

*Financial Statements*

LOUDON COUNTY SOLID WASTE  
DISPOSAL COMMISSION

Year Ended June 30, 2013

## TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenue, Expenses and Change in Net Position	8-9
Statement of Cash Flows	10-11
Notes to the Financial Statements	12-17
SUPPLEMENTARY INFORMATION	
Board of Commissioners	18
Expenditures of State Awards	19
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 <i>Government Auditing Standards</i>	20-21

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Loudon County Solid Waste Disposal Commission, which comprise the statement of net position as of June 30, 2013, and the related statement of revenue, expenses, and change in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Loudon County Solid Waste Disposal Commission as of June 30, 2013, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The schedule of expenditures of state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of board of commissioners has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loudon County Solid Waste Disposal Commission's internal control over financial reporting and compliance.

*Mitchell Emert & Hill*

March 21, 2014

# Loudon County Solid Waste Disposal Commission

## *Management's Discussion and Analysis*

### June 30, 2013

#### 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 position, the statement of revenue, expenses and changes in net position, the statement of cash flows and the accompanying notes to the financial statements.

#### *Financial Highlights as of June 30:*

The statement of net position 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 position:

#### Condensed statements of net position

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:				
Current and other	\$ 2,625,388	\$ 2,380,571	\$ 2,440,755	\$ 2,445,039
Capital	<u>1,453,741</u>	<u>1,436,003</u>	<u>1,029,249</u>	<u>836,530</u>
Total assets	<u>4,079,129</u>	<u>3,816,575</u>	<u>3,470,004</u>	<u>3,281,569</u>
Liabilities:				
Current	10,465	23,231	23,332	52,329
Long-term	<u>4,600,623</u>	<u>4,133,850</u>	<u>3,664,938</u>	<u>3,219,386</u>
Total liabilities	<u>4,611,088</u>	<u>4,157,081</u>	<u>3,688,270</u>	<u>3,271,715</u>
Net position:				
Investment in capital assets	1,453,741	1,436,003	1,029,249	836,530
Unrestricted (deficit)	<u>(1,985,700)</u>	<u>(1,776,510)</u>	<u>(1,247,515)</u>	<u>(826,676)</u>
Total net position	(531,960)	(340,507)	(218,266)	9,854
Total liabilities and net position	<u>\$ 4,079,129</u>	<u>\$ 3,816,575</u>	<u>\$ 3,470,004</u>	<u>\$ 3,281,569</u>

The statement of revenue, expenses and changes in net position 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 position**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenue	\$ 414,611	\$ 439,547	\$ 324,133	\$ 261,592
Operating expenses	(615,441)	(572,214)	(571,914)	(376,646)
Depreciation and amortization	<u>(5,901)</u>	<u>(5,831)</u>	<u>(5,831)</u>	<u>(4,304)</u>
Net operating (loss)	(206,731)	(138,498)	(253,612)	(119,358)
Non-operating income	<u>15,278</u>	<u>16,258</u>	<u>25,492</u>	<u>43,873</u>
Change in net position	<u>\$ (191,453)</u>	<u>\$ (122,240)</u>	<u>\$ (228,120)</u>	<u>\$ (75,485)</u>

**Results of Operations**

LCSWDC shows operating revenue of \$414,611, which represents a decrease of \$24,936 below the previous year's operating revenue. At the same time, LCSWDC shows an increase in operating expenses of \$43,227 over the previous year's operating expenses. LCSWDC shows a negative change in net position due in part to an increase in the utilized capacity of the landfill, which in turn required an increased adjustment to the estimated future liability for closure and post closure costs from the previous year. The increased utilization of the landfill during the year resulted in a \$466,773 increase to the estimated future liability for closure and post closure costs. However, the yearly increase to the estimated future liability for closure and post closure costs decreased by \$2,139 below the previous year's estimated costs. As of June 30, 2013, the Commission completed its sixth 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 costs associated with the transfer of land adjoining the landfill and fencing around the land in the amount of \$23,639.

Future Events

LCSWDC is engaged in discussions with the Matlock Bend landfill operator to modify the existing contract to address an anticipated shortfall of funds to cover the estimated future liability for closure and post closure costs.

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 POSITION**

June 30, 2013

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 2,579,590
Accounts receivable		35,184
Grants receivable		5,913
Interest receivable		425
Prepaid expenses		4,276
		<hr/>

**TOTAL CURRENT ASSETS** 2,625,388

**CAPITAL ASSETS**

Land	\$ 1,410,852	
Landfill facilities	125,016	
Machinery and equipment	101,793	
	<hr/>	
	1,637,661	
Accumulated depreciation	(183,920)	1,453,741
		<hr/>

**TOTAL ASSETS** \$ 4,079,129

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable		\$ 10,465
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**LONG-TERM LIABILITIES**

Estimated closure/postclosure care cost		4,600,583
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**NET POSITION**

Investment in capital assets	\$ 1,453,741	
Unrestricted	(1,985,660)	(531,920)
		<hr/>

**TOTAL LIABILITIES AND NET POSITION** \$ 4,079,129

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

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

Year Ended June 30, 2013

**OPERATING REVENUE**

Surcharge-host agency		\$ 166,691
Surcharge-closure/post closure security fees		<u>247,920</u>

**TOTAL OPERATING REVENUE** 414,611

**OPERATING EXPENSES**

Salaries and wages:		
Board of Commissioners compensation		3,000

Contracted services:

Engineering services	\$ 2,086	
Legal services	57,793	
Landfill operations review	32,960	
Accounting and auditing	6,350	
Property maintenance	<u>3,800</u>	102,989

Landfill operations:

Tire disposal	13,845	
Closure and postclosure care	<u>466,733</u>	480,579

Supplies and materials:

Office supplies		330
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Other expenses:

Contributions to City of Loudon for debt service	18,750	
Insurance	3,886	
Trustee's commissions	4,125	
Travel	<u>1,743</u>	28,504

Depreciation		<u>5,901</u>
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**TOTAL OPERATING EXPENSES** 621,302

**(LOSS) FROM OPERATIONS** (206,691)

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

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

(continued)

Year Ended June 30, 2013

**NONOPERATING REVENUE**

State grant - tire disposal

11,880

Interest

3,398

15,278

**CHANGE IN NET POSITION**

(191,413)

**NET POSITION AT THE BEGINNING OF THE YEAR**

(340,507)

**NET POSITION AT THE END OF THE YEAR**

\$ (531,920)

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2013

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 412,455
Cash paid to employees	(3,000)
Cash paid to suppliers	<u>(158,824)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	250,631
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State grant - tire disposal	10,571
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of property and equipment	(23,638)
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest received	<u>3,398</u>
<b>NET INCREASE IN CASH</b>	240,962
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>2,338,628</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 2,579,590</u>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2013

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

(Loss) from operations		\$ (206,691)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	\$ 5,901	
(Increase) in:		
Accounts receivable	(2,156)	
Prepaid expenses	(390)	
Increase(decrease) in:		
Accounts payable	(12,766)	
Estimated closure/postclosure care cost	466,733	457,322
		<u>457,322</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 250,631</u></b>

See the accompanying notes to the financial statements.

## LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

#### **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. §68-211-813, 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. The 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 economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred. The Commission recognizes revenue when it is 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.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

The Commission prepares its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB Statement No. 34 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 position groups:

Investment 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, 2013. Investment in capital assets at June 30, 2013 has been calculated as follows:

Capital assets	\$ 1,637,661
Accumulated depreciation	<u>(183,920)</u>
	<u>\$ 1,453,741</u>

Restricted

This category includes net position 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 positions as of June 30, 2013.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "investment in capital assets". Unrestricted net position 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 position of \$1,985,660 as of June 30, 2013. The deficit was due to future liabilities exceeding assets, except for capital assets, at June 30, 2013.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013, 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.

**NOTE C - CASH AND CASH EQUIVALENTS**

Investments that have original 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 of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America 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 (the Pool). The LGIP 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.

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.



LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

The Commission's cash and investments at June 30, 2013 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 \$1,098,303 as of June 30, 2013. Management intends to use this cash to partially satisfy the closure/post-closure costs described in Note G.

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 1,395,618	\$ 418,825	\$ (403,592)	\$ 1,410,852
<u>Capital assets being depreciated</u>				
Landfill facilities	116,611	8,405	0	125,016
Machinery and equipment	<u>101,793</u>	<u>0</u>	<u>0</u>	<u>101,793</u>
	218,404	8,405	(403,592)	226,809
<u>Accumulated depreciation</u>				
Landfill facilities	(76,226)	(5,901)	0	(82,127)
Machinery and equipment	<u>(101,793)</u>	<u>0</u>	<u>0</u>	<u>(101,793)</u>
	<u>(178,019)</u>	<u>(5,901)</u>	<u>0</u>	<u>(183,920)</u>
	<u>\$ 1,436,003</u>	<u>\$ 421,329</u>	<u>\$ (403,592)</u>	<u>\$ 1,453,741</u>

During the year ended June 30, 2013 the Commission exchanged a 21 acre tract of land for a 13 acre tract of land adjacent to the Landfill. No cash was transferred between the two parties in the exchange.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

**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.

**NOTE F - COMMITMENTS**

The Commission has completed six 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 \$466,733 for the current year increase in the estimated liability for closure and postclosure costs.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

At June 30, 2013, the estimated liabilities for closure and postclosure care costs were as follows:

Phase I	\$ 646,865
Phase II/IV	<u>3,953,718</u>
	<u>\$ 4,600,583</u>

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 position. 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 55% of the estimated capacity of the Landfill for that phase. The Commission will recognize the remaining estimated cost of \$3,234,861 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 2013. 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 \$7,188,579 (covering all phases of the Landfill) as of June 30, 2013, for closure and postclosure care.

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

The Commission makes contributions of \$3,750 per quarter to City of Loudon, Tennessee 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 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, 2013

Steve Field, Chairman  
William Waldrop, Vice-Chairman  
Robert Harrison, Secretary/Treasurer  
Larry Jameson, Member  
John Watkins, Member  
Brian Jenkins, Member  
Jim Akins, Member

See the accompanying independent accountants' audit report.



LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2013

<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, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2013</u>
<u>\$ 4,604</u>	<u>\$ 10,571</u>	<u>\$ 11,880</u>	<u>\$ 5,913</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 Directors  
Loudon County Solid Waste Disposal Commission  
Loudon, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Loudon County Solid Waste Disposal Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Loudon County Solid Waste Disposal Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Loudon County Solid Waste Disposal Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Loudon County Solid Waste Disposal Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Loudon County Solid Waste Disposal Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 21, 2014