

Financial Statements

LOUDON COUNTY SOLID WASTE
DISPOSAL COMMISSION

Year Ended June 30, 2012

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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, 2012 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 organization'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 the 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, 2012 and the changes in its financial positions and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 5 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 audits 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Loudon County Solid Waste Disposal Commission's financial statements as a whole. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. This information 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2013 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, 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 other matters 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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

March 12, 2013

**Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis
June 30, 2012**

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>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Assets: | | | | |
| Current and other | \$ 2,380,571 | \$ 2,440,755 | \$ 2,445,039 | \$ 2,796,660 |
| Capital | <u>1,436,003</u> | <u>1,029,249</u> | <u>836,530</u> | <u>271,704</u> |
| Total assets | <u>3,816,575</u> | <u>3,470,004</u> | <u>3,281,569</u> | <u>3,068,365</u> |
| Liabilities: | | | | |
| Current | 23,231 | 23,332 | 52,329 | 6,047 |
| Long-term | <u>4,133,850</u> | <u>3,664,938</u> | <u>3,219,386</u> | <u>2,976,979</u> |
| Total liabilities | <u>4,157,081</u> | <u>3,688,270</u> | <u>3,271,715</u> | <u>2,983,026</u> |
| Net assets: | | | | |
| Invested in capital assets | 1,436,003 | 1,029,249 | 836,530 | 271,704 |
| Unrestricted (deficit) | <u>(1,776,510)</u> | <u>(1,247,515)</u> | <u>(826,676)</u> | <u>(186,365)</u> |
| Total net assets | <u>(340,507)</u> | <u>(218,266)</u> | <u>9,854</u> | <u>85,339</u> |
| Total liabilities and net assets | <u>\$ 3,816,575</u> | <u>\$ 3,470,004</u> | <u>\$ 3,281,569</u> | <u>\$ 3,068,365</u> |

**Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis (continued)
June 30, 2012**

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>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------------------------|---------------------|---------------------|--------------------|----------------|
| Operating revenue | \$ 439,547 | \$ 324,133 | \$ 261,592 | \$ 316,829 |
| Operating expenses | (572,214) | (571,914) | (376,646) | (364,848) |
| Depreciation and amortization | <u>(5,831)</u> | <u>(5,831)</u> | <u>(4,304)</u> | <u>(4,304)</u> |
| Net operating (loss) | (138,498) | (253,612) | (119,358) | (52,323) |
| Non-operating income | <u>16,258</u> | <u>25,492</u> | <u>43,873</u> | <u>52,515</u> |
| Change in net assets | <u>\$ (122,240)</u> | <u>\$ (228,120)</u> | <u>\$ (75,485)</u> | <u>\$ 191</u> |

Results of Operations

LCSWDC shows operating revenue of \$439,547, which represents an increase of \$115,414 over the previous year's operating revenue. At the same time, LCSWDC shows an increase in operating expenses of only \$300 over the previous year's operating expenses. This results in a positive variance in net operating loss of \$115,114 from the previous year. However, LCSWDC shows a negative change in net assets due in part to an increase in the utilized capacity of the landfill, which in turn required an increased adjustment to the estimated liability for closure and post closure costs from the previous year. The increased utilization of the landfill during the year resulted in a \$23,360 increase to the estimated liability for closure and post closure costs over the previous year's estimated costs of \$445,552. This increase in the estimated costs was offset by a \$20,060 positive variance in other operating expenses for the year to net an increase in total operating expenses of \$300 for the year. As of June 30, 2012, the Commission completed its fourth full year of operations under its 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 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 increased from the prior year due to the purchase of land adjoining the landfill in the amount of \$412,585.

**Loudon County Solid Waste Disposal Commission
Management's Discussion and Analysis (continued)
June 30, 2012**

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, 2012

ASSETS

CURRENT ASSETS

| | | |
|---------------------|--|--------------|
| Cash | | \$ 2,338,628 |
| Accounts receivable | | 33,028 |
| Grants receivable | | 4,604 |
| Interest receivable | | 425 |
| Prepaid expenses | | <u>3,886</u> |

TOTAL CURRENT ASSETS 2,380,571

CAPITAL ASSETS

| | | |
|--------------------------|------------------|------------------|
| Land | \$ 1,395,618 | |
| Landfill facilities | 116,611 | |
| Machinery and equipment | <u>101,793</u> | |
| | 1,614,023 | |
| Accumulated depreciation | <u>(178,019)</u> | <u>1,436,003</u> |

TOTAL ASSETS \$ 3,816,575

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|------------------|--|-----------|
| Accounts payable | | \$ 23,231 |
|------------------|--|-----------|

LONG-TERM LIABILITIES

| | | |
|---|--|-----------|
| Estimated closure/postclosure care cost | | 4,133,850 |
|---|--|-----------|

NET ASSETS

| | | |
|----------------------------|--------------------|------------------|
| Invested in capital assets | \$ 1,436,003 | |
| Unrestricted | <u>(1,776,510)</u> | <u>(340,507)</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 3,816,575

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, 2012

OPERATING REVENUE

| | | |
|--|--|----------------|
| Surcharge-host agency | | \$ 183,263 |
| Surcharge-closure/post closure security fees | | <u>256,284</u> |

TOTAL OPERATING REVENUE 439,547

OPERATING EXPENSES

| | | |
|-------------------------------------|--|-------|
| Salaries and wages: | | |
| Board of Commissioners compensation | | 3,200 |

Contracted services:

| | | |
|-------------------------|--------------|--------|
| Engineering services | \$ 18,075 | |
| Legal services | 33,329 | |
| Accounting and auditing | 6,050 | |
| Property maintenance | <u>3,600</u> | 61,054 |

Landfill operations:

| | | |
|------------------------------|----------------|---------|
| Tire disposal | 12,482 | |
| Closure and postclosure care | <u>468,912</u> | 481,394 |

Supplies and materials:

| | | |
|-----------------|--|-----|
| Office supplies | | 151 |
|-----------------|--|-----|

Other expenses:

| | | |
|---|--------------|--------|
| Contributions to City of Loudon for debt service | 15,000 | |
| Insurance | 3,700 | |
| Trustee's commissions | 4,428 | |
| Staff development | 1,375 | |
| Travel | <u>1,913</u> | 26,415 |

| | | |
|--------------|--|--------------|
| Depreciation | | <u>5,831</u> |
|--------------|--|--------------|

TOTAL OPERATING EXPENSES 578,045

(LOSS) FROM OPERATIONS (138,499)

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

NONOPERATING REVENUE

State grant - tire disposal
Interest

12,482

3,776

16,258

CHANGE IN NET ASSETS

(122,241)

NET ASSETS AT THE BEGINNING OF THE YEAR

(218,266)

NET ASSETS AT THE END OF THE YEAR

\$ (340,507)

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

| | |
|---|----------------------------|
| CASH PROVIDED(USED) BY OPERATING ACTIVITIES | |
| Cash received from customers | \$ 442,778 |
| Cash paid to employees | (3,200) |
| Cash paid to suppliers | <u>(100,390)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 339,188 |
| CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES | |
| State grant - tire disposal | 11,162 |
| CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of property and equipment | (412,585) |
| CASH PROVIDED(USED) BY INVESTING ACTIVITIES | |
| Interest received | <u>3,776</u> |
| NET (DECREASE) IN CASH | (58,459) |
| CASH AT THE BEGINNING OF THE YEAR | <u>2,397,087</u> |
| CASH AT THE END OF THE YEAR | <u><u>\$ 2,338,628</u></u> |

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2012

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

| | | |
|--|----------------|--------------------------|
| (Loss) from operations | | \$ (138,499) |
| Adjustments to reconcile (loss) from operations to net cash provided by operating activities: | | |
| Depreciation | \$ 5,831 | |
| (Increase)decrease in: | | |
| Accounts receivable | 3,232 | |
| Prepaid expenses | (187) | |
| Increase(decrease) in: | | |
| Accounts payable | (101) | |
| Estimated closure/postclosure care cost | <u>468,912</u> | <u>477,687</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | <u>\$ 339,188</u> |

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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 (the 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 Landfill, the Commission is granted all the powers and duties of a municipal solid waste region board as set forth in T.C.A. 268-211-813, et seq.

The Commission's seven member board is appointed by the Loudon County mayor (5 members) and the mayors of City of Loudon, Tennessee (1 member) and Lenoir City, Tennessee (1 member).

The Commission has contracted with a company to operate the 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 revenue. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as nonoperating 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, 2012

Invested in capital assets

This category includes 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, 2012. Invested in capital assets at June 30, 2012 has been calculated as follows:

| | |
|--------------------------|---------------------|
| Capital assets | \$ 1,614,023 |
| Accumulated depreciation | <u>(178,020)</u> |
| | <u>\$ 1,436,003</u> |

Restricted

This category includes 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, 2012.

Unrestricted

This category includes 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 \$1,776,510 as of June 30, 2012. The deficit was due to liabilities exceeding assets, except for capital assets, at June 30, 2012.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012, no allowance for uncollectible accounts was considered necessary.

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, 2012

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. Cash represents money on deposit in various banks.

State of Tennessee law authorizes the Commission to invest in obligations of the United States or its agencies, nonconvertible 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 of Tennessee Local Government Investment Pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

The Commission's cash and investments at June 30, 2012 are held by the Loudon County Trustee in the Commission's name and are entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

Cash received by the Commission for closure and postclosure security fees was \$850,383 as of June 30, 2012. 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, 2012

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

| | <u>Balance</u> <u>7/1/11</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>6/30/12</u> |
|---|---------------------------------|-------------------|--------------------|----------------------------------|
| <u>Capital assets not being depreciated</u> | | | | |
| Land | \$ 983,033 | \$ 412,585 | \$ 0 | \$ 1,395,618 |
| <u>Capital assets being depreciated</u> | | | | |
| Landfill facilities | 116,611 | 0 | 0 | 116,611 |
| Machinery and equipment | <u>101,793</u> | <u>0</u> | <u>0</u> | <u>101,793</u> |
| | 218,404 | 0 | 0 | 218,404 |
| <u>Accumulated depreciation</u> | | | | |
| Landfill facilities | (70,396) | (5,831) | 0 | (76,227) |
| Machinery and equipment | <u>(101,793)</u> | <u>0</u> | <u>0</u> | <u>(101,793)</u> |
| | <u>(172,189)</u> | <u>(5,831)</u> | <u>0</u> | <u>(178,020)</u> |
| | <u>\$ 1,029,248</u> | <u>\$ 406,754</u> | <u>\$ 0</u> | <u>\$ 1,436,002</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, 2012

NOTE F - COMMITMENTS

The Commission has completed three full years of operations under its operations contract with its operator dated as of July 1, 2007, which provides for the turnkey operations of the Landfill by the Commission's existing operator, Santek Environmental, Inc. (Santek), commencing on 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 current 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 previous contract, the Commission received all tipping fee revenue and contracted with Santek to operate the Landfill. In accordance with the current 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 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 \$468,912 for the current year increase in the estimated liability for closure and postclosure costs.

At June 30, 2012, the estimated liabilities for closure and postclosure care costs were as follows:

| | |
|-------------|---------------------|
| Phase I | \$ 677,124 |
| Phase II/IV | <u>3,456,726</u> |
| | <u>\$ 4,133,850</u> |

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

The liabilities were estimated based on information provided by the State of Tennessee Department of Environment and Conservation when the corresponding cells of the Landfill were initially permitted. 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 estimated cumulative amount of closure and postclosure care costs reported to date based on the use of 49% of the estimated capacity of the Landfill for that phase. The Commission will recognize the remaining estimated cost of \$3,597,816 as the remaining permitted capacity of the Landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The Commission expects to close Phase II/IV of the Landfill in August of 2030 (assuming 80,000 tons of waste per year). Actual costs of closure and postclosure may vary based on inflation, deflation, technology, or applicable laws and regulations.

Loudon County, Tennessee (the County) has entered into a 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), which are amended from time to time. In the event the County fails to perform closure and postclosure care 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 \$7,054,543 (covering all phases of the Landfill) as of June 30, 2012, 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 Landfill. The amount reported as an expense for the year ended June 30, 2012 was \$15,000. The loan payments commenced in March 2002 and are expected to end in February 2022.

SUPPLEMENTARY INFORMATION

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

BOARD OF COMMISSIONERS

June 30, 2012

Chairman
Vice-Chairman
Secretary/Treasurer
Member
Member
Member
Member

Steve Field
William Waldrop
Robert Harrison
Ted Sitzlar
John Watkins
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, 2012

| <u>Project Number</u> | <u>Program Name</u> | <u>State Grantor</u> |
|---------------------------|-------------------------|--|
| DG-12-35171-00 | Waste Tire Option Grant | State of Tennessee Department of Environment and Conservation |

See the accompanying independent accountants' audit report.

| <u>Receivable July 1, 2011</u> | <u>Receipts</u> | <u>Expenditures</u> | <u>Receivable June 30, 2012</u> |
|------------------------------------|------------------|---------------------|-------------------------------------|
| <u>\$ 3,284</u> | <u>\$ 11,162</u> | <u>\$ 12,482</u> | <u>\$ 4,604</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, 2012 and have issued our report thereon dated March 12, 2013. 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

Management of Loudon County Solid Waste Disposal Commission is responsible for establishing and maintaining effective 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 an 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 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 Loudon County Solid Waste Disposal Commission'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*.

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 Ewert & Hill

March 12, 2013