

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)



FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

**ROCKBRIDGE COUNTY**

**SOLID WASTE AUTHORITY**

**(A COMPONENT UNIT OF THE  
COUNTY OF ROCKBRIDGE, VIRGINIA)**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**TABLE OF CONTENTS**

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	<u>Page</u>
List of Key Officials .....	1
Organizational Chart .....	2
Independent Auditors' Report .....	3-4
Management's Discussion and Analysis.....	5-9
<b>Financial Statements:</b>	
Exhibit 1 - Statement of Net Position .....	10
Exhibit 2 - Statement of Revenues, Expenses and Changes in Net Position .....	11
Exhibit 3 - Statement of Cash Flows .....	12
Notes to Financial Statements .....	13-40
<b>Required Supplementary Information:</b>	
Exhibit 4 – Schedule of Authority's Proportionate Share of the Net Pension Liability .....	41
Exhibit 5 – Schedule of Employer Contributions .....	42
Exhibit 6 – Notes to Required Supplementary Information .....	43
<b>Compliance:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44-45

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

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**SOLID WASTE AUTHORITY BOARD**

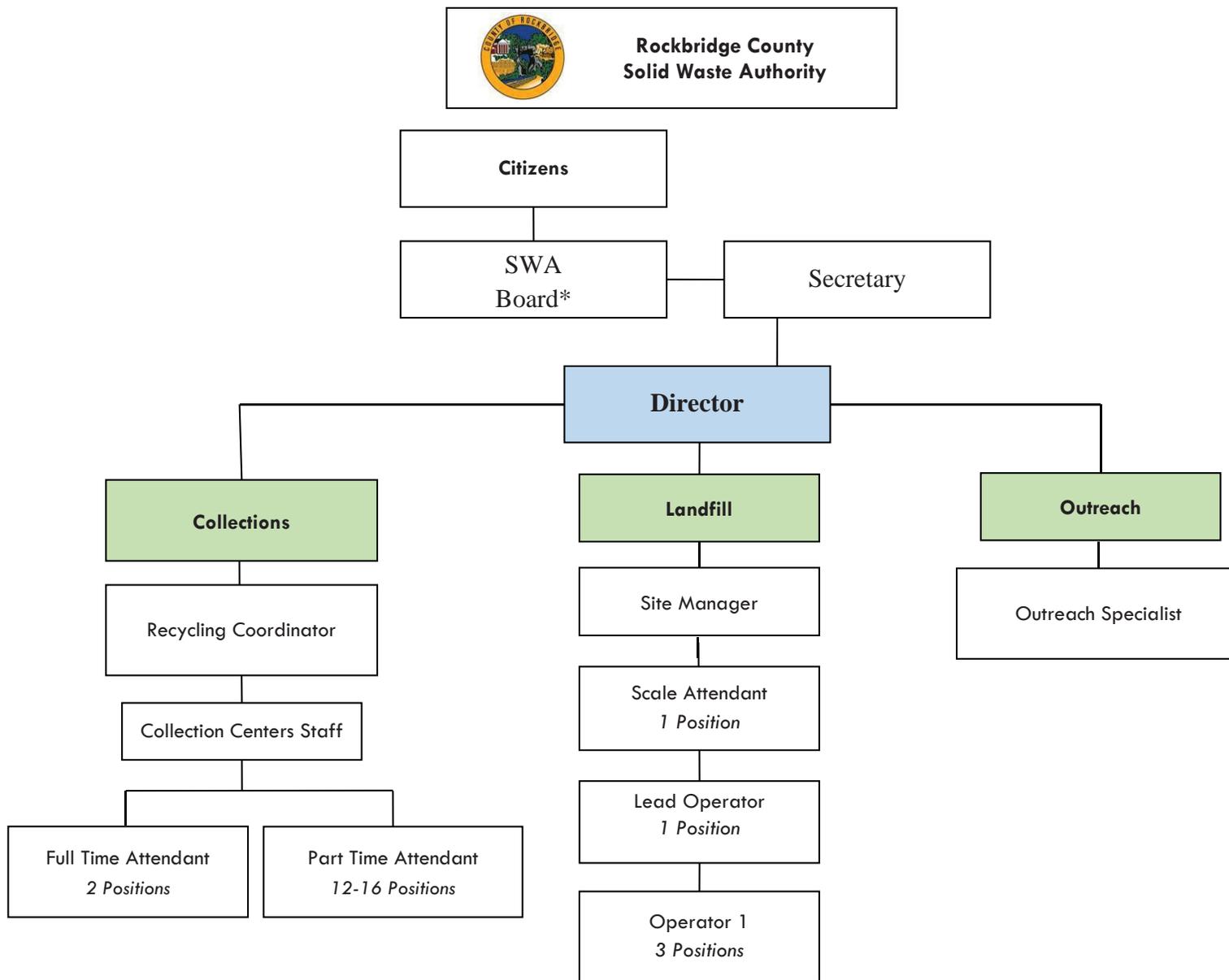
David W. Hinty, Jr., Chairman  
John M. Higgins, Vice-Chairman  
Ronnie R. Campbell  
Russell L. Ford  
Albert W. Lewis, Jr.

**SOLID WASTE AUTHORITY APPOINTED OFFICIALS**

Secretary.....Spencer H. Suter

**SOLID WASTE AUTHORITY KEY STAFF**

Director of Solid Waste.....Jeremy Garrett  
Site Supervisor.....Fred Dudley  
Recycling Coordinator.....Tracy Schafer  
Outreach Specialist.....Jake Adams



\*Rockbridge County citizens elect the Board of Supervisors who also serve as the SWA Board.

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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**TO THE BOARD OF THE ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)  
LEXINGTON, VIRGINIA**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditor considers internal control relevant to the entity's 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 the entity's 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 the business-type activities of the Rockbridge County Solid Waste Authority, as of June 30, 2017, and the 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 and schedules related to pension funding on pages 5-9, and 41-43, respectively, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the Rockbridge County Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Rockbridge County Solid Waste Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2017

## Management's Discussion and Analysis

As management of the Rockbridge County Solid Waste Authority (the Authority), we offer readers of our financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending (FYE) June 30, 2017.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

- **Statement of Net Position:** This statement presents information on the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- **Statement of Revenues, Expenses, and Changes in Net Position:** This statement presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

- **Statement of Cash Flows:** This statement reports cash and cash equivalent activities for the year resulting from operating, capital, and related activities.

The basic enterprise fund financial statements are found on pages 10 through 12 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 40 of this report.

**Required supplementary information.** This report also includes required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. It is located immediately following the notes to financial statements on pages 41 through 43.

### Financial Highlights of FYE 2017

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of FYE 2017 by \$5,482,579 (net position), a \$1,099,646 increase compared to last fiscal year.
- Total liabilities decreased by \$1,083,713 in FYE 2017 due to debt service payments made on financing secured during the previous fiscal year as well as continuing lease-purchase payments made toward capital assets. Cell 1, the first phase of the new lined landfill, was constructed during FYE 2017 and officially began operations on July 1, 2017.
- Total revenues increased by \$187,105 when compared to last fiscal year. This change is due to the higher income generated from service fees (+\$134,375) resulting from an increase in tonnage and greater investment income (+\$32,294).
- Total expenses increased by \$46,393 when compared to FYE 2016. Key areas seeing expense growth are contracted services, depreciation, fringe benefits, and personnel services. This is detailed further in the MD&A.

## Financial Analysis

**Net Position** – Total net position increased by \$1,099,646. The Authority's total net position invested in capital assets at the end of the past three years has grown significantly with the development of the new piggy-back lined landfill, procurement of heavy-duty equipment and increased tipping fees generating additional cash for future landfill expansion procurement. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending.

<b>RCSWA NET POSITION</b>			
<b>June 30, 2017</b>			
	Business-type Activities		
	2017	2016	2015, as restated
Current and other assets	\$ 7,209,410	\$ 11,699,642	\$ 4,355,758
Capital Assets	8,707,796	4,276,356	3,340,357
<b>Total Assets</b>	<b>\$ 15,917,206</b>	<b>\$ 15,975,998</b>	<b>\$ 7,696,115</b>
Deferred Outflow s of Resources	\$ 94,266	\$ 59,812	\$ 54,022
Long-term liabilities	\$ 9,159,417	\$ 10,502,943	\$ 3,442,104
Other liabilities	1,364,830	1,105,017	783,199
<b>Total liabilities</b>	<b>\$ 10,524,247</b>	<b>\$ 11,607,960</b>	<b>\$ 4,225,303</b>
Deferred Inflow s of Resources	\$ 4,646	\$ 44,917	\$ 102,859
<b>Net Position:</b>			
Net investment in capital assets	\$ 2,096,784	\$ 2,592,481	\$ 2,166,784
Unrestricted (deficit)	1,703,698	366,856	44,453
Restricted	1,682,097	1,423,596	1,210,738
<b>Total net position</b>	<b>\$ 5,482,579</b>	<b>\$ 4,382,933</b>	<b>\$ 3,421,975</b>

**Changes in Net Position** – Tipping fee revenues for FYE 2017 increased by \$134,375 resulting from sustained, elevated service charges and higher 2017 tonnage. The additional surplus cash is planned to offset future construction cost (cell 2) and equipment procurement related to the expanded landfill operations. In addition, landfill staff continue to extract scrap metal from the working face of the active cells while recycling materials collected at staffed centers are compacted in preparation for transporting. Each commodity is sold on the recyclable materials market. The Authority realized nearly \$22,683 in additional revenue from selling these resources during the fiscal year. Lastly, an enhanced methodology of investing closure/post-closure funds resulted in a \$32,294 improvement in investment income compared to FYE 2016.

Expenditures realized a \$46,393 increase compared to FYE 2016. The four primary drivers are: 1) contractual services (+\$128,169), 2) depreciation (\$73,676), 3) fringe benefits (+\$38,400), and 4) personnel services (+\$17,853). These individual categories grew due to the following respective factors: 1) hauling contract incorporates transporting recycling stream to buyer beyond County limits and costs for unstaffed collection center site clean-up, 2) depreciating equipment purchased in FYE 2016, 3) increase in compensation impacted fringe benefits which included an upward adjustment on worker's compensation factors and long-term disability insurance for employees covered under the Virginia Retirement System Hybrid Plan, and 4) compensation increases for full and part-time employees included years of service and 1% cost-of-living increases. These increases in expenditures were offset by a decrease in estimated landfill closure costs as compared to the prior year of \$149,006.

Transfers from the Rockbridge County General Fund support the County Recycling Program which is accounted for under the Authority. During FYE 2017, the transfer to the Recycling Fund totaled \$447,927. This is a reduction of \$11,124 resulting from a \$14,986 increase in the sale of recyclables compared to last fiscal year (i.e., additional operational revenue lowered the amount of funding needed from the General Fund to support overall operations). FYE 2017 is the last year the Recycling Fund will be included in the

Authority's financial report. The County Recycling Program is now accounted for under the General Fund (effective FYE 2018).

<b>RCSWA CHANGES IN NET POSITION</b>			
<b>June 30, 2017</b>			
	Business-type Activities		
	2017	2016	2015, as restated
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 2,232,822	\$ 2,098,447	\$ 1,578,750
Operating grants	22,492	23,300	23,046
<b>General Revenues:</b>			
Use of money and property	43,456	11,162	3,413
Other	47,113	25,869	8,927
<b>Total Revenues</b>	<b>\$ 2,345,883</b>	<b>\$ 2,158,778</b>	<b>\$ 1,614,136</b>
<b>Expenses:</b>			
<b>General</b>			
Public works	\$ 1,694,164	\$ 1,647,771	\$ 1,435,346
<b>Total expenses</b>	<b>\$ 1,694,164</b>	<b>\$ 1,647,771</b>	<b>\$ 1,435,346</b>
Increase (decrease) in net position before transfers	\$ 651,719	\$ 511,007	\$ 178,790
Transfers	447,927	449,951	220,708
<b>Increase (decrease) net position</b>	<b>\$ 1,099,646</b>	<b>\$ 960,958</b>	<b>\$ 399,498</b>
Net position - beginning as restated	4,382,933	3,421,975	3,022,477
<b>Net position - ending</b>	<b>\$ 5,482,579</b>	<b>\$ 4,382,933</b>	<b>\$ 3,421,975</b>

### **Capital Asset and Debt Administration**

**Capital Assets** – During FYE 2017, the primary capital project involved the construction of a piggy-back lined landfill. The construction in progress increased by \$3,856,198 over the last fiscal year. As stated earlier, the new landfill cell began operations on July 1, 2017 (on time and ~\$800K under budget). Other activities included the construction of a new scale house and installation of two (2) new scales for use in conjunction with the operation of the new lined landfill. Lastly, the landfill and recycling programs executed the planned procurement of open-top containers used for collection efforts as part of their replacement schedule (\$17,222). Below is a comparison of the items that make up net capital assets at the end of the past three fiscal years.

<b>RCSWA CAPITAL ASSETS</b>			
<b>Net of Depreciation</b>			
	Business-type Activities		
	2017	2016	2015
Land	\$ 531,037	\$ 531,037	\$ 540,137
Building and improvements	2,262,102	1,515,727	1,396,494
Machinery and equipment	1,137,981	1,309,114	615,088
Construction in progress	4,776,676	920,478	788,638
<b>Total</b>	<b>\$ 8,707,796</b>	<b>\$ 4,276,356</b>	<b>\$ 3,340,357</b>

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

Long-term Debt – The Authority has \$10,042,645 in long-term obligations. There were no revenue bond or lease-purchase financing efforts in FYE 2017. Net pension liability (+\$72,617), other post-employment benefits (+\$1,000), and compensated absences (+\$975) realized increases based on updated cost estimates. Landfill closure/post-closure liability (-\$140,800) realized a decrease from the previous fiscal year.

<b>RCSWA LONG-TERM OBLIGATIONS</b>			
	Business-type Activities		
	2017	2016	2015
Revenue Bonds	\$ 7,143,851	\$ 7,264,710	\$ 724,462
Capital Leases	643,359	916,590	449,111
Compensated Absences	37,691	36,716	32,291
Net pension liability	374,033	301,416	260,935
OPEB Obligation	4,000	3,000	3,000
Landfill closure liability	1,839,711	1,980,511	1,972,305
Total long-term obligations	\$ <u>10,042,645</u>	\$ <u>10,502,943</u>	\$ <u>3,442,104</u>

Additional information on the Authority’s long-term obligations can be found in Note 7 to the financial statements.

**Economic Factors and the FY 2018 Budget and Rates**

- The active, unlined landfill is scheduled to close December 31, 2017 in accordance with the Virginia Department of Environmental Quality (VA DEQ) approval on the landfill’s second extension request. Based on previously agreed to terms and conditions, the Authority has submitted the required engineering documents to the VA DEQ that should permit the unlined facility to remain open until June 30, 2018.
- The Rockbridge County Board of Supervisors, Solid Waste Authority, and Lexington City continued their commitment to the long-term costs savings projected from constructing a piggy-back lined landfill. A new solid waste agreement was approved by Rockbridge County, Lexington City, and the RCSWA during FYE 2017. Coinciding with the opening of the new lined landfill in FYE 2018, Lexington City joined Rockbridge County as members of an amended Authority, to be renamed Blue Ridge Resource Authority (BRRA), pending approval of new articles of incorporation by the Virginia State Corporation Commission. At that time, the BRRA will assume ownership of all RCSWA assets and liabilities and will continue to operate as an enterprise fund.
- The Regional Solid Waste Committee recommended the FYE 2018 per ton tipping fee for Rockbridge County and Lexington City be set at \$51 per ton; this is a reduction from \$52 per ton in FYE 2017. In addition, the jurisdictional commercial rate was suggested to increase from \$52 per ton to \$53 in 2018. Both recommendations were approved by the RCSWA to meet operational expenses, debt service expenditures, and planned surplus. The FYE 2018 budget also reflects an operational change that includes the RCSWA billing business and industry directly. Previous procedures involved the RCSWA billing each locality first, and in-turn the localities invoiced the commercial customers. Due to administrative delays in the transition to BRRA ownership, this new billing methodology will occur in the second half of FYE 2018.

- Although Buena Vista City had planned to use contracted services to haul their solid waste to a private transfer station on approximately July 1, 2017, they are currently transporting refuse to the RCSWA landfill. As of July 1, 2017, the RCSWA is charging Buena Vista City at the commercial rate of \$53 per ton. It is anticipated the BRRA will approve rates for non-jurisdictional customers in January or February 2018. The approved rates will include a 25% premium on current and commercial rates. For Buena Vista City, this anticipated rate calculates to \$63.75 per ton. Should Buena Vista City request to continue bringing their municipal waste to the new lined landfill cell, and the BRRA approve their request, the landfill has the capacity to handle their refuse as a municipal customer.
- The combined member per ton tipping fee of \$51 and the \$53 per ton jurisdictional commercial rate are expected to generate \$403,958 in surplus for future procurement needs linked to the 5-year capital improvement plan which includes the purchase of heavy-duty, operating equipment and construction of future landfill cells.
- The Authority approved 3% cost-of-living adjustment for full- and part-time, eligible RCSWA employees in FYE 2018.
- As stated earlier, the recycling program, which includes managing the staffed and unstaffed collection centers, transferred from the RCSWA to the Rockbridge County General Fund in FYE 2018. This is the final year staff will report on the Recycling Fund within the RCSWA.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

### **Requests for Information**

This financial report is designed to provide readers with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Department, 150 South Main Street, Lexington, Virginia 24450.

## **FINANCIAL STATEMENTS**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit 1**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,197,976	\$ -	\$ 2,197,976
Accounts receivable	122,435	2,719	125,154
Due from County of Rockbridge	188,274	-	188,274
Total current assets	<u>\$ 2,508,685</u>	<u>\$ 2,719</u>	<u>\$ 2,511,404</u>
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 4,698,006	\$ -	\$ 4,698,006
Capital assets, net of accumulated depreciation:			
Land	531,037	-	531,037
Building and improvements	2,163,968	98,134	2,262,102
Machinery and equipment	1,096,439	41,542	1,137,981
Construction in progress	4,776,676	-	4,776,676
Total capital assets	<u>\$ 8,568,120</u>	<u>\$ 139,676</u>	<u>\$ 8,707,796</u>
Total noncurrent assets	<u>\$ 13,266,126</u>	<u>\$ 139,676</u>	<u>\$ 13,405,802</u>
Total assets	<u>\$ 15,774,811</u>	<u>\$ 142,395</u>	<u>\$ 15,917,206</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	\$ 40,185	\$ 1,598	\$ 41,783
Pension contributions subsequent to measurement date	35,888	16,595	52,483
Total deferred outflows of resources	<u>\$ 76,073</u>	<u>\$ 18,193</u>	<u>\$ 94,266</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 59,252	\$ -	\$ 59,252
Capital advances from Rockbridge County	350,000	-	350,000
Accrued interest payable	72,350	-	72,350
Bond payable, current portion	604,778	-	604,778
Capital lease payable, current portion	269,027	-	269,027
Compensated absences, current portion	6,222	3,201	9,423
Total current liabilities	<u>\$ 1,361,629</u>	<u>\$ 3,201</u>	<u>\$ 1,364,830</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	\$ 18,667	\$ 9,601	\$ 28,268
Net OPEB obligation	4,000	-	4,000
Net pension liability	255,918	118,115	374,033
Closure and post-closure liability	1,839,711	-	1,839,711
Bonds payable, net of current portion	6,539,073	-	6,539,073
Capital lease payable, net of current portion	374,332	-	374,332
Total noncurrent liabilities	<u>\$ 9,031,701</u>	<u>\$ 127,716</u>	<u>\$ 9,159,417</u>
Total liabilities	<u>\$ 10,393,330</u>	<u>\$ 130,917</u>	<u>\$ 10,524,247</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	\$ 3,179	\$ 1,467	\$ 4,646
Total deferred inflows of resources	<u>\$ 3,179</u>	<u>\$ 1,467</u>	<u>\$ 4,646</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,957,108	\$ 139,676	\$ 2,096,784
Restricted for landfill closure	1,682,097	-	1,682,097
Unrestricted (deficit)	1,815,170	(111,472)	1,703,698
Total net position	<u>\$ 5,454,375</u>	<u>\$ 28,204</u>	<u>\$ 5,482,579</u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**

**Exhibit 2**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 1,641,059	\$ -	\$ 1,641,059
Landfill City of Lexington	395,875	-	395,875
Landfill City of Buena Vista	195,888	-	195,888
Sale of recyclables	-	22,683	22,683
Miscellaneous	19,518	4,912	24,430
Total charges for services	<u>\$ 2,252,340</u>	<u>\$ 27,595</u>	<u>\$ 2,279,935</u>
Operating expenses:			
Personnel services	\$ 312,835	\$ 265,560	\$ 578,395
Fringe benefits	123,886	81,573	205,459
Contractual services	288,314	91,401	379,715
Other charges	227,342	51,404	278,746
Rent	15,022	-	15,022
Depreciation	295,497	37,809	333,306
Total operating expenses	<u>\$ 1,262,896</u>	<u>\$ 527,747</u>	<u>\$ 1,790,643</u>
Operating income (loss)	<u>\$ 989,444</u>	<u>\$ (500,152)</u>	<u>\$ 489,292</u>
Nonoperating revenues (expenses):			
Investment income	\$ 43,456	\$ -	\$ 43,456
Commonwealth of Virginia - litter control grant	-	22,492	22,492
Interest expense	(44,321)	-	(44,321)
Landfill closure costs and post-closure liability	140,800	-	140,800
Total nonoperating revenues (expenses)	<u>\$ 139,935</u>	<u>\$ 22,492</u>	<u>\$ 162,427</u>
Income (loss) before transfers	<u>\$ 1,129,379</u>	<u>\$ (477,660)</u>	<u>\$ 651,719</u>
Transfers in	<u>-</u>	<u>447,927</u>	<u>447,927</u>
Net change in net position	<u>\$ 1,129,379</u>	<u>\$ (29,733)</u>	<u>\$ 1,099,646</u>
Total net position - beginning	4,324,996	57,937	4,382,933
Total net position - ending	<u><u>\$ 5,454,375</u></u>	<u><u>\$ 28,204</u></u>	<u><u>\$ 5,482,579</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

**Exhibit 3**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
Cash flows from operating activities:			
Receipts from customers/jurisdictions	\$ 2,124,914	\$ 24,876	\$ 2,149,790
Payments to suppliers	(499,766)	(148,292)	(648,058)
Payments to and for employees	(436,985)	(347,003)	(783,988)
Net cash provided by (used for) operating activities	<u>\$ 1,188,163</u>	<u>\$ (470,419)</u>	<u>\$ 717,744</u>
Cash flows from noncapital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 22,492	\$ 22,492
Operating transfer from County of Rockbridge	-	447,927	447,927
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 470,419</u>	<u>\$ 470,419</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (4,764,746)	\$ -	\$ (4,764,746)
Principal paid on capital debt	(298,231)	-	(298,231)
Interest expense	(106,954)	-	(106,954)
Capital advances from Rockbridge County	(607,773)	-	(607,773)
Repayment of initial advances from participating localities	(74,292)	-	(74,292)
Net cash provided by (used for) capital and related financing activities	<u>\$ (5,851,996)</u>	<u>\$ -</u>	<u>\$ (5,851,996)</u>
Cash flows from investing activities:			
Interest income	\$ 43,456	\$ -	\$ 43,456
Increase (decrease) in cash and cash equivalents	\$ (4,620,377)	\$ -	\$ (4,620,377)
Cash and cash equivalents (including restricted), beginning of year	<u>11,516,359</u>	<u>-</u>	<u>11,516,359</u>
Cash and cash equivalents (including restricted), end of year	<u>\$ 6,895,982</u>	<u>\$ -</u>	<u>\$ 6,895,982</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 989,444	\$ (500,152)	\$ 489,292
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	295,497	37,809	333,306
Changes in operating assets and deferred outflows of resources and operating liabilities and deferred inflows of resources:			
(Increase) decrease in accounts receivable	(55,075)	(2,719)	(57,794)
(Increase) decrease in due from other funds	(72,351)	-	(72,351)
(Increase) decrease in deferred outflows of resources	(37,756)	3,302	(34,454)
Increase (decrease) in accounts payable	30,912	(5,487)	25,425
Increase (decrease) in compensated absences	(737)	1,711	974
Increase (decrease) in OPEB obligation	1,000	-	1,000
Increase (decrease) in net pension liability	62,824	9,793	72,617
Increase (decrease) in deferred inflows of resources	(25,595)	(14,676)	(40,271)
Net cash provided by (used for) operating activities	<u>\$ 1,188,163</u>	<u>\$ (470,419)</u>	<u>\$ 717,744</u>
Schedule of noncash capital and related financing activities:			
Landfill closure and post-closure costs	\$ (140,800)	\$ -	\$ (140,800)
Total noncash capital and related financing activities	<u>\$ (140,800)</u>	<u>\$ -</u>	<u>\$ (140,800)</u>

The accompanying notes to financial statements are an integral part of this statement.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2017**

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**NOTE 1—BASIS OF PRESENTATION:**

- A. Organization and Purpose - The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) was created by the Board of Supervisors for the purpose of developing and operating regional garbage and refuse disposal. The Authority owns the only permitted landfill site within the County of Rockbridge. The Authority is also responsible for the operation and maintenance of the landfill. The Cities of Buena Vista and Lexington participate in this regional landfill pursuant to a garbage disposal contract agreement dated November 13, 1995.
- B. Financial Reporting Entity - The Rockbridge County Solid Waste Authority is reported as a blended Component Unit of the County of Rockbridge. The Authority is governed by a board comprised of the Rockbridge County Board of Supervisors. The rates for user charges and the authorizations to incur indebtedness are approved by the Authority and the Board of Supervisors of Rockbridge County. The Authority is reported as an enterprise activity.
- C. Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:
- Management's discussion and analysis
  - Enterprise fund financial statements
    - Statement of Net Position
    - Statement of Revenues, Expenses and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements
  - Required Supplementary Information
    - Schedule of Authority's Proportionate Share of the Net Pension Liability
    - Schedule of Employer Contributions
    - Notes to Required Supplementary Information
- D. Business-type Activities account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Business-type activities consist of Enterprise Funds.
- E. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the Landfill Fund and the Recycling Fund.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES:**

- A. Basis of Accounting - The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

A. Basis of Accounting (continued)

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When resources are available for a specific purpose, it is the Authority’s policy to use restricted funds first before unrestricted funds are used.

B. Accounts Receivable - Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.

C. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Landfill equipment	3 to 20 years
Wells	20 to 30 years
Buildings	30 years

Maintenance and repairs are charged to expense as incurred; material renewals and betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is calculated using the straight-line method. Depreciation for the year ended June 30, 2017 was \$333,306.

D. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amount of cash and investments with original maturities of 90 days or less. The authority considers all bank accounts to be cash and cash equivalents.

E. Interest on Indebtedness - Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Capitalized interest amounted to \$187,515 for the year ended June 30, 2017 and \$31,838 in interest was capitalized during the previous year. Other interest costs of the Authority are treated as nonoperating expenses.

F. Budgets and Budgetary Accounting -The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant and amortization.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

- G. Inventory - Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventories are not significant.
- H. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- I. Restricted Assets - The Authority maintains restricted assets invested in the Local Government Investment Pool. These funds are restricted for the payment of future closure and post-closure costs associated with the landfill.
- J. Investments - External investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.
- K. Net Position - Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- L. Net Position Flow Assumption - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.
- M. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two types of items that qualify for reporting in this category. One item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The other item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority’s Retirement Plan and the additions to/deductions from the Authority’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 3—DEPOSITS AND INVESTMENTS:**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Authority investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Authority’s rated debt investments as of June 30, 2017 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

<b>Authority's Rated Debt Investment's Values</b>	
	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 3,521,808
Total	\$ 3,521,808

**External Investment Pool**

The value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

Interest Rate Risk

All Authority investments must be in securities maturing within five years. Maturities of the Authority's investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u>
		<u>Less than 1 year</u>
Local Government Investment Pool	\$ 3,521,808	\$ 3,521,808
Total	<u>\$ 3,521,808</u>	<u>\$ 3,521,808</u>

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2017 are as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
<b>Landfill Fund:</b>				
Capital Assets not being depreciated:				
Land	\$ 531,037	\$ -	\$ -	\$ 531,037
Construction in progress	920,478	4,710,205	(854,007)	4,776,676
Total capital assets not being depreciated	<u>\$ 1,451,515</u>	<u>\$ 4,710,205</u>	<u>\$ (854,007)</u>	<u>\$ 5,307,713</u>
Capital Assets being depreciated:				
Buildings and improvements	\$ 2,371,844	\$ -	\$ 854,007	\$ 3,225,851
Machinery and equipment	1,742,017	54,541	-	1,796,558
Total capital assets being depreciated	<u>\$ 4,113,861</u>	<u>\$ 54,541</u>	<u>\$ 854,007</u>	<u>\$ 5,022,409</u>
Accumulated depreciation:				
Buildings and improvements	\$ (980,100)	\$ (81,783)	\$ -	\$ (1,061,883)
Machinery and equipment	(486,405)	(213,714)	-	(700,119)
Total accumulated depreciation	<u>\$ (1,466,505)</u>	<u>\$ (295,497)</u>	<u>\$ -</u>	<u>\$ (1,762,002)</u>
Net capital assets being depreciated	<u>\$ 2,647,356</u>	<u>\$ (240,956)</u>	<u>\$ 854,007</u>	<u>\$ 3,260,407</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,098,871</u>	<u>\$ 4,469,249</u>	<u>\$ -</u>	<u>\$ 8,568,120</u>
<b>Recycling Fund:</b>				
Capital Assets being depreciated:				
Buildings and improvements	\$ 408,748	\$ -	\$ -	\$ 408,748
Machinery and equipment	62,952	-	-	62,952
Total capital assets	<u>\$ 471,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,700</u>
Accumulated depreciation:				
Buildings and improvements	\$ (284,765)	\$ (25,849)	\$ -	\$ (310,614)
Machinery and equipment	(9,450)	(11,960)	-	(21,410)
Total accumulated depreciation	<u>\$ (294,215)</u>	<u>\$ (37,809)</u>	<u>\$ -</u>	<u>\$ (332,024)</u>
Net capital assets being depreciated	<u>\$ 177,485</u>	<u>\$ (37,809)</u>	<u>\$ -</u>	<u>\$ 139,676</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 5—ADVANCES FROM PARTICIPATING ENTITIES:**

The Solid Waste Authority has advances from participating localities as follows:

	Balance June 30, 2016	Increase (Decrease)	Balance June 30, 2017
City of Lexington	\$ 5,303	\$ (5,303)	\$ -
City of Buena Vista	5,510	(5,510)	-
County of Rockbridge	1,021,252	(671,252)	350,000
Total	<u>\$ 1,032,065</u>	<u>\$ (682,065)</u>	<u>\$ 350,000</u>

**NOTE 6—INTERFUND TRANSFERS:**

Transfers are received from the County of Rockbridge, Virginia and are used to finance various programs accounted for in other funds in accordance with budgeting authorization of the County. Net transfers received from the County of Rockbridge for the year ended June 30, 2017 amounted to \$447,927.

**NOTE 7—LONG-TERM OBLIGATIONS:**

Changes in long-term obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017
Revenue Bonds	\$ 6,305,000	\$ -	\$ 25,000	\$ 6,280,000
Bond Premium	959,710	-	95,859	863,851
Capital Leases	916,590	-	273,231	643,359
Compensated Absences	36,716	28,512	27,537	37,691
Net OPEB Obligation	3,000	1,000	-	4,000
Landfill Closure and Post-closure Care	1,980,511	-	140,800	1,839,711
Net Pension Liability	<u>301,416</u>	<u>197,954</u>	<u>125,337</u>	<u>374,033</u>
Total Long-term Obligations	<u>\$ 10,502,943</u>	<u>\$ 227,466</u>	<u>\$ 687,764</u>	<u>\$ 10,042,645</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Annual requirements to amortize long-term indebtedness and related interest are as follows:

Year Ending June 30,	Business-type Activities			
	Capital Leases		Revenue Bond	
	Principal	Interest	Principal	Interest
2018	\$ 269,027	\$ 14,098	\$ 515,000	\$ 277,803
2019	172,279	7,648	535,000	254,172
2020	141,831	3,668	560,000	228,638
2021	60,222	402	590,000	200,019
2022	-	-	625,000	168,959
2023	-	-	655,000	136,259
2024	-	-	120,000	116,425
2025	-	-	130,000	110,019
2026	-	-	135,000	103,378
2027	-	-	140,000	96,731
2028	-	-	150,000	90,000
2029	-	-	155,000	83,359
2030	-	-	160,000	76,338
2031	-	-	170,000	68,756
2032	-	-	180,000	60,537
2033	-	-	185,000	52,484
2034	-	-	140,000	45,957
2035	-	-	145,000	40,503
2036	-	-	150,000	34,868
2037	-	-	155,000	29,053
2038	-	-	160,000	23,056
2039	-	-	170,000	16,775
2040	-	-	175,000	10,209
2041	-	-	180,000	3,439
Totals	\$ <u>643,359</u>	\$ <u>25,816</u>	\$ <u>6,280,000</u>	\$ <u>2,327,737</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Revenue bonds:</u></b>		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033.	\$ 570,000	\$ 25,000
VRA 2016A Revenue Bond totaling \$5,710,000, issued at a premium of \$856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041.	<u>5,710,000</u>	<u>490,000</u>
Total revenue bonds	\$ <u>6,280,000</u>	\$ <u>515,000</u>
<b><u>Capital leases:</u></b>		
\$309,436 issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.55%.	\$ 54,141	\$ 54,142
\$381,677 issued August 15, 2013 for a compactor, due in monthly payments of \$6,889 through April 15, 2019, interest at 2.89%.	114,601	80,421
\$681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of \$12,125 through November 25, 2020, interest at 2.67%.	<u>474,617</u>	<u>134,464</u>
Total capital leases	\$ <u>643,359</u>	\$ <u>269,027</u>
Unamortized bond premium	\$ <u>863,851</u>	\$ <u>89,778</u>
Compensated Absences	\$ <u>37,691</u>	\$ <u>9,423</u>
Net OPEB obligation	\$ <u>4,000</u>	\$ <u>-</u>
Landfill closure and post-closure liability	\$ <u>1,839,711</u>	\$ <u>-</u>
Net pension liability	\$ <u>374,033</u>	\$ <u>-</u>
Total	\$ <u><u>10,042,645</u></u>	\$ <u><u>883,228</u></u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 8—CAPITAL LEASES:**

The Authority has financed the acquisition of equipment by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Assets:	
Machinery and equipment	\$ 1,376,251
Accumulated depreciation	<u>(454,861)</u>
Total	<u><u>\$ 921,390</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 283,125
2019	179,927
2020	145,499
2021	<u>60,624</u>
Total	<u>\$ 669,175</u>
Less: Amount representing interest	<u>(25,816)</u>
Present value of minimum lease payments	<u><u>\$ 643,359</u></u>

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**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN:**

***Plan Description***

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment, through the County of Rockbridge, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through the County of Rockbridge, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>About Plan 1 (Cont.)</b>	<b>About Plan 2 (Cont.)</b>	<b>About the Hybrid Retirement Plan (Cont.)</b> <ul style="list-style-type: none"> <li>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>Political subdivision employees*</li> <li>Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contributions</b></u>  <u><b>Component: (Cont.)</b></u>                      Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)

Notes to Financial Statements (Continued)  
June 30, 2017

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Age 60.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b>  Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Plan Description (Continued)***

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2016-annual-report.pdf>, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement.

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$52,483 and \$54,880 for the years ended June 30, 2017 and June 30, 2016, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the Authority reported a liability of \$374,033 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The Authority's proportionate share of the same was calculated using the contribution as of June 30, 2016 and 2015 as a basis for allocation. At June 30, 2016, and June 30, 2015, the Authority's proportion was 6.27% and 6.4%, respectively.

***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions – General Employees (Continued)***

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

**NOTE 9—PENSION PLAN: (CONTINUED)**

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

***Long-term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return</b>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

***Long-term Expected Rate of Return (continued)***

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Authority’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
Rockbridge County Solid Waste Authority's proportionate share of the County Retirement Plan Net Pension Liability	\$ 634,665	\$ 374,033	\$ 155,910

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2017, the Authority recognized pension expense of \$50,225. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,342	\$ 4,646
Net difference between projected and actual earnings on pension plan investments	39,441	-
Employer contributions subsequent to the measurement date	<u>52,483</u>	<u>-</u>
Total	<u>\$ 94,266</u>	<u>\$ 4,646</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

\$52,483 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2018	\$ 171
2019	92
2020	22,967
2021	13,907
2022	-
Thereafter	-

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS:**

The Authority abides by Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Authority's retiree health benefit subsidy. Historically, the Authority's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits. The Authority is included in the County of Rockbridge's reporting of contributions, funding status and progress for its OPEB Plan. The Authority has recorded an OPEB liability of \$4,000 at June 30, 2017.

**NOTE 11—COMPENSATED ABSENCES:**

The Authority has accrued liabilities arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. When employees leave the Authority's service through resignation or retirement, they are compensated for accumulated sick leave, up to the maximum hours allowed. The Authority has outstanding accrued compensated absences totaling \$37,691.

**NOTE 12—LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:**

The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) owns the only permitted landfill site within the County of Rockbridge. The Cities of Lexington and Buena Vista also use the landfill site. Landfill costs are prorated to each jurisdiction based on tonnage of solid waste accepted each month. The Authority is responsible for the management and operation of the landfill. Rockbridge County's share of tonnage has historically been approximately 70%, the City of Lexington's share has been approximately 20%, and Buena Vista approximately 10%.

State and federal laws and regulations require the Authority to place a final cover on the landfill site when it is filled to capacity or stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity at each balance sheet date.

The landfill began operation during 1972 and currently has an estimated capacity to last until the year 2018. The Authority constructed a new landfill cell that began operations on July 1, 2017. The \$1,839,711 reported as accrued closure and post-closure liability at June 30, 2017 represents the cumulative amount reported based on the estimated number of years remaining (one). The Authority expects to close the previous landfill cell in the year 2018. The closure and post-closure cost for the new landfill cell is estimated to be \$4,449,363.

No liability has been recorded for the closure and post-closure of the new landfill cell because this cell will not be in service until fiscal year 2018. The estimated total current cost of the landfill closure and post-closure care of \$1,839,711 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 12—LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS: (CONTINUED)**

The Authority demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**NOTE 13—COMMITMENTS AND CONTINGENCIES:**

In June 2017, the Board of Supervisors of Rockbridge County, the Board of Directors of the Solid Waste Authority of Rockbridge County, and the City Council of the City of Lexington passed a joint resolution to approve the joinder of the City of Lexington to the Solid Waste Authority. In addition, the jointly approved resolution amended and restated the article of incorporation for the successor authority known as the Blue Ridge Resource Authority. As of November 30, 2017, staff is working through the administrative process to finalize documents to submit to the State Corporation Commission to complete the assumption by the Blue Ridge Resource Authority. The successor regional Authority Board shall consist of seven members, with five members appointed from the County Board of Supervisors, and two members appointed by the Lexington City Council, from among the Mayor and the City Council members. Currently Buena Vista City's refuse is delivered to the Solid Waste Authority landfill under the commercial customer rate. The Blue Ridge Resource Authority will address new FY 2018 rates once the State Corporation Commission has approved the joinder and amendment documents. The current landfill cell has the long-term capacity to handle Buena Vista's refuse should they request to formally participate as a customer in the Authority's solid waste system, subject to the approval by the Authority.

**NOTE 14—UPCOMING PRONOUNCEMENTS:**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements in this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements (Continued)  
June 30, 2017**

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**NOTE 14—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Schedule of Authority's Proportionate Share of the Net Pension Liability**  
**For the Years Ended June 30, 2015 through June 30, 2017**

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<b>Date (1)*</b>	<b>Proportion of the Net Pension Liability (NPL) (2)</b>	<b>Proportionate Share of the NPL (3)</b>	<b>Covered Payroll (4)</b>	<b>Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)</b>
2016	6.2700%	\$ 374,033	\$ 400,970	93.28%	95.09%
2015	6.4000%	\$ 301,416	\$ 385,046	78.28%	86.62%
2014	6.4000%	\$ 260,935	\$ 387,025	67.42%	85.28%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

\* Date of valuation

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Schedule of Employer Contributions**  
**For the Years Ended June 30, 2008 through June 30, 2017**

**Exhibit 5**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2017	\$ 52,483	\$ 52,483	\$ -	\$ 418,133	12.55%
2016	54,880	54,880	-	400,970	13.69%
2015	54,022	54,022	-	385,046	14.03%
2014	51,629	51,629	-	387,025	13.34%
2013	48,784	48,784	-	365,697	13.34%
2012	37,182	37,182	-	340,811	10.91%
2011	37,675	37,675	-	345,324	10.91%
2010	35,579	35,579	-	360,844	9.86%
2009	35,930	35,930	-	364,398	9.86%
2008	36,289	36,289	-	354,395	10.24%

Current year contributions are from the Authority's records and prior year contributions are from the VRS actuarial valuation performed each year.

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## **COMPLIANCE**

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## INDEPENDENT AUDITORS' 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

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### TO THE BOARD OF THE ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) LEXINGTON, VIRGINIA

We have audited, in accordance with the 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; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2017.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Rockbridge 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge 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 the entity'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Rockbridge County Solid Waste Authority's financial statements are free from 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Finner, Cox Associates*

Staunton, Virginia  
November 30, 2017