

Financial Statements

UNION COUNTY SOLID
WASTE AUTHORITY

Year Ended June 30, 2014

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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, 2014 and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union County Solid Waste Authority as of June 30, 2014 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the 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 financial assistance 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 financial assistance 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 January 22, 2015 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.

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

January 22, 2015

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 (The 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, 2014. 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	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets	\$ 555,939	\$ 611,622
Capital assets, net of accumulated depreciation	<u>801,150</u>	<u>807,054</u>
	<u>\$ 1,357,089</u>	<u>\$ 1,418,676</u>
LIABILITIES		
Current liabilities	\$ 4,541	\$ 2,459
DEFERRED INFLOW OF RESOURCES		
Deferred revenue	30,000	90,000
NET POSITION		
Investment in capital assets	801,150	807,054
Unrestricted	<u>521,397</u>	<u>519,164</u>
	<u>1,322,548</u>	<u>1,326,217</u>
	<u>\$ 1,357,089</u>	<u>\$ 1,418,676</u>
CHANGE IN NET POSITION		
Operating Revenue	\$ 66,580	\$ 73,050
Operating Expenses	<u>185,334</u>	<u>171,554</u>
	(LOSS) FROM OPERATIONS	(98,504)
	(118,753)	(98,504)
Non-operating income	<u>115,084</u>	<u>98,098</u>
	CHANGE IN NET POSITION	(407)
	(3,670)	(407)
NET POSITION AT THE BEGINNING OF THE YEAR	<u>1,326,217</u>	<u>1,326,624</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,322,548</u>	<u>\$ 1,326,217</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the Authority's net position has decreased \$3,670 during the year ended June 30, 2014. This is primarily due to the decrease in recycling and tire disposal income compared to the prior year.

THE AUTHORITY'S NET POSITION

The Authority completed the year with net position of \$1,322,548 which is \$3,670 less than the prior year's net position of \$1,326,217.

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 \$801,150, which includes capital costs of \$1,192,960 netted against accumulated depreciation of \$391,810. Capital assets include land, landfill facilities, machinery and equipment, and office equipment.

DEBT MANAGEMENT

At June 30, 2014 the Authority had no outstanding long-term debt.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the 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 of which \$30,000 is still deferred. This contract was renewed in December 2013 and no longer requires that payments be made to the Authority from Waste Management, Inc. This renewed contract is set to expire in December 2023.

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, 2014

CURRENT ASSETS

Cash in bank	\$	88,121	
Certificate of deposit		426,362	
Grant receivable		23,058	
Utility deposits		75	
Accounts receivable		<u>18,322</u>	

TOTAL CURRENT ASSETS

555,939

CAPITAL ASSETS

Land	\$	547,525	
Convenience centers		617,353	
Machinery and equipment		26,042	
Office equipment		<u>2,040</u>	
		1,192,960	
Accumulated depreciation		<u>(391,810)</u>	<u>801,150</u>
			<u><u>\$ 1,357,089</u></u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable \$ 4,541

DEFERRED INFLOW OF RESOURCES

Deferred revenue 30,000

NET POSITION

Investment in capital assets \$ 801,150
Unrestricted 521,397 1,322,548

\$ 1,357,089

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2014

OPERATING REVENUE

Contract fees		\$ 60,000
Other operating revenue		<u>6,580</u>

TOTAL OPERATING REVENUE 66,580

OPERATING EXPENSES

Convenience centers:

Salaries	\$ 67,864	
Payroll taxes	5,905	
Repairs and maintenance	13,873	
Supplies and materials	6,165	
Utilities	4,997	
Telephone	1,912	
TV recycle expense	404	
Tire collection expense	3,600	
Tire recycle expense	<u>12,720</u>	117,440

Administration:

Professional services	20,375	
Bank charges	16	
Bad debt expense	4,510	
Other contracted services	1,033	
Employee incentive	3,825	
Educational assistance	<u>2,596</u>	32,356

Depreciation 35,538

TOTAL OPERATING EXPENSES 185,334

(LOSS) FROM OPERATIONS (118,753)

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2014

NONOPERATING REVENUE

Operating subsidy from primary government	87,869	
Tire disposal grant	3,876	
Used oil grant	21,119	
Interest income	<u>2,219</u>	<u>115,084</u>

CHANGE IN NET POSITION (3,670)

NET POSITION AT THE BEGINNING OF THE YEAR 1,326,217

NET POSITION AT THE END OF THE YEAR \$ 1,322,548

See the accompanying notes to the financial statements.

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

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

Cash received from customers	\$ 6,580
Cash paid to employees	(73,911)
Cash paid to suppliers	<u>(94,236)</u>

**NET CASH (USED) BY
OPERATING ACTIVITIES** (161,568)

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

Acquisition of property and equipment	(29,635)
---------------------------------------	----------

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

Interest received	\$ 2,219
Increase in certificates of deposit	<u>(1,083)</u>

**NET CASH PROVIDED BY
INVESTING ACTIVITIES** 1,136

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

Operating subsidy from primary government	87,869
Used oil grant	21,119
Tire recycle grant	<u>3,876</u>

**NET CASH PROVIDED BY NONCAPITAL
AND RELATED FINANCING ACTIVITIES** 112,864

NET (DECREASE) IN CASH (77,202)

CASH AT THE BEGINNING OF THE YEAR 165,325

CASH AT THE END OF THE YEAR \$ 88,121

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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.

During the fiscal year ended June 30, 1999, the Union County landfill was closed. A company was contracted to take the solid waste from the convenience centers operated by Union County Solid Waste Authority to a landfill in another county and to ensure the Union County landfill is maintained per state and federal requirements. 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, 2014

On August 30, 2004, the contract between the company and the Authority was extended for a period of ten additional years beginning January 1, 2005, and ending December 31, 2014, with the company to make monthly payments of \$5,000. The company made an advance payment of \$600,000 on January 20, 2005 with \$30,000 of this payment deferred at June 30, 2014. On December 12, 2013 the contract between the company and the Authority was extended again for a period of ten years beginning January 1, 2014 and ending December 31, 2023. The contractor shall continue to monitor the landfill and comply with all post-closure monitoring requirements of state and federal law.

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 position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized 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:

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

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. Investment in capital assets at June 30, 2014 has been calculated as follows:

Capital assets	\$ 1,192,960
Accumulated depreciation	<u>(391,810)</u>
	<u>\$ 801,150</u>

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, 2014.

Unrestricted:

This category includes net position that is not subject to externally imposed stipulations and that does 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. During the year ended June 30, 2014, the Authority deemed \$7,403 of accounts receivable as uncollectible and this amount was recorded as bad debt expense. At June 30, 2014 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, 2014

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, 2014 were entirely insured through the Federal Deposit Insurance Corporation.

UNION COUNTY SOLID WASTE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/14</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 547,525	\$ 0	\$ 0	\$ 547,525
<u>Capital assets being depreciated</u>				
Convenience centers	587,718	29,635	0	617,353
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>
	615,800	29,635	0	645,435
<u>Accumulated depreciation</u>				
Convenience centers	(340,803)	(34,208)	0	(375,011)
Machinery and equipment	(13,504)	(1,254)	0	(14,758)
Office equipment	<u>(1,964)</u>	<u>(76)</u>	<u>0</u>	<u>(2,040)</u>
	<u>(356,271)</u>	<u>(35,538)</u>	<u>0</u>	<u>(391,810)</u>
	<u>\$ 807,054</u>	<u>\$ (5,903)</u>	<u>\$ 0</u>	<u>\$ 801,150</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.

SUPPLEMENTARY INFORMATION

UNION COUNTY SOLID WASTE AUTHORITY

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

Year Ended June 30, 2014

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Contract fees	\$ 60,000	\$ 60,000	\$ 0
Other operating revenue	6,580	12,100	(5,520)
TOTAL OPERATING REVENUE	66,580	72,100	(5,520)
OPERATING EXPENSES			
Convenience centers:			
Salaries	67,864	66,000	1,864
Payroll taxes	5,905	7,000	(1,095)
Repairs and maintenance	13,873	25,000	(11,127)
Supplies and materials	6,165	3,500	2,665
Utilities	4,997	4,200	797
Telephone	1,912	2,000	(88)
TV recycle expense	404	0	404
Tire collection expense	3,600	3,600	0
Tire recycle expense	12,720	15,000	(2,280)
	117,440	126,300	(8,860)
Administration:			
Professional services	20,375	22,030	(1,655)
Bank charges	16	0	16
Bad debt expense	4,510	0	4,510
Other contracted services	1,033	638	395
Employee incentive	3,825	4,000	(175)
Educational assistance	2,596	3,700	(1,104)
	32,356	30,368	1,988
Depreciation	35,538	36,000	(462)
TOTAL OPERATING EXPENSES	185,334	192,668	(7,334)
(LOSS) FROM OPERATIONS	(118,753)	(120,568)	1,815

UNION COUNTY SOLID WASTE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	Actual	Budget	Variance Over (Under)
NONOPERATING REVENUE			
Operating subsidy from primary government	87,869	75,000	12,869
Tire disposal grant	3,876	6,500	(2,624)
Interest income	2,219	5,000	(2,781)
State grant	21,119	0	21,119
	115,084	86,500	28,584
CHANGE IN NET POSITION	(3,670)	(34,068)	30,398
NET POSITION AT THE			
BEGINNING OF THE YEAR	1,326,217	34,068	1,292,149
NET POSITION AT THE			
END OF THE YEAR	\$ 1,322,548	\$ 0	\$ 1,322,548

See the accompanying independent accountants' audit report.

UNION COUNTY SOLID WASTE AUTHORITY

BOARD OF DIRECTORS

June 30, 2014

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 FINANCIAL ASSISTANCE

Year Ended June 30, 2014

Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
State of Tennessee Department of Environment and Conservation	N/A	32701-01887	\$ 21,119
State of Tennessee Department of Environment and Conservation	N/A	35937	<u>3,876</u>
			<u>\$ 24,995</u>

NOTE 1 – BASIS OF PRESENTATION

This schedule summarizes the expenditures of Union County Solid Waste Authority under programs of state governments for the year ended June 30, 2014. The schedule is presented using the accrual basis of accounting.

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
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, 2014, and the related notes to the financial statements, which comprise Union County Solid Waste Authority's basic financial statements, and have issued our report thereon dated January 22, 2015.

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.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

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

January 22, 2015

UNION COUNTY SOLID WASTE AUTHORITY

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2013-001	Segregation of Duties	Corrected
2013-002	Accounts receivable	Corrected