

Financial Statements

UNION COUNTY SOLID
WASTE AUTHORITY

Year Ended June 30, 2008

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Union County Solid Waste Authority
Maynardville, Tennessee

We have audited the accompanying statement of net assets of Union County Solid Waste Authority, a component unit of Union County, Tennessee, as of June 30, 2008, and the related statement of revenue, expenses, and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union County Solid Waste Authority as of June 30, 2008, and the respective changes in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Union County Solid Waste Authority's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

January 20, 2009

Union County Solid Waste Authority

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Maynardville, TN 37807
(865) 992-3783

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Union County Solid Waste Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's performance during the fiscal year ending June 30, 2008. Please read it in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The statement of net assets includes all of the Authority's assets and liabilities and provides information about where the Authority has invested its resources (assets) and the obligations to the Authority's credit (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and change in net assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is "Is the Authority better off or worse off as a result of this year's activities?" The statement of net assets and the statement of revenue, expenses and change in net assets report information about the Authority's activities in a way that will help answer this question. The two statements report the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the Authority's net assets and changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

NET ASSETS	<u>2008</u>	<u>2007</u>
Current assets	\$ 854,981	\$ 770,393
Capital assets	<u>907,603</u>	<u>935,948</u>
Total assets	<u>\$ 1,762,584</u>	<u>\$ 1,706,340</u>
Liabilities	\$ 603,041	\$ 637,058
Net assets:		
Invested in capital assets, net of related debt	747,564	935,948
Unrestricted	<u>411,976</u>	<u>133,333</u>
	<u>1,159,540</u>	<u>1,069,281</u>
Total liabilities and net assets	<u>\$ 1,762,584</u>	<u>\$ 1,706,340</u>

CHANGE IN NET ASSETS

Revenue	\$ 71,138	\$ 60,055
Operating expenses	<u>141,762</u>	<u>126,051</u>
(Loss) from operations	(70,624)	(65,996)
Non-operating income	<u>160,884</u>	<u>44,041</u>
Change in net assets	90,259	(21,956)
Beginning net assets	<u>1,069,281</u>	<u>1,091,237</u>
Ending net assets	<u>\$ 1,159,540</u>	<u>\$ 1,069,281</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the Authority's net assets have increased \$90,259 during the year ended June 30, 2008. Operating revenue increased at a rate of 18% while expenses increased at a rate of 12%.

THE AUTHORITY'S NET ASSETS

The Authority completed the year with net assets of \$1,159,540 which is \$90,259 more than the prior year's net assets of \$1,069,281.

BUDGETARY HIGHLIGHTS

The Authority adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

CAPITAL ASSETS

The Authority's investment in capital assets amounts to \$1,087,813 with accumulated depreciation of \$180,210. Capital assets include land, landfill facilities, machinery and equipment, and office equipment.

DEBT MANAGEMENT

At June 30, 2008, the Authority had outstanding debt of \$160,040, consisting of two notes payable. During 2008 the Authority retired \$23,124 on its long term debt.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Union County Solid Waste Authority is the contract entered into with Waste Management, Inc. In the contract, the Authority agrees to keep its landfill closed, while Waste Management, Inc. disposes of all solid waste received at the county's convenience center sites. In return the Authority is to be paid \$5,000 per month from Waste Management, Inc. through June 30, 2014. A payment of \$600,000, representing all payments due through June 2014, was received during the year ended June 30, 2005.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens with a general view of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any question or need additional information, contact Dean Hill, Chairman of the Board of Directors at the address on the letterhead.

Dean Hill, Chairman

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

CURRENT ASSETS

Cash in bank	\$	32,068
Certificate of deposit		700,000
Grant receivable		9,363
Accounts receivable		5,137
Due from primary government		<u>108,412</u>

TOTAL CURRENT ASSETS 854,981

CAPITAL ASSETS

Land	\$	547,525
Convenience centers		483,830
Machinery and equipment		55,043
Office equipment		<u>1,415</u>
		1,087,813
Accumulated depreciation		<u>(180,210)</u>
		<u>907,603</u>

TOTAL ASSETS \$1,762,584

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 53,002
Deferred revenue		60,000
Current portion of long term debt		<u>26,762</u>

TOTAL CURRENT LIABILITIES 139,764

LONG-TERM LIABILITIES

Deferred revenue, net of current portion	\$ 330,000	
Long-term debt, net of current portion	<u>133,277</u>	<u>463,277</u>

TOTAL LIABILITIES 603,042

NET ASSETS

Invested in capital assets, net of related debt	747,564	
Unrestricted	<u>411,976</u>	<u>1,159,540</u>

TOTAL LIABILITIES AND NET ASSETS \$1,762,584

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2008

REVENUE

Contract fees		\$ 60,000
Other operating revenue		<u>11,138</u>
		71,138

EXPENSES

Convenience centers:

Salaries	\$ 35,515	
Payroll taxes	2,711	
Payroll administrative fee	2,102	
Repairs and maintenance	8,836	
Custodial supplies	33	
Utilities	5,408	
Telephone	3,345	
Office equipment	47	
Other supplies and materials	465	
Tire collection expense	4,500	
Tire recycle expense	19,045	
Insurance	<u>1,772</u>	83,780

Administration:

Audit service	3,225	
Service charge	25	
Other contracted services	5,467	
Board and committee fees	197	
Educational assistance	300	
Office supplies	697	
Insurance	<u>4,814</u>	14,725

Depreciation

		<u>30,069</u>
		<u>128,574</u>

(LOSS) FROM OPERATIONS

		<u>(57,436)</u>
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UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2008

OTHER INCOME(EXPENSE)

Operating subsidy- primary government	108,412	
Tire disposal grant	6,355	
Oil disposal grant	14,925	
Interest income	31,192	
Interest expense	<u>(13,188)</u>	<u>147,696</u>

CHANGE IN NET ASSETS 90,259

NET ASSETS AT THE BEGINNING OF THE YEAR 1,069,281

NET ASSETS AT THE END OF THE YEAR \$ 1,159,540

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

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

Cash received from customers	\$ 9,788
Cash paid to employees	(38,226)
Cash paid to suppliers	<u>(15,944)</u>

**NET CASH (USED) BY
OPERATING ACTIVITIES** (44,382)

**CASH (USED) BY CAPITAL AND RELATED
FINANCING ACTIVITIES**

Acquisition of property and equipment	\$ (1,724)
Principal payments on long-term debt	(23,124)
Interest expense	<u>(13,188)</u>

**NET CASH (USED) BY CAPITAL
AND RELATED FINANCING ACTIVITIES** (38,036)

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

Interest received	31,192
Increase in certificate of deposit	<u>(254)</u>

**NET CASH PROVIDED BY
INVESTING ACTIVITIES** 30,938

**CASH PROVIDED BY NONCAPITAL
FINANCING ACTIVITIES**

Tire disposal grant	6,355
Oil disposal grant	<u>14,925</u>

**NET CASH PROVIDED BY
NONCAPITAL FINANCING ACTIVITIES** 21,280

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2008

NET (DECREASE) IN CASH			(30,199)
CASH AT THE BEGINNING OF THE YEAR			<u>62,267</u>
CASH AT THE END OF THE YEAR			<u>\$ 32,068</u>
RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH (USED) BY OPERATING ACTIVITIES			
(Loss) from operations			\$ (57,436)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:			
Depreciation	\$ 30,069		
(Increase)decrease in:			
Prepaid expenses	3,193		
Accounts receivable	(5,137)		
Grant receivable	(4,176)		
Increase(decrease) in:			
Accounts payable	49,107		
Deferred revenue	<u>(60,000)</u>		<u>13,056</u>
NET CASH (USED) BY OPERATING ACTIVITIES			<u>\$ (44,382)</u>

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

NOTE A - DESCRIPTION OF ORGANIZATION

Union County Solid Waste Authority (the Authority) was established on June 22, 1995 by adoption of a resolution in accordance with Tennessee Code Annotated, Section 68-211-901, et seq. The Authority was incorporated on July 25, 1995 under the provisions of the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated, Section 48-51-101.

The nine member Board of Directors is appointed by the County Mayor of Union County, Tennessee as follows: one county commissioner from each civil district of Union County, Tennessee, and the remaining three directors to be appointed from the general public.

The Authority shall file, not less than quarterly, with the Union County Mayor and Board of Commissioners a report of the Authority's operations and financial condition. In addition, the Authority shall pay over to Union County such excess revenues as the Authority may from time to time determine. Excess revenues are defined as those revenues remaining after payment of all Authority expenses, which include, but are not limited to, expenses of the Authority's operations, accounting and legal services, plus a reasonable reserve for future operations as determined by the Board of Directors of the Authority.

The primary purpose of the Authority is to finance, construct, operate and maintain a solid waste disposal facility on behalf of and for the primary benefit of Union County, Tennessee and the citizens and residents thereof. The Authority also operates waste disposal convenience centers for county residents.

The Authority is considered a component unit of Union County, Tennessee because Union County appoints a majority of the Authority's Board of Directors and must approve any debt issued by the Authority.

On July 26, 1995, the Authority entered into a twenty-year contract with a company to operate the Union County landfill. Under the terms of the contract, the aforementioned company is responsible for the closure and post-closure care during the term of the contract, and has posted a bond to cover the liability.

During the fiscal year ended June 30, 1999, the Union County landfill was closed. A company has been contracted to take the solid waste from Union County to a facility they own in another county. The completion of the construction of a new two acre Schedule D landfill has been postponed.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

On March 3, 2000, the contract between the company and the Authority was amended to provide for the closure of the landfill for a period of five years, beginning January 1, 2000, and ending December 31, 2004. The company agreed to make monthly payments of \$5,000 each for sixty months. In lieu of making monthly payments for sixty months, the Company made a one-time advance payment of \$300,000 on May 1, 2000. On August 30, 2004, the contract between the company and the Authority was amended to provide for the closure of the landfill for a period of ten additional years, beginning January 1, 2005, and ending December 31, 2014, with no change in the payment. The company made an advance payment of \$600,000 on January 20, 2005. Also, on or before July 1, 2014, the Authority and the Company agree to consult with each other and to extend or re-negotiate the terms of the agreement. Absent an agreement being reached prior to December 31, 2014, extending the period of suspended operations, the Authority shall be free to negotiate with other companies and to pursue other options for the operations of its solid waste facilities and the disposal of its residential solid waste.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and measurable, and expenses are recognized when the liability is incurred. The Authority follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The Authority has not elected to follow FASB pronouncements issued after November 30, 1989.

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

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

Invested in capital assets, net of related debt

This net asset category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Invested in capital assets, net of related debt at June 30, 2008 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,087,813
Accumulated depreciation	(180,210)
Principal balance on notes payable	<u>(160,040)</u>
	<u>\$ 747,564</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. The Authority had no restricted net assets as of June 30, 2008.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

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

Property and Equipment

Property and equipment is recorded at cost. Property and equipment is defined by the Authority as assets with an initial, individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

The Authority is required by state law to adopt an annual operating budget. The budget is prepared on the cash basis of accounting. All appropriations lapse at the end of the year.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

NOTE C - CASH

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents.

The State of Tennessee authorizes the Authority to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's investment pool.

The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the Authority may participate in the state investment pool, it elects not to. The Authority's policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the Authority and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance.

The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be classified as category one insured credit risk in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements*.

All of the Authority's cash and cash equivalents at June 30, 2008 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Authority's agent in the Authority's name.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

NOTE D - CAPITAL ASSETS

	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/08</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 547,525	\$ 0	\$ 0	\$ 547,525
<u>Capital assets being depreciated</u>				
Convenience centers	482,966	862	0	483,830
Machinery and equipment	54,183	860	0	55,043
Office equipment	<u>1,415</u>	<u>0</u>	<u>0</u>	<u>1,415</u>
	538,564	1,722	0	540,288
<u>Accumulated depreciation</u>				
Convenience centers	(144,163)	(30,069)	0	(174,233)
Machinery and equipment	(4,454)	0	0	(4,454)
Office equipment	<u>(1,524)</u>	<u>0</u>	<u>0</u>	<u>(1,524)</u>
	<u>(150,141)</u>	<u>(30,069)</u>	<u>0</u>	<u>(180,210)</u>
	<u>\$ 935,948</u>	<u>\$ (28,345)</u>	<u>\$ 0</u>	<u>\$ 907,603</u>

NOTE E - RISK MANAGEMENT

The Authority 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 Authority carries commercial insurance for all 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.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2008

NOTE F – CONDUIT DEBT OBLIGATION

To finance the cost of a solid waste disposal facility, the Authority in prior years had issued two series of Solid Waste Revenue Bonds (Bonds) in the amount of \$5,000,000 at the request of TransAmerican Waste Industries, Inc. Prior to the acquisition of TransAmerican Waste Industries, Inc. by USA Waste through means of a stock purchase, TransAmerican Waste Industries, Inc. caused the outstanding issues of Bonds to be defeased by paying to the Trustee, AmSouth Bank of Alabama, an amount sufficient to fully pay both principal and interest on the Bonds. These bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of payments to be made by TransAmerican Waste Industries, Inc. The Bonds do not constitute a debt or pledge of faith and credit of the Authority, Union County, or the State of Tennessee, and accordingly are not reported in the accompanying financial statements.

NOTE G - LONG-TERM DEBT

Note payable to a bank, interest rate of 6.41%, interest only due monthly, principal due February 2011, secured by certificate of deposit	\$ 82,484
Note payable to a bank, interest rate of 6.41%, due in monthly installments of \$2,565 until February 2011, secured by certificate of deposit	77,556
	160,040
Less current maturities	<u>(26,762)</u>
	<u>\$ 133,277</u>

Future maturities of long-term debt at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 26,762	\$ 9,354	\$ 36,116
2010	28,528	7,588	36,116
2011	<u>104,749</u>	<u>4,028</u>	<u>108,777</u>
	<u>\$ 160,040</u>	<u>\$ 20,970</u>	<u>\$ 181,010</u>

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2008

During the year ended June 30, 2008, the changes in long-term debt were as follows:

	<u>Balance</u> <u>7/1/07</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/08</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes payable	<u>\$ 183,163</u>	<u>\$ 0</u>	<u>\$ 23,124</u>	<u>\$ 160,040</u>	<u>\$ 26,762</u>

SUPPLEMENTARY INFORMATION

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2008

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Cash basis)</u>	<u>Variance</u> <u>Over (Under)</u>
REVENUE			
Contract fees	\$ 60,000	\$ 60,000	\$ 0
Other charges for service	0	1,500	(1,500)
Other operating revenue	11,138	0	11,138
	71,138	61,500	9,638
EXPENSES			
Convention centers:			
Salaries	35,515	34,000	1,515
Payroll taxes	2,711	2,601	110
Payroll administrative fee	2,102	0	2,102
Unemployment insurance	0	1,000	(1,000)
Repairs and maintenance	8,836	7,000	1,836
Custodial supplies	33	1,400	(1,367)
Utilities	5,408	8,400	(2,992)
Telephone	3,345	4,000	(655)
Office equipment	47	580	(533)
Other supplies and materials	465	2,100	(1,635)
Tire collection expense	4,500	0	4,500
Tire recycle expense	19,045	0	19,045
Insurance	1,772	5,200	(3,428)
	83,780	66,281	17,499
Administration:			
Audit service	3,225	2,650	575
Service charge	25	0	25
Other contracted services	5,467	25,000	(19,534)
Board and committee fees	197	2,500	(2,303)
Educational assistance	300	3,500	(3,200)
Office supplies	697	100	597
Insurance	4,814	0	4,814
Other charges	0	3,000	(3,000)
	14,725	36,750	(22,025)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2008

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Cash basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	30,069	0	30,069
	<u>128,574</u>	<u>103,031</u>	<u>25,543</u>
(LOSS) FROM OPERATIONS	(57,436)	(41,531)	(15,905)
OTHER INCOME(EXPENSE)			
Operating subsidy- primary government	108,412	0	108,412
Tire disposal grant	6,355	11,000	(4,645)
Oil disposal grant	14,925	0	14,925
Interest income	31,192	30,000	1,192
Interest expense	(13,188)	0	(13,188)
	<u>147,696</u>	<u>41,000</u>	<u>106,696</u>
CHANGE IN NET ASSETS	<u>\$ 90,259</u>	<u>\$ (531)</u>	<u>\$ 90,791</u>

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

BOARD OF DIRECTORS

June 30, 2008

Chairman
Vice-Chairman
Secretary
Treasurer
Member
Member
Member
Member
Member

Dean Hill
Charlie Cox
Richard Corum
Burney Hutchinson
Johnny Merritt
Kenny Hill
Stanley Boles
R.L. Jones
Joyce Meltabarger

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2008

<u>Grant Number</u>	<u>Program Name</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
Z-03-011305-00	Waste Tire Option Grant	State of Tennessee Department of Environment and Conservation
Z-08-020273-00	Waste Tire Option Grant	State of Tennessee Department of Environment and Conservation
Z-05-024461-00	Used Oil Grant	State of Tennessee Department of Environment and Conservation

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2007</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2008</u>
\$ 5,187	\$ 542	\$ (4,645)	\$ 0
0	1,637	11,000	9,363
<u>0</u>	<u>14,925</u>	<u>14,925</u>	<u>0</u>
<u>\$ 5,187</u>	<u>\$ 17,104</u>	<u>\$ 21,280</u>	<u>\$ 9,363</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
Union County Solid Waste Authority
Maynardville, Tennessee

We have audited the financial statements of Union County Solid Waste Authority, a component unit of Union County, Tennessee, as of and for the year ended June 30, 2008 and have issued our report thereon dated January 20, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County Solid Waste Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County Solid Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County Solid Waste Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement or the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. (2008-A-1 and 2008-A-2)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be a significant deficiency or material weakness. However, the significant deficiencies described above are not considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County Solid Waste Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

Union County Solid Waste Authority's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Union County Solid Waste Authority's responses and, accordingly, we express no opinion on them.

However, we noted certain other matters that we have reported to the management of Union County Solid Waste Authority in a separate letter dated January 20, 2009.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be used by anyone other than these specified parties.

Mitchell Emert & Hill

January 20, 2009

UNION COUNTY SOLID WASTE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2008

Finding Number 2008-A-1 – Segregation of duties

Finding: Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of issuing cash receipts, preparing bank deposits, posting accounting records, and preparing bank reconciliations.

Recommendation: Accounting duties should be divided among existing personnel and board members to ensure proper segregation of duties. The Board of Directors should consider the cost and benefit of adding additional staff members to ensure proper segregation of duties exist.

Management Response: We, the Board of Directors, concur that this finding is a good suggestion however impossible at this time. We do not have any paid personnel to divide the duties. We have considered the cost and benefits of adding additional staff and instead are considering a more localized office of all duties pertaining to Union County Solid Waste. We are at this time considering and planning a building that will contain all administrative offices in one location.

Prior to all cash transactions, no less than three board member's approval is required. There is an exception in place for utilities. However, each center's utility cost is closely monitored with the monthly statement reports.

We do realize there is no documentation of this procedure and will correct this issue at the next scheduled Board of Directors meeting. The board has hired a reputable independent bookkeeper to create the monthly statements and any future statements needed for Union County Solid Waste Authority compliance.

Finding Number 2008-A-2 –Financial Oversight

Finding: Union County Solid Waste Authority does not have sufficient internal control over its financial reporting process. There is no documentation of review of bank reconcilements, cash receipts and disbursements, and journal entries. Also, there are inadequate controls in place to ensure that the Authority's financial statements are prepared in accordance with generally accepted accounting principles.

Recommendation: The Board of Directors should establish review procedures for financial reporting and assign a knowledgeable person the responsibility for such review. If needed, the Board of Directors should consider the cost and benefit of adding an additional staff member, or an outside professional to assist them with this process.

UNION COUNTY SOLID WASTE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

(continued)

Year Ended June 30, 2008

Finding Number 2008-A-2 –Financial Oversight (continued)

Management Response: Board Members of Union County Solid Waste Authority and the County Mayor, receives financial reports monthly through the United States Postal Service. Included in this report is a review of reconciled bank statements, a copy of the original bank statement, a report on all cash receipts, disbursements, and journal entries, and a financial package including but not limited to an Income Statement, a Balance Sheet, and a Cash Flow Statement. Each board member and the county Mayor review these statements for inaccuracy.