

Financial Statements

UNION COUNTY SOLID
WASTE AUTHORITY

Year Ended June 30, 2012

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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, 2012, 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 Union County Solid Waste 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, 2012, and the respective changes in financial position and 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 to 5 is not a required part of the basic 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 of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements which collectively comprise Union County Solid Waste Authority's basic financial statements as a whole. 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The accompanying supplementary information listed 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 May 30, 2013 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, 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.

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

May 30, 2013

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, 2012. 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

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Assets:		
Current assets	\$ 647,926	\$ 671,318
Capital assets, net of accumulated depreciation	<u>835,504</u>	<u>867,442</u>
Total Assets	\$ 1,483,430	\$ 1,538,760
Liabilities:		
Current liabilities	\$ 66,806	\$ 66,057
Non-current liabilities	<u>90,000</u>	<u>150,000</u>
Total Liabilities	156,806	216,057
Net assets:		
Invested in capital assets, net of related debt	835,504	867,443
Unrestricted	<u>491,120</u>	<u>455,260</u>
	<u>1,326,624</u>	<u>1,322,703</u>
Total Liabilities and Net Assets	\$ 1,483,430	\$ 1,538,760
 CHANGE IN NET ASSETS		
Operating Revenue	\$ 75,025	\$ 75,415
Operating Expenses	<u>194,580</u>	<u>173,414</u>
(Loss) from operations	(119,555)	(97,998)
Non-operating income	<u>123,477</u>	<u>136,029</u>
Change in net assets	3,921	38,029
Net assets at the beginning of the year	<u>1,322,703</u>	<u>1,284,674</u>
Net assets at the end of the year	<u>\$ 1,326,624</u>	<u>\$ 1,322,703</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 \$3,921 during the year ended June 30, 2012. Operating revenue decreased at a rate of 1% while expenses increased at a rate of 12%.

THE AUTHORITY'S NET ASSETS

The Authority completed the year with net assets of \$1,326,624 which is \$3,921 more than the prior year's net assets of \$1,322,703.

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 \$1,155,835 with accumulated depreciation of \$320,331. Capital assets include land, landfill facilities, machinery and equipment, and office equipment.

DEBT MANAGEMENT

During 2012 the Authority had no outstanding 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 Burney Hutchinson, Chairman of the Board of Directors at the address on the letterhead.

Burney Hutchinson, Chairman

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

CURRENT ASSETS

Cash in bank	\$ 82,992
Certificate of deposit	550,000
Grant receivable	6,801
Accounts receivable	<u>8,132</u>

TOTAL CURRENT ASSETS 647,926

CAPITAL ASSETS

Land	\$ 547,525
Convenience centers	580,228
Machinery and equipment	26,042
Office equipment	<u>2,040</u>
	1,155,835
Accumulated depreciation	<u>(320,331)</u>
	<u>835,504</u>

TOTAL ASSETS \$ 1,483,430

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	6,806	
Deferred revenue		<u>60,000</u>	

TOTAL CURRENT LIABILITIES 66,806

LONG-TERM LIABILITIES

Deferred revenue, net of current portion		<u>90,000</u>	
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TOTAL LIABILITIES 156,806

NET ASSETS

Invested in capital assets, net of related debt	\$	835,504	
Unrestricted		<u>491,120</u>	<u>1,326,624</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,483,430

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2012

OPERATING REVENUE

Contract fees		\$ 60,000
Other operating revenue		<u>15,025</u>

TOTAL OPERATING REVENUE 75,025

OPERATING EXPENSES

Convenience centers:

Salaries	\$ 64,996	
Payroll taxes	5,569	
Repairs and maintenance	25,190	
Supplies and materials	3,755	
Utilities	4,607	
Telephone	2,220	
Tire collection expense	6,275	
Tire recycle expense	<u>19,949</u>	132,562

Administration:

Professional services	20,215	
Other contracted services	540	
Employee incentive	3,570	
Educational assistance	<u>2,152</u>	26,477

Depreciation 35,541

TOTAL OPERATING EXPENSES 194,580

(LOSS) FROM OPERATIONS (119,555)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

NONOPERATING REVENUE(EXPENSE)

Operating subsidy-primary government	105,348	
Tire disposal grant	5,404	
Used oil grant	5,290	
Interest income	<u>7,436</u>	<u>123,477</u>

CHANGE IN NET ASSETS 3,921

NET ASSETS AT THE BEGINNING OF THE YEAR 1,322,703

NET ASSETS AT THE END OF THE YEAR \$ 1,326,624

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

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

Cash received from customers	\$ 115,401
Cash paid to employees	(70,665)
Cash paid to suppliers	<u>(149,381)</u>

**NET CASH (USED) BY
OPERATING ACTIVITIES** (104,645)

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

Acquisition of property and equipment	(3,602)
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**CASH PROVIDED(USED) BY
INVESTING ACTIVITIES**

Interest received	\$ 7,436
(Increase) in certificates of deposit	(250,000)
Sale of investments	<u>302,286</u>

**NET CASH PROVIDED BY
INVESTING ACTIVITIES** 59,722

**CASH PROVIDED BY NONCAPITAL
AND RELATED FINANCING ACTIVITIES**

Operating subsidy from primary government	105,348
Used oil grant	5,290
Tire recycle grant	<u>5,404</u>

**NET CASH PROVIDED BY NONCAPITAL
AND RELATED FINANCING ACTIVITIES** 116,042

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2012

NET INCREASE IN CASH		67,517
CASH AT THE BEGINNING OF THE YEAR		<u>15,478</u>
CASH AT THE END OF THE YEAR		<u>\$ 82,992</u>
RECONCILIATION OF INCOME(LOSS) FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
(Loss) from operations		\$ (119,555)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 35,541	
(Increase)decrease in:		
Grant receivable	(2,595)	
Accounts receivable	41,216	
Increase(decrease) in:		
Accounts payable	748	
Deferred revenue	<u>(60,000)</u>	<u>14,909</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (104,645)</u>

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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 revenue as the Authority may from time to time determine. Excess revenue is defined as that revenue 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 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, 2012

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 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 nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

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:

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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, 2012 has been calculated as follows:

Capital assets	\$ 1,155,835
Accumulated depreciation	<u>(320,331)</u>
	<u>\$ 835,504</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, 2012.

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, 2012, 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.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Operating Budget

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

NOTE C - CASH AND INVESTMENTS

Cash represents money on deposit in various banks.

State of Tennessee law authorizes the Authority to invest in obligations of the United States or its agencies, nonconvertible 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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposits, 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.

All cash balances at June 30, 2012 were entirely insured through the Federal Deposit Insurance Corporation.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 547,525	\$ 0	\$ 0	\$ 547,525
<u>Capital assets being depreciated</u>				
Convenience centers	576,626	3,602	0	580,228
Machinery and equipment	26,042	0	0	26,042
Office equipment	<u>2,040</u>	<u>0</u>	<u>0</u>	<u>2,040</u>
	604,708	3,602	0	608,310
<u>Accumulated depreciation</u>				
Convenience centers	(272,055)	(34,186)	0	(306,241)
Machinery and equipment	(11,022)	(1,229)	0	(12,251)
Office equipment	<u>(1,714)</u>	<u>(125)</u>	<u>0</u>	<u>(1,839)</u>
	<u>(284,791)</u>	<u>(35,541)</u>	<u>0</u>	<u>(320,331)</u>
	<u>\$ 867,442</u>	<u>\$ (31,939)</u>	<u>\$ 0</u>	<u>\$ 835,504</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, 2012

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 merger of TransAmerican Waste Industries, Inc. with USA Waste Services, Inc., 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.

SUPPLEMENTARY INFORMATION

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Contract fees	\$ 60,000	\$ 60,000	\$ 0
Other operating revenue	15,025	15,025	(0)
TOTAL OPERATING REVENUE	75,025	75,025	(0)
OPERATING EXPENSES			
Convenience centers:			
Salaries	64,996	64,996	0
Payroll taxes	5,569	5,569	(0)
Repairs and maintenance	25,190	23,116	2,074
Supplies and materials	3,755	3,755	0
Utilities	4,607	4,608	(1)
Telephone	2,220	2,220	0
Tire collection expense	6,275	5,400	875
Tire recycle expense	19,949	19,949	(0)
Insurance	0	0	0
	132,562	129,613	2,949
Administration:			
Professional services	20,215	20,215	0
Other contracted services	540	540	(0)
Employee incentive	3,570	3,570	0
Educational assistance	2,152	2,152	(0)
	26,477	26,477	(0)
Depreciation	35,541	35,566	25
TOTAL OPERATING EXPENSES	194,580	191,656	2,924
(LOSS) FROM OPERATIONS	(119,555)	(116,631)	(2,924)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
NONOPERATING REVENUE			
Operating subsidy-primary government	105,348	105,348	(0)
Tire disposal grant	5,404	5,404	0
Interest income	7,436	7,436	(0)
State grant	5,290	0	(5,290)
	123,477	118,188	5,289
CHANGE IN NET ASSETS	3,921	1,557	2,364
NET ASSETS AT THE			
BEGINNING OF THE YEAR	1,322,703	0	1,322,703
NET ASSETS AT THE			
END OF THE YEAR	\$ 1,326,624	\$ 1,557	\$ 1,325,067

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

BOARD OF DIRECTORS

June 30, 2012

Chairman
Vice-Chairman
Secretary
Member
Member
Member
Member
Member
Member

Burney Hutchinson
R.L. Jones
Joyce Meltabarger
Stanley Boles
Bill Cox
Brenda Jessee
Phil Ruth
Chris Upton
Doyle Welch

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2012

<u>Grant Number</u>	<u>Program Name</u>	<u>Grantor</u>
GG-12-37725-00	Used Oil Grant	State of Tennessee Department of Environment and Conservation
DG-12-35171-00	Waste Tire Option Grant	State of Tennessee Department of Environment and Conservation

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2012</u>
\$ 0	\$ 0	\$ 5,290	\$ 5,290
<u>4,206</u>	<u>7,735</u>	<u>5,404</u>	<u>1,511</u>
<u>\$ 4,206</u>	<u>\$ 7,735</u>	<u>\$ 10,330</u>	<u>\$ 6,801</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, 2012 and have issued our report thereon dated May 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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

Management of Union County Solid Waste Authority is responsible for establishing and maintaining effective 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 an 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Union County Solid Waste Authority'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 finding, recommendation and management response as item 2012-A-1, that we consider to be a significant deficiency in internal control over financial reporting. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Union County Solid Waste Authority's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. We did not audit Union County Solid Waste Authority's response and, accordingly, we express no opinion on it.

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

Mitchell Ewert & Hill

May 30, 2013

UNION COUNTY SOLID WASTE AUTHORITY

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2012

Finding Number 2012-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 exists.

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 two board members at a minimum. Each center's utility cost is closely monitored using monthly statement reports. Additionally, there is an extensive review of quarterly financial reports by no less than ten individuals.