Financial Statements

UNION COUNTY SOLID
WASTE AUTHORITY

Year Ended June 30, 2010

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MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2010, 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 in the first paragraph present fairly, in all material respects, the financial position of Union County Solid Waste Authority as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 5 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 on it.

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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 other accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of Union County Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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

December 22, 2010

Union County Solid Waste Authority
P O Box 727
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, 2010. 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	2010	2009
Current assets	$ 767,062	$ 770,897
Capital assets	896,973	930,060
Total assets	$ 1,664,035	$ 1,700,957
Liabilities	$ 379,362	$ 466,071
Net assets:		
Invested in capital assets, net of related debt	791,572	796,263
Unrestricted	493,102	438,620
	1,284,674	1,234,884
Total liabilities and net assets	$ 1,664,035	$ 1,700,957

CHANGE IN NET ASSETS		
Revenue	$ 77,320	$ 73,442
Operating expenses	165,761	145,671
(Loss) from operations	(88,441)	(72,229)
Non-operating income	138,228	147,575
Change in net assets	49,787	75,345
Beginning net assets	1,234,885	1,159,540
Ending net assets	$ 1,284,674	$ 1,234,885

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the Authority's net assets have increased $49,787 during the year ended June 30, 2010. Operating revenue increased at a rate of 5% while expenses increased at a rate of 14%.

THE AUTHORITY'S NET ASSETS

The Authority completed the year with net assets of $1,284,674 which is $49,787 more than the prior year's net assets of $1,234,885.

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 $1,146,286 with accumulated depreciation of $249,313. Capital assets include land, landfill facilities, machinery and equipment, and office equipment.

DEBT MANAGEMENT

At June 30, 2010, the Authority had outstanding debt of $105,401, consisting of two notes payable. During 2010 the Authority retired $28,395 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, 2010

ASSETS		
CURRENT ASSETS		
Cash in bank		$ 55,449
Certificate of deposit		700,000
Grant receivable		6,500
Accounts receivable		5,113
TOTAL CURRENT ASSETS		767,062
CAPITAL ASSETS		
Land	$ 547,525	
Convenience centers	570,678	
Machinery and equipment	26,042	
Office equipment	2,040	
	1,146,286	
Accumulated depreciation	(249,313)	896,973
TOTAL ASSETS		$ 1,664,035

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable		$ 3,960
Deferred revenue		60,000
Current portion of long-term debt		105,401
TOTAL CURRENT LIABILITIES		169,362
LONG-TERM LIABILITIES		
Deferred revenue, net of current portion		210,000
TOTAL LIABILITIES		379,362
NET ASSETS		
Invested in capital assets, net of related debt	$ 791,572	
Unrestricted	493,102	1,284,674
TOTAL LIABILITIES AND NET ASSETS		$ 1,664,035

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2010

OPERATING REVENUE		
Contract fees		$ 60,000
Other operating revenue		17,320
TOTAL OPERATING REVENUE		77,320
OPERATING EXPENSES		
Convenience centers:		
Salaries	$ 54,579	
Payroll taxes	4,586	
Repairs and maintenance	23,092	
Supplies and materials	2,204	
Utilities	5,812	
Telephone	5,118	
Tire collection expense	5,400	
Tire recycle expense	15,100	
Insurance	3,129	119,019
Administration:		
Professional services	10,848	
Other contracted services	115	
Educational assistance	694	11,657
Depreciation		35,085
TOTAL OPERATING EXPENSES		165,761
(LOSS) FROM OPERATIONS		(88,441)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
(continued)

Year Ended June 30, 2010

OTHER INCOME(EXPENSE)		
Operating subsidy-primary government	108,412	
Tire disposal grant	6,500	
Interest income	31,106	
Interest expense	(7,790)	138,228
CHANGE IN NET ASSETS		49,787
NET ASSETS AT THE BEGINNING OF THE YEAR		1,234,884
NET ASSETS AT THE END OF THE YEAR		$ 1,284,674

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from customers		$ 17,321
Cash paid to employees		(59,165)
Cash paid to suppliers		(70,824)
NET CASH (USED) BY OPERATING ACTIVITIES		(112,668)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	$ (1,999)	
Principal payments on long-term debt	(28,395)	
Interest expense	(7,790)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(38,184)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received		31,106
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Operating subsidy from primary government	108,412	
Tire recycle grant	6,500	
Oil disposal grant	8,695	
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		123,607

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS
(continued)

Year Ended June 30, 2010

NET INCREASE IN CASH		3,861
CASH AT THE BEGINNING OF THE YEAR		51,588
CASH AT THE END OF THE YEAR		$ 55,449
RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH (USED) BY OPERATING ACTIVITIES		
(Loss) from operations		$ (88,441)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	$ 35,085	
(Increase) in accounts receivable	(999)	
Increase(decrease) in:		
Accounts payable	1,686	
Deferred revenue	(60,000)	(24,228)
NET CASH (USED) BY OPERATING ACTIVITIES		$ (112,668)

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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.

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. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the Authority. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

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.

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

Invested in capital assets, net of related debt: 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. Invested in capital assets, net of related debt at June 30, 2010 has been calculated as follows:

Capital assets	$ 1,146,286
Accumulated depreciation	(249,313)
Principal balance on notes payable	(105,401)
	$ 791,572

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, 2010.

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. At June 30, 2010, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets are recorded at cost. Capital assets are 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.

NOTE C - CASH

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

State of Tennessee law 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 local government 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 local government investment pool, it elects not to.

Authority policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State of Tennessee Bank 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 of Tennessee Bank 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 insured in the 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 equivalent balances at June 30, 2010 were either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the Authority's agent in the Authority's name.

NOTE D - CAPITAL ASSETS

	Balance 7/1/09	Additions	Retirements	Balance 6/30/10
Capital assets not being depreciated				
Land	$ 547,525	$ 0	$ 0	$ 547,525
Capital assets being depreciated				
Convenience centers	568,679	1,999	0	570,676
Machinery and equipment	26,042	0	0	26,042
Office equipment	2,040	0	0	2,040
	596,761	1,999	0	598,760
Accumulated depreciation				
Convenience centers	(204,300)	(33,692)	0	(237,981)
Machinery and equipment	(8,464)	(1,279)	0	(9,743)
Office equipment	(1,464)	(125)	0	(1,589)
	(214,228)	(35,085)	0	(249,313)
	$ 930,060	$ (33,086)	$ 0	$ 896,972

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.

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 (the 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 the 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	$ 82,244
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	23,157
	105,401
Less current maturities	(105,401)
	$ 0

Future maturities of long-term debt at June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 105,401	$ 3,181	$ 108,582

During the year ended June 30, 2010, the changes in long-term debt were as follows:

	Balance 7/1/09	Proceeds	Payments	Balance 6/30/10	Amounts Due Within One Year
Notes payable	$ 133,796	$ 0	$ 28,395	$ 105,401	$ 105,401

SUPPLEMENTARY INFORMATION

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2010

	Actual (Accrual basis)	Budget (Cash basis)	Variance Over (Under)
OPERATING REVENUE			
Contract fees	$ 60,000	$ 60,000	$ 0
Other operating revenue	17,320	12,222	5,098
TOTAL OPERATING REVENUE	77,320	72,222	5,098
OPERATING EXPENSES			
Convention centers:			
Salaries	54,579	43,653	10,926
Payroll taxes	4,586	3,332	1,254
Repairs and maintenance	23,092	13,592	9,500
Supplies and materials	2,204	2,340	(136)
Utilities	5,812	4,460	1,351
Telephone	5,118	5,103	15
Tire collection expense	5,400	5,400	0
Tire recycle expense	15,100	20,000	(4,900)
Insurance	3,129	2,129	1,000
	119,019	100,009	19,010
Administration:			
Professional services	10,848	9,400	1,448
Other contracted services	115	170	(55)
Educational assistance	694	500	194
	11,657	10,070	1,587
Depreciation	35,085	0	35,085
TOTAL OPERATING EXPENSES	165,761	110,079	55,683
(LOSS) FROM OPERATIONS	(88,441)	(37,857)	(50,584)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2010

	Actual (Accrual basis)	Budget (Cash basis)	Variance Over (Under)
OTHER INCOME(EXPENSE)			
Operating subsidy-primary government	108,412	108,000	412
Tire disposal grant	6,500	6,500	0
Interest income	31,106	31,082	25
Interest expense	(7,790)	(5,399)	(2,391)
	138,228	140,183	(1,955)
CHANGE IN NET ASSETS	49,787	102,326	(52,540)
NET ASSETS AT THE BEGINNING OF THE YEAR	1,234,884	0	1,234,884
NET ASSETS AT THE END OF THE YEAR	$ 1,284,674	$ 102,326	$ 1,182,347

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

BOARD OF DIRECTORS

June 30, 2010

Chairman	Dean Hill
Vice-Chairman	Burney Hutchinson
Secretary	Joyce Meltabarger
Member	Becky Munsey
Member	Doyle Welch
Member	Kenny Hill
Member	Billy Cox
Member	R.L. Jones
Member	Bryon Bryant
Member	Larry Lay
Member	Chris Upton

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2010

Grant Number	Program Name	Grantor
Z-08-212953-02	Waste Tire Option Grant	State of Tennessee Department of Environment and Conservation
Z-05-024473-02	Used Oil Grant	State of Tennessee Department of Environment and Conservation

See the accompanying independent accountants' audit report.

Receivable July 1, 2009	Receipts	Expenditures	Receivable June 30, 2010
$ 6,500	$ 6,500	$ 6,500	$ 6,500
8,695	8,695	0	0
$ 15,195	$ 15,195	$ 6,500	$ 6,500

INTERNAL CONTROL

AND

COMPLIANCE

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2010 and have issued our report thereon dated December 22, 2010. 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-A-1, that we consider to be a significant deficiency in internal control over financial reporting.

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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.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item number 2010-A-2.

Union County Solid Waste Authority's responses to the findings identified in our audit are 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.

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

December 22, 2010

UNION COUNTY SOLID WASTE AUTHORITY

FINDINGS AND RESPONSES

Year Ended June 30, 2010

Finding Number 2010-A-1 – Segregation of duties *(uncorrected from prior year)*

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 with the above recommendation; however, implementation is impossible at this time. We do not have any paid personnel to divide the duties among. We have considered the costs and benefits of adding additional staff and are considering a more localized office for 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.

All cash transactions, with the exception of utilities, require approval by three board members at a minimum. Each center's utility cost is closely monitored using monthly statement reports.

Finding Number 2010-A-2 – Conflict of Interest

Finding: During the year, payments were made to a member of the Board of Directors for services related to management of the tire recycling grant. These payments to a member of the Board of Directors violate the state conflict of interest statute, Section 12-4-101(a)(1), Tennessee Code Annotated. This statute states that "it is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract."

Recommendation: The Board of Directors should review these payments and resolve the conflict of interest.

Management Response: The Board of Directors was unaware of the requirements and non-compliance was entirely unintentional. Effective immediately, all board duties of the individual described above will be reassigned to other board members. The individual will continue to provide tire collection and center management so as not to disrupt services to the county. She will voluntarily resign from the Board of Directors effective March 31, 2011 or such time as a new board member can be appointed by the Union County Mayor, which ever is sooner.