

AGENDA
LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION
August 8, 2017
6:30 p.m.
LOUDON COUNTY COURTHOUSE ANNEX
Loudon, Tennessee

1. Opening of Meeting, Pledge of Allegiance, Invocation
2. Approval of Minutes – July 11, 2017
3. Items of Public Concern
4. Cash Activity Report
5. Operations Report
6. Contract Modification Update
7. Poplar Springs Update
8. Attorney's Report
9. Chairman's Report
10. Other Items of Commission's Consideration
11. Adjourn

Loudon County Department of Accounts and Budgets
Solid Waste Disposal Fund 207
Monthly Cash Report
July 2017

June 2017 Combined Ending Cash Balance per Monthly Report		3,402,648.82
Adjustments:		
	0.00	
	0.00	
Total Adjustments		0.00
Adjusted June 2017 Combined Ending Balance per Loudon Co Trustee		3,402,648.82

Solid Waste Disposal Commission Operating Fund

Operating Fund Ending Balance June 2017		3,166,029.70
Cash Receipts:		
Trustee's Collections - Prior Year	48.41	
Interest & Penalty	18.41	
Surcharge - Host Fees (May 2017 In-Transit)	13,120.38	
Surcharge - host Fees (June 2017 In-Transit)	12,896.30	
Surcharge - Security Fees (May 2017 In-Transit)	16,400.48	
Surcharge - security Fees (June 2017 In-Transit)	16,120.38	
Investment Income	806.23	
Total Monthly Revenue		59,410.59
Cash Disbursements:		
Board & Committee Members Fees	(250.00)	
Audit Services (Mitchell Emert & Hill)		
Contracts with Private Agencies (Santek)		
Engineering Services (Santek)		
Contributions (Loudon Utilities - Quarterly)		
Legal Services (June Payable)		
Legal Notices		
Other Contracted Services (Mowing)		
Building & Content Insurance		
In-Service/Staff Development (Refund)		
Trustee's Commission	(586.70)	
Total Cash Disbursements		(836.70)
Expenditure Credit:		
Trustee Commission Adjustment		0.00
<u>Operating Fund Ending Balance July 2017</u>		3,224,603.59

Poplar Springs Subfund

Poplar Springs Subfund Balance June 2017		236,619.12
Cash Receipts:		
	0.00	
Total Monthly Revenue	0.00	0.00
Cash Disbursements:		
Legal Services (FY 2017 Payable)	(22,727.54)	
Legal Services Repayment to Operating Fund	0.00	
Total Cash Disbursements		(22,727.54)
<u>Poplar Springs Subfund Balance July 2017</u>		213,891.58

<u>TOTAL COMBINED OPERATING AND POPLAR SPRINGS JULY 2017 BALANCE</u>		3,438,495.17
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Combined Summary - July 2017		
Beginning Balance		3,402,648.82
Plus Operating Revenue		59,410.59
Less Operating and Poplar Springs Disbursements		(23,564.24)
TOTAL COMBINED BALANCE - JULY 2017		3,438,495.17



Review and Analysis of Proposal by Santek Environmental Services to Modify Contract (Preliminary Recommendations)

Presentation to:

**Loudon County Solid Waste Disposal Commission
Loudon County, TN**

8 August 2017

Geosyntec.com

engineers | scientists | innovators

Review and Analysis of Proposal by Santek Environmental Services to Modify Contract

Objective of Project

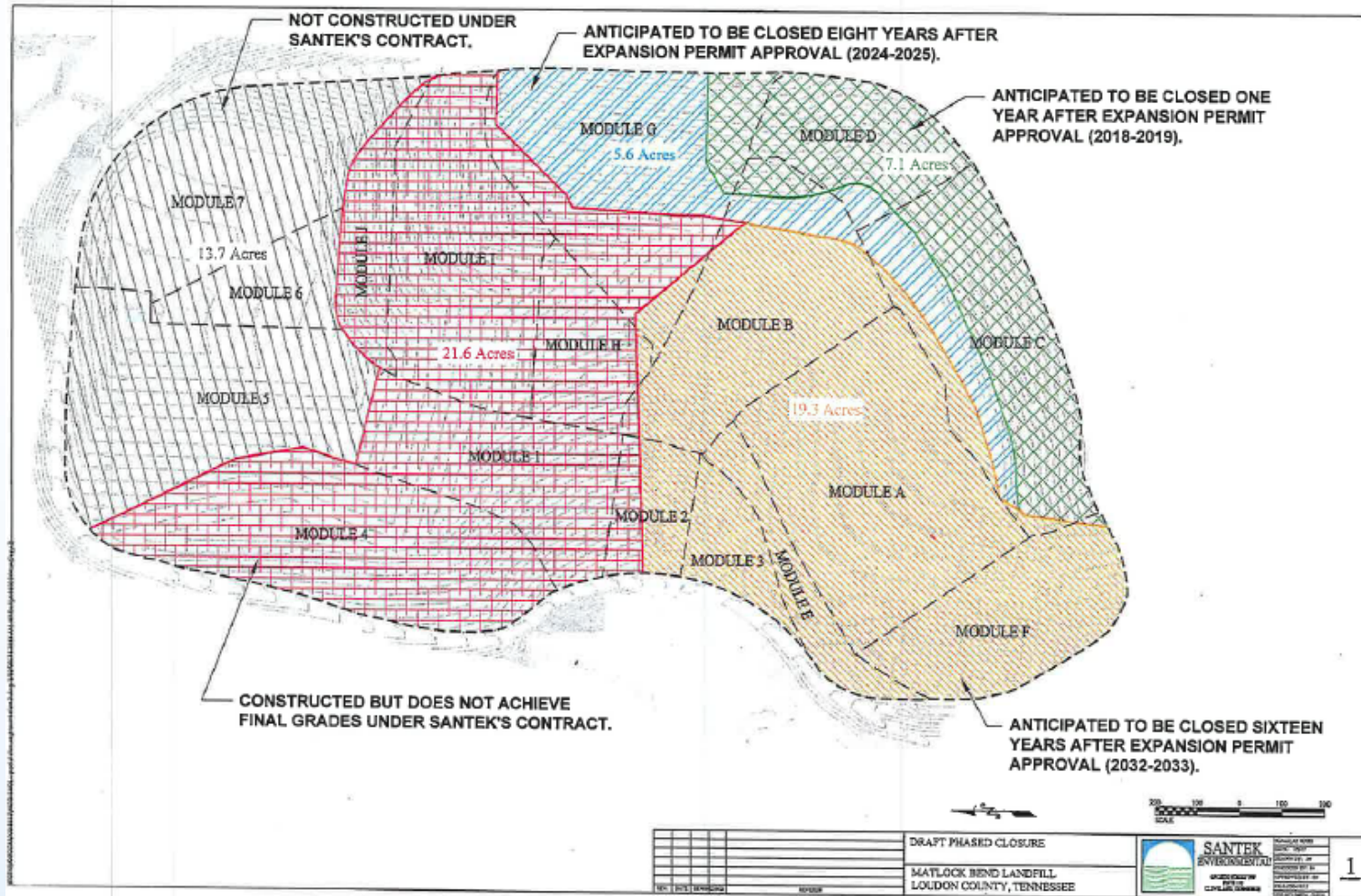
- *LCSWDC is seeking an independent engineering and financial evaluation regarding Santek's proposed payment of funds under the operating contract closure and post closure costs for the Landfill.*
- Summary of 11 July 2017 Presentation
- Results of July Meeting with Santek
- Recommendations/Thoughts from LCSWDC
- Santek "Talking Points" Proposal
- Concept of Airspace Utilization Factor (AUF) and Importance
- Preliminary Recommendations
- Go-forward Strategy

- Santek is currently under contract to LCSWDC to operate the Matlock Bend Landfill.
 - Phase I: 26.9 acres currently in year 18 of 30 years of post-closure care (PCC)
 - Phase II/IV: 40.7 acres currently active and at 66% permitted waste disposal capacity
- Current contract expires 30 September 2027 (another 10 years)
- Based on all reasonable projections, an expansion will be required under the current contract terms and duration
- Santek prepared a Major Permit Modification (Major Mod) for the expansion and submitted to TDEC for review
 - expansion included an additional 26.6 acres for waste disposal
 - maximum height proposed to achieve el.1,125 ft. msl

- LCSWDC requested that the maximum elevation not exceed 1,093 ft. msl to minimize visual impacts of the expansion over the expanded footprint
- To compensate for the reduced disposal capacity over the expanded lined area, Santek proposed several operational and contract modifications, to include:
 - Contract will be extended to expire on 30 June 2032 (extend ~5 years)
 - Current drawings for Major Mod will not be modified, but the maximum elevation will not exceed el. 1,093 ft. msl during Santek's contract
 - Santek will "close" approximately 32 acres of the newly permitted 67.3 acre active footprint according to a phased closure schedule during the extended contract at no direct cost to LCSWDC
 - Santek will leave 13.7 acres of permitted (but not constructed) airspace should the LCSWDC desire to continue operation of the landfill
 - Santek will increase the Security Fee from \$1.00/ton to \$1.50/ton to cover the closure and post-closure care (C/PCC) of the landfill after the Santek contract expires and will maintain the \$1.00/ton Host Fee to cover LCSWDC operations

Santek's Expansion and Closure Strategy

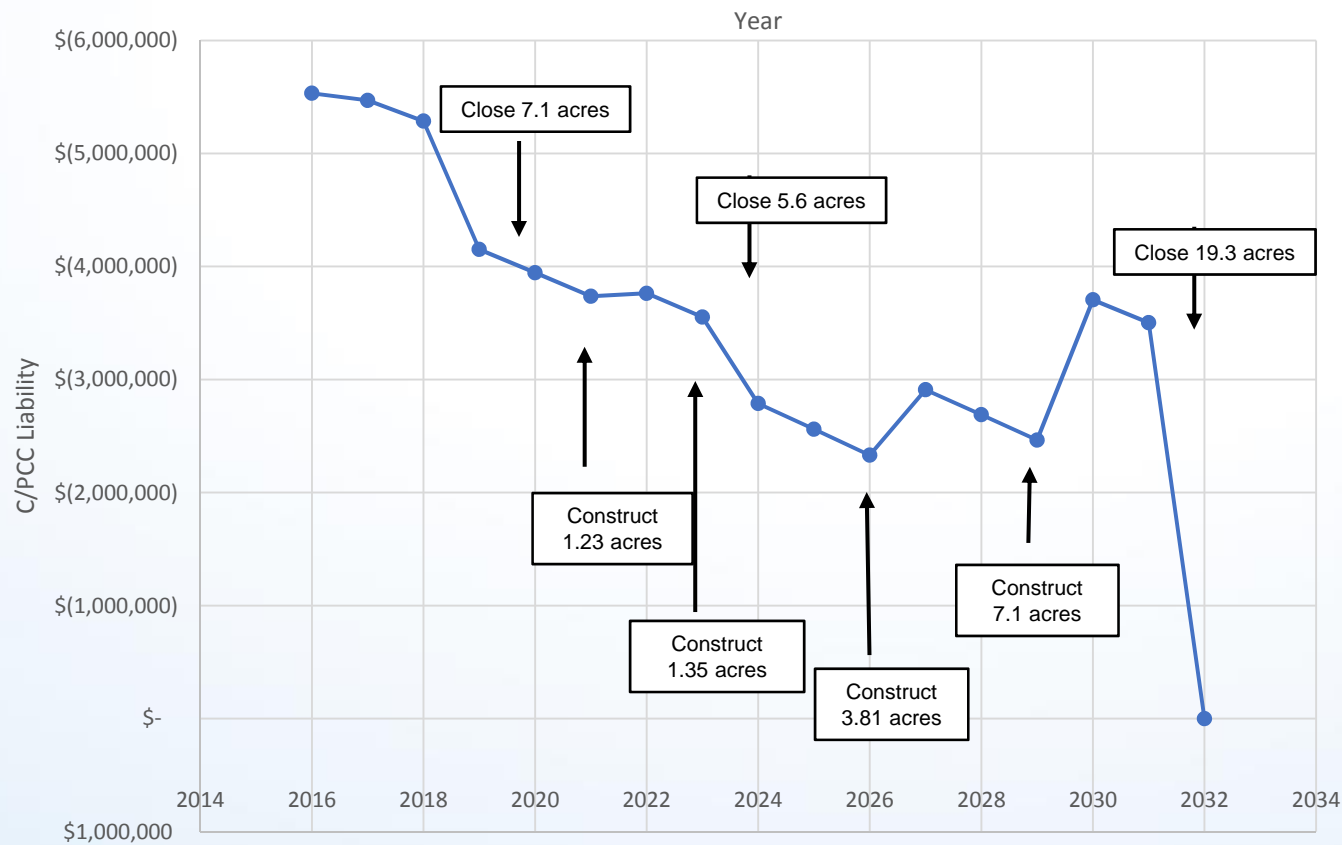
(from 11 July 2017 Presentation)



- Waste Receipts: 173,070 tons/year (641 tons/day @ 22.5 days/month)
- Airspace Utilization/Compaction: 1.24 cy/ton (assumed constant)
- Interest Rate: 1.60% (assumed constant, but see government projection)
- Inflation Rate: 1.90% (assumed constant, but see government projection)
- Host Fee: \$1.00/ton (maintain current fee and use only for LCSWDC operations)
- Security Fee for LCSWDC C/PCC Liability: \$1.50/ton (commence interest 2018)
- Current C/PCC Cash in LCSWDC: \$1,523,368 (2017 projected)
- Current (2016) Closure Cost: \$126,416 \$/acre (escalate with inflation)
- Current (2016) PCC Cost: \$46,947 \$/acre (escalate with inflation)
- Construction Schedule: Four periods of new liner construction (total of 12.9 acres) during Santek contract extension for total active area of 67.3 acres
- Closure Schedule: Three periods of Phased Closure of Phase II/IV during Santek contract extension for total of 32 acres at no cost to LCSWDC
- PCC Schedule (Phase I): TDEC will release Phase I from PCC in ~2029
- PCC Schedule (Phase II/IV): No PCC activities in current active areas

Summary of LCSWDC C/PCC Liability (from 11 July 2017 Presentation)

Summary Liability for LCSWDC



C/PCC Liability
calculated
assuming
\$1.69/ton as
Security Fee

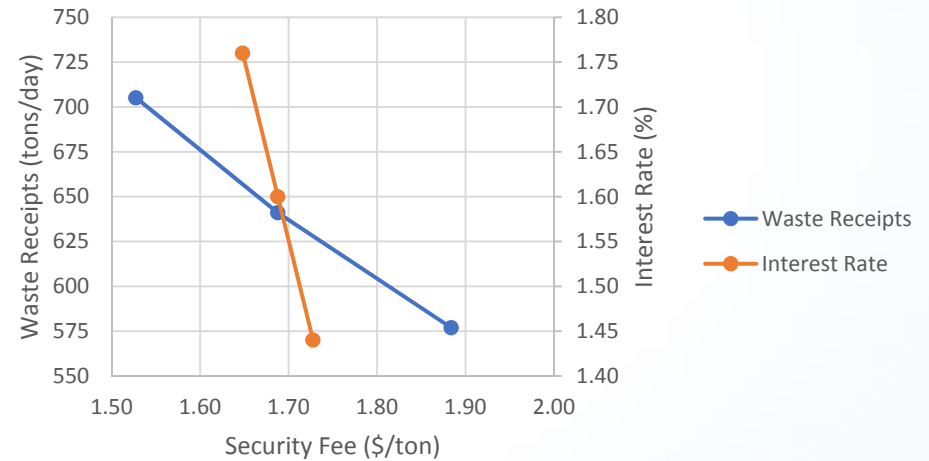
Summary Liability

Selective Sensitivity Analysis

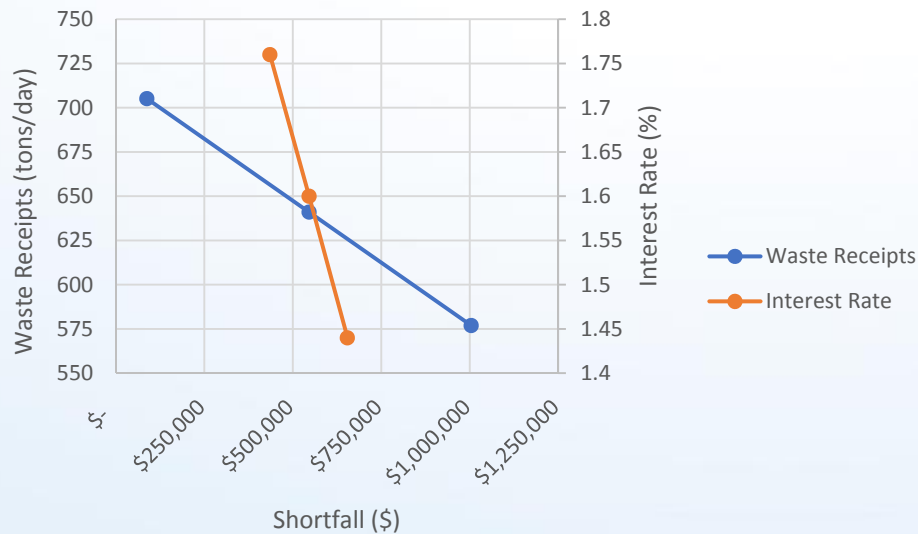
(from 11 July 2017 Presentation)

Required Security Fee for No Net Liability if Waste Receipts and/or Interest Rate Varies

Sensitivity Analysis



Sensitivity Analysis



Calculated Shortfall for Fixed Security Fee at \$1.50/ton for Varying Waste Receipts and/or Interest Rates

28 July 2017 Meeting with Santek

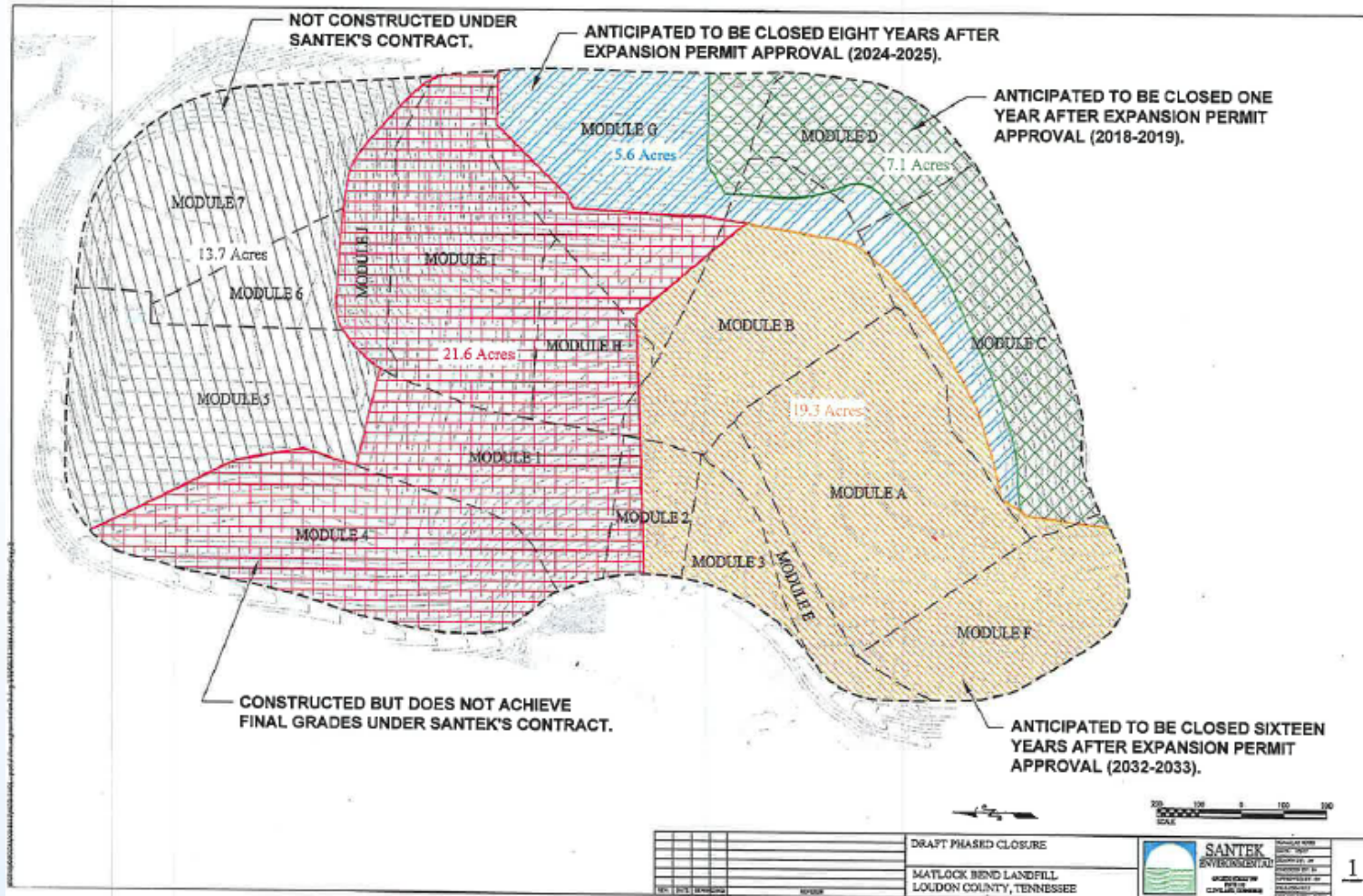
- Focus on meeting was to discuss “talking points” proposal and potential alternative strategies
- Concurrence of assessment models when using similar assumptions
- Presented LCSWDC concerns regarding:
 - Relatively consistent liability until last year of contract
 - Large open area until last year of contract
 - Need to assess some degree of inflation, regardless of AUF
 - Investment of Security Fee in Treasury Note
 - Concurrence of periodic review and adjustment
- Conclusion: The ball is back in the hands of LCSWDC to offer counter proposal

Recommendations From LCSWDC

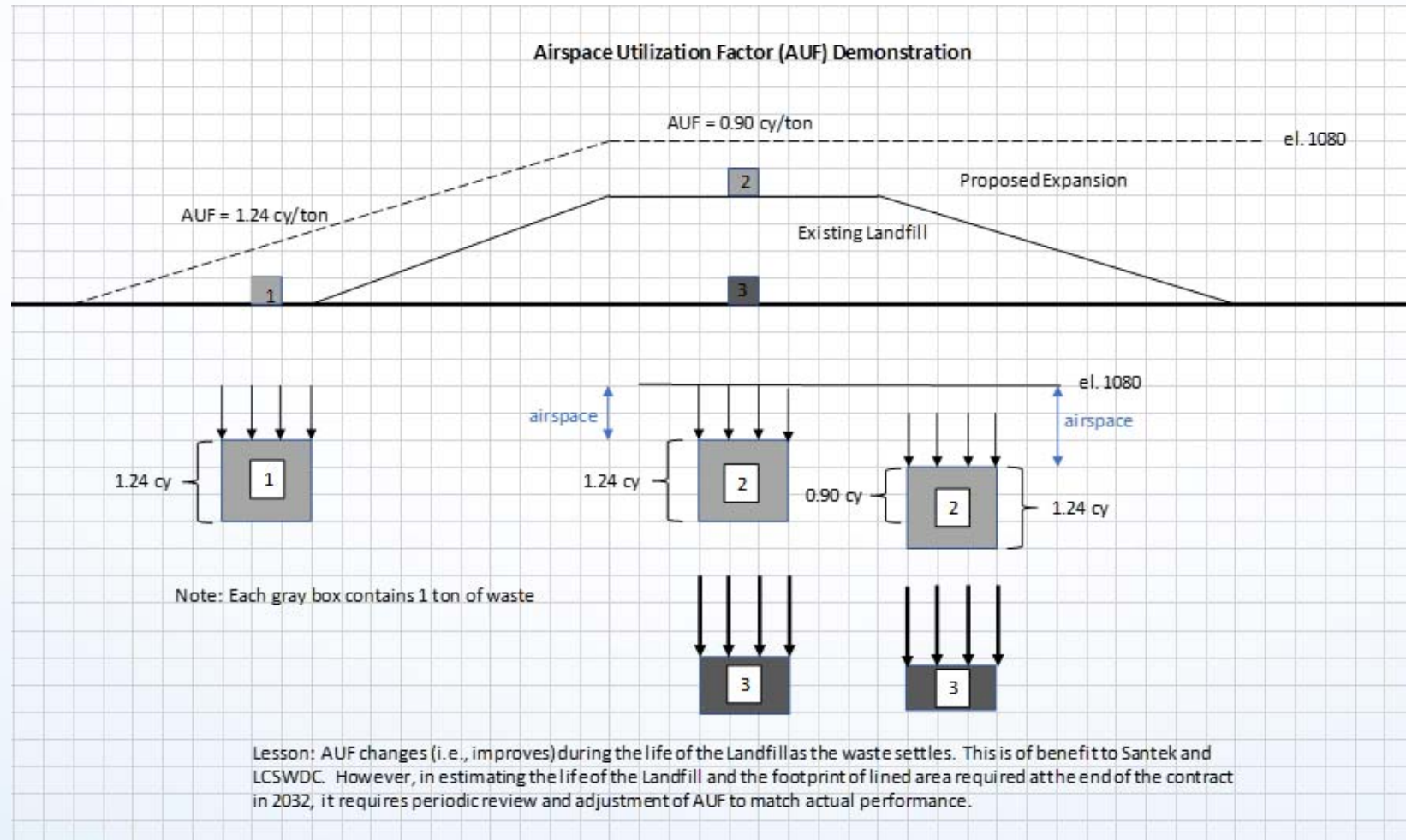
Questionnaire sent to Commissioners after 11 July 2017 Meeting regarding assumptions used for assessing (and managing) liability

- Daily tonnage, AUF, C/PCC costs, cell construction are all probably OK as assumed.
- Permitted elevation can consider higher elevation (i.e., 1,123 ft msl) as long as extended contract recognizes the lower target elevation (i.e., 1,093 ft msl)
- Interest rate <1.60% should be used. Consider rate of 1.00 to 1.25% for assessment.
- Inflation factor of 1.90% OK, but consider using 2.00%.
- Increase Security Fee from \$1.50 to \$1.70, \$1.73, \$2.50, or \$2.75 with periodic review and re-evaluation.
- Increase Host Fee slightly (i.e., \$1.25) and/or use portion of Host Fee to reduce liability.
- Phased closure needs to be much more aggressive and result in <<40.9 acres in year 2031. A specific closure schedule needs to be provided in contract.
- Require periodic review and recognize that rates may change if/when TDEC initiates changes to PCC (i.e., custodial care), stormwater regulations, air/gas regulations, etc.

Santek's Expansion and Closure Strategy

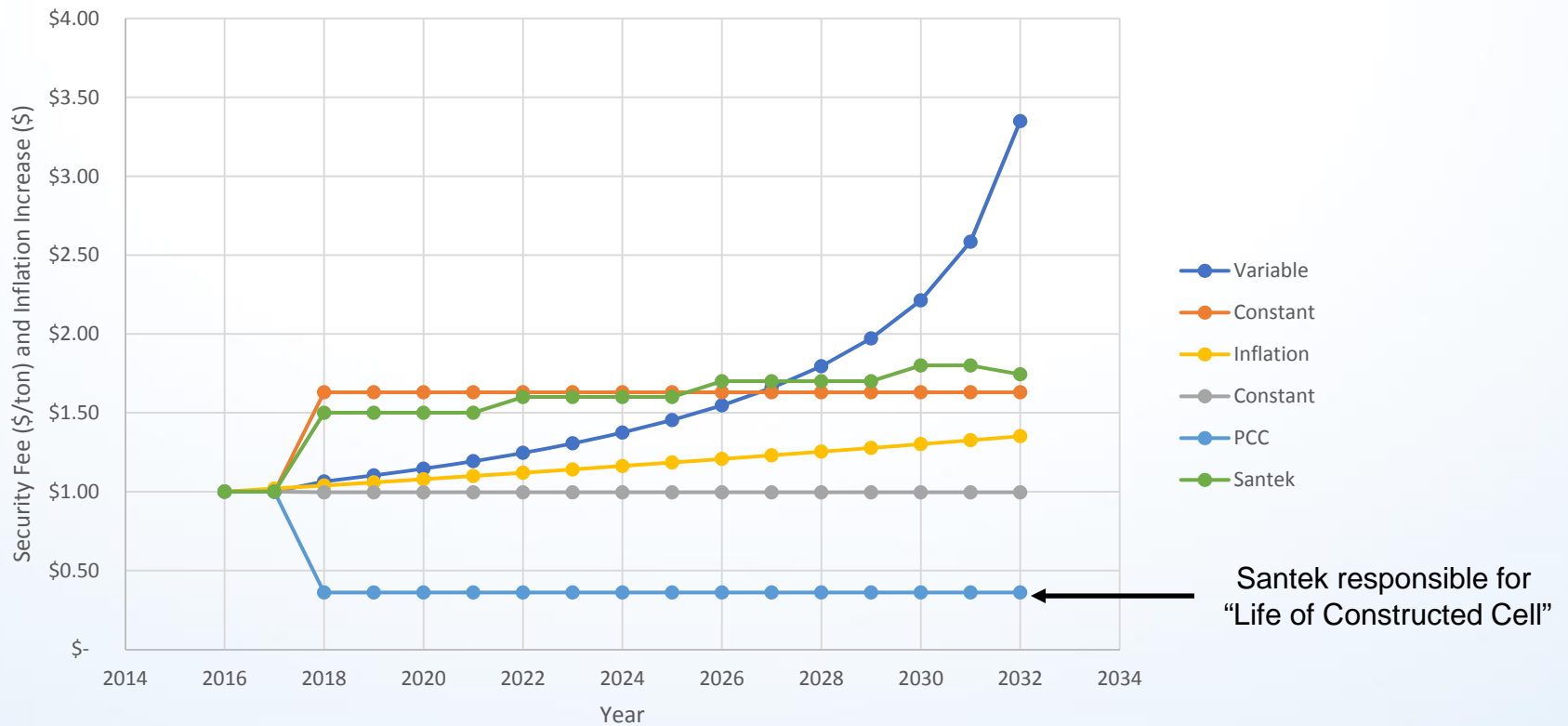


Airspace Utilization Factor (AUF)



Impact of Inflation Rate on Security Fee

Comparison of Inflation Impacts



Preliminary Recommendations

- Perform financial assessment using interest rate of 1.00% and inflation rate of 2.00% initially and current accruals in Security Fee to establish a Security Fee that will reduce calculated liability to \$0 at end of contract extension
- Develop alternative grading plan and closure schedule to result in LCSWDC being responsible for ~10 acres of closure in 2032
- Perform annual review and adjustment of Security Fee based on annual waste receipts, AUF, TDEC inflation factor (5-year rolling average), Treasury Note accrual (plus 5-year rolling average), closure costs (as available), and TDEC regulations
- Include “penalty” for non-compliance of closure schedule
- Set 2027 as target date for LCSWDC to make “go-no go” decision for Matlock Bend, as this impacts future cell construction

Comparison of Two Closure Schedules

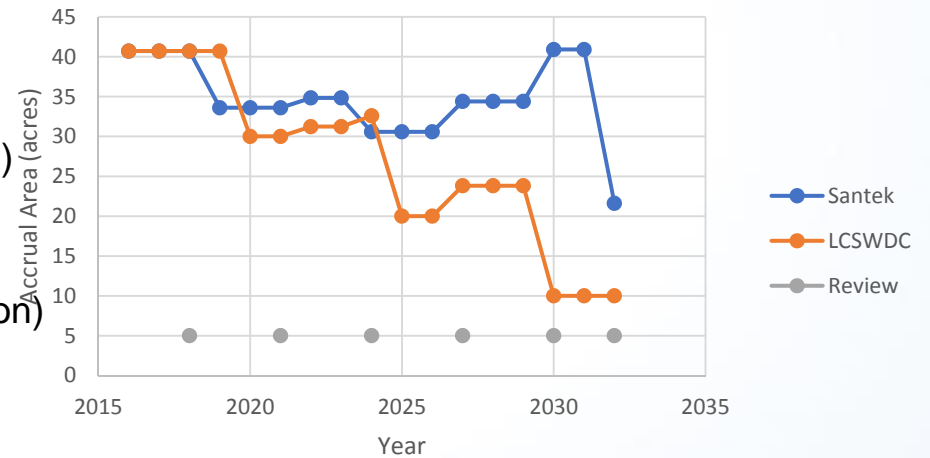
Santek – Original Talking Points

(5 to 19 acres, variable time, 21 acres remaining, \$1.63/ton)

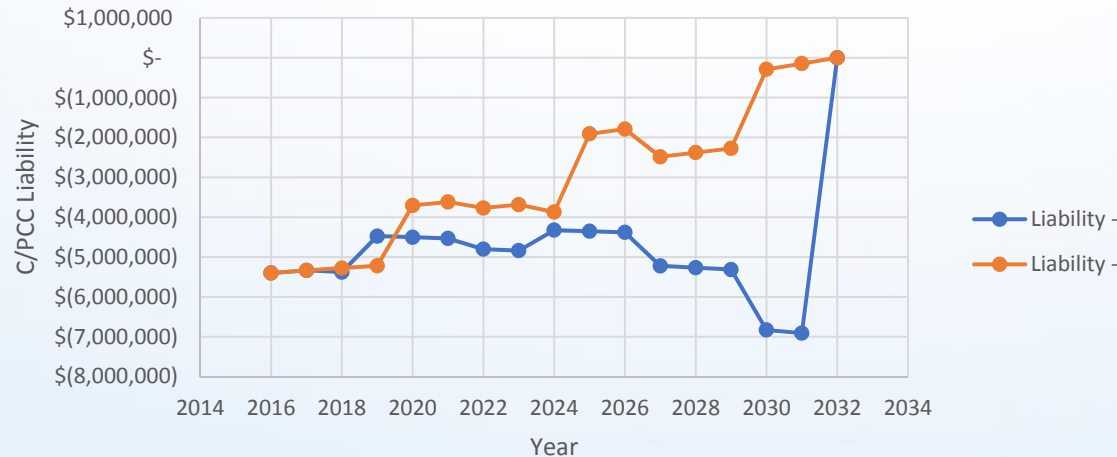
LCSWDC – More Aggressive Schedule

0 to 15 acres, 5 year intervals, 10 acres remaining, \$1.00/ton)

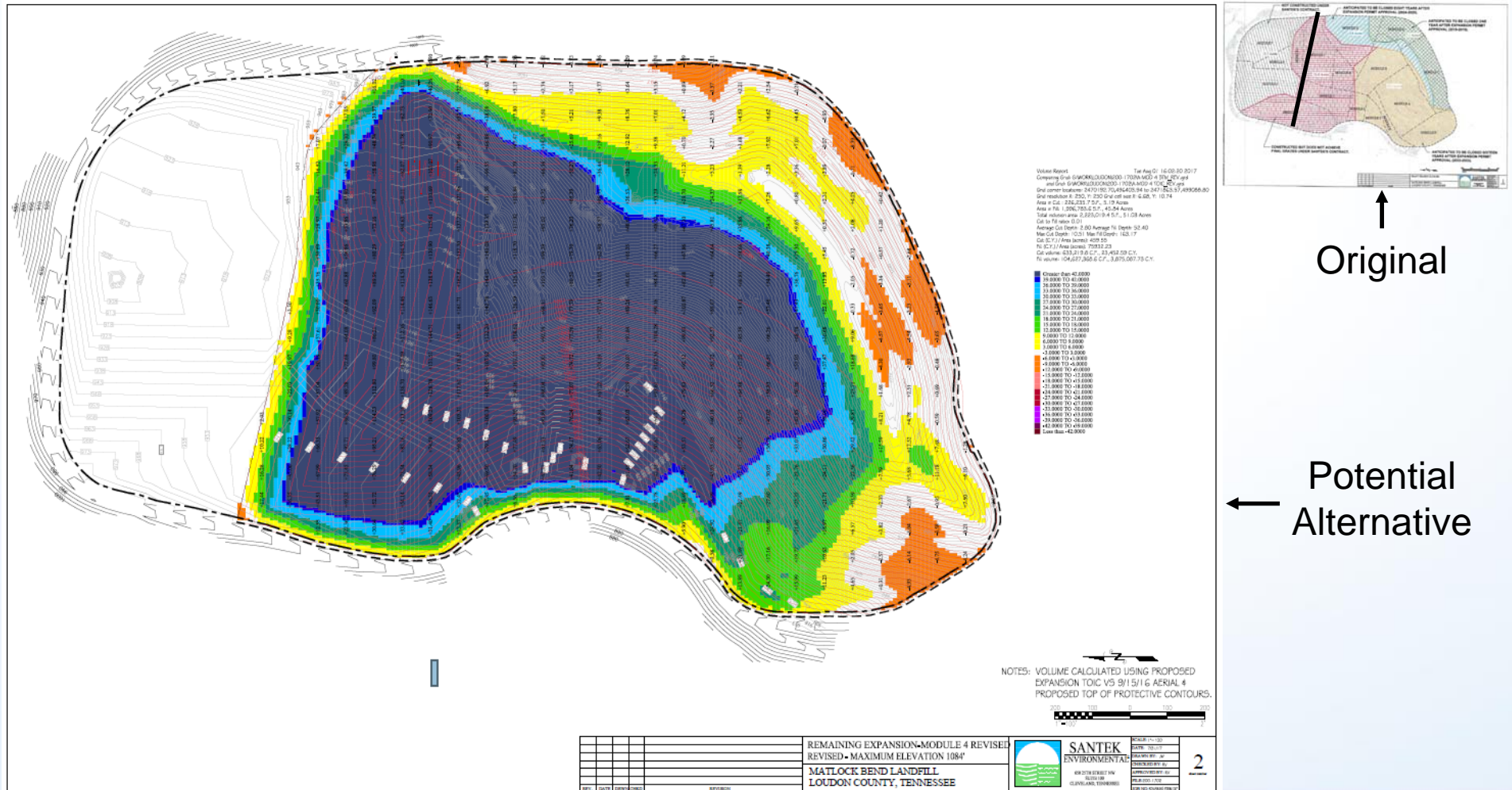
Impact of Closure Schedule



Impact of Closure Schedule



Alternative (Optimized) Expansion Development



↑
Original

←
Potential
Alternative

- Address any further questions, concerns, and/or suggestions from LCSWDC
 - Question and answer session
 - Identify specific items for inclusion in proposal
- Develop LCSWDC proposal to Santek for review
- Upon acceptance/concurrence, commence preparation of contract for LCSWDC and Santek review and execution
- Finalize spreadsheet and development schedule, including submittal of Major Permit Modification to TDEC

Steve Field

From: Richard Hill <Richardhill@mehcpa.com>
Sent: Monday, August 07, 2017 1:11 PM
To: 'Steve Field'
Subject: Audit - year ended June 30, 2017

Good Afternoon Steve,

We have not discussed our proposal for the audit of the Commission for the year ended June 30, 2017. I know your board meeting is tomorrow night, but I wanted to go ahead and send this to you in case you wanted to add it to the agenda for that meeting. If not, you can certainly act on it at your September meeting.

We propose to audit the financial statements of the Loudon County Solid Waste Disposal Commission for the year ended June 30, 2017 and our fee would be \$7,975. This increase is a little larger than we have typically proposed, but we had \$1,700 more time in the last audit than we invoiced (largely due to the Poplar Springs Landfill issues). I am hopeful we can reduce that time this year, so we proposed an increase of \$550. I hope this meets with your and the Board's approval. If so, will you kindly reply to this email and I will get the engagement letter prepared and prepare the state contract.

As we discussed during the last board meeting, we plan to submit not only the draft financial statements for approval, but the list of property and equipment, computation of the closure/post closure liability and our proposed audit adjustments for the board's review and approval. This should prevent the challenges we had with this year's drafts.

We look forward to continuing our work with you and the Commission.

Best regards,



Richard W. Hill, CPA, CGMA
Mitchell Emert & Hill, P.C.
416 Erin Drive
Knoxville, TN 37919
Telephone: 865-522-2396 or 800-234-0695
Fax: 865-766-8488



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**Monthly Operations Report
Matlock Bend Landfill
August 8, 2017**

**Presented by:
Santek Environmental, Inc.**



650 25th Street, N.W., Suite 100
Cleveland, Tennessee 37311
(423) 303-7101

Email: mail@santekenviro.com
Internet: www.santekenviro.com

- I. OPERATIONS**
 - A. Tonnage Report
 - B. Customer Report
 - C. Materials Classification Report
 - D. Waste Characterization Report
 - E. Tire Report
 - F. Quarterly Waste Origin Report
 - G. Quarterly State Surcharge & Inspection Fee Report

- II. AIRSPACE UTILIZATION SCHEDULE**

- III. HOST & SECURITY FEES**

LANDFILL TONNAGE VOLUME
MONTH ENDING -
July 2017

MATLOCK BEND LANDFILL

MONTH	2016	2017	2016 TO 2016
JANUARY	13,035.08	15,336.42	2,301.34
FEBRUARY	13,619.92	14,991.58	1,371.66
MARCH	15,803.85	16,055.37	251.52
APRIL	14,569.65	14,472.05	(97.60)
MAY	14,994.10	16,123.28	1,129.18
JUNE	14,159.65	15,653.83	1,494.18
JULY	14,517.67	14,583.45	65.78
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	100,699.92	107,215.98	6,516.06

**DAILY AVG FOR ANY
 RUNNING 30 DAY
 PERIOD 479.38**

CITY OF LOUDON

MONTH	2016	2017	2016 TO 2016
JANUARY	312.87	374.21	61.34
FEBRUARY	346.21	316.79	(29.42)
MARCH	416.82	407.26	(9.56)
APRIL	366.91	368.89	1.98
MAY	383.35	446.12	62.77
JUNE	427.97	404.84	(23.13)
JULY	403.03	399.49	(3.54)
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	2,657.16	2,717.60	60.44

LOUDON COUNTY

MONTH	2016	2017	2016 TO 2016
JANUARY	412.09	477.16	65.07
FEBRUARY	444.62	424.98	(19.64)
MARCH	513.60	498.94	(14.66)
APRIL	465.42	507.83	42.41
MAY	466.86	549.58	82.72
JUNE	493.13	519.50	26.37
JULY	501.33	542.63	41.30
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	3,297.05	3,520.62	223.57

WASTE SERVICES OF TN

MONTH	2016	2017	2016 TO 2016
JANUARY	1,835.75	2,573.63	737.88
FEBRUARY	2,031.60	2,358.39	326.79
MARCH	2,387.63	2,521.29	133.66
APRIL	2,329.74	2,350.38	20.64
MAY	2,347.21	2,737.26	390.05
JUNE	2,406.60	2,769.33	362.73
JULY	2,438.41	2,558.48	120.07
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	15,776.94	17,868.76	2,091.82

LENOIR CITY

MONTH	2016	2017	2016 TO 2016
JANUARY	260.26	320.21	59.95
FEBRUARY	296.65	280.52	(16.13)
MARCH	385.43	375.49	(9.94)
APRIL	342.75	345.90	3.15
MAY	343.73	385.74	42.01
JUNE	353.55	361.60	8.05
JULY	355.51	368.18	12.67
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	2,337.88	2,437.64	99.76

TENNESSEE TRASH

MONTH	2016	2017	2016 TO 2016
JANUARY	2,152.03	3,735.96	1,583.93
FEBRUARY	2,264.75	3,572.92	1,308.17
MARCH	2,824.58	3,906.62	1,082.04
APRIL	2,841.02	3,800.78	959.76
MAY	2,927.00	4,370.78	1,443.78
JUNE	2,955.40	4,485.85	1,530.45
JULY	3,286.37	3,911.99	625.62
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	19,251.15	27,784.90	8,533.75

LANDFILL TONNAGE VOLUME
MONTH ENDING -
July 2017

KIMBERLY CLARK - PAPER WASTE

MONTH	2016	2017	2016 TO 2016
JANUARY	4,649.89	4,389.45	(260.44)
FEBRUARY	4,671.47	4,197.85	(473.62)
MARCH	5,141.91	3,834.53	(1,307.38)
APRIL	4,797.68	3,145.34	(1,652.34)
MAY	4,941.64	3,846.17	(1,095.47)
JUNE	4,254.76	3,682.06	(572.70)
JULY	4,137.17	3,592.35	(544.82)
AUGUST			0.00
SEPTEMBER			0.00
OCTOBER			0.00
NOVEMBER			0.00
DECEMBER			0.00
TOTAL	32,594.52	26,687.75	(5,906.77)

Materials Classification Report
Matlock Bend Landfill
Monthly Tonnage Summary July 2017

Material	Tonnage	2015 Sludge %		2016 Sludge %	
MSW		January	2%	January	4%
		February	3%	February	3%
MSW	10,369	March	3%	March	4%
Special Waste		April	1%	April	3%
		May	2%	May	4%
Other	3,832	June	1%	June	2%
Ash	0	July	5%	July	2%
Sludge	382	August	2%	August	3%
Total Special Waste	4,214	September	2%	September	2%
		October	2%	October	3%
Total MSW & SW	14,583	November	3%	November	3%
		December	5%	December	3%
Tires	38	2017 Sludge %			
Total Material	14,622	January	5%		
% MSW	71%	February	8%		
% Special Waste	29%	March	8%		
% Sludge	3%	April	7%		
		May	4%		
		June	2%		
		July	3%		
		August	0%		
		September	0%		
		October	0%		
		November	0%		
		December	0%		

**2017-2018 Matlock Bend
Landfill Tire Report**

Month	Tonnage
Jul-17	47.28
Aug-17	
Sep-17	
Oct-17	
Nov-17	
Dec-17	
Jan-18	
Feb-18	
Mar-18	
Apr-18	
May-18	
Jun-18	
Total (tons)	47.28

Landfill Origin Report for Loudon County, Tennessee

Advertised Tipping Fee Per ton \$28.45

Origin of Waste (Name of County)	Waste Received From County, Transfer Station or Other	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD Total
Anderson	County	151.08	72.55			223.63
Knox	County	345.00	352.46			697.46
Loudon	County	42,330.42	41,596.57			83,926.99
McMinn	County	167.26	205.76			373.02
Monroe	County	1,020.44	1,231.08			2,251.52
Roane	County	2,241.00	2,614.93			4,855.93
Blount	County	112.01	157.88			269.89
Meigs	County	7.22	14.20			21.42
Rhea	County	8.64	0.00			8.64
Bradley	County	0.00	3.76			3.76
		46,383.07	46,249.16			92,632.23



STATE OF TENNESSEE
 DEPARTMENT OF ENVIRONMENT AND CONSERVATION
 DIVISION OF SOLID WASTE MANAGEMENT
 WILLIAM R. SNODGRASS TENNESSEE TOWER
 312 ROSA L. PARKS AVENUE, 14TH FLOOR
 NASHVILLE, TN 37243

PRINT FORM

RESET FORM

YEAR
2017

QUARTER
 Q1 JAN - MAR
 Q2 APR - JUN
 Q3 JUL - SEP
 Q4 OCT - DEC

QUARTERLY SOLID WASTE SURCHARGE AND FACILITY INSPECTION FEE REPORT

1. FACILITY INFORMATION

FACILITY ID: SNLS3-103-0203 FACILITY NAME: Madlock Bend Landfill

PHYSICAL LOCATION ADDRESS: 21712 Hwy 72 North CITY: Loudon STATE: TN ZIP: 37774

FACILITY MANAGER OR SITE OPERATOR: Loudon County/Santox Environmental Inc (AREA CODE) + PHONE: 423-303-7101 EMAIL: jmillers@santoxenviro.com

2. FEE CALCULATION

LINE	DESCRIPTION	AMOUNT	UNIT	LINE
LINE 1	AMOUNT OF WASTE RECEIVED FIRST MONTH OF REPORTING QUARTER	14,472.05	TONS	1
LINE 2	AMOUNT OF WASTE RECEIVED SECOND MONTH OF REPORTING QUARTER	16,123.28	TONS	2
LINE 3	AMOUNT OF WASTE RECEIVED THIRD MONTH OF REPORTING QUARTER	15,653.83	TONS	3
LINE 4	TOTAL AMOUNT OF WASTE RECEIVED ADD LINE1 + LINE2 + LINE3	46,249.16	TONS	4
LINE 5	SURCHARGE MULTIPLY LINE 4 X .90	41,624.25		5

CHECK IF YOU ARE CLAIMING THE 1% "ON-TIME PAYMENT DEDUCTION", IF NOT, ENTER \$0.00 ON LINE 6.

LINE 6	1% DEDUCTION IF PAYMENT MADE ON-TIME MULTIPLY LINE 5 X .01	416.25		6
LINE 7	SUBTOTAL SUBTRACT LINE 5 - LINE 6	41,208.00		7
LINE 8	FACILITY INSPECTION FEE MULTIPLY LINE 4 X .35	16,187.21		8
LINE 9	SUBTOTAL ADD LINE 7 + LINE 8	57,395.21		9
LINE 10	OUTSTANDING DEBIT ENTER DEBIT AMOUNT HERE, ADD TO LINE 9 AND ENTER TOTAL ON LINE 12	0		10
LINE 11	OUTSTANDING CREDIT ENTER CREDIT AMOUNT HERE, SUBTRACT FROM LINE 9 AND ENTER TOTAL ON LINE 12	0		11
LINE 12	TOTAL DUE PAY THIS AMOUNT →	\$57,395.21		12

REMITTANCE COPY
 RETURN WITH PAYMENT

Q1 FEES DUE APRIL 30 Q2 FEES DUE JULY 31 Q3 FEES DUE OCTOBER 31 Q4 FEES DUE JANUARY 31 MAKE REMITTANCE PAYABLE TO: TREASURER, STATE OF TENNESSEE.

3. CERTIFICATION REQUIRED

I certify under penalty of law that this document and all attachments were prepared by me, or under my direction or supervision. The submitted information is to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. As specified in Tennessee Code Annotated Section 39-16-702(a)(4), this declaration is made under penalty of perjury.

Signature of Owner / Operator: Jamie Miller Printed Name: Jamie Miller

Title: Staff Accountant Date Signed: 7/24/17

Matlock Bend Landfill - Module I-A 2017 Airspace Projection / Construction Schedule

DATE	REMAINING AIRSPACE ¹ (CY)	MONTHLY TONNAGE	ACTUAL / PROJECTED ²	UTILIZATION FACTOR	MONTHLY VOLUME CONSUMED (CY)	ENDING MONTHLY REMAINING AIRSPACE (CY)
		15,252		1.07		
Sept. 15, 2016	517,724	-	-	-	-	-
Sept. 16 - 30, 2016	-	2,301	A	1.07	2,462	515,262
October	-	16,097	A	1.07	17,224	498,038
November	-	16,532	A	1.07	17,689	480,348
December	-	15,079	A	1.07	16,134	464,214
January '17	-	15,172	A	1.07	16,234	447,980
February	-	14,970	A	1.07	16,018	431,962
March	-	16,055	A	1.07	17,179	414,783
April	-	14,472	A	1.07	15,485	399,297
May	-	16,123	A	1.07	17,252	382,046
June	-	15,048	A	1.07	16,101	365,944
July	-	14,585	A	1.07	15,606	350,339
August	-	15,252	P	1.07	16,320	334,019
September	-	15,252	P	1.07	16,320	317,699
October	-	15,252	P	1.07	16,320	301,380
November	-	15,252	P	1.07	16,320	285,060
December	-	15,252	P	1.07	16,320	268,740

¹ = Remaining airspace based on September 15, 2016 aerial survey.

Full Date

May-2019

² = Projected tonnages are based on a 3 month average per Matt Dillard on 6-2-09.

³ = Utilization rate based on the annual utilization rate per October 27, 2008 construction meeting (Avg. Utilization = 1.24 cy/ton)

Tonnage for Past 3 Months

May	16,123
June	15,048
July	14,585
Average	15,252

cc: Tim
Matt
Cheryl
Ron
Chris
Raymond
Jason
Mark

SANTEK



Waste Services

650 25th Street NW, Ste 100
Cleveland, TN 37311

Phone: (423) 303-7101
Toll Free: (800) 467-9160
www.santekenviro.com

August 7, 2017

Loudon County Solid Waste Disposal Commission
100 River Road
P.O. Box 351
Loudon, TN 37774

Dear Steve:

Pursuant to Section 10.6 and 10.7 of the Sanitary Landfill Operation Agreement between Loudon and Santek as of July 1, 2007, Santek agreed to pay the Commission a host fee and security fee as defined in the Agreement. The following recap reflects the calculation for the period July 1, 2017 to July 31, 2017:

Host Fees (Greater of below) –	
Total Tip Fees Billed	\$297,833.73
Host Fee Percentage	4.00%
	<u>\$ 11,913.35</u>
Minimum Fee	<u>\$ 10,652.00</u>
Security Fees (Greater of below) –	
Total Tonnage Received	14,583.45
Rate per ton	\$ 1.00
Total	<u>\$ 14,583.45</u>
Total Tip Fees Billed	\$297,833.73
Security Fee Percentage	5.00%
	<u>\$ 14,891.69</u>

Our checks in payment of the above fees have been remitted to the above address for the Commission. Should you have any questions or need additional information, please let me know.

Sincerely,

Mark Mathys
Corporate Controller

Financial Statements

LOUDON COUNTY SOLID WASTE
DISPOSAL COMMISSION

Year Ended June 30, 2016

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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, 2016, 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 the 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 the 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 in the first paragraph present fairly, in all material respects, the respective financial position of Loudon County Solid Waste Disposal Commission as of June 30, 2016, and the changes in its financial position and its 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 Supplementary 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 schedule of the board of commissioners is presented for the purpose of additional analysis and is not a required part of the financial statements.

The schedule of the 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 July 11, 2017, 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

July 11, 2017

Loudon County Solid Waste Disposal Commission

Management's Discussion and Analysis

June 30, 2016

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:				
Current and other	\$ 3,239,950	\$ 3,062,274	\$ 2,884,576	\$ 2,625,388
Capital assets	<u>1,438,032</u>	<u>1,440,399</u>	<u>1,447,070</u>	<u>1,453,741</u>
Total assets	<u>\$ 4,677,983</u>	<u>\$ 4,502,673</u>	<u>\$ 4,331,646</u>	<u>\$ 4,079,129</u>
Liabilities:				
Current	\$ 63,135	\$ 35,451	\$ 5,853	\$ 10,465
Long – term	<u>5,413,766</u>	<u>5,169,459</u>	<u>4,915,262</u>	<u>4,600,623</u>
Total liabilities	5,476,901	5,204,910	4,921,115	4,611,088
Net position:				
Investment in capital assets	1,438,032	1,440,399	1,447,070	1,453,741
Unrestricted (deficit)	<u>(2,236,952)</u>	<u>(2,142,636)</u>	<u>(2,036,539)</u>	<u>(1,985,700)</u>
Total net position	<u>(798,919)</u>	<u>(702,237)</u>	<u>(589,469)</u>	<u>(531,959)</u>
Total liabilities and net position	<u>\$ 4,677,983</u>	<u>\$ 4,502,673</u>	<u>\$ 4,331,646</u>	<u>\$ 4,079,129</u>

The statement of revenue, expenses and change 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 change in net position

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenue	\$ 300,566	\$ 286,067	\$ 384,602	\$ 414,611
Operating expenses	(411,504)	(398,008)	(448,870)	(615,441)
Depreciation and amortization	(2,367)	(6,671)	(6,671)	(5,901)
Net operating (loss)	(110,937)	(118,612)	(70,939)	(206,731)
Non-operating income	<u>14,255</u>	<u>5,844</u>	<u>13,390</u>	<u>15,278</u>
Change in net position	<u>\$ (96,683)</u>	<u>\$ (112,768)</u>	<u>\$ (57,549)</u>	<u>\$ (191,453)</u>

Results of Operations

LCSWDC shows operating revenue of \$300,566, which represents an increase of \$14,499 above the previous year's operating revenue. At the same time, LCSWDC shows an increase in operating expenses of \$13,496 over the previous year's operating expenses. LCSWDC shows a negative change in net position due to increased legal expenses. The increased utilization of the landfill during the year resulted in a \$244,307 increase to the estimated future liability for closure and post closure costs. This increase to the estimated future liability for closure and post closure costs decreased by \$9,890 from the previous year's increase in estimated costs. As of June 30, 2016, LCSWDC completed its ninth 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 LCSWDC.

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 and investing activities.

LCSWDC shows operating expenses for legal services related to the investigation of the site conditions at the former Poplar Springs Landfill in the amount of \$99,533. The Poplar Springs Landfill was closed in 1987, prior to the formation of LCSWDC, and therefore, LCSWDC had no direct responsibility for the ongoing post closure care of the Poplar Springs Landfill. The legal fees related to the investigation of the former Poplar Springs Landfill site were incurred by LCSWDC's three governmental stakeholders which operated the former Poplar Springs Landfill. These legal fees were paid from LCSWDC's operating accounts solely because certain funds were deposited by the three governmental stakeholders into LCSWDC's operating accounts in 1993, in part to cover post closure care costs associated with the Poplar Springs Landfill.

Capital Assets

Capital asset levels stayed the same from the prior year. LCSWDC did not purchase capital assets during the year ended June 30, 2016.

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, 2016

ASSETS

CURRENT ASSETS

Cash - operating		\$ 2,903,115
Cash - Poplar Springs Landfill		<u>311,543</u>
		3,214,658
Accounts receivable		24,728
Interest receivable		<u>564</u>

TOTAL CURRENT ASSETS 3,239,950

CAPITAL ASSETS

Land	\$ 1,410,852	
Landfill facilities	<u>125,016</u>	
	1,535,868	
Accumulated depreciation	<u>(97,835)</u>	<u>1,438,032</u>

TOTAL ASSETS \$ 4,677,983

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		\$ 63,135
------------------	--	-----------

LONG-TERM LIABILITIES

Estimated closure/postclosure care cost		5,413,766
---	--	-----------

NET POSITION

Investment in capital assets	\$ 1,438,032	
Unrestricted	<u>(2,236,952)</u>	<u>(798,919)</u>

TOTAL LIABILITIES AND NET POSITION \$ 4,677,983

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, 2016

OPERATING REVENUE

Surcharge - host agency		\$ 133,165
Surcharge - closure/post closure security fees		<u>167,401</u>

TOTAL OPERATING REVENUE

300,566

OPERATING EXPENSES

Salaries and wages:		
Board of Commissioners compensation		3,800

Contracted services:

Legal services	\$ 28,301	
Legal services - Poplar Springs Landfill	99,533	
Accounting and auditing	<u>7,200</u>	135,034

Landfill operations:

Supplies and materials	49	
Closure and postclosure care	<u>244,307</u>	244,357

Other expenses:

Contributions to City of Loudon for debt service	15,000	
Insurance	4,746	
Trustee's commissions	3,105	
Advertising	1,908	
Travel	333	
Miscellaneous	<u>855</u>	25,947

Depreciation		<u>2,367</u>
--------------	--	--------------

TOTAL OPERATING EXPENSES

411,504

(LOSS) FROM OPERATIONS

(110,937)

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2016

NONOPERATING REVENUE	
Interest	<u>14,255</u>
CHANGE IN NET POSITION	(96,683)
NET POSITION AT THE BEGINNING OF THE YEAR	<u>(702,237)</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ (798,919)</u>

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Cash received from customers	\$ 303,518
Cash paid to employees	(3,800)
Cash paid to suppliers	<u>(133,345)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 166,373

**CASH PROVIDED(USED) BY
INVESTING ACTIVITIES**

Interest received	<u>14,255</u>
-------------------	---------------

NET INCREASE IN CASH 180,628

CASH AT THE BEGINNING OF THE YEAR 3,034,030

CASH AT THE END OF THE YEAR \$ 3,214,658

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

(Loss) from operations		\$ (110,937)
Adjustments to reconcile (loss) from net cash provided by operating		
Depreciation	\$ 2,367	
Decrease in:		
Accounts receivable	2,952	
Increase in:		
Accounts payable	27,685	
Estimated closure/postclosure care cost	<u>244,307</u>	<u>277,311</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 166,373

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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. 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's financial statements are reported using 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, 2016

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, 2016. Investment in capital assets at June 30, 2016 has been calculated as follows:

Capital assets	\$ 1,535,868
Accumulated depreciation	<u>(97,836)</u>
	<u>\$ 1,438,032</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. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed. The Commission had no restricted net position as of June 30, 2016.

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, undesignated net position of \$2,236,952 as of June 30, 2016.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2016 no allowance for uncollectible accounts was considered necessary.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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. The Commission has not adopted a formal capitalization policy.

NOTE C - CASH

Cash represents money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District 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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). 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.

The Commission's cash and investments at June 30, 2016 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 \$1,654,926 as of June 30, 2016. 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, 2016

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>7/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/16</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 1,410,852	\$ 0	\$ 0	\$ 1,410,852
<u>Capital assets being depreciated</u>				
Landfill facilities	125,016	0	0	125,016
<u>Accumulated depreciation</u>				
Landfill facilities	<u>(95,469)</u>	<u>(2,367)</u>	<u>0</u>	<u>(97,836)</u>
	<u>\$ 1,440,399</u>	<u>\$ (2,367)</u>	<u>\$ 0</u>	<u>\$ 1,438,032</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, 2016

NOTE F - COMMITMENTS

The Commission has completed nine 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. 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 position. Landfill facilities operation expense reported in the accompanying financial statements consists of \$244,307 for the current year increase in the estimated liability for closure and postclosure costs.

At June 30, 2016, the estimated liabilities for closure and postclosure care costs were as follows:

Phase I	\$ 539,796
Phase II/IV	<u>4,873,970</u>
	<u>\$ 5,413,766</u>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

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 65% of the estimated capacity of the Landfill for that phase. The Commission will recognize the remaining estimated cost of \$2,824,445 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 2016. The Commission expects to close Phase II/IV of the Landfill in August of 2030 (assuming 80,000 tons of waste per year). The Commission is seeking a permit modification which would extend the life of the landfill and result in a new phase. 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 \$7,409,502 (covering all phases of the Landfill) as of June 30, 2016, for closure and postclosure care.

NOTE H - 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 timing of these payments vary so some years the total will not equal \$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, 2016

Steve Field, Chairman
John Watkins, Vice-Chairman
Kelly Littleton-Brewster, Secretary/Treasurer
Larry Jameson, Member
Bruce Hamilton, Member
Art Stewart, Member
Dennis Stewart, Member

See the accompanying independent accountants' audit report.

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, which comprise the statement of net position as of June 30, 2016, and the related statements of revenue, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated July 11, 2017.

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*.

We noted certain other matters that we have reported to management of Loudon County Solid Waste Disposal Commission in a separate letter dated July 11, 2017.

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.

Mitchell Emert + Hill

July 11, 2017

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

There were no prior year findings reported.