Financial Statements

UNION COUNTY SOLID
WASTE AUTHORITY

Year Ended June 30, 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Union County Solid Waste Authority, a component unit of Union County, Tennessee, which comprise the statement of net position as of June 30, 2013, and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union County Solid Waste Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Union County Solid Waste Authority's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The statement of revenue, expenses and change in net position - actual and budget and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements 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, statement of revenue, expenses and change in net position - actual and budget and schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County Solid Waste Authority's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note A, the financial statements present only Union County Solid Waste Authority and do not purport to, and do not, present fairly the financial position of Union County, Tennessee, as of June 30, 2013, and the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Mitchell Emert & Hill

April 30, 2014

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, 2013. 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 accountants' audit 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 position 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 position. 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 position and the statement of revenue, expenses and change in net position 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 position are one indicator of whether its financial health is improving or deteriorating. A summary of the Authority's net position and changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

NET POSITION	2013	2012
ASSETS		
Current assets	$ 611,622	$ 647,926
Capital assets, net of accumulated depreciation	807,054	835,504
	$ 1,418,676	$ 1,483,430
LIABILITIES		
Current liabilities	$ 2,459	$ 6,806
DEFERRED INFLOW OF RESOURCES		
Deferred revenue	90,000	150,000
NET POSITION		
Investment in capital assets	807,054	835,504
Unrestricted	519,164	491,120
	1,326,217	1,326,624
	$ 1,418,676	$ 1,483,430

CHANGE IN NET POSITION		
Operating Revenue	$ 73,050	$ 75,025
Operating Expenses	171,554	194,580
(LOSS) FROM OPERATIONS	(98,504)	(119,555)
Non-operating income	98,098	123,477
CHANGE IN NET POSITION	(407)	3,921
NET POSITION AT THE BEGINNING OF THE YEAR	1,326,624	1,322,703
NET POSITION AT THE END OF THE YEAR	$ 1,326,217	$ 1,326,624

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the Authority's net position has decreased $407 during the year ended June 30, 2013. This is primarily due to the decrease in operating subsidies from Union County, Tennessee compared to the prior year.

THE AUTHORITY'S NET POSITION

The Authority completed the year with net position of $1,326,217 which is $407 less than the prior year's net position of $1,326,624.

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 $807,054, which includes capital costs of $1,163,325 netted against accumulated depreciation of $356,271. Capital assets include land, landfill facilities, machinery and equipment, and office equipment.

DEBT MANAGEMENT

At June 30, 2013 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 December 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 POSITION

June 30, 2013

CURRENT ASSETS		
Cash in bank		$ 165,325
Certificate of deposit		425,279
Grant receivable		9,921
Accounts receivable		11,097
TOTAL CURRENT ASSETS		611,622
CAPITAL ASSETS		
Land	$ 547,525	
Convenience centers	587,718	
Machinery and equipment	26,042	
Office equipment	2,040	
	1,163,325	
Accumulated depreciation	(356,271)	807,054
		$ 1,418,676

See the accompanying notes to the financial statements.

CURRENT LIABILITIES		
Accounts payable		$ 2,459
DEFERRED INFLOW OF RESOURCES		
Deferred revenue		90,000
NET POSITION		
Investment in capital assets	$ 807,054	
Unrestricted	519,164	1,326,217
		$ 1,418,676

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2013

OPERATING REVENUE		
Contract fees		$ 60,000
Other operating revenue		13,050
TOTAL OPERATING REVENUE		73,050
OPERATING EXPENSES		
Convenience centers:		
Salaries	$ 64,942	
Payroll taxes	5,607	
Repairs and maintenance	14,860	
Supplies and materials	1,084	
Utilities	4,666	
Telephone	1,628	
Tire collection expense	3,600	
Tire recycle expense	11,863	108,249
Administration:		
Professional services	20,205	
Other contracted services	579	
Employee incentive	3,815	
Educational assistance	2,765	27,365
Depreciation		35,940
TOTAL OPERATING EXPENSES		171,554
(LOSS) FROM OPERATIONS		(98,504)

UNION COUNTY SOLID WASTE AUTHORITY

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

Year Ended June 30, 2013

NONOPERATING REVENUE		
Operating subsidy-primary government	81,982	
Tire disposal grant	4,614	
Used oil grant	7,490	
Interest income	4,012	98,098
CHANGE IN NET POSITION		(407)
NET POSITION AT THE BEGINNING OF THE YEAR		1,326,624
NET POSITION AT THE END OF THE YEAR		$ 1,326,217

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from customers		$ 13,050
Cash paid to employees		(70,654)
Cash paid to suppliers		(75,391)
NET CASH (USED) BY OPERATING ACTIVITIES		(132,995)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment		(7,490)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received	$ 4,012	
Decrease in certificates of deposit	124,721	
NET CASH PROVIDED BY INVESTING ACTIVITIES		128,733
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Operating subsidy from primary government	81,982	
Used oil grant	7,490	
Tire recycle grant	4,614	
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		94,086

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS
(continued)

Year Ended June 30, 2013

NET INCREASE IN CASH		82,333
CASH AT THE BEGINNING OF THE YEAR		82,992
CASH AT THE END OF THE YEAR		$ 165,325
RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
(Loss) from operations		$ (98,504)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	$ 35,940	
(Increase) in:		
Grant receivable	(3,120)	
Accounts receivable	(2,965)	
(Decrease) in:		
Accounts payable	(4,347)	
Deferred revenue	(60,000)	(34,492)
NET CASH (USED) BY OPERATING ACTIVITIES		$ (132,995)

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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.

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's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized 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 position groups:

Investment in capital assets:

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Invested in capital assets, net of related debt at June 30, 2013 has been calculated as follows:

Capital assets	$ 1,163,325
Accumulated depreciation	(356,271)
	$ 807,054

Restricted:

This category includes net position 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 position as of June 30, 2013.

Unrestricted:

This category includes net position that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "investment in capital assets." Unrestricted net position may be designated for specific purposes by action of management or the Board of 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, 2013, 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.

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 of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of 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, 2013 were entirely insured through the Federal Deposit Insurance Corporation.

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance 7/1/12	Additions	Retirements	Balance 6/30/13
Capital assets not being depreciated				
Land	$ 547,525	$ 0	$ 0	$ 547,525
Capital assets being depreciated				
Convenience centers	580,228	7,490	0	587,718
Machinery and equipment	26,042	0	0	26,042
Office equipment	2,040	0	0	2,040
	608,310	7,490	0	615,800
Accumulated depreciation				
Convenience centers	(306,241)	(34,561)	0	(340,803)
Machinery and equipment	(12,251)	(1,254)	0	(13,504)
Office equipment	(1,839)	(125)	0	(1,964)
	(320,331)	(35,940)	0	(356,271)
	$ 835,504	$ (28,450)	$ 0	$ 807,054

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 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, EXPENSES AND CHANGE IN NET POSITION
ACTUAL AND BUDGET

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Contract fees	$ 60,000	$ 60,000	$ 0
Other operating revenue	13,050	12,400	650
TOTAL OPERATING REVENUE	73,050	72,400	650
OPERATING EXPENSES			
Convenience centers:			
Salaries	64,942	61,135	3,807
Payroll taxes	5,607	5,680	(73)
Repairs and maintenance	14,860	17,750	(2,890)
Supplies and materials	1,084	2,995	(1,911)
Utilities	4,666	4,850	(184)
Telephone	1,628	1,950	(322)
Tire collection expense	3,600	3,600	0
Tire recycle expense	11,863	19,500	(7,637)
Insurance	0	2,000	(2,000)
	108,249	119,460	(11,211)
Administration:			
Professional services	20,205	21,505	(1,300)
Other contracted services	579	584	(5)
Employee incentive	3,815	4,500	(685)
Educational assistance	2,765	3,288	(523)
	27,365	29,877	(2,512)
Depreciation	35,940	35,478	462
TOTAL OPERATING EXPENSES	171,554	184,815	(13,261)
(LOSS) FROM OPERATIONS	(98,504)	(112,415)	13,911

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
NONOPERATING REVENUE			
Operating subsidy-primary government	81,982	67,661	14,321
Tire disposal grant	4,614	0	4,614
Interest income	4,012	7,500	(3,488)
State grant	7,490	0	7,490
	98,098	75,161	22,937
CHANGE IN NET POSITION	(407)	(37,254)	36,847
NET POSITION AT THE BEGINNING OF THE YEAR	1,326,624	37,254	1,289,370
NET POSITION AT THE END OF THE YEAR	$ 1,326,217	$ 0	$ 1,326,217

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

BOARD OF DIRECTORS

June 30, 2013

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

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2013

Grant Number	Program Name	Grantor
34473	Used Oil Grant	State of Tennessee Department of Environment and Conservation
92386	Waste Tire Recycling Grant	State of Tennessee Department of Environment and Conservation

The schedule of expenditures of state awards is presented on the accrual basis of accounting. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See the accompanying independent accountants' audit report.

Receivable July 1, 2012	Receipts	Expenditures	Receivable June 30, 2013
$ 5,290	$ 5,290	$ 7,490	$ 7,490
1,511	3,694	4,614	2,431
$ 6,801	$ 8,984	$ 12,104	$ 9,921

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Union County Solid Waste Authority, a component unit of Union County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise Union County Solid Waste Authority's financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union County Solid Waste Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Union County Solid Waste Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, recommendations and management responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. 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. We consider the deficiencies described in the accompanying schedule of findings, recommendations and management responses to be significant deficiencies.

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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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Union County Solid Waste Authority's Response to Findings

Union County Solid Waste Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. Union County Solid Waste Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Union County Solid Waste Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County Solid Waste Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Emert & Hill

April 30, 2014

UNION COUNTY SOLID WASTE AUTHORITY

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2013

Finding Number 2013-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 costs is closely monitored using monthly statement reports. Additionally, there is an extensive review of quarterly financial reports by no less than ten individuals.

Finding Number 2013-A-2 – Accounts receivable

Finding: The Authority does not appear to be making any significant effort to collect past due accounts receivable balances. There are uncollected accounts receivable balances that date back to 2011. Also, an allowance for doubtful accounts has not been recorded for the estimated receivables that will be uncollectible.

Recommendation: The Authority should take actions to collect the outstanding accounts receivable balances. Balances should be evaluated on a regular basis and should be removed from the records once it is determined they are no longer collectible. An allowance for doubtful accounts should be recorded for the estimated amount of accounts receivable that will be uncollectible.

Management Response: We concur we will review all outstanding balances owed and pursue collection.