u>60,645.00</u>
Total Estimated Postclosure Care Liability	<u>\$345,918.00</u>

The above estimates are based on a report prepared by the State of Tennessee Department of Environment and Conservation, Division of Solid Waste Management on October 25, 1994. Actual costs may vary based on inflation, deflation, technology, or applicable laws and regulations.

The responsibility of closure and postclosure cost for Phase II of the Matlock Bend Landfill has been contractually assumed by the company the Commission contracted with to operate the landfill. At June 30, 1997, the estimated present value cost of closure and postclosure of Phase II based on a report provided by the State of Tennessee Department of Environment and Conservation, Division of Solid Waste Management is \$5,289,674.00.

The County of Loudon has entered into a Contract in Lieu of Performance Bond with the State of Tennessee Department of Environment and Conservation. 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 \$1,273,450.00 for closure and postclosure care.

Risk Management

It is the policy of the Commission to purchase commercial insurance for the risks of losses to which it is exposed other than those that are the contractual responsibility of the company contracted with to operate the landfill. These risks include professional liability and property and casualty. There have been no claims filed in any of the past three years.

Other Information

The contractual agreement between Loudon County Solid Waste Disposal Commission and the company the Commission has contracted with to operate the landfill contains information as to the term of the contract and liabilities that the Commission could incur at the termination of the contract based on future events which may or may not occur and which were not measurable at June 30, 1997; accordingly, no liability has been recorded in the financial statements.

SUPPORTING SCHEDULES

Loudon County Solid Waste Disposal Commission  
 Schedule of Fixed Assets and Accumulated Depreciation  
 For the Fiscal Year Ended June 30, 1997

	Balance 7-1-96	Additions and/or Deductions	Balance 6-30-97	Current Depreciation	Accumulated Depreciation	Rate of Depreciation	Method of Depreciation
<b>Solid Waste Land and Facilities</b>							
Land	\$ 243,985.00	\$ -	\$ 243,985.00	\$ -	\$ -	-	-
Landfill Facilities	86,086.76	-	86,086.76	4,305.00	8,609.00	5.00%	S.L.
<b>Total Solid Waste Land and Facilities</b>	<b>\$ 330,071.76</b>	<b>\$ -</b>	<b>\$ 330,071.76</b>	<b>\$ 4,305.00</b>	<b>\$ 8,609.00</b>		
<b>Equipment</b>							
Highlift	\$ 62,790.00	\$ -	\$ 62,790.00	\$ -	\$ 62,790.00	6.67%	S.L.
Computer Equipment	11,873.00	-	11,873.00	2,375.00	9,104.00	20.00%	S.L.
Scales	25,995.00	-	25,995.00	2,599.00	9,059.00	10.00%	S.L.
Waste Oil Burner	4,700.00	-	4,700.00	470.00	823.00	10.00%	S.L.
<b>Total Equipment</b>	<b>\$ 105,358.00</b>	<b>\$ -</b>	<b>\$ 105,358.00</b>	<b>\$ 5,444.00</b>	<b>\$ 81,776.00</b>		
<b>Total Fixed Assets and Accumulated Depreciation</b>	<b>\$ 435,429.76</b>	<b>\$ -</b>	<b>\$ 435,429.76</b>	<b>\$ 9,749.00</b>	<b>\$ 90,385.00</b>		

Loudon County Solid Waste Disposal Commission  
Schedule of Tipping Fees in Force  
June 30, 1997

Type  
All Types

Unit Cost  
\$32.25 per to



Loudon County Solid Waste Disposal Commission  
Board of Commissioners  
June 30, 1997

Chairman  
Vice - Chairman  
Treasurer  
Member  
Member  
Member  
Member

Wayne Tolbert  
Albert Jorden, Jr.  
Ben Surrett  
Robert Harrison  
Sidney Mayes  
Sally Proaps  
Ted Sitzlar

Loudon County Solid Waste Authority Commission  
Schedule of State Grant Activity  
For Fiscal Year Ended June 30, 1997

<u>Grantor/Program Title</u>	<u>State Grant Number</u>	<u>Balance 7-1-96</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Balance 6-30-97</u>
State of Tennessee, Department of Environment and Conservation, Division of Solid Waste Assistance/ Optional Waste Tire Grant 1995-96	DP-01028-6-00	\$ (843.82)	\$ 1,384.46	\$ 540.64	\$ -
State of Tennessee, Department of Environment and Conservation, Division of Solid Waste Assistance/ Optional Waste Tire Grant 1996-97	Z-97-079836-00	-	4,620.00	4,620.00	-
<b>Total</b>		<u>\$ (843.82)</u>	<u>\$ 6,004.46</u>	<u>\$ 5,160.64</u>	<u>\$ -</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

**B. J. KING**  
CERTIFIED PUBLIC ACCOUNTANT  
9217 PARK WEST BOULEVARD  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE: (423) 693-1800

Auditor's Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

December 19, 1997

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

I have audited the financial statements of the Loudon County Solid Waste Disposal Commission, as of and for the year ended June 30, 1997, and have issued my report thereon dated December 19, 1997. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Loudon County Solid Waste Disposal Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have had 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Loudon County Solid Waste Disposal Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, I noted other matters involving the internal control over financial reporting that I have reported to management in a separate letter dated December 19, 1997.

This report is intended for the information of the Board of Commissioners of Loudon County Solid Waste Disposal Commission. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*B. J. King*



