

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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**ROCKBRIDGE COUNTY**

**SOLID WASTE AUTHORITY**

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

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2013**



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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**

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

We have audited the accompanying financial statements of the business-type activities of the Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2013, the Rockbridge Solid Waste Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of pension funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted 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 this missing information.

#### ***Other Reporting Require by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, on our consideration of the Rockbridge Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockbridge Solid Waste Authority's internal control over financial reporting and compliance.

*Robina, Farmer, Cox Associates*

Staunton, Virginia  
November 29, 2013

# **FINANCIAL STATEMENTS**



**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Position**  
**At June 30, 2013**

**Exhibit 1**

	<b>Business-type Activities</b>		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 966,341	\$ -	\$ 966,341
Receivables:			
Accounts	52,936	-	52,936
Due from County of Rockbridge	62,896	-	62,896
Total current assets	<u>\$ 1,082,173</u>	<u>\$ -</u>	<u>\$ 1,082,173</u>
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 2,918,578	\$ -	\$ 2,918,578
Capital assets, net of accumulated depreciation:			
Land	540,137	-	540,137
Building and improvements	1,232,030	201,531	1,433,561
Machinery and equipment	372,498	4,416	376,914
Construction in progress	140,992	-	140,992
Total capital assets	<u>\$ 2,285,657</u>	<u>\$ 205,947</u>	<u>\$ 2,491,604</u>
Total noncurrent assets	<u>\$ 5,204,235</u>	<u>\$ 205,947</u>	<u>\$ 5,410,182</u>
Total assets	<u>\$ 6,286,408</u>	<u>\$ 205,947</u>	<u>\$ 6,492,355</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 49,783	\$ 4,193	\$ 53,976
Bond payable, current portion	20,000	-	20,000
Capital lease payable, current portion	75,912	-	75,912
Unamortized premium on bond issue-current portion	6,081	-	6,081
Compensated absences-current portion	10,144	6,575	16,719
Total current liabilities	<u>\$ 161,920</u>	<u>\$ 10,768</u>	<u>\$ 172,688</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 6,763	\$ 4,383	\$ 11,146
Advances from participating localities	74,292	-	74,292
Net OPEB obligation	2,000	-	2,000
Closure and post-closure liability	1,916,329	-	1,916,329
Bonds payable - net of current portion	635,000	-	635,000
Unamortized premium on bond issue - net of current portion	115,543	-	115,543
Capital lease payable - net of current portion	241,493	-	241,493
Total noncurrent liabilities	<u>\$ 2,991,420</u>	<u>\$ 4,383</u>	<u>\$ 2,995,803</u>
Total liabilities	<u>\$ 3,153,340</u>	<u>\$ 15,151</u>	<u>\$ 3,168,491</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,191,628	\$ 205,947	\$ 1,397,575
Restricted for landfill closure	1,002,249	-	1,002,249
Unrestricted (deficit)	939,191	(15,151)	924,040
Total net position	<u>\$ 3,133,068</u>	<u>\$ 190,796</u>	<u>\$ 3,323,864</u>

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

**ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2013**

**Exhibit 2**

**Business-type Activities**

	<u>Landfill</u> Fund	<u>Recycling</u> Fund	<u>Total</u>
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 713,282	\$ -	\$ 713,282
Landfill City of Lexington	212,132	-	212,132
Landfill City of Buena Vista	109,554	-	109,554
Sale of recyclables	-	3,671	3,671
Miscellaneous	144	-	144
Total charges for services	<u>\$ 1,035,112</u>	<u>\$ 3,671</u>	<u>\$ 1,038,783</u>
Operating expenses:			
Personnel services	\$ 264,061	\$ 260,535	\$ 524,596
Fringe benefits	76,160	80,348	156,508
Contractual services	261,289	45,037	306,326
Other charges	134,522	25,993	160,515
Rent	43,319	-	43,319
Depreciation	113,013	26,480	139,493
Total operating expenses	<u>\$ 892,364</u>	<u>\$ 438,393</u>	<u>\$ 1,330,757</u>
Operating income (loss)	<u>\$ 142,748</u>	<u>\$ (434,722)</u>	<u>\$ (291,974)</u>
Non-operating revenues (expenses):			
Interest income	\$ 4,676	\$ -	\$ 4,676
Contribution - Maury Service Authority	-	(718,105)	(718,105)
Commonwealth of Virginia - litter control grant	-	26,161	26,161
Interest expense	(36,400)	-	(36,400)
Landfill closure costs	(32,033)	-	(32,033)
Total non-operating revenues (expenses)	<u>\$ (63,757)</u>	<u>\$ (691,944)</u>	<u>\$ (755,701)</u>
Income (loss) before transfers	\$ 78,991	\$ (1,126,666)	\$ (1,047,675)
Transfers in	<u>\$ 139,993</u>	<u>\$ 1,094,979</u>	<u>\$ 1,234,972</u>
Net change in net position	\$ 218,984	\$ (31,687)	\$ 187,297
Net position at beginning of year, as restated	<u>2,914,084</u>	<u>222,483</u>	<u>3,136,567</u>
Net position at end of year	<u>\$ 3,133,068</u>	<u>\$ 190,796</u>	<u>\$ 3,323,864</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, 2013**

**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	\$ 1,016,866	\$ 7,864	\$ 1,024,730
Payments to suppliers	(493,211)	(71,366)	(564,577)
Payments to and for employees	(330,820)	(339,533)	(670,353)
Net cash provided by (used for) operating activities	<u>\$ 192,835</u>	<u>\$ (403,035)</u>	<u>\$ (210,200)</u>
Cash flows from non-capital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 26,161	\$ 26,161
Operating transfer from County of Rockbridge	153,098	1,094,979	1,248,077
Net cash provided by (used for) non-capital financing activities	<u>\$ 153,098</u>	<u>\$ 1,121,140</u>	<u>\$ 1,274,238</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	\$ (710,217)	\$ -	\$ (710,217)
Proceeds from indebtedness	309,436	-	309,436
Principal paid on capital debt	(31,972)	-	(31,972)
Interest paid on capital debt	(36,400)	-	(36,400)
Contribution - Maury Service Authority	-	(718,105)	(718,105)
Net cash provided by (used for) capital and related financing activities	<u>\$ (469,153)</u>	<u>\$ (718,105)</u>	<u>\$ (1,187,258)</u>
Cash flows from investing activities:			
Interest income	\$ 4,676	\$ -	\$ 4,676
Increase (decrease) in cash and cash equivalents	\$ (118,544)	\$ -	\$ (118,544)
Cash and cash equivalents (including restricted), beginning of year	4,003,463	-	4,003,463
Cash and cash equivalents (including restricted), end of year	<u>\$ 3,884,919</u>	<u>\$ -</u>	<u>\$ 3,884,919</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 142,748	\$ (434,722)	\$ (291,974)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation	113,013	26,480	139,493
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(18,246)	4,193	(14,053)
Increase (decrease) in accounts payable	(54,081)	(336)	(54,417)
Increase (decrease) in compensated absences	9,401	1,350	10,751
Net cash provided by (used for) operating activities	<u>\$ 192,835</u>	<u>\$ (403,035)</u>	<u>\$ (210,200)</u>
Schedule of non-cash capital and related financing activities:			
Landfill closure costs	<u>\$ 32,033</u>	<u>\$ -</u>	<u>\$ 32,033</u>

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

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

**Notes to Financial Statements**  
**June 30, 2013**

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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 an operating regional garbage and refuse disposal. The Authority owns the only permitted landfill site within the County of Rockbridge. The County of Rockbridge 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.
- C. Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:
- Management's discussion and analysis (management has elected not to prepare the MD&A in the current year)
  - Enterprise fund financial statements
    - Statement of Net Position
    - Statement of Revenues, Expenses and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements
- D. Business-type Activities account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Business-type activities consist of Enterprise Funds.
- E. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the 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)  
June 30, 2013

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

A. Basis of Accounting (continued)

The Authority follows all applicable FASB pronouncements issued before November 29, 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, 2013 was \$139,493.

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, 2013. 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)  
June 30, 2013

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

- F. Budgets and Budgetary Accounting - The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant and amortization.
- G. Inventory - Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventories are not significant.
- H. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- I. Restricted Assets - The Authority maintains restricted assets invested in the Local Government Investment Pool. These funds are restricted for the payment of future closure and post-closure costs associated with the landfill.
- J. Investments - Investments, consisting of the Local Government Investment Pool, are stated at fair value.
- K. Net Position - Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- L. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2013.

- M. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board - The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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

Notes to Financial Statements (Continued)  
June 30, 2013

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

- N. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board - The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was changed as a result of implementing this Statement and restatement of prior balances was required to write off bond issue costs in the amount of \$25,753.
- O. Net Position Flow Assumption - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.
- P. Fund Equity - The Authority reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:
- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
  - Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
  - Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
  - Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
  - Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Authority through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

Notes to Financial Statements (Continued)  
June 30, 2013

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

Q. 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.

R. 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).

**NOTE 3—DEPOSITS AND INVESTMENTS:**

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, 2013 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<b>Authority's Rated Debt Investment's Values</b>	
	<b>Fair Quality Ratings</b>
	<b>AAA</b>
Local Government Investment Pool	\$ 2,918,578
Total	\$ 2,918,578

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.



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

Notes to Financial Statements (Continued)  
June 30, 2013

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Landfill Fund:</b>				
Capital Assets not being depreciated:				
Land	\$ 540,137	\$ -	\$ -	\$ 540,137
Construction in progress	589,282	384,376	(832,666)	140,992
Total capital assets not being depreciated	\$ 1,129,419	\$ 384,376	\$ (832,666)	\$ 681,129
Capital Assets being depreciated:				
Buildings and improvements	1,174,433	832,666	-	2,007,099
Machinery and equipment	1,127,567	325,841	-	1,453,408
Total capital assets being depreciated	\$ 2,302,000	\$ 1,158,507	\$ -	\$ 3,460,507
Accumulated depreciation:				
Buildings and improvements	\$ (707,765)	\$ (67,304)	\$ -	\$ (775,069)
Machinery and equipment	(1,035,201)	(45,709)	-	(1,080,910)
Total accumulated depreciation	\$ (1,742,966)	\$ (113,013)	\$ -	\$ (1,855,979)
Net capital assets being depreciated	\$ 559,034	\$ 1,045,494	\$ -	\$ 1,604,528
Total capital assets, net of accumulated depreciation	\$ 1,688,453	\$ 1,429,870	\$ (832,666)	\$ 2,285,657
<b>Recycling Fund:</b>				
Capital Assets being depreciated:				
Buildings and improvements	\$ 408,748	\$ -	\$ -	\$ 408,748
Machinery and equipment	14,309	-	-	14,309
Total capital assets	\$ 423,057	\$ -	\$ -	\$ 423,057
Accumulated depreciation:				
Buildings and improvements	(181,368)	(25,849)	-	(207,217)
Machinery and equipment	(9,262)	(631)	-	(9,893)
Total accumulated depreciation	\$ (190,630)	\$ (26,480)	\$ -	\$ (217,110)
Net capital assets being depreciated	\$ 232,427	\$ (26,480)	\$ -	\$ 205,947

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

**Notes to Financial Statements (Continued)  
June 30, 2013**

**NOTE 5—LONG-TERM OBLIGATIONS:**

Changes in long-term obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2013:

	Compensated Absences	Net OPEB Obligation	Landfill Closure and Post-Closure Liability	Bond Payable	Premium on Bond Issue	Capital Lease Payable	Total
Long-term obligations July 1, 2012	\$ 17,114	\$ 2,000	\$ 1,884,296	\$ 655,000	\$ 121,624	\$ 39,940	\$ 2,719,974
Additions:							
Landfill closure/post post-closure liability	\$ -	\$ -	\$ 32,033	-	-	-	\$ 32,033
Compensated absences	10,751	-	-	-	-	-	10,751
Capital Lease	-	-	-	-	-	309,437	309,437
Total additions	\$ 10,751	\$ -	\$ 32,033	\$ -	\$ -	\$ 309,437	\$ 352,221
Deletions:							
Principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,972	\$ 31,972
Total deletions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,972	\$ 31,972
Long-term obligations June 30, 2013	\$ 27,865	\$ 2,000	\$ 1,916,329	\$ 655,000	\$ 121,624	\$ 317,405	\$ 3,040,223

Year Ending June 30,	Business-type Activities			
	Capital Leases		General Obligation Bond	
	Principal	Interest	Principal	Interest
2014	\$ 75,813	\$ 9,080	20,000	\$ 31,456
2015	60,199	6,853	20,000	30,631
2016	62,154	4,898	20,000	29,656
2017	64,172	2,880	25,000	28,653
2018	55,067	811	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	\$ 317,405	\$ 24,522	655,000	\$ 376,165

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

**Notes to Financial Statements (Continued)  
June 30, 2013**

**NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Revenue bond:</u></b>		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% of \$2,331 beginning October 1, 2012 through April 1, 2033.	\$ 655,000	\$ 20,000
<b><u>Capital leases:</u></b>		
\$66,840 issued April 24, 2011 for an excavator, due in monthly payments of \$1,982 through March 27, 2014, interest at 4.55%.	\$ 17,606	\$ 17,606
\$309,436 issued April 13, 2013 for an track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.55%.	299,799	58,306
Total capital leases	\$ 317,405	\$ 75,912
Unamortized bond premium	\$ 121,624	\$ 6,081
Compensated Absences	\$ 27,865	\$ 16,719
Net OPEB obligation	\$ 2,000	\$ -
Landfill closure and post-closure liability	\$ 1,916,329	\$ -
Total	<u>\$ 3,040,223</u>	<u>\$ 118,712</u>

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

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

	<u>Balance July 1, 2012</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2013</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)  
June 30, 2013**

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**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, 2013 amounted to \$1,234,972.

**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), 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 POSTEMPLOYMENT BENEFITS:**

Beginning in fiscal year 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the Authority's retiree health benefit subsidy. Historically, the Authority's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits. The Authority is included in the County of Rockbridge's reporting of contributions, funding status and progress for its OPEB Plan. The Authority has recorded an OPEB liability of \$2,000 at June 30, 2013.

**NOTE 10—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

The Authority has accrued liabilities arising from outstanding claims, judgments, and compensated absences. No benefits or pay is received for unused sick leave upon termination. The Authority has outstanding accrued vacation pay totaling \$27,865.

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

**Notes to Financial Statements (Continued)  
June 30, 2013**

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**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 \$1,916,329 reported as accrued closure and post-closure liability at June 30, 2013 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 \$1,916,329 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, 2013. 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.

**NOTE 12—RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS:**

Beginning net position has been restated to reclassify excavator lease to Landfill fund from General fund for fiscal year 2012 and to write off bond issue costs in accordance with GASB Statement No. 65. The adjustments to beginning net position are as follows:

	<u>Net Position</u>
Net position as previously stated, July 1, 2012	\$ 2,922,487
Adjustments:	
Reclassify excavator	17,350
Write-off bond issue costs in accordance with GASB Statement No. 65	<u>(25,753)</u>
Net position as restated, July 1, 2012	<u>\$ 2,914,084</u>

# 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 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, 2013, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2013. 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 Rockbridge County Solid Waste 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 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 Rockbridge County Solid Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance

Our consideration of internal control 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 29, 2013