

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

ROCKBRIDGE COUNTY

SOLID WASTE AUTHORITY

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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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, 2012, which 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.

As discussed in Note 1B, the financial statements present only the Rockbridge County Solid Waste Authority and do not purport to, and do not, present fairly the financial position of the County of Rockbridge, Virginia as of June 30, 2012, and the changes in its financial position, or, where applicable, 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 business-type activities of the Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia), as of June 30, 2012, and the changes in financial position and cash flows 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 30, 2012 on our consideration of the Rockbridge County Solid Waste Authority's (a Component Unit of the County of Rockbridge, Virginia) 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2012

FINANCIAL STATEMENTS

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of the County of Rockbridge, Virginia)
Statement of Net Assets
At June 30, 2012

Exhibit 1

Business-type Activities

	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 942,313	\$ -	\$ 942,313
Restricted cash and cash equivalents-SNAP VRA	295,811	-	295,811
Receivables:			
Accounts	34,690	4,193	38,883
Due from County of Rockbridge	76,001	-	76,001
Total current assets	<u>\$ 1,348,815</u>	<u>\$ 4,193</u>	<u>\$ 1,353,008</u>
Noncurrent assets:			
Restricted cash and cash equivalents-landfill closure costs	\$ 2,765,339	\$ -	\$ 2,765,339
Unamortized bond issue costs	25,754	-	25,754
Capital assets, net of accumulated depreciation:			
Land	540,137	-	540,137
Building and improvements	466,667	227,381	694,048
Machinery and equipment	35,076	5,046	40,122
Construction in progress	589,282	-	589,282
Total capital assets	<u>\$ 1,631,162</u>	<u>\$ 232,427</u>	<u>\$ 1,863,589</u>
Total noncurrent assets	<u>\$ 4,422,255</u>	<u>\$ 232,427</u>	<u>\$ 4,654,682</u>
Total assets	<u>\$ 5,771,070</u>	<u>\$ 236,620</u>	<u>\$ 6,007,690</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 103,865	\$ 4,528	\$ 108,393
Advances from participating localities	74,292	-	74,292
Total current liabilities	<u>\$ 178,157</u>	<u>\$ 4,528</u>	<u>\$ 182,685</u>
Noncurrent liabilities:			
Compensated absences	\$ 7,506	\$ 9,608	\$ 17,114
Net OPEB obligation	2,000	-	2,000
Closure and post-closure liability	1,884,296	-	1,884,296
Bond payable	776,624	-	776,624
Total noncurrent liabilities	<u>\$ 2,670,426</u>	<u>\$ 9,608</u>	<u>\$ 2,680,034</u>
Total liabilities	<u>\$ 2,848,583</u>	<u>\$ 14,136</u>	<u>\$ 2,862,719</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 854,538	\$ 232,427	\$ 1,086,965
Restricted for landfill closure	881,043	-	881,043
Unrestricted (deficit)	1,186,906	(9,943)	1,176,963
Total net assets	<u>\$ 2,922,487</u>	<u>\$ 222,484</u>	<u>\$ 3,144,971</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
For the Year Ended June 30, 2012

Exhibit 2

	<u>Business-type Activities</u>		
	Landfill Fund	Recycling Fund	Total
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 722,370	\$ -	\$ 722,370
Landfill City of Lexington	210,833	-	210,833
Landfill City of Buena Vista	130,304	-	130,304
Recycling City of Buena Vista	-	20	20
Recycling City of Lexington	-	121	121
Sale of recyclables	-	23,573	23,573
Miscellaneous	68	-	68
Total charges for services	<u>\$ 1,063,575</u>	<u>\$ 23,714</u>	<u>\$ 1,087,289</u>
Operating expenses:			
Personnel services	\$ 190,011	\$ 255,353	\$ 445,364
Fringe benefits	64,924	77,780	142,704
Contractual services	283,534	44,060	327,594
Other charges	118,114	27,899	146,013
Rent	47,866	-	47,866
Depreciation	76,399	26,480	102,879
Total operating expenses	<u>\$ 780,848</u>	<u>\$ 431,572</u>	<u>\$ 1,212,420</u>
Operating income (loss)	<u>\$ 282,727</u>	<u>\$ (407,858)</u>	<u>\$ (125,131)</u>
Non-operating revenues (expenses):			
Interest income	\$ 4,000	\$ -	\$ 4,000
Contribution - Maury Service Authority	-	(728,170)	(728,170)
Commonwealth of Virginia - litter control grant	-	18,461	18,461
Landfill closure costs	(44,163)	-	(44,163)
Total non-operating revenues (expenses)	<u>\$ (40,163)</u>	<u>\$ (709,709)</u>	<u>\$ (749,872)</u>
Income (loss) before transfers	\$ 242,564	\$ (1,117,567)	\$ (875,003)
Transfers in	<u>\$ 18,740</u>	<u>\$ 1,092,275</u>	<u>\$ 1,111,015</u>
Net change in net assets	\$ 261,304	\$ (25,292)	\$ 236,012
Net assets at beginning of year	<u>2,661,183</u>	<u>247,776</u>	<u>2,908,959</u>
Net assets at end of year	<u>\$ 2,922,487</u>	<u>\$ 222,484</u>	<u>\$ 3,144,971</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, 2012

Exhibit 3

	<u>Business-type Activities</u>		
	Landfill Fund	Recycling Fund	Total
Cash flows from operating activities:			
Receipts from customers/jurisdictions	\$ 1,052,178	\$ 24,033	\$ 1,076,211
Payments to suppliers	(375,777)	(72,081)	(447,858)
Payments to and for employees	(257,454)	(334,518)	(591,972)
Net cash provided by (used for) operating activities	<u>\$ 418,947</u>	<u>\$ (382,566)</u>	<u>\$ 36,381</u>
Cash flows from non-capital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 18,461	\$ 18,461
Operating transfer from County of Rockbridge	18,740	1,092,275	1,111,015
Net cash provided by (used for) non-capital financing activities	<u>\$ 18,740</u>	<u>\$ 1,110,736</u>	<u>\$ 1,129,476</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	\$ (627,607)	\$ -	\$ (627,607)
Proceeds from indebtedness	776,624	-	776,624
Unamortized bond issue costs	(25,754)	-	(25,754)
Contribution - Maury Service Authority	-	(728,170)	(728,170)
Net cash provided by (used for) capital and related financing activities	<u>\$ 123,263</u>	<u>\$ (728,170)</u>	<u>\$ (604,907)</u>
Cash flows from investing activities:			
Interest income	\$ 4,000	\$ -	\$ 4,000
Increase (decrease) in cash and cash equivalents	\$ 564,950	\$ -	\$ 564,950
Cash and cash equivalents (including restricted) at beginning of year	3,438,513	-	3,438,513
Cash and cash equivalents (including restricted) at end of year	<u>\$ 4,003,463</u>	<u>\$ -</u>	<u>\$ 4,003,463</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 282,727	\$ (407,858)	\$ (125,131)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation	76,399	26,480	102,879
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(4,886)	319	(4,567)
Increase (decrease) in accounts payable	73,737	(122)	73,615
Increase (decrease) in compensated absences	(2,519)	(1,385)	(3,904)
Increase (decrease) in due to other funds	(6,511)	-	(6,511)
Net cash provided by (used for) operating activities	<u>\$ 418,947</u>	<u>\$ (382,566)</u>	<u>\$ 36,381</u>
Schedule of non-cash capital and related financing activities:			
Landfill closure costs	\$ 44,163	\$ -	\$ 44,163

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, 2012**

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 an 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, 2012

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Basis of Accounting (continued)

The Authority follows all applicable 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.

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 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, 2012 was \$102,879.

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 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. No interest was capitalized for the year ended June 30, 2012. Other interest costs of the Authority are treated as nonoperating expenses.

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Budgets and Budgetary Accounting (continued)

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.

- 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. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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).

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

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, 2012 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	\$ 2,540,479	\$ -	\$ -	\$ -	\$ -
SNAP External Investment Pool	295,811	-	-	-	-
Total	<u>\$ 2,836,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) 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. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 4—CAPITAL ASSETS:

Details of changes in capital assets for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Landfill Fund:				
Capital Assets not being depreciated:				
Land	\$ 540,137	\$ -	\$ -	\$ 540,137
Construction in progress	-	589,282	-	589,282
Total capital assets not being depreciated	\$ 540,137	\$ 589,282	\$ -	\$ 1,129,419
Capital Assets being depreciated:				
Land improvements	51,291	-	-	51,291
Wells	90,751	-	-	90,751
Recycling Center Building	1,032,391	-	-	1,032,391
Bailer	517,924	-	-	517,924
Landfill equipment	487,326	38,325	-	525,651
Office equipment	17,152	-	-	17,152
Total capital assets being depreciated	\$ 2,196,835	\$ 38,325	\$ -	\$ 2,235,160
Less accumulated depreciation:				
Land improvements	\$ (48,900)	\$ (1,195)	\$ -	\$ (50,095)
Wells	(68,708)	(3,941)	-	(72,649)
Recycling Center Building	(553,791)	(34,413)	-	(588,204)
Bailer	(517,924)	-	-	(517,924)
Landfill equipment	(455,564)	(35,595)	-	(491,159)
Office equipment	(12,131)	(1,255)	-	(13,386)
Total accumulated depreciation	\$ (1,657,018)	\$ (76,399)	\$ -	\$ (1,733,417)
Net capital assets being depreciated	\$ 539,817	\$ (38,074)	\$ -	\$ 501,743
Total capital assets, net of accumulated depreciation	\$ 1,079,954	\$ 551,208	\$ -	\$ 1,631,162
Recycling Fund:				
Capital Assets being depreciated:				
Convenience center	\$ 218,500	\$ -	\$ -	\$ 218,500
Containers	71,060	-	-	71,060
Equipment	10,190	-	-	10,190
Improvements	52,470	-	-	52,470
Stationary compactor	60,356	-	-	60,356
Fencing	10,480	-	-	10,480
Total capital assets	\$ 423,056	\$ -	\$ -	\$ 423,056
Less accumulated depreciation:				
Convenience center	(38,258)	(14,566)	-	(52,824)
Containers	(65,383)	(631)	-	(66,014)
Equipment	(10,190)	-	-	(10,190)
Improvements	(20,988)	(5,248)	-	(26,236)
Stationary compactor	(18,850)	(6,035)	-	(24,885)
Fencing	(10,480)	-	-	(10,480)
Total accumulated depreciation	\$ (164,149)	\$ (26,480)	\$ -	\$ (190,629)
Net capital assets	\$ 258,907	\$ (26,480)	\$ -	\$ 232,427

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 5—LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of long-term liability transactions of the Authority for the year ended June 30, 2012:

	Compensated Absences	Net OPEB Obligation	Landfill Closure and Post-Closure Liability	Bond Payable	Total
Long-term obligations July 1, 2011	\$ 21,018	\$ 2,000	\$ 1,840,133	\$ -	\$ 1,863,151
Additions:					
Landfill closure/post-closure liability	\$ -	\$ -	\$ 44,163	\$ -	\$ 44,163
Revenue bond	-	-	-	655,000	655,000
Premium on bond issue	-	-	-	121,624	121,624
Total additions	\$ -	\$ -	\$ 44,163	\$ 776,624	\$ 820,787
Deletions:					
Compensated absences	\$ 3,904	\$ -	\$ -	\$ -	\$ 3,904
Total deletions	\$ 3,904	\$ -	\$ -	\$ -	\$ 3,904
Long-term obligations June 30, 2012	\$ 17,114	\$ 2,000	\$ 1,884,296	\$ 776,624	\$ 2,680,034

	Total Amount Due	Due Within One Year
Landfill closure and post-closure liability	\$ 1,884,296	\$ -
Net OPEB obligation	2,000	-
Compensated absences	17,114	-
Bond payable	655,000	-
Premium on bond issue	121,624	6,081
Total long-term obligations	\$ 2,558,410	\$ 6,081

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Bond Payable	
	Principal	Interest
2013	\$ -	\$ 28,107
2014	20,000	31,456
2015	20,000	30,631
2016	20,000	29,656
2017	25,000	28,653
2018	25,000	27,522
2019	25,000	26,316
2020	25,000	25,109
2021	30,000	23,700
2022	30,000	22,238
2023	30,000	20,800
2024	30,000	19,288
2025	35,000	17,622
2026	35,000	15,828
2027	35,000	14,134
2028	40,000	12,462
2029	40,000	10,763
2030	45,000	8,584
2031	45,000	6,278
2032	50,000	3,844
2033	50,000	1,281
Totals	\$ <u>655,000</u>	\$ <u>404,272</u>

NOTE 6—ADVANCES FROM PARTICIPATING ENTITIES:

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

	Balance July 1, 2011	Increase (Decrease)	Balance June 30, 2012
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, 2012**

NOTE 7—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. Transfers received from the County of Rockbridge for the year ended June 30, 2012 amounted to \$1,111,015.

NOTE 8—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 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 9—OTHER POST-EMPLOYMENT BENEFITS:

Beginning in fiscal year 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment 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 \$2,000 at June 30, 2012.

NOTE 10—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 \$17,114.

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

**Notes to Financial Statements (Continued)
As of June 30, 2012**

NOTE 11—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 \$1,884,296 reported as accrued closure and post-closure liability at June 30, 2012 represents the cumulative amount reported based on the estimated number of years remaining. The Authority expects to close the landfill in the year 2013. The estimated total current cost of the landfill closure and post-closure care of \$1,884,296 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, 2012. 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.

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COMPLIANCE

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

We have audited the 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, 2012, which comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2012. 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:

Management of the Authority is responsible for establishing and maintaining effective 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 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 (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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements of Rockbridge County Solid Waste Authority (a Component Unit of the County of Rockbridge, Virginia) will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 and management and it is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2012