

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

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**ROCKBRIDGE COUNTY**  
**SOLID WASTE AUTHORITY**  
**(A COMPONENT UNIT OF THE**  
**COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2006**



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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

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, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audit of Counties, Cities, and Towns 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1B, the basic financial statements of the Authority are intended to present the financial position and changes in net assets and cash flows on only that portion of the governmental activities and the aggregate remaining fund information of the County of Rockbridge, Virginia that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the County of Rockbridge, Virginia as of June 30, 2006, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia), as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2006 on our consideration of the County of Rockbridge, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Robinson, Fanner, Cox Associates*

Verona, Virginia  
November 8, 2006

## **FINANCIAL STATEMENTS**



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Assets**  
**At June 30, 2006**

**Exhibit 1**

	<u>Business-type Activities</u>		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 261,176	\$ -	\$ 261,176
Receivables:			
Accounts	99,211	16,024	115,235
Interest	13,040	-	13,040
Restricted deposits and investments-landfill closure costs	3,196,015	-	3,196,015
Capital assets, net of accumulated depreciation:			
Land	540,137	-	540,137
Machinery and equipment	913,322	-	913,322
 Total assets	 <u>\$ 5,022,901</u>	 <u>\$ 16,024</u>	 <u>\$ 5,038,925</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Reconciled overdraft	\$ -	\$ 20,002	\$ 20,002
Accounts payable	99,556	7,243	106,799
Advances from participating localities	74,292	-	74,292
Due to general fund	26,160	-	26,160
Long-term liabilities:			
Due within one year	8,636	344	8,980
Due in more than one year	3,009,270	3,962	3,013,232
 Total liabilities	 <u>\$ 3,217,914</u>	 <u>\$ 31,551</u>	 <u>\$ 3,249,465</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,445,213	\$ -	\$ 1,445,213
Unrestricted (deficit)	<u>359,774</u>	<u>(15,527)</u>	<u>344,247</u>
 Total net assets	 <u><u>\$ 1,804,987</u></u>	 <u><u>\$ (15,527)</u></u>	 <u><u>\$ 1,789,460</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 Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2006**

**Exhibit 2**

	<u>Business-type Activities</u>		
	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 747,560	\$ -	\$ 747,560
Landfill City of Lexington	264,518	-	264,518
Landfill City of Buena Vista	173,302	-	173,302
Recycling County of Rockbridge	-	68,535	68,535
Recycling City of Lexington	-	29,966	29,966
Sale of recyclables	-	31,273	31,273
Sale of junked cars	-	24,750	24,750
Waste water treatment fees	-	5,743	5,743
Miscellaneous	40	-	40
Total charges for services	<u>\$ 1,185,420</u>	<u>\$ 160,267</u>	<u>\$ 1,345,687</u>
Operating expenses:			
Personal services	\$ 175,048	\$ 113,980	\$ 289,028
Fringe benefits	75,703	31,004	106,707
Contractual services	407,551	22,332	429,883
Other charges	95,540	30,836	126,376
Rent	178,751	5,290	184,041
Total operating expenses	<u>\$ 932,593</u>	<u>\$ 203,442</u>	<u>\$ 1,136,035</u>
Operating income (loss) before depreciation	\$ 252,827	\$ (43,175)	\$ 209,652
Depreciation	<u>78,483</u>	<u>1,048</u>	<u>79,531</u>
Operating income (loss)	<u>\$ 174,344</u>	<u>\$ (44,223)</u>	<u>\$ 130,121</u>
Non-operating revenues (expenses):			
Interest income	\$ 125,164	\$ -	\$ 125,164
General fund - contribution Maury Service Authority debt	-	565,619	565,619
Contribution - Maury Service Authority	-	(565,619)	(565,619)
Commonwealth of Virginia - litter control grant	-	23,975	23,975
Interest expense	(1,609)	-	(1,609)
Landfill closure costs	<u>(93,430)</u>	<u>-</u>	<u>(93,430)</u>
Total non-operating revenues (expenses)	<u>\$ 30,125</u>	<u>\$ 23,975</u>	<u>\$ 54,100</u>
Net change in net assets	204,469	(20,248)	184,221
Net assets at beginning of year	<u>\$ 1,600,518</u>	<u>\$ 4,721</u>	<u>\$ 1,605,239</u>
Net assets at end of year	<u>\$ 1,804,987</u>	<u>\$ (15,527)</u>	<u>\$ 1,789,460</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**  
**Year Ended June 30, 2006**

**Exhibit 3**

	<u>Business-type Activities</u>		
	<u>Landfill</u>	<u>Recycling</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Operating Activities:			
Cash flows from operating activities:			
Receipts from customers/jurisdictions	\$ 1,203,171	\$ 159,083	\$ 1,362,254
Payments to suppliers	(596,167)	(58,206)	(654,373)
Payments to and for employees	(255,369)	(144,854)	(400,223)
	<u>351,635</u>	<u>(43,977)</u>	<u>307,658</u>
Net cash provided by (used in) operating activities	\$	\$	\$
Cash flows from non-capital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 23,975	\$ 23,975
	<u>-</u>	<u>23,975</u>	<u>23,975</u>
Net cash provided by non-capital financing activities	\$	\$	\$
Cash flows from capital and related financing activities:			
Additions to fixed assets	\$ (152,387)	\$ -	\$ (152,387)
Retirement of indebtedness	(75,644)	-	(75,644)
General fund - contribution Maury Service Authority debt	-	565,619	565,619
Contribution - Maury Service Authority	-	(565,619)	(565,619)
Interest paid on debt	(1,609)	-	(1,609)
	<u>(229,640)</u>	<u>-</u>	<u>(229,640)</u>
Net cash provided by (used in) capital and related financing activities	\$	\$	\$
Cash flows from investing activities:			
Interest income	\$ 119,120	\$ -	\$ 119,120
	<u>119,120</u>	<u>-</u>	<u>119,120</u>
Increase (decrease) in cash and cash equivalents	\$ 241,115	\$ (20,002)	\$ 221,113
Cash and cash equivalents at beginning of year	3,216,076	-	3,216,076
	<u>3,457,191</u>	<u>(20,002)</u>	<u>3,437,189</u>
Cash and cash equivalents at end of year	\$	\$	\$
Reconciliation of operating income to net cash provided by (used) by operating activities:			
Operating income (loss)	\$ 174,344	\$ (44,223)	\$ 130,121
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	78,483	1,048	79,531
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	17,751	(1,184)	16,567
Increase (decrease) in accounts payable	91,073	252	91,325
Increase (decrease) in accrued leave payable	(4,618)	130	(4,488)
Increase (decrease) in due to fund	(5,398)	-	(5,398)
	<u>351,635</u>	<u>(43,977)</u>	<u>307,658</u>
Net cash provided by (used in) operating activities	\$	\$	\$

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  
As of June 30, 2006**

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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 is 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. 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 government=s elected supervisors. The rates for user charges and the authorizations to incur indebtedness are approved by the Board of Supervisors of Rockbridge County. The Authority is reported as an enterprise activity.

Basic Financial Statements – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis-For State and Local Governments*. The Authority has elected to implement the provisions of the statement in the current year. 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 (management has elected not to prepare the MD&A in the current year)
- Enterprise fund financial statements
  - Statement of Net Assets
  - Statement of Revenues, Expenses and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements

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.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. 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 activity 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)  
As of June 30, 2006**

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

A. Basis of Accounting (continued)

The Authority follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements. 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.

B. Accounts Receivable - Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts is 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 estimated fair market 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, 2006 was \$79,531.

D. Cash and Cash Equivalents - The Authority's cash and cash equivalents consist of demand deposits and amounts held in the Local Government Investment Pool (LGIP).

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. No interest was capitalized for the year ended June 30, 2006. Other interest costs of the Authority are treated as nonoperating expenses.

F. Budgets and Budgetary Accounting - A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting wholesale rates. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

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)  
As of June 30, 2006**

**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. Investments – Investments, consisting of the Local Government Investment Pool, are stated at fair value.
- J. Net Assets – Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**NOTE 3—DEPOSITS AND INVESTMENTS:**

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia (a multiple financial institution collateral pool) or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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) and 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, 2006 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

**Authority's Rated Debt Investment's Values**

	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
Local Government Investment Pool	\$ 3,196,015	\$ -	\$ -	\$ -	\$ -
Total	\$ 3,196,015	\$ -	\$ -	\$ -	\$ -

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

**Notes to Financial Statements (Continued)  
As of June 30, 2006**

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

The fair value of the positions in the external investment pool (Local Government Investment Pool) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2006 are as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Landfill Fund:</b>				
Land	\$ 387,750	\$ 152,387	\$ -	\$ 540,137
Land improvements	51,290	-	-	51,290
Wells	90,751	-	-	90,751
Recycling Center Building	1,032,391	-	-	1,032,391
Baler	517,924	-	-	517,924
Landfill equipment	487,327	-	-	487,327
Office equipment	10,876	-	-	10,876
Total	\$ 2,578,309	\$ 152,387	\$ -	\$ 2,730,696
Less accumulated depreciation	(1,198,754)	(78,483)	-	(1,277,237)
Net property, plant and equipment	\$ 1,379,555	\$ 73,904	\$ -	\$ 1,453,459
<b>Recycling Fund:</b>				
Containers	\$ 64,753	\$ -	\$ -	\$ 64,753
Equipment	10,190	-	-	10,190
Fencing	10,480	-	-	10,480
Total	\$ 85,423	\$ -	\$ -	\$ 85,423
Less accumulated depreciation	(84,375)	(1,048)	-	(85,423)
Net property, plant and equipment	\$ 1,048	\$ (1,048)	\$ -	\$ -
<b>Grand totals</b>	<b>\$ 2,663,732</b>	<b>\$ 152,387</b>	<b>\$ -</b>	<b>\$ 2,816,119</b>
Less accumulated depreciation	(1,283,129)	(79,531)	-	(1,362,660)
Net	\$ 1,380,603	\$ 72,856	\$ -	\$ 1,453,459

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

**Notes to Financial Statements (Continued)  
As of June 30, 2006**

**NOTE 5—LONG-TERM DEBT:**

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

<u>Year Ending June 30,</u>	<u>Landfill Fund</u>	
	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 8,246	\$ 78
Total	\$ 8,246	\$ 78

Changes in Long-term Debt:

The following is a summary of long-term liability transactions of the Authority for the year ended June 30, 2006:

	<u>Note Payable</u>	<u>Capital Leases</u>	<u>Landfill Closure and Post-Closure Liability</u>	<u>Total</u>
Long-term debt July 1, 2005	\$ 25,850	\$ 35,252	\$ 2,934,128	\$ 2,995,230
Landfill closure/post-closure liability	\$ -	\$ -	\$ 70,645	\$ 70,645
Retirements:				
Notes payable	\$ 25,850	\$ -	\$ -	\$ 25,850
Capital lease	-	27,006	-	27,006
Total retirements	\$ 25,850	\$ 27,006	\$ -	\$ 52,856
Long-term debt June 30, 2006	\$ -	\$ 8,246	\$ 3,004,773	\$ 3,013,019



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

**Notes to Financial Statements (Continued)  
As of June 30, 2006**

**NOTE 5—LONG-TERM DEBT: (Continued)**

	<u>Total Amount Due</u>	<u>Due Within One Year</u>
Capital leases:		
\$126,500 Capital lease obligation for an excavator due in monthly installments of \$2,331 beginning October 12, 2001 through October 12, 2006, interest at 4.02%	8,246	8,246
Landfill closure and post-closure liability	\$ 3,004,773	\$ -
Accrued leave obligation	\$ 9,193	\$ 734
Total indebtedness	<u>\$ 3,022,212</u>	<u>\$ 8,980</u>

**NOTE 6—ADVANCES FROM PARTICIPATING ENTITIES:**

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

	<u>Balance July 1, 2005</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2006</u>
City of Lexington	\$ 5,303	\$ -	\$ 5,303
City of Buena Vista	5,510	-	5,510
County of Rockbridge	63,479	-	63,479
Total	<u>\$ 74,292</u>	<u>\$ -</u>	<u>\$ 74,292</u>

**NOTE 7—DEFINED BENEFIT PENSION PLAN:**

**A. Plan Description:**

The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) contributes to the Virginia Supplemental Retirement System (VRS) [County of Rockbridge (The "County Plan")], an agent multiple-employer public retirement system administered by the Virginia Retirement System (VRS) that acts as a common investment and administrative agent for political subdivisions of the Commonwealth of Virginia. All contributions, earnings, funding status and progress for the Authority's participation in the plan are included in the reporting of the County of Rockbridge, Virginia.

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

**Notes to Financial Statements (Continued)  
As of June 30, 2006**

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**NOTE 8—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

The Authority has accrued liabilities arising from outstanding claims and judgments and compensated absences. No benefits or pay is received for unused sick leave upon termination. The Authority has outstanding accrued vacation pay totaling \$9,193.

**NOTE 9—LANDFILL CLOSURE AND POSTCLOSURE 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 Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) is responsible for the management and operation of the landfill. Rockbridge County's share of tonnage has historically been approximately 60%, the City of Lexington's share has been approximately 15%, and Buena Vista approximately 25% respectively.

State and federal laws and regulations require the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) 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 postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) reports a portion of these closure and postclosure 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 2012. The \$3,004,773 reported as accrued closure and postclosure liability at June 30, 2006 represents the cumulative amount reported based on the estimated number of years remaining (six). The Authority expects to close the landfill in the year 2012. The estimated total current cost of the landfill closure and postclosure care of \$3,667,661 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, 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

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## **COMPLIANCE**



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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

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

We have audited the financial statements 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, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 8, 2006. 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 Audit of Counties, Cities, and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board Members, management and federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Verona, Virginia  
November 8, 2006

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