

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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**ROCKBRIDGE COUNTY**  
**SOLID WASTE AUTHORITY**  
**(A COMPONENT UNIT OF THE**  
**COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2007**



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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, 2007, 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia), as of June 30, 2007, 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 December 15, 2007 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 important for 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, Farmer, Cox Associates*

Verona, Virginia  
December 15, 2007

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# **FINANCIAL STATEMENTS**



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Assets**  
**At June 30, 2007**

**Exhibit 1**

	<u>Business-type Activities</u>		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 393,535	\$ -	\$ 393,535
Receivables:			
Accounts	132,003	-	132,003
Interest	7,501	-	7,501
Total current assets	<u>\$ 533,039</u>	<u>\$ -</u>	<u>\$ 533,039</u>
Noncurrent assets:			
Restricted cash and cash equivalents-landfill closure costs	\$ 1,742,772	\$ -	\$ 1,742,772
Capital assets, net of accumulated depreciation:			
Land	\$ 540,137	\$ -	\$ 540,137
Building and improvements	716,881	-	716,881
Machinery and equipment	120,099	81,757	201,856
Total capital assets	<u>\$ 1,377,117</u>	<u>\$ 81,757</u>	<u>\$ 1,458,874</u>
Total noncurrent assets	<u>\$ 3,119,889</u>	<u>\$ 81,757</u>	<u>\$ 3,201,646</u>
Total assets	<u>\$ 3,652,928</u>	<u>\$ 81,757</u>	<u>\$ 3,734,685</u>
<b>LIABILITIES</b>			
Current liabilities:			
Reconciled overdraft	\$ -	\$ 49,120	\$ 49,120
Accounts payable	103,509	19,826	123,335
Advances from participating localities	74,292	-	74,292
Due to general fund	26,160	-	26,160
Compensated absences	639	766	1,405
Total current liabilities	<u>\$ 204,600</u>	<u>\$ 69,712</u>	<u>\$ 274,312</u>
Noncurrent liabilities:			
Compensated absences	\$ 5,749	\$ 6,897	\$ 12,646
Closure and post-closure liability	1,588,101	-	1,588,101
Total noncurrent liabilities	<u>\$ 1,593,850</u>	<u>\$ 6,897</u>	<u>\$ 1,600,747</u>
Total liabilities	<u>\$ 1,798,450</u>	<u>\$ 76,609</u>	<u>\$ 1,875,059</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,377,117	\$ 81,757	\$ 1,458,874
Unrestricted (deficit)	<u>477,361</u>	<u>(76,609)</u>	<u>400,752</u>
Total net assets	<u>\$ 1,854,478</u>	<u>\$ 5,148</u>	<u>\$ 1,859,626</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  
At June 30, 2007

Exhibit 2

	<u>Business-type Activities</u>		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 744,748	\$ -	\$ 744,748
Landfill City of Lexington	319,431	-	319,431
Landfill City of Buena Vista	197,691	-	197,691
Recycling Rockbridge County	-	1,449	1,449
Recycling City of Lexington	-	18,595	18,595
Sale of recyclables	-	55,057	55,057
Waste water treatment fees	-	10,432	10,432
Total charges for services	<u>\$ 1,261,870</u>	<u>\$ 85,533</u>	<u>\$ 1,347,403</u>
Operating expenses:			
Personal services	\$ 193,698	\$ 148,389	\$ 342,087
Fringe benefits	86,924	43,201	130,125
Contractual services	651,687	19,863	671,550
Other charges	158,467	84,340	242,807
Rent	169,237	5,583	174,820
Depreciation	76,342	4,605	80,947
Total operating expenses	<u>\$ 1,336,355</u>	<u>\$ 305,981</u>	<u>\$ 1,642,336</u>
Operating income (loss)	<u>\$ (74,485)</u>	<u>\$ (220,448)</u>	<u>\$ (294,933)</u>
Non-operating revenues (expenses):			
Interest income	\$ 143,976	\$ -	\$ 143,976
Contribution - Maury Service Authority	-	(565,619)	(565,619)
Commonwealth of Virginia - litter control grant	-	19,626	19,626
Total non-operating revenues (expenses)	<u>\$ 143,976</u>	<u>\$ (545,993)</u>	<u>\$ (402,017)</u>
Income (loss) before transfers	<u>\$ 69,491</u>	<u>\$ (766,441)</u>	<u>\$ (696,950)</u>
Transfers in	<u>\$ -</u>	<u>\$ 767,116</u>	<u>\$ 767,116</u>
Net change in net assets	\$ 69,491	\$ 675	\$ 70,166
Net assets at beginning of year, as adjusted	<u>1,784,987</u>	<u>4,473</u>	<u>1,789,460</u>
Net assets at end of year	<u>\$ 1,854,478</u>	<u>\$ 5,148</u>	<u>\$ 1,859,626</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, 2007**

**Exhibit 3**

	<u>Business-type Activities</u>		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers/jurisdictions	\$ 1,229,078	\$ 101,557	\$ 1,330,635
Payments to suppliers	(975,438)	(97,205)	(1,072,643)
Payments to and for employees	(279,171)	(188,233)	(467,404)
Net cash provided (used) by operating activities	<u>\$ (25,531)</u>	<u>\$ (183,881)</u>	<u>\$ (209,412)</u>
Cash flows from non-capital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 19,626	\$ 19,626
Operating transfer from County of Rockbridge	-	201,497	201,497
Net cash provided by non-capital financing activities	<u>\$ -</u>	<u>\$ 221,123</u>	<u>\$ 221,123</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	\$ -	\$ (86,362)	\$ (86,362)
Retirement of indebtedness	(8,246)	-	(8,246)
County of Rockbridge General fund - contribution Maury Service Authority debt	-	565,619	565,619
Contribution - Maury Service Authority	-	(565,619)	(565,619)
Payment of landfill closure costs	(1,422,159)	-	(1,422,159)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,430,405)</u>	<u>\$ (86,362)</u>	<u>\$ (1,516,767)</u>
Cash flows from investing activities:			
Interest income	\$ 155,054	-	\$ 155,054
Increase (decrease) in cash and cash equivalents	\$ (1,300,882)	\$ (49,120)	\$ (1,350,002)
Cash and cash equivalents at beginning of year, as adjusted	<u>3,437,189</u>	<u>-</u>	<u>3,437,189</u>
Cash and cash equivalents at end of year	<u>\$ 2,136,307</u>	<u>\$ (49,120)</u>	<u>\$ 2,087,187</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (74,485)	\$ (220,448)	\$ (294,933)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	76,342	4,605	80,947
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(32,792)	16,024	(16,768)
Increase (decrease) in accounts payable	3,953	12,581	16,534
Increase (decrease) in accrued leave payable	1,451	3,357	4,808
Net cash provided (used) by operating activities	<u>\$ (25,531)</u>	<u>\$ (183,881)</u>	<u>\$ (209,412)</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  
As of June 30, 2007**

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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

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, 2007

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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 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 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, 2007 was \$80,947.

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, 2007. 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, 2007**

**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, 2007 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	\$ 1,742,772	\$ -	\$ -	\$ -	\$ -
Total	\$ 1,742,772	\$ -	\$ -	\$ -	\$ -

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

**Notes to Financial Statements (Continued)  
As of June 30, 2007**

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

The fair value of the positions in the external investment pool (Local Government Investment Pool) is 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, 2007 are as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Landfill Fund:</b>				
Land	\$ 540,137	\$ -	\$ -	\$ 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	<u>\$ 2,730,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,730,696</u>
Less accumulated depreciation	<u>(1,277,237)</u>	<u>(76,342)</u>	<u>-</u>	<u>(1,353,579)</u>
Net property, plant and equipment	<u>\$ 1,453,459</u>	<u>\$ (76,342)</u>	<u>\$ -</u>	<u>\$ 1,377,117</u>
<b>Recycling Fund:</b>				
Containers	\$ 64,753	\$ -	\$ -	\$ 64,753
Equipment	10,190	-	-	10,190
Improvements	-	52,470	-	52,470
Stationary Compactor	-	33,892	-	33,892
Fencing	10,480	-	-	10,480
Total	<u>\$ 85,423</u>	<u>\$ 86,362</u>	<u>\$ -</u>	<u>\$ 171,785</u>
Less accumulated depreciation	<u>(85,423)</u>	<u>(4,605)</u>	<u>-</u>	<u>(90,028)</u>
Net property, plant and equipment	<u>\$ -</u>	<u>\$ 81,757</u>	<u>\$ -</u>	<u>\$ 81,757</u>
<b>Grand totals</b>	<u>\$ 2,816,119</u>	<u>\$ 86,362</u>	<u>\$ -</u>	<u>\$ 2,902,481</u>
Less accumulated depreciation	<u>(1,362,660)</u>	<u>(80,947)</u>	<u>-</u>	<u>(1,443,607)</u>
Net	<u>\$ 1,453,459</u>	<u>\$ 5,415</u>	<u>\$ -</u>	<u>\$ 1,458,874</u>

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

**Notes to Financial Statements (Continued)  
As of June 30, 2007**

**NOTE 5—LONG-TERM DEBT:**

Changes in Long-term Debt:

The following is a summary of long-term liability transactions of the Authority for the year ended June 30, 2007:

	<u>Capital Leases</u>	<u>Landfill Closure and Post-Closure Liability</u>	<u>Total</u>
Long-term debt July 1, 2006	\$ 8,246	\$ 3,004,773	\$ 3,013,019
Landfill closure/post-closure liability	\$ -	\$ (1,416,672)	\$ (1,416,672)
Retirements:			
Capital lease	\$ 8,246	\$ -	\$ 8,246
Total retirements	\$ 8,246	\$ -	\$ 8,246
Long-term debt June 30, 2007	<u>\$ -</u>	<u>\$ 1,588,101</u>	<u>\$ 1,588,101</u>

	<u>Total Amount Due</u>	<u>Due Within One Year</u>
Landfill closure and post-closure liability	\$ 1,588,101	\$ -
Accrued leave obligation	\$ 14,051	\$ 1,405
Total indebtedness	<u>\$ 1,602,152</u>	<u>\$ 1,405</u>

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

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

	<u>Balance July 1, 2006</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2007</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>



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

**Notes to Financial Statements (Continued)  
As of June 30, 2007**

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**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.

**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 \$14,051.

**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%.

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 post-closure 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 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 2012. The \$1,588,101 reported as accrued closure and post-closure liability at June 30, 2007 represents the cumulative amount reported based on the estimated number of years remaining (five). The Authority expects to close the landfill in the year 2012. The estimated total current cost of the landfill closure and post-closure care of \$1,852,785 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, 2007. 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.

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.

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

**Notes to Financial Statements (Continued)  
As of June 30, 2007**

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**NOTE 10—BEGINNING NET ASSET/CASH ADJUSTMENTS:**

The beginning net assets and cash of the landfill and recycling funds were adjusted as follows:

	Landfill Fund	Recycling Fund
Net assets at July 1, 2006 as originally reported	\$ 1,804,987	\$ (15,527)
To correct for revenue adjustment	<u>(20,000)</u>	<u>20,000</u>
Net assets at July 1, 2006 as restated	<u>\$ 1,784,987</u>	<u>\$ 4,473</u>
Cash and cash equivalents at July 1, 2006 as originally reported	\$ 3,457,189	\$ (20,000)
To correct for revenue adjustment adjustment	<u>(20,000)</u>	<u>20,000</u>
Cash and cash equivalents at July 1, 2006 as restated	<u>\$ 3,437,189</u>	<u>\$ -</u>

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**COMPLIANCE**



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**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 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, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2007. 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.

**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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) financial statements that is more than inconsequential will not be prevented or detected by the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use 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  
December 15, 2007