

*Financial Statements*

LOUDON COUNTY SOLID WASTE  
DISPOSAL COMMISSION

Year Ended June 30, 2019

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 Financial Assistance	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
Summary Schedule of Prior Year Findings	22

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, 2019, 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, 2019, 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 schedules of the board of commissioners and expenditures of state financial assistance have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Loudon County Solid Waste Disposal Commission's 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*

June 9, 2020

**Loudon County Solid Waste Disposal Commission**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:				
Current and other	\$ 3,862,841	\$ 3,658,141	\$ 3,465,291	\$ 3,239,950
Capital assets	<u>1,430,933</u>	<u>1,433,299</u>	<u>1,435,666</u>	<u>1,438,032</u>
Total assets	<u>\$ 5,293,773</u>	<u>\$ 5,091,440</u>	<u>\$ 4,900,957</u>	<u>\$ 4,677,983</u>
Liabilities:				
Current	\$ 2,554	\$ 10,131	\$ 47,821	\$ 63,135
Long – term	<u>6,518,157</u>	<u>6,108,693</u>	<u>5,818,372</u>	<u>5,413,766</u>
Total liabilities	6,520,711	6,118,824	5,866,193	5,476,901
Net position:				
Investment in capital assets	1,430,933	1,433,299	1,435,666	1,438,032
Unrestricted (deficit)	<u>(2,657,871)</u>	<u>(2,460,684)</u>	<u>(2,400,902)</u>	<u>(2,236,952)</u>
Total net position	<u>(1,226,938)</u>	<u>(1,027,385)</u>	<u>(965,236)</u>	<u>(798,919)</u>
Total liabilities and net position	<u>\$ 5,293,773</u>	<u>\$ 5,091,440</u>	<u>\$ 4,900,957</u>	<u>\$ 4,677,983</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 313,134	\$ 342,114	\$ 337,392	\$ 300,566
Operating expenses	(692,454)	(431,093)	(521,687)	(409,137)
Depreciation and amortization	<u>(2,367)</u>	<u>(2,367)</u>	<u>(2,367)</u>	<u>(2,367)</u>
Net operating (loss)	(381,687)	(91,346)	(186,662)	(110,937)
Non-operating income	<u>182,134</u>	<u>29,197</u>	<u>20,345</u>	<u>14,255</u>
Change in net position	<u>\$ (199,553)</u>	<u>\$ (62,149)</u>	<u>\$ (166,317)</u>	<u>\$ (96,683)</u>

**Results of Operations**

LCSWDC shows operating revenue of \$313,134, which represents a decrease of \$28,980 below the previous year's operating revenue. At the same time, LCSWDC shows an increase in operating expenses of \$261,361 over the previous year's operating expenses. LCSWDC shows a negative change in net position due to increased closure and postclosure care. The increased utilization of the landfill during the year resulted in a \$409,464 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 increased by \$119,143 from the previous year's increase in estimated costs. As of June 30, 2019, LCSWDC completed its eleventh 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 engineering services related to the investigation of the site conditions at the former Poplar Springs Landfill in the amount of \$5,344. 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 costs related to the former Poplar Springs Landfill site were incurred by LCSWDC's three governmental stakeholders which operated the former Poplar Springs Landfill. These costs 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, 2019.

### Future Events

LCSWDC is now engaged in final stage negotiations with the Matlock Bend landfill operator to modify the current operating contract. Over the previous year, LCSWDC and the landfill operator have exchanged multiple drafts of a proposed contract modification and the parties are now completing a final draft contract modification for stakeholder approval and execution by the parties. The proposed modifications address the anticipated shortfall of funds for covering the estimated future liability for closure- and post-closure costs. Under the current contract, the operator is obligated to perform closure- and post-closure care of all cells in the Matlock Bend landfill which attain final elevation during the contract term. Under the present contract modification ,proposal the operator has agreed to perform all closure- and post-closure care for the expanded landfill footprint under a phased closure plan implemented in conjunction with the contract modification. In addition to assuming additional closure and post-closure care obligations, the operator has agreed to provide LCSWDC with a performance bond to satisfy regulatory financial assurance requirements in lieu of Loudon County's annual pledge of its assets. We anticipate that the operator will ultimately perform all closure and post-closure care of the landfill during the extended contract term: this change will substantially reduce LCSWDC's long-term liability. LCSWDC expects to reach agreement with the operator for a contract modification with such adjustments before June 30, 2020.

### Request for Information

Questions concerning this report or other requests for additional information should be directed to Steve Field, Chairman at (865) 986-9516 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, 2019

**ASSETS**

**CURRENT ASSETS**

Cash - operating		\$ 3,768,637
Cash - Poplar Springs Landfill		63,437
		<u>3,832,074</u>
Accounts receivable		22,365
Interest receivable		<u>8,403</u>

**TOTAL CURRENT ASSETS** 3,862,841

**CAPITAL ASSETS**

Land	\$ 1,410,852	
Landfill facilities	<u>125,016</u>	
	1,535,868	
Accumulated depreciation	<u>(104,935)</u>	<u>1,430,933</u>
		<u>\$ 5,293,773</u>

**LIABILITIES AND NET POSITION(DEFICIT)**

**CURRENT LIABILITY**

Accounts payable		\$ 2,554
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**LONG-TERM LIABILITY**

Estimated closure/postclosure care costs		6,518,157
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**NET POSITION(DEFICIT)**

Investment in capital assets	\$ 1,430,933	
Unrestricted (deficit)	<u>(2,657,871)</u>	<u>(1,226,938)</u>

**TOTAL LIABILITIES AND NET POSITION** \$ 5,293,773

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, 2019

**OPERATING REVENUE**

Surcharge - host agency	\$ 139,460
Surcharge - closure/post closure security fees	<u>173,674</u>

**TOTAL OPERATING REVENUE** 313,134

**OPERATING EXPENSES**

Salaries and wages:	
Board of Commissioner compensation	4,848

Consultants:	
Landfill operations review	23,637

Contracted services:	
Legal services	\$ 30,000
Legal notices	172
Accounting and auditing	<u>8,400</u>
	38,572

Landfill operations:	
Closure and postclosure care	409,464

Other expenses:	
Insurance	4,669
Trustee's commissions	2,279
Poplar Springs remediation	208,355
Miscellaneous	<u>630</u>
	215,934

Depreciation	<u>2,367</u>
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**TOTAL OPERATING EXPENSES** 694,821

**(LOSS) FROM OPERATIONS** (381,687)

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

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

(continued)

Year Ended June 30, 2019

**NONOPERATING REVENUE**

State grant

87,108

Interest income

95,026

182,134

**CHANGE IN NET POSITION**

(199,553)

**NET (DEFICIT) AT THE BEGINNING OF THE YEAR**

(1,027,385)

**NET (DEFICIT) AT THE END OF THE YEAR**

\$(1,226,938)



LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2019

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

Cash received from customers	\$ 316,879
Cash paid to employees	(4,848)
Cash paid to suppliers	<u>(282,138)</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

29,893

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

Interest received	95,026
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**CASH PROVIDED(USED) BY NONCAPITAL AND  
RELATED FINANCING ACTIVITIES**

State grant	<u>87,108</u>
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**NET INCREASE IN CASH**

212,027

**CASH AT THE BEGINNING OF THE YEAR**

3,620,046

**CASH AT THE END OF THE YEAR**

\$ 3,832,074

See the accompanying notes to the financial statements.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2019

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

(Loss) from operations		\$ (381,687)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	\$ 2,367	
(Increase)decrease in:		
Accounts receivable	3,745	
Prepaid expenses	4,669	
Interest receivable	(1,087)	
Increase(decrease) in:		
Accounts payable	(7,577)	
Estimated closure/postclosure care cost	<u>409,464</u>	<u>411,581</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 29,893</u></b>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2019

**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 Santek Environmental, Inc. (Santek) to operate the Landfill. Santek 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.

The Poplar Springs Landfill was operated by another government and was closed before the Commission was created. While the Commission has no direct responsibility for any ongoing post closure care of the landfill, the board has agreed to pay certain costs using funds that were donated to the Commission when it was created.

**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, 2019

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, 2019. Investment in capital assets at June 30, 2019 has been calculated as follows:

Capital assets	\$ 1,535,868
Accumulated depreciation	<u>(104,935)</u>
	<u>\$ 1,430,933</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, 2019.

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 \$2,657,871 as of June 30, 2019.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2019 no allowance for uncollectible accounts was considered necessary.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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 ten to twenty years. The Commission has not adopted a formal capitalization policy.

**NOTE C - CASH**

Cash represents money on deposit in various banks. The Commission 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 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 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, 2019 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 \$2,207,527 as of June 30, 2019. 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, 2019

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance 7/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/19</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>(102,569)</u>	<u>(2,367)</u>	<u>0</u>	<u>(104,935)</u>
	<u>\$ 1,433,299</u>	<u>\$ (2,367)</u>	<u>\$ 0</u>	<u>\$ 1,430,933</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, 2019

**NOTE F - COMMITMENTS**

The Commission has completed twelve 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, 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 \$409,464 for the current year increase in the estimated liability for closure and postclosure costs.

At June 30, 2019, the estimated liabilities for closure and postclosure care costs were as follows:

Phase I	\$ 427,095
Phase II/IV	<u>6,091,063</u>
	<u>\$ 6,518,157</u>

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2019

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 77% of the estimated capacity of the Landfill for that phase. The Commission will recognize the remaining estimated cost of \$1,819,408 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 2019. 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 \$8,337,566 (covering all phases of the Landfill) as of June 30, 2019, for closure and postclosure care.

SUPPLEMENTARY INFORMATION



LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**BOARD OF COMMISSIONERS**

June 30, 2019

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

See the accompanying independent accountants' audit report.

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

EXPENDITURES OF STATE FINANCIAL ASSISTANCE

June 30, 2019

<u>State Grantor</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>		
Department of Environment and Conservation	32701 – 02873	\$ <u>87,108</u>

**NOTE 1 – BASIS OF PRESENTATION**

This schedule summarizes the expenditures of Loudon County Solid Waste Disposal Commission under programs of the state government for the year ended June 30, 2019. The schedule is presented using the full accrual basis of accounting.

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, 2019, 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 June 9, 2020.

**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 June 9, 2020.

## **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.



June 9, 2020

LOUDON COUNTY SOLID WASTE DISPOSAL COMMISSION

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended June 30, 2019

There were no prior year findings reported.