

*Financial Statements*

LOUDON COUNTY SOLID WASTE  
DISPOSAL COMMISSION

Year Ended June 30, 2009

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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, 2009 and the related statement of revenue, expenses and change 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 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 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.

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, 2009, and the respective 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 on pages 3 to 5 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 which collectively comprise Loudon County Solid Waste Disposal Commission's basic financial statements. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010 on our consideration of Loudon County Solid Waste Disposal Commission'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 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*

February 26, 2010

**Loudon County Solid Waste Disposal Commission  
Management's Discussion and Analysis  
June 30, 2009**

**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 Landfill in Loudon, Tennessee. The Commission also serves as the Municipal Solid Waste Region Board for the Loudon County Solid Waste Region under the Solid Waste Management Act of 1991.

**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:

**Condensed statements of net assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:				
Current and other	\$ 2,796,660	\$ 2,563,062	\$ 2,432,938	\$ 2,248,810
Capital	<u>271,704</u>	<u>273,508</u>	<u>77,813</u>	<u>282,117</u>
Total assets	<u>3,068,365</u>	<u>2,836,570</u>	<u>2,710,751</u>	<u>2,530,927</u>
Liabilities:				
Current	6,047	15,357	217,604	205,736
Long-term	<u>2,976,979</u>	<u>2,736,065</u>	<u>2,427,631</u>	<u>2,221,269</u>
Total liabilities	<u>2,983,026</u>	<u>2,751,422</u>	<u>2,645,235</u>	<u>2,427,005</u>
Net assets:				
Invested in capital assets	271,704	273,508	277,813	282,117
Unrestricted (deficit)	<u>(186,365)</u>	<u>(188,360)</u>	<u>(212,297)</u>	<u>(178,195)</u>
Total net assets	<u>\$ 85,339</u>	<u>\$ 85,148</u>	<u>\$ 65,516</u>	<u>\$ 103,922</u>

**Loudon County Solid Waste Disposal Commission  
Management's Discussion and Analysis (continued)  
June 30, 2009**

The statement of revenue, expenses and changes in net assets presents LCSWDC's results of operations. The table below is a condensed statement of revenue and expenses:

**Condensed statements of revenue, expenses and changes in net assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenue	\$ 316,829	\$ 882,570	\$ 2,311,000	\$ 2,308,453
Operating expenses	(364,848)	(974,543)	(2,485,794)	(2,577,480)
Depreciation and amortization	<u>(4,304)</u>	<u>(4,304)</u>	<u>(4,304)</u>	<u>(4,421)</u>
Net operating (loss)	(52,323)	(96,277)	(179,099)	(273,447)
Non-operating income	<u>52,515</u>	<u>115,909</u>	<u>140,693</u>	<u>91,335</u>
Change in net assets	<u>\$ 191</u>	<u>\$ 19,632</u>	<u>\$ (38,406)</u>	<u>\$ (182,112)</u>

The change in net assets as of June 30, 2008 has been restated to reflect the addition to operating revenues earned as of June 30, 2008 and not recorded as accounts receivable.

**Results of Operations**

LCSWDC shows a positive net assets and the amount is consistent with prior years.

Expenses in total, including operations, maintenance and depreciation were consistent with the prior year, except that a significant decrease in operating expenses was reflected during the year ended June 30, 2009 as the Commission experienced its first full year of operating under its new 20-year operations contract that commenced on October 1, 2007 and provides for the turn-key operation of Matlock Bend Landfill by the operator instead of the Commission. The Commission believes the new contract has improved the annual change in net assets from being negative in the 2006 and 2007 audit years to being a positive number in the audit years 2008 and 2009.

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 Statement of Cash Flows are classifications for non-capital related financing, capital related financing and investing activities.

Capital Assets

Capital asset levels were consistent with the prior year.

**Loudon County Solid Waste Disposal Commission  
Management's Discussion and Analysis (continued)  
June 30, 2009**

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, 2009

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 2,768,896
Accounts receivable		25,440
Interest receivable		<u>2,324</u>

**TOTAL CURRENT ASSETS** 2,796,660

**CAPITAL ASSETS**

Land	\$ 245,878	
Landfill facilities	86,087	
Machinery and equipment	<u>101,793</u>	
	433,758	
Accumulated depreciation	<u>(162,054)</u>	<u>271,704</u>

**TOTAL ASSETS** \$ 3,068,365

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		\$ 6,047
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**LONG-TERM LIABILITIES**

Estimated closure/postclosure care cost		2,976,979
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**NET ASSETS**

Invested in capital assets	\$ 271,704	
Unrestricted	<u>(186,365)</u>	<u>85,339</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,068,365

See the accompanying notes to the financial statements.



LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

Year Ended June 30, 2009

**OPERATING REVENUE**

Surcharge-host agency		\$ 136,299
Surcharge-closure/post closure security fees		177,592
Other operating revenue		<u>2,937</u>

**TOTAL OPERATING REVENUE** 316,829

**OPERATING EXPENSES**

Salaries and wages:		
Board of Commissioners compensation		3,700

Contracted services:

Engineering services	\$ 24,710	
Legal services	39,053	
Accounting and auditing	<u>5,250</u>	69,013

Fees:

Landfill facilities operation	265,408	
Trustee's commissions	<u>3,211</u>	268,619

Supplies and materials:

Office supplies		58
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Other expenses:

Contributions to City of Loudon for debt service	15,000	
Travel	3,459	
Forfeited land option	<u>5,000</u>	23,459

Depreciation		<u>4,304</u>
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**TOTAL OPERATING EXPENSES** 369,152

**(LOSS) FROM OPERATIONS** (52,323)

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Year Ended June 30, 2009

**NON-OPERATING REVENUE**

State grant - tire disposal  
Interest

17,319

35,195

52,515

**CHANGE IN NET ASSETS**

191

**NET ASSETS AT THE BEGINNING OF THE YEAR**  
as restated

85,148

**NET ASSETS AT THE END OF THE YEAR**

\$ 85,339

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2009

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 324,342
Cash paid to employees	(3,700)
Cash paid to suppliers	<u>(129,544)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	191,098
<b>CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State grant - tire disposal	17,319
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of land option	(2,500)
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest received	<u>43,252</u>
<b>NET INCREASE IN CASH</b>	249,170
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>2,519,727</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 2,768,896</u>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2009

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

(Loss) from operations		\$	(52,323)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:			
Depreciation	\$	4,304	
Decrease in accounts receivable		7,514	
Increase(decrease) in:			
Accounts payable		(4,620)	
Deferred revenue		(4,690)	
Estimated closure/postclosure care cost		<u>240,914</u>	<u>243,422</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			<b><u>\$ 191,098</u></b>

See the accompanying notes to the financial statements.

## LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

#### **NOTE A - DESCRIPTION OF ORGANIZATION**

Loudon County Solid Waste Disposal Commission (the Commission) has been delegated the authority and responsibility for operating the Matlock Bend Landfill under the Amended and Restated Loudon County Solid Waste Disposal Agreement dated March 1, 1993, as amended. This agreement was entered into pursuant to state laws requiring the creation of municipal solid waste regions. 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 Commission's seven member board is appointed by the Loudon County Mayor (5 members) and the city mayors of Loudon (1 member) and Lenoir City (1 member).

The Commission has contracted with a company to operate the Matlock Bend 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 on September 30, 2027 and is subject to two additional one-year extensions in favor of the Commission. Phase I of the Landfill was closed during the year ended June 30, 1996 and closure was approved by the State of Tennessee Department of Environment and Conservation 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. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Surcharge revenue and revenue for closure and postclosure security fees are classified as operating revenues. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as non-operating expenses.

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.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net asset groups:

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2009

Invested in capital assets: 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, 2009. Invested in capital assets at June 30, 2009 have been calculated as follows:

Capital assets	\$ 433,758
Accumulated depreciation	<u>(162,054)</u>
	<u>\$ 271,704</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, 2009.

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”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties. The Commission had a deficit of unrestricted net assets of \$186,365 as of June 30, 2009. The deficit was due to liabilities exceeding assets, except for capital assets, at year end.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue.

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.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2009

**NOTE C - CASH AND CASH EQUIVALENTS**

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost which approximates market value.

State of Tennessee law authorizes the Commission to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the Commission may participate in the Local Government Investment Pool, it elects not to.

Commission policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the Commission and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

All cash and cash equivalents at June 30, 2009 were held by the Loudon County Trustee in the Commission's name and were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

Cash received by the Commission for closure and postclosure security fees was \$291,717 as of June 30, 2009. Management intends to use this cash to partially satisfy the closure/post-closure costs described in Note G.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2009

**NOTE D - CAPITAL ASSETS**

	<u>Balance</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/09</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 243,378	\$ 2,500	\$ 0	\$ 245,878
<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	(55,956)	(4,304)	0	(60,261)
Machinery and equipment	<u>(101,793)</u>	<u>0</u>	<u>0</u>	<u>(101,793)</u>
	<u>(157,750)</u>	<u>(4,304)</u>	<u>0</u>	<u>(162,054)</u>
	<u>\$ 273,508</u>	<u>\$ (1,804)</u>	<u>\$ 0</u>	<u>\$ 271,704</u>

**NOTE E - 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 landfill operator, on behalf of the Commission carries commercial insurance for various 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, 2009

**NOTE F - COMMITMENTS**

The Commission entered into a new operations contract with its operator as of July 1, 2007 that provided for the turn key operations of the Matlock Bend Landfill by the Commission's existing operator, Santek Environmental, Inc., effective October 1, 2007. The prior operations agreement dated April 5, 1994 was amended on June 19, 2007 to provide for the termination of that contract effective September 30, 2007. The new operations agreement provides for a twenty-year term ending on September 30, 2027 and also grants the Commission the right, at its option, to extend the operations contract for two additional one-year extensions. Under the old contract, the Commission received all tipping fee revenue and contracted with Santek to operate the landfill. In accordance with the new agreement, Santek receives all revenue for tipping fees, pays operating costs of the landfill, and pays a host fee and closure/postclosure fees to the Commission.

**NOTE G - 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 a minimum of 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. Landfill facilities operation expense reported in the accompanying financial statements consists of \$24,494 paid for professional services and \$240,914 for the current year increase in the estimated liability for closure and postclosure costs.

At June 30, 2009, the estimated liability for closure and postclosure costs were as follows:

Phase I	\$ 768,245
Phase II/IV	<u>2,208,734</u>
	<u>\$ 2,976,979</u>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2009

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. The liability for Phase II/IV represents the cumulative amount of closure and postclosure care costs reported to date based on the use of 32.77% of the estimated capacity of the landfill for that phase. The Commission will recognize the remaining estimated cost of \$4,531,376 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. 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 (the County) 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 contracts pledge future revenues of the County, disbursed from the State of Tennessee to the County, up to the amount of \$7,508,355 (covering all phases of the landfill) as of June 30, 2009, for closure and postclosure care.

**NOTE H - CONTRIBUTIONS TO CITY OF LOUDON, TENNESSEE**

The Commission makes contributions to City of Loudon, Tennessee 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 City of Loudon, Tennessee to extend utility service lines to the Matlock Bend Landfill. The amount reported as an expense for 2009 was \$15,000. The loan payments commenced in March 2002 and are expected to end in February 2022.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2009

**NOTE I - RESTATEMENT**

Net assets of the Commission at the beginning of the year have been restated to correct the recording of operating revenues earned during the year ended June 30, 2008 but not recorded in accounts receivable.

Balance, June 30, 2008, as originally reported	\$ 57,311
Operating revenue not recorded as accounts receivable	<u>27,837</u>
Balance, July 1, 2008, as restated	<u>\$ 85,148</u>

The effect of this restatement was to increase the change in net assets for the year ended June 30, 2008 by \$27,837.

SUPPLEMENTARY INFORMATION

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**BOARD OF COMMISSIONERS**

June 30, 2009

Chairman  
Vice-Chairman  
Secretary/Treasurer  
Member  
Member  
Member  
Member

Steve Field  
William Waldrop  
John Watkins  
Ted Sitzlar  
Robert Harrison  
Aprell Patterson  
Jim Akins

See the accompanying independent accountants' audit report.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2009

<u>Project Number</u>	<u>Program Name</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
Z03011370-01	Waste Tire Option Grant	State of Tennessee Department of Environment and Conservation

See the accompanying independent accountants' audit report.

<u>Receivable</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2009</u>
<u>\$ 0</u>	<u>\$ 17,319</u>	<u>\$ 17,319</u>	<u>\$ 0</u>

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, 2009, and have issued our report thereon dated February 26, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loudon County Solid Waste Disposal Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Loudon County Solid Waste Disposal Commission's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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*.

We noted certain matters that we reported to management of Loudon County Solid Waste Disposal Commission in a separate letter dated February 26, 2010.

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*

February 26, 2010