

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



ROCKBRIDGE COUNTY
SOLID WASTE AUTHORITY

ROCKBRIDGE COUNTY

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia), as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Rockbridge County Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rockbridge County Solid Waste Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 15, 2014

FINANCIAL STATEMENTS

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of the County of Rockbridge, Virginia)
Statement of Net Position
June 30, 2014

Exhibit 1

	Business-type Activities		
	Landfill Fund	Recycling Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 666,197	\$ -	\$ 666,197
Accounts receivable	50,243	904	51,147
Due from County of Rockbridge	60,504	-	60,504
Total current assets	<u>\$ 776,944</u>	<u>\$ 904</u>	<u>\$ 777,848</u>
Noncurrent assets:			
Restricted cash and cash equivalents	\$ 2,999,188	\$ -	\$ 2,999,188
Capital assets, net of accumulated depreciation:			
Land	540,137	-	540,137
Building and improvements	1,182,739	175,681	1,358,420
Machinery and equipment	677,573	3,785	681,358
Construction in progress	466,608	-	466,608
Total capital assets	<u>\$ 2,867,057</u>	<u>\$ 179,466</u>	<u>\$ 3,046,523</u>
Total noncurrent assets	<u>\$ 5,866,245</u>	<u>\$ 179,466</u>	<u>\$ 6,045,711</u>
Total assets	<u>\$ 6,643,189</u>	<u>\$ 180,370</u>	<u>\$ 6,823,559</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 71,149	\$ 4,903	\$ 76,052
Advances from participating localities	74,292	-	74,292
Accrued interest payable	5,182	-	5,182
Bond payable, current portion	20,000	-	20,000
Capital lease payable, current portion	133,949	-	133,949
Unamortized premium on bond issue-current portion	6,081	-	6,081
Compensated absences-current portion	5,190	2,796	7,986
Total current liabilities	<u>\$ 315,843</u>	<u>\$ 7,699</u>	<u>\$ 323,542</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 15,570	\$ 8,388	\$ 23,958
Net OPEB obligation	2,000	-	2,000
Closure and post-closure liability	1,943,158	-	1,943,158
Bonds payable - net of current portion	615,000	-	615,000
Unamortized premium on bond issue - net of current portion	109,462	-	109,462
Capital lease payable - net of current portion	449,111	-	449,111
Total noncurrent liabilities	<u>\$ 3,134,301</u>	<u>\$ 8,388</u>	<u>\$ 3,142,689</u>
Total liabilities	<u>\$ 3,450,144</u>	<u>\$ 16,087</u>	<u>\$ 3,466,231</u>
NET POSITION			
Net investment in capital assets	\$ 1,533,454	\$ 179,466	\$ 1,712,920
Restricted for landfill closure	1,002,249	-	1,002,249
Unrestricted (deficit)	657,342	(15,183)	642,159
Total net position	<u>\$ 3,193,045</u>	<u>\$ 164,283</u>	<u>\$ 3,357,328</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, 2014

Exhibit 2

	Business-type Activities		
	Landfill Fund	Recycling Fund	Total
Operating revenues:			
Charges for services:			
Landfill Rockbridge County	\$ 614,839	\$ -	\$ 614,839
Landfill City of Lexington	187,653	-	187,653
Landfill City of Buena Vista	133,751	-	133,751
Sale of recyclables	-	4,688	4,688
Miscellaneous	375	-	375
Total charges for services	<u>\$ 936,618</u>	<u>\$ 4,688</u>	<u>\$ 941,306</u>
Operating expenses:			
Personnel services	\$ 268,553	\$ 271,524	\$ 540,077
Fringe benefits	111,942	86,055	197,997
Contractual services	440,538	51,273	491,811
Other charges	150,879	26,556	177,435
Rent	15,092	-	15,092
Depreciation	151,794	26,480	178,274
Total operating expenses	<u>\$ 1,138,798</u>	<u>\$ 461,888</u>	<u>\$ 1,600,686</u>
Operating income (loss)	<u>\$ (202,180)</u>	<u>\$ (457,200)</u>	<u>\$ (659,380)</u>
Nonoperating revenues (expenses):			
Interest income	\$ 3,018	\$ -	\$ 3,018
Commonwealth of Virginia - litter control grant	-	23,076	23,076
Interest expense	(42,351)	-	(42,351)
Landfill closure costs	(26,829)	-	(26,829)
Total non-operating revenues (expenses)	<u>\$ (66,162)</u>	<u>\$ 23,076</u>	<u>\$ (43,086)</u>
Income (loss) before transfers	<u>\$ (268,342)</u>	<u>\$ (434,124)</u>	<u>\$ (702,466)</u>
Transfers in	<u>\$ 328,319</u>	<u>\$ 407,611</u>	<u>\$ 735,930</u>
Net change in net position	\$ 59,977	\$ (26,513)	\$ 33,464
Total net position - beginning	3,133,068	190,796	3,323,864
Total net position - ending	<u><u>\$ 3,193,045</u></u>	<u><u>\$ 164,283</u></u>	<u><u>\$ 3,357,328</u></u>

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

ROCKBRIDGE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of the County of Rockbridge, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2014

Exhibit 3

	Business-type Activities		
	<u>Landfill Fund</u>	<u>Recycling Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers/jurisdictions	\$ 941,703	\$ 3,784	\$ 945,487
Payments to suppliers	(585,143)	(77,118)	(662,261)
Payments to and for employees	(376,642)	(357,353)	(733,995)
Net cash provided by (used for) operating activities	<u>\$ (20,082)</u>	<u>\$ (430,687)</u>	<u>\$ (450,769)</u>
Cash flows from non-capital financing activities:			
Commonwealth of Virginia-litter control grant	\$ -	\$ 23,076	\$ 23,076
Operating transfer from County of Rockbridge	328,319	407,611	735,930
Net cash provided by (used for) non-capital financing activities	<u>\$ 328,319</u>	<u>\$ 430,687</u>	<u>\$ 759,006</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	\$ (733,193)	\$ -	\$ (733,193)
Proceeds from indebtedness	381,677	-	381,677
Principal paid on capital debt	(136,022)	-	(136,022)
Interest paid on capital debt	(43,251)	-	(43,251)
Net cash provided by (used for) capital and related financing activities	<u>\$ (530,789)</u>	<u>\$ -</u>	<u>\$ (530,789)</u>
Cash flows from investing activities:			
Interest income	\$ 3,018	\$ -	\$ 3,018
Increase (decrease) in cash and cash equivalents	\$ (219,534)	\$ -	\$ (219,534)
Cash and cash equivalents (including restricted), beginning of year	3,884,919	-	3,884,919
Cash and cash equivalents (including restricted), end of year	<u>\$ 3,665,385</u>	<u>\$ -</u>	<u>\$ 3,665,385</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (202,180)	\$ (457,200)	\$ (659,380)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	151,794	26,480	178,274
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	2,693	(904)	1,789
(Increase) decrease in due from other funds	2,392	-	2,392
Increase (decrease) in accounts payable	21,366	711	22,077
Increase (decrease) in compensated absences	3,853	226	4,079
Net cash provided by (used for) operating activities	<u>\$ (20,082)</u>	<u>\$ (430,687)</u>	<u>\$ (450,769)</u>
Schedule of non-cash capital and related financing activities:			
Landfill closure costs	<u>\$ 26,829</u>	<u>\$ -</u>	<u>\$ 26,829</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, 2014**

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 Rockbridge County Solid Waste Authority (the 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 Authority 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, 2014**

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Basis of Accounting (continued)

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

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

- B. Accounts Receivable - Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.
- C. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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, 2014 was \$178,274.

- D. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amount of cash and investments with original maturities of 90 days or less. The authority considers all bank accounts to be cash and cash equivalents.
- E. Interest on Indebtedness - Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. No interest was capitalized for the year ended June 30, 2014. 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, 2014**

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 reported 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, 2014.

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, 2014.

- M. 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.

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

**Notes to Financial Statements (Continued)
June 30, 2014**

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The Authority's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Authority's Rated Debt Investment's Values</u>	
	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>2,999,188</u>
Total	\$ <u>2,999,188</u>

External Investment Pool

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, 2014**

NOTE 4—CAPITAL ASSETS:

Details of changes in capital assets for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Landfill Fund:				
Capital Assets not being depreciated:				
Land	\$ 540,137	\$ -	\$ -	\$ 540,137
Construction in progress	140,992	325,616	-	466,608
Total capital assets not being depreciated	\$ 681,129	\$ 325,616	\$ -	\$ 1,006,745
Capital Assets being depreciated:				
Buildings and improvements	2,007,099	14,900	-	2,021,999
Machinery and equipment	1,453,408	392,677	(517,924)	1,328,161
Total capital assets being depreciated	\$ 3,460,507	\$ 407,577	\$ (517,924)	\$ 3,350,160
Accumulated depreciation:				
Buildings and improvements	\$ (775,068)	\$ (64,192)	\$ -	\$ (839,260)
Machinery and equipment	(1,080,910)	(87,602)	(517,924)	(1,685,436)
Total accumulated depreciation	\$ (1,855,978)	\$ (151,794)	\$ (517,924)	\$ (2,525,696)
Net capital assets being depreciated	\$ 1,604,529	\$ 255,783	\$ -	\$ 1,860,312
Total capital assets, net of accumulated depreciation	\$ 2,285,658	\$ 581,399	\$ -	\$ 2,867,057
Recycling Fund:				
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	(207,218)	(25,849)	-	(233,067)
Machinery and equipment	(9,893)	(631)	-	(10,524)
Total accumulated depreciation	\$ (217,111)	\$ (26,480)	\$ -	\$ (243,591)
Net capital assets being depreciated	\$ 205,946	\$ (26,480)	\$ -	\$ 179,466

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

**Notes to Financial Statements (Continued)
June 30, 2014**

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, 2014:

	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, 2013	\$ 27,865	\$ 2,000	\$ 1,916,329	\$ 655,000	\$ 121,624	\$ 317,405	\$ 3,040,223
Additions:							
Landfill closure/post post-closure liability	\$ -	\$ -	\$ 26,829	\$ -	\$ -	\$ -	\$ 26,829
Compensated absences	4,079	-	-	-	-	-	4,079
Capital Lease	-	-	-	-	-	381,677	381,677
Total additions	\$ 4,079	\$ -	\$ 26,829	\$ -	\$ -	\$ 381,677	\$ 412,585
Deletions:							
Principal payments	\$ -	\$ -	\$ -	\$ 20,000	\$ 6,081	\$ 116,022	\$ 142,103
Total deletions	\$ -	\$ -	\$ -	\$ 20,000	\$ 6,081	\$ 116,022	\$ 142,103
Long-term obligations June 30, 2014	\$ 31,944	\$ 2,000	\$ 1,943,158	\$ 635,000	\$ 115,543	\$ 583,060	\$ 3,310,705

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

Year Ending June 30,	Business-type Activities			
	Capital Leases		General Obligation Bond	
	Principal	Interest	Principal	Interest
2015	\$ 133,949	\$ 15,777	\$ 20,000	\$ 30,631
2016	138,064	11,662	20,000	29,656
2017	142,305	7,420	25,000	28,653
2018	134,562	3,063	25,000	27,522
2019	34,180	247	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	\$ 583,060	\$ 38,169	\$ 635,000	\$ 344,709

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

**Notes to Financial Statements (Continued)
June 30, 2014**

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue bond:</u>		
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.	\$ 635,000	\$ 20,000
<u>Capital leases:</u>		
\$309,436 issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.55%.	\$ 240,667	\$ 60,199
\$381,677 issued August 15, 2013 for a Compactor Santander, due in monthly payments of \$6,889 through April 15, 2019, interest at 2.89%.	<u>342,393</u>	<u>73,750</u>
Total capital leases	\$ <u>583,060</u>	\$ <u>133,949</u>
Unamortized bond premium	\$ <u>115,543</u>	\$ <u>6,081</u>
Compensated Absences	\$ <u>31,944</u>	\$ <u>7,986</u>
Net OPEB obligation	\$ <u>2,000</u>	\$ <u>-</u>
Landfill closure and post-closure liability	\$ <u>1,943,158</u>	\$ <u>-</u>
Total	\$ <u><u>3,310,705</u></u>	\$ <u><u>168,016</u></u>

NOTE 6—ADVANCES FROM PARTICIPATING ENTITIES:

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

	Balance June 30, 2013	Increase (Decrease)	Balance June 30, 2014
City of Lexington	\$ 5,303	\$ -	\$ 5,303
City of Buena Vista	5,510	-	5,510
County of Rockbridge	<u>63,479</u>	-	<u>63,479</u>
Total	\$ <u><u>74,292</u></u>	\$ <u><u>-</u></u>	\$ <u><u>74,292</u></u>

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

**Notes to Financial Statements (Continued)
June 30, 2014**

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, 2014 amounted to \$735,930.

NOTE 8—PENSION PLAN:

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:

The Authority has 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, 2014.

NOTE 10—COMPENSATED ABSENCES:

The Authority has accrued liabilities arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. The Authority has outstanding accrued vacation pay totaling \$31,944.

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

**Notes to Financial Statements (Continued)
June 30, 2014**

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 65%, the City of Lexington's share has been approximately 20%, and Buena Vista approximately 15%.

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 \$1,943,158 reported as accrued closure and post-closure liability at June 30, 2014 represents the cumulative amount reported based on the estimated number of years remaining. The estimated total current cost of the landfill closure and post-closure care of \$1,943,158 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, 2014. 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.

At June 30, 2013, 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.

COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Rockbridge County Solid Waste Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rockbridge County Solid Waste Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rockbridge County Solid Waste Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rockbridge County Solid Waste Authority's financial statements are free 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, Farnen, Cox Associates

Staunton, Virginia
December 15, 2014