REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT
YEARS ENDED JUNE 30, 2012 AND 2011

BOARD MEMBERS

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County of Campbell

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County of Nelson

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DIRECTOR

Clarke W. Gibson, P.E.

EXECUTIVE DIRECTOR

Gary Christie

Table of Contents

Independent Auditors' Report

To the Board of Directors
Region 2000 Services Authority
Lynchburg, Virginia

We have audited the accompanying statement of net assets of the Region 2000 Services Authority as of June 30, 2012 and June 30, 2011 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Region 2000 Services Authority as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years 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 October 8, 2012, on our consideration of the Region 2000 Services 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* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Region 2000 Services Authority's financial statements as a whole. The tables listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The tables are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 8, 2012

To the Board of Directors
Region 2000 Services Authority
Lynchburg, Virginia

As management of the Region 2000 Services Authority, (the "Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements section of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financials statements themselves.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g. earned but unused vacation leave).

The basic enterprise fund financial statements can be found on pages 9 through 12 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the Authority's liability and funding of its obligation to provide other post-employment benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $3,660,138 (net assets). Of this amount $2,765,630 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net assets increased by $706,143.
- The Authority's total debt increased by $1,259,186 during the current fiscal year. Additional analysis of the changes in long-term debt is provided under the Long-Term Debt section of the MD&A.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an Authority's financial position. In the case of the Services Authority, assets exceeded liabilities by $3,660,138 at the close of the most recent fiscal year.

A portion of the Authority's net assets $894,508 reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority currently reports a negative investment in capital asset, net of related debt due to depreciation recorded on the landfill site and the current balance of the bond payable. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Assets	
	2012	2011
Current and other assets	$ 17,220,167	$ 21,823,696
Capital assets	11,319,679	4,626,682
Total assets	$ 28,539,846	$ 26,450,378
Long-term liabilities outstanding	$ 23,294,661	$ 22,035,475
Other liabilities	1,585,047	1,460,908
Total liabilities	$ 24,879,708	$ 23,496,383
Net assets:		
Invested in capital assets, net of related debt	$ 894,508	$ 551,898
Unrestricted	2,765,630	2,402,097
Total net assets	$ 3,660,138	$ 2,953,995

Financial Analysis (continued)

The table below is a summary of the changes in net assets.

	Change in Net Assets	
	2012	2011
Revenues:		
Operating revenues	$ 7,200,292	$ 6,576,626
Return of excess revenues to participating governments	(945,418)	(989,145)
Other revenue	44,094	104,672
Total revenues	$ 6,298,968	$ 5,692,153
Expenses:		
Operating expenses	$ 2,439,447	$ 2,348,493
Landfill closure and post-closure expense	637,852	607,595
Depreciation and amortization expense	1,907,047	1,949,825
Interest expense	608,479	312,680
Total expenses	$ 5,592,825	$ 5,218,593
Increase in net assets	$ 706,143	$ 473,560
Net assets—July 1, as adjusted (Note 11)	2,953,995	2,480,435
Net assets—June 30	$ 3,660,138	$ 2,953,995

The Authority's net assets increased by $706,143 during the current year. Total revenues increased by $606,815 while total expenses increased $374,232 from FY2011 levels.

Additional analysis of the changes in revenues are provided under the heading “Review of Operations” below.

Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets as of June 30, 2012 amounts to $11,319,679 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2012 and June 30, 2011.

	2012	2011
Buildings & fixtures	$ 138,581	$ 36,069
Other site improvements	2,114,445	1,912,517
Landfill site	5,699,508	3,234,311
Equipment and vehicles	3,326,274	3,283,517
Less accumulated depreciation	(6,621,634)	(4,714,588)
Construction in progress	6,662,505	874,856
Total capital assets, net	$ 11,319,679	$ 4,626,682

Capital Asset and Debt Administration

Long-Term Debt - At the end of the fiscal year, the Authority had $23,294,661 in total long-term debt in comparison to $22,035,475 reported in the prior year, a net increase of $1,259,186. Long-term debt is composed of various types of obligations including; revenue bonds, landfill closure and post-closure care liability, compensated absences and other post-employment benefit obligations. The Authority paid $2,010,000 of principal on the outstanding revenue bond decreasing total outstanding debt. However, the Authority purchased the Livestock Road landfill site whereby assuming the landfill closure and post-closure care liability. The landfill closure and post-closure liability increased approximately $3,226,340 over the prior year.

Review of Operations

The member jurisdictions have agreed to dispose of solid waste by using the former City of Lynchburg landfill and the Campbell County landfill via regionalization, operating under the Region 2000 Services Authority. The Authority purchased the former City of Lynchburg landfill on July 1, 2008 and purchased the Campbell County landfill on June 8, 2012.

The member jurisdictions include:

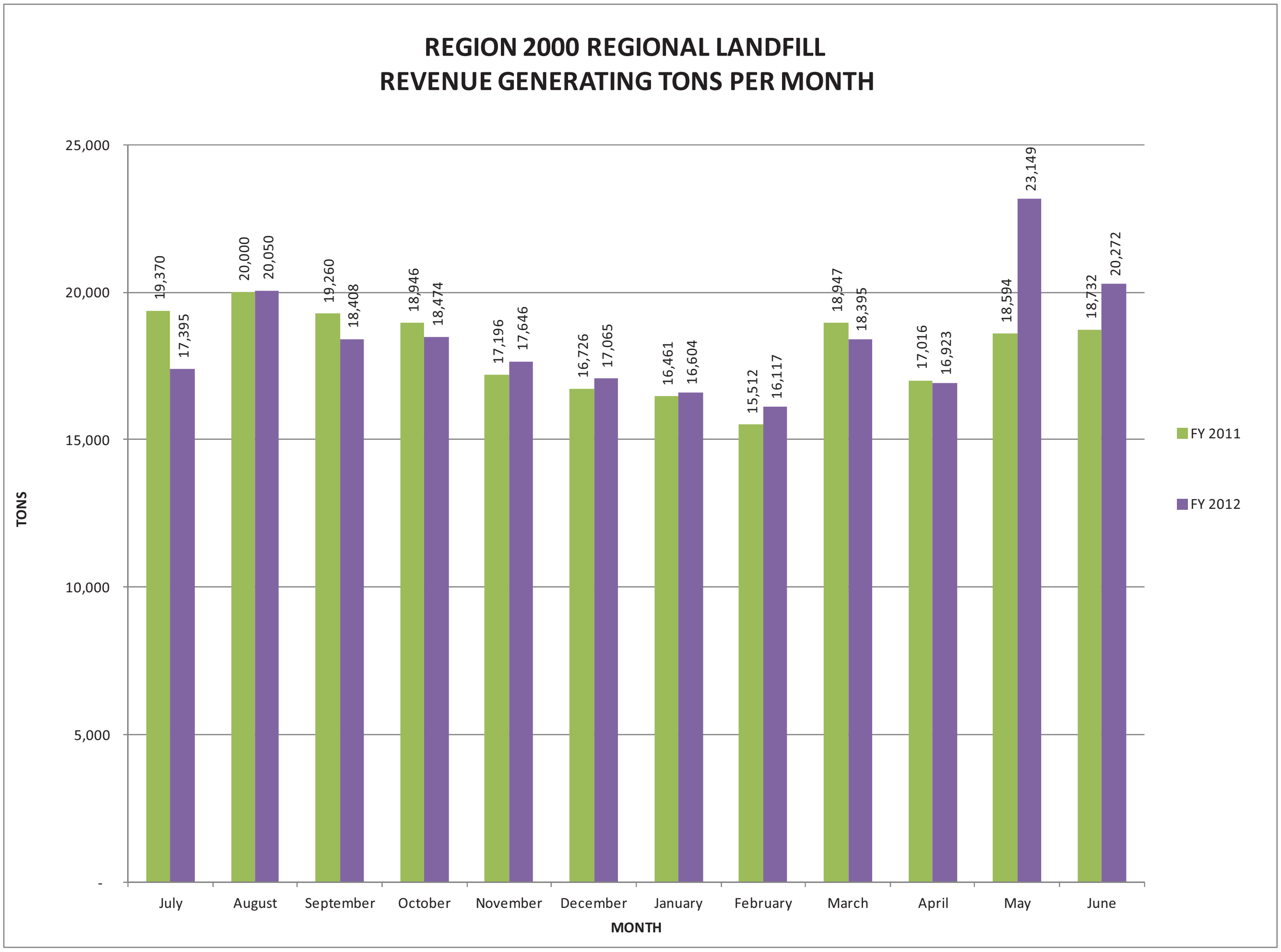
- Appomattox County
- City of Bedford
- Campbell County
- City of Lynchburg
- Nelson County

The former City of Lynchburg's landfill, currently known as the Concord Turnpike Regional Landfill, was being used up until July 9, 2012. On that date, all regional solid waste starting going to the Campbell County Landfill, now known as the Livestock Road Facility.

Review of Operations: (Continued)

The regional landfill accepts municipal solid waste, commercial waste, construction debris, white goods (appliances), tires and yard waste. Solid waste is hauled to the regional landfill via member jurisdiction's haulers as well as numerous private haulers.

Tipping fees generated in FY 2012 were $7,125,023 which is an increase of $639,113 over FY 2011. The facility received 220,498 revenue generating tons in FY 2012. This represents an increase of 3,736 tons over the FY 2011 revenue generating tonnage amount of 216,762.



Recycling

The Authority separates white goods (old appliances), tires and yard waste from the waste stream as it enters the landfill property. Revenue of $9,465.40 was generated in FY 2012 from the sale of scrap metal from white goods.

Landfill Gas

The Authority contracts with LandGas of Virginia for landfill gas collection and sales. LandGas of Virginia owns and operates the gas collection infrastructure and has a contract with a local industry for gas sales. LandGas of Virginia is responsible for paying the Authority a license fee based on volume of gas sold during a calendar year. No license fee was paid to the Authority in FY 2012 due to low volume gas sales, gas collection system construction and gas system maintenance and production issues.

Reimbursable Expenses

The Authority provides numerous services to its member jurisdictions where the individual member jurisdiction will directly reimburse the Authority. For example, household hazardous waste collection events, recycling coordinator services, wood waste grinding service, environmental compliance service, labor and equipment use.

Environmental Remediation

While under the operation of the City of Lynchburg, a remedial landfill gas collection system was installed in 2006 to control off site migration of landfill gas (methane) along the southeastern compliance boundary. In accordance with the Region 2000 Services Authority Member Use Agreement, the Authority is reimbursed by the City of Lynchburg for ongoing engineering and operating cost of this system.

Future Planning

The Concord Turnpike Regional landfill reached capacity available for regional use in July 2012. Construction of new landfill cells, an office, a maintenance shop and inbound and outbound scales is complete at the Region 2000 Regional Landfill, Livestock Road Facility. A smooth transition to this facility began on July 9, 2012.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 828 Main Street – 12th Floor, Lynchburg, Virginia 24504.

Financial Statements

REGION 2000 SERVICES AUTHORITY **Exhibit 1**

Comparative Statement of Net Assets
At June 30, 2012 and 2011

	At June 30,	
	2012	**2011**
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 2,717,333	$ 2,283,187
Cash and cash equivalents - closure/post-closure reserve accounts	7,970,357	4,436,522
Accounts receivable (Net of allowance for doubtful accounts) (Note 2)	2,799,129	3,018,831
Prepaid expenses	38,519	29,940
Total current assets	$ 13,525,338	$ 9,768,480
Noncurrent assets:		
Restricted current assets:		
Cash and cash equivalents:		
Unspent bond proceeds	$ 1,735,339	$ 10,252,634
Cash held with trustee for debt service	1,757,862	1,555,774
Total restricted current assets	$ 3,493,201	$ 11,808,408
Other Assets:		
Unamortized bond issue costs	$ 201,628	$ 246,808
Capital assets (Note 4):		
Buildings and fixtures	$ 138,581	$ 36,069
Landfill site	5,699,508	3,234,311
Equipment & vehicles	3,326,274	3,283,517
Other site improvements	2,114,445	1,912,517
Less accumulated depreciation (Note 4)	(6,621,634)	(4,714,588)
Sub-total	$ 4,657,174	$ 3,751,826
Construction work in progress	6,662,505	874,856
Total capital assets	$ 11,319,679	$ 4,626,682
Total noncurrent assets	$ 15,014,508	$ 16,681,898
Total assets	$ 28,539,846	$ 26,450,378

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

Comparative Statement of Net Assets
At June 30, 2012 and 2011 (Continued)

	At June 30, 2012	At June 30, 2011
LIABILITIES		
Current liabilities:		
Accounts payable	$ 653,283	$ 613,447
Due to participating governments	726,402	729,252
Accrued interest payable	205,362	118,209
Revenue bonds payable-current portion (Note 6)	2,070,000	2,010,000
Accrued leave payable (Note 5)	78,079	71,854
Total current liabilities	$ 3,733,126	$ 3,542,762
Noncurrent liabilities:		
Accrued landfill closure and post-closure monitoring costs (Note 8)	$ 7,970,357	$ 4,436,522
Accrued closure and post-closure monitoring costs - unfunded portion	1,016,780	1,324,275
Net OPEB obligation (Note 10)	109,445	72,824
Revenue bonds payable - net of current portion (Note 6)	12,050,000	14,120,000
Total noncurrent liabilities	$ 21,146,582	$ 19,953,621
Total liabilities	$ 24,879,708	$ 23,496,383
NET ASSETS		
Invested in capital assets, net of related debt	$ 894,508	$ 551,898
Unrestricted	2,765,630	2,402,097
Total net assets	$ 3,660,138	$ 2,953,995

Comparative Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	Year Ended June 30, 2012	2011
Operating revenues:		
Tipping fees	$ 7,125,023	$ 6,485,910
Recycling revenues	58,824	69,327
Penalties & interest	8,034	10,762
Other revenue	8,411	10,627
Total revenues	$ 7,200,292	$ 6,576,626
Return of excess revenues to participating governments	$ (945,418)	$ (989,145)
Total operating revenues	$ 6,254,874	$ 5,587,481
Operating expenses:		
Personnel costs	$ 1,080,480	$ 1,080,356
Contractual, legal and professional	280,804	250,001
Other operating costs	1,078,164	1,018,136
Landfill closure and post-closure expense	637,852	607,595
Depreciation and amortization	1,907,046	1,949,825
Total operating expenses	$ 4,984,346	$ 4,905,913
Operating income (loss)	$ 1,270,528	$ 681,568
Nonoperating revenues (expenses):		
Interest earned	$ 37,987	$ 41,271
Gain (loss) on sale of assets	-	63,401
Insurance recovery	6,107	-
Interest expense	(608,479)	(312,680)
Total nonoperating revenues (expenses)	$ (564,385)	$ (208,008)
Income (loss) before capital contributions	$ 706,143	$ 473,560
Change in net assets	$ 706,143	$ 473,560
Net assets, beginning of year, as adjusted (Note 11)	2,953,995	2,480,435
Net assets, end of year	$ 3,660,138	$ 2,953,995

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

REGION 2000 SERVICES AUTHORITY **Exhibit 3**

Comparative Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	Year Ended June 30, 2012	Year Ended June 30, 2011
Operating activities:		
Receipts from customers and users	$ 6,474,576	$ 5,628,956
Payments to suppliers	1,257,927	(728,489)
Payments to employees	(1,037,634)	(1,037,849)
Net cash provided by (used for) operating activities	$ 6,694,869	$ 3,862,618
Capital and related financing activities:		
Additions to capital assets	$ (8,600,043)	$ (1,802,834)
Proceeds from the sale of assets	-	63,401
Principal payments on bonds	(2,010,000)	(1,945,000)
Insurance recovery	6,107	-
Proceeds from indebtedness	-	10,000,000
Interest payments	(476,146)	(258,062)
Net cash provided by (used for) capital and related financing activities	$ (11,080,082)	$ 6,057,505
Investing activities:		
Interest received	$ 37,987	$ 41,271
Net cash provided by (used for) investing activities	$ 37,987	$ 41,271
Increase (decrease) in cash and cash equivalents	$ (4,347,226)	$ 9,961,394
Cash and cash equivalents at beginning of year (including $11,808,408 and $3,237,685, respectively reported in restricted accounts)	18,528,117	8,566,723
Cash and cash equivalents at end of year (including $3,493,201 and $11,808,408, respectively reported in restricted accounts)	$ 14,180,891	$ 18,528,117
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 1,270,528	$ 681,568
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,907,046	1,949,825
(Increase) decrease in receivables	219,702	41,475
(Increase) decrease in prepaid expenses	(8,579)	1,073
Increase (decrease) in accrued leave	6,225	5,730
Increase (decrease) in OPEB obligation	36,621	36,777
Increase (decrease) in payables and accrued expenses	36,986	538,575
Increase (decrease) in accrued landfill obligations	3,226,340	607,595
Net cash provided by (used for) operating activities	$ 6,694,869	$ 3,862,618

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

NOTE 1–FORMATION OF THE REGION 2000 SERVICES AUTHORITY:

The Region 2000 Services Authority is a jointly governed organization formed by the Cities of Lynchburg and Bedford and the Counties of Campbell, Nelson and Appomattox pursuant to the Virginia Water and Waste Authorities Act (Code of Virginia, 1950 as amended). The Authority was formed to own and operate landfill(s) as a regional entity to accept municipal solid waste generated within each of the participating jurisdictions and outside of the jurisdictions (by approval of the Authority). The regional entity accepts waste and refuse disposal, as such terms are defined in the Virginia Solid Waste Management Regulations, currently 9 VAC 20-80, et seq., including facilities for recycling, waste reduction and disposal alternatives with the ultimate goal of acquiring, financing, constructing, and/or operating and maintaining regional solid waste disposal areas, systems and facilities, all pursuant to the provisions of the Act. The Authority commenced operations on June 20, 2008.

Determination of the Reporting Entity

The Authority's governing body is comprised of five members appointed by each of the participating governments, Cities of Lynchburg and Bedford and the Counties of Campbell, Nelson and Appomattox. Therefore, none of the participating governments appoints a voting majority of board members.

The Authority is perpetual. No participating government has rights to its resources or surpluses, nor is any participant specifically liable for the Authority's debts or deficits. However, the Authority's governing body may distribute excess revenue by voting majority in accordance with the *Member Use Agreement* dated June 20, 2008. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Region 2000 Services Authority has been determined to be a jointly governed organization of the Cities of Lynchburg and Bedford and the Counties of Campbell, Nelson and Appomattox. The Authority is not a component unit of any of the participating governments.

For purposes of reporting entity disclosure, it should be noted that a separate entity, the Virginia's Region 2000 Local Government Council, provides administrative support services, however, each entity is operationally and legally independent.

NOTE 2–SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

As a requirement of GASB Statement 34, the Management's Discussion and Analysis (MD&A) section provides an analysis of the Authority's overall financial position and results of operations.

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 consist of:

- 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

NOTE 2–SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Basic Financial Statements (Continued)

- Required Supplementary Information
  - Schedule of Pension Funding Progress for Virginia Retirement System
  - Schedule of Funding Progress for Other Post-Employment Benefits

B. Basis of Accounting

The Region 2000 Services Authority 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. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted as they are needed.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

D. Restricted Assets

Certain cash accounts held by the Authority are set aside for landfill closure and post-closure monitoring costs. The accounts are properly classified as restricted assets on the balance sheet. Regulations require the Authority to maintain the restricted accounts for the landfill closure and post-closure monitoring costs.

E. 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.

NOTE 2–SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets: (Continued)

The Authority purchased the initial landfill cells and the landfill site from the City of Lynchburg. The landfill site was valued by a consulting engineer. The engineer also estimated the accrued landfill closure and related expenses. The remaining land area at the landfill site is reported at its value as a landfill site. The landfill site will be depreciated over the remaining useful life.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Fixtures	15
Site Improvements	15
Equipment	5 to 15

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for the periods ended June 30, 2012 and 2011 was $1,907,046 and $1,949,825, respectively.

F. Other Significant Accounting Policies

a. Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. The allowance for uncollectible accounts amounts to $0 at June 30, 2012 and 2011.

b. Investments are stated at fair value.

G. Use of Estimates

The preparation of financial statements in conformity with 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.

H. Closure and Post-Closure Obligations

The Authority records all estimated closure costs for existing cells as a liability. Upon final closure of the landfill site, the Authority is then responsible, under current Federal regulations, for maintaining the closed site for the following thirty years.

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.

The Authority has no formal deposit and investment policy.

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).

The Authority does not have a formal investment policy.

Authority's Rated Debt Investments' Values

	Fair Quality AAA
Local Government Investment Pool	$ 5,212,731
U.S. Treasury Obligation Money Market	1,757,862
Total	$ 6,970,593

NOTE 4–CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	Balance July 1, 2011	Increases	Decreases	Reclass	Balance June 30, 2012
Capital assets not being depreciated:					
Construction in progress	$ 874,856	$ 5,787,649	$ -	$ -	$ 6,662,505
Total capital assets not being depreciated	$ 874,856	$ 5,787,649	$ -	$ -	$ 6,662,505
Other Capital Assets:					
Buildings & fixtures	$ 36,069	$ 111,123	$ -	$ (8,611)	$ 138,581
Less: accumulated depreciation	(21,641)	(8,935)	-	8,611	(21,965)
Other site improvements	1,912,517	561,544	-	(359,616)	2,114,445
Less: accumulated depreciation	(1,133,010)	(477,738)	-	359,616	(1,251,132)
Landfill site	3,234,311	2,096,970	-	368,227	5,699,508
Less: accumulated depreciation	(2,264,018)	(970,293)	-	(368,227)	(3,602,538)
Equipment and vehicles	3,283,517	42,757	-		3,326,274
Less: accumulated depreciation	(1,295,919)	(450,080)	-	-	(1,745,999)
Other capital assets, net	$ 3,751,826	$ 905,348	$ -	$ -	$ 4,657,174
Capital assets, net	$ 4,626,682	$ 6,692,997	$ -	$ -	$ 11,319,679

A summary of changes in capital assets for the year ended June 30, 2011 follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Construction in progress	$ 46,837	$ 828,019	$ -	$ 874,856
Total capital assets not being depreciated	$ 46,837	$ 828,019	$ -	$ 874,856
Other Capital Assets:				
Buildings & fixtures	$ 36,069	$ -	$ -	$ 36,069
Less: accumulated depreciation	(14,428)	(7,213)	-	(21,641)
Other site improvements	1,912,517	-	-	1,912,517
Less: accumulated depreciation	(655,272)	(477,738)	-	(1,133,010)
Landfill site	3,234,311	-	-	3,234,311
Less: accumulated depreciation	(1,293,725)	(970,293)	-	(2,264,018)
Equipment and vehicles	2,333,047	974,815	24,345	3,283,517
Less: accumulated depreciation	(825,683)	(494,581)	(24,345)	(1,295,919)
Other capital assets, net	$ 4,726,836	$ (975,010)	$ -	$ 3,751,826
Capital assets, net	$ 4,773,673	$ (146,991)	$ -	$ 4,626,682

NOTE 5–COMPENSATED ABSENCES:

Authority regular employees earn vacation leave each month at a scheduled rate from eight hours to twelve hours per month in accordance with years of service and sick leave at the rate of eight hours per month. Vacation leave can be accrued up to a maximum of 240 hours and sick leave can be accrued up to a maximum of 1,200 hours. Accumulated unpaid vacation amounts are accrued when incurred. At June 30, 2012 and 2011, the liability for accrued vacation leave was $78,079 and $71,854, respectively.

NOTE 6–SUMMARY OF LONG-TERM DEBT:

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

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Landfill closure/postclosure costs	$ 5,760,797	$ 3,226,340	$ -	$ 8,987,137	$ -
Revenue bond	16,130,000	-	2,010,000	14,120,000	2,070,000
OPEB obligation	72,824	36,621	-	109,445	-
Compensated absences	71,854	6,225	-	78,079	78,079
Totals	$ 22,035,475	$ 3,269,186	$ 2,010,000	$ 23,294,661	$ 2,148,079

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Landfill closure/postclosure costs	$ 5,289,479	$ 471,318	$ -	$ 5,760,797	$ -
Revenue bond	8,075,000	10,000,000	1,945,000	16,130,000	2,010,000
OPEB obligation	36,047	36,777	-	72,824	-
Compensated absences	66,124	5,730	-	71,854	71,854
Totals	$ 13,466,650	$ 10,513,825	$ 1,945,000	$ 22,035,475	$ 2,081,854

NOTE 6–SUMMARY OF LONG-TERM DEBT: (CONTINUED)

Details of long-term debt:

	Total Amount	Amount Due Within One Year
$10,000,000 Revenue Bonds Series 2008 dated June 20, 2008 with principal payable annually in installments ranging from $270,000 to $1,925,000 and interest payable semi-annually at 3.15% ranging from $4,253 to $284,681, maturing October 2016.	$ 4,120,000	$ 2,070,000
$10,000,000 Revenue Bonds Series 2011 dated April 28, 2011 with principal payable annually in installments ranging from $233,000 to $1,767,000 and interest payable semi-annually at 4.15% ranging from $17,077 to $314,708, maturing August 2024.	10,000,000	-
Total	$ 14,120,000	$ 2,070,000
Compensated absences	$ 78,079	$ 78,079
Other post-employment benefits	$ 109,445	$ -
Landfill closure and post-closure	$ 8,987,137	$ -
Total long-term debt	$ 23,294,661	$ 2,148,079

Year Ending June 30,	Revenue Bond Principal	Revenue Bond Interest
2013	$ 2,070,000	512,178
2014	1,753,000	450,800
2015	1,955,000	382,759
2016	2,037,000	302,576
2017	590,000	249,415
2018-2022	3,346,000	850,209
2023-2025	2,369,000	150,209
Total	$ 14,120,000	$ 2,898,146

NOTE 7–DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. At retirement, members can select the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement, Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTE 7–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/PDF/Publications/2011-Annual-Report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2012 and 2011 was 10.95% of the annual covered payroll.

C. Annual Pension Cost:

For fiscal 2012, the Authority's annual pension cost of $75,631 (does not include the employee share of $34,534, assumed by the Authority) was equal to the Authority's required and actual contributions.

Three-Year Trend Information for Region 2000 Services Authority

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 58,082	100%	$ -
June 30, 2011	61,622	100%	-
June 30, 2012	75,631	100%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%.** The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 132.21% funded. The actuarial accrued liability for benefits was $378,108, and the actuarial value of assets was $499,899, resulting in an unfunded actuarial accrued liability (UAAL) of ($121,790). The covered payroll (annual payroll of active employees covered by the plan) was $ 1,136,670 and ratio of the UAAL to the covered payroll was (10.71%).

NOTE 7–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress: (Continued)

Virginia's Region 2000 Local Government Council acts as the employer for purposes of the retirement plan by the Virginia Retirement System for all of the Region 2000 partners. The amount allocable to the Authority, as opposed to all other organizations is 65.90%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 8–CLOSURE AND POST-CLOSURE CARE COSTS:

State and federal laws and regulations require the Authority to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure costs will be paid as closure occurs and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The Authority purchased the "Concord" landfill site from the City of Lynchburg in fiscal year 2009. As part of the purchase agreement the Authority assumed the landfill closure and post-closure liability and received cash reserves equal to the liability less current costs paid. The amount recorded as accrued landfill closure and post-closure care costs is $3,863,925 and $2,465,815, respectively, at June 30, 2012. The total closure and post-closure care costs reported in the amount of $6,329,740 for the Concord site is based on the use of 97% of the landfill capacity at June 30, 2012. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

During fiscal year 2012, the Authority purchased the "Livestock Road" site from the County of Campbell whereby assuming all related closure and post-closure liabilities. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. The amount recorded as accrued landfill closure and post-closure care costs is $1,813,583 and $843,814, respectively, at June 30, 2012. The total closure and post-closure care costs reported in the amount of $2,657,397 for the Livestock Road site is based on the use of 42% of the landfill capacity at June 30, 2012. The Authority will recognize any remaining costs of closure and post-closure care and post-closure monitoring as the closure is completed.

Total closure and post-closure liability for the Authority at June 30, 2012 was $7,970,357 and $1,016,780, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to meet certain financial assurance requirements. On behalf of the Authority the participating localities will demonstrate financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with section 9VAC-20-70 of the Virginia Administrative Code. The Authority has reported restricted cash in the amount of $7,970,357 to meet future closure and post-closure care costs.

NOTE 9–RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the Commonwealth to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation coverage. For property and liability insurance the Authority joined together with other local governments in the State to form the Virginia Association of Counties Group Self-Insurance Pool, a public entity risk pool. The Agreements for Formation of the associations provide that the associations will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

NOTE 10–OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

A. Background:

Beginning in fiscal year 2010, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how governmental entities should account for and report their costs related to post-employment health-care and non-pension benefits, such as the retirees' health benefit subsidy. Historically, the 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.

B. Plan Description:

Region 2000 Services Authority offers eligible retirees post employment medical coverage if they meet required eligibility criteria. Retirees hired prior to July 1, 2006 are eligible at age 50 provided they have a minimum of ten years consecutive experience at the Authority. Retirees hired between July 1, 2006 and April 17, 2009 are eligible at age 50 with a minimum of 20 consecutive years of service. Any retirees hired after April 17, 2009 are not eligible for benefits.

C. Funding Policy:

The Authority determines how the liability will be funded each year, whether it will partially or fully fund the liability. The Authority pays a portion of the retirees' monthly premium, including dependants, ranging from $413.50 to $701. Upon reaching Medicare eligibility, retirees are responsible for 100% of the medical premiums.

D. Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 10–OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The following table depicts the components of the Authority's annual OPEB cost for the year, the estimated annual contributions to the plan and changes in the Authority's net OPEB obligation:

Annual required contribution	$	41,715
Interest on OPEB obligation		2,939
Adjustment to annual required contribution		(2,534)
Annual OPEB cost (expense)	$	42,120
Estimated contribution made during FY2012		(5,499)
Increase in net OPEB obligation	$	36,621
Net OPEB obligation - beginning of year		72,824
Net OPEB obligation - end of year	$	109,445

For 2012, the Authority's expected cash payment of $5,499 was $36,621 less than the OPEB cost. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2010	$	36,706	2%	$	36,047
June 30, 2011		39,413	6%		72,824
June 30, 2012		42,120	13%		109,445

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 is as follows:

Actuarial accrued liability (AAL)	$	330,600
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	330,600
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	1,817,100
UAAL as a percentage of covered payroll		18.19%

F. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

NOTE 10–OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

F. Actuarial Methods and Assumptions: (Continued)

Projected Unit Credit (PUC) Actuarial Cost Method was used in determining the liability. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's benefit to each assumed date of determination, disablement, or death. The actuarial liability and normal cost for the benefits are based upon the present value of the benefit expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the benefits expected to be paid.

Assumptions

Discount rate (unfunded)	4.00%
Amortization period	30 years
Healthcare trend rate	8.60%
Payroll growth rate	3.75%

NOTE 11–RESTATEMENT OF BEGINNING NET ASSETS:

Beginning net assets were restated to correct an error in the engineering estimate of the remaining capacity of the Concord Landfill site whereby the City of Lynchburg will pay the Authority $2,341,165 (amount originally recorded as due from City included inflation of $136,277). The amount due from the City of Lynchburg represents the decrease in the value of the assets (remaining capacity was originally overstated) and the increase in the landfill closure and post-closure liability. The capital assets and related accumulated depreciation was adjusted to reflect the corrected estimated remaining capacity. Details of this adjustment are as follows:

An adjustment was necessary to correct the estimated amount due from the City of Lynchburg related to the purchase price adjustment of the Concord Landfill Site.

The following table provides details of the adjustment as it relates to fiscal year 2011.

Ending net assets, June 30, 2011	$ 3,090,272
Reduction in the estimated accounts receivable due from City of Lynchburg	(136,277)
Net assets, June 30, 2011, as adjusted	$ 2,953,995

Required Supplementary Information

Required Supplementary Information
Schedule of Pension Funding Progress - Virginia Retirement System

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
6/30/2009	$ 90,999	$ 821	$ 90,178	11077.72%	$ 1,175,943	7.67%
6/30/2010	280,920	191,180	(89,740)	146.94%	1,185,405	-7.57%
6/30/2011	499,899	378,108	(121,790)	132.21%	1,136,670	-10.71%

REGION 2000 SERVICES AUTHORITY **Exhibit 5**

Schedule of Funding Progress for Other Post-Employment Benefits
Last Three Fiscal Years

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2010	$ -	$ 217,865	$ 217,865	0.00%	$ 1,197,469	18.19%
1/1/2010	-	217,865	217,865	0.00%	1,197,469	18.19%
1/1/2010	-	330,600	330,600	0.00%	1,817,100	18.19%

Other Supplementary Information

Net Assets by Component
Last Five Years

	2012 (1)	2011	2010	2009 (1)	2008
Invested in capital assets, net of related debt	$ 894,508	$ 551,898	$ (203,719)	$ 641,068	$ 61,152
Unrestricted	2,765,630	2,402,097	2,684,154	537,723	223,870
Total net assets	$ 3,660,138	$ 2,953,995	$ 2,480,435	$ 1,178,791	$ 285,022

(1) A prior period adjustment to beginning net assets was recorded in fiscal year 2009 and 2012 to correct an error in the engineering estimate for remaining capacity of the Concord landfill site.

Changes in Net Assets
Last Five Fiscal Years

	2012	2011	2010	2009	2008
Operating revenues:					
Tipping fees	$ 7,079,548	$ 6,485,910	$ 7,084,438	$ 6,976,265	$ -
Recycling revenues	58,824	69,327	65,882	58,373	-
Penalties & interest	8,034	10,762	21,309	15,362	-
Other revenue	8,411	10,627	41,324	17,957	-
Total revenues	$ 7,154,817	$ 6,576,626	$ 7,212,953	$ 7,067,957	$ -
Return of excess revenues to participating localities	$ (899,943)	$ (989,145)	$ (1,598,636)	$ (1,447,966)	$ -
Total operating revenue	$ 6,254,874	$ 5,587,481	$ 5,614,317	$ 5,619,991	$ -
Operating expenses:					
Personnel costs	$ 1,080,480	$ 1,080,356	$ 1,065,860	$ 964,811	$ -
Contractual, legal and professional	280,804	250,001	259,994	240,960	1,923
Other operating costs	1,078,164	1,018,136	864,736	1,048,847	-
Landfill closure and post-closure expense	637,852	607,595	1,826,644	465,732	-
Depreciation and amortization	1,907,046	1,949,825	1,384,231	1,625,893	241
Total operating expenses	$ 4,984,346	$ 4,905,913	$ 5,401,465	$ 4,346,243	$ 2,164
Operating income (loss)	$ 1,270,528	$ 681,568	$ 212,852	$ 1,273,748	$ (2,164)
Nonoperating revenues (expenses):					
Interest earned	$ 37,987	$ 41,271	$ 12,475	$ 94,090	$ 7,764
Participating governments operating contributions	-	-	-	28,458	-
Gain (loss) on sale of assets	-	63,401	111,469	12,756	-
Insurance recovery	6,107	-	-	-	-
Return of equity to participating governments	-	-	(353,613)	(248,533)	-
Interest expense	(608,479)	(312,680)	(313,209)	(362,357)	-
Total nonoperating revenues (expenses)	$ (564,385)	$ (208,008)	$ (542,878)	$ (475,586)	$ 7,764
Income (loss) before capital contributions	$ 706,143	$ 473,560	$ (330,026)	$ 798,162	$ 5,600
Participating governments capital contributions	-	-	-	95,607	279,422
Change in net assets	$ 706,143	$ 473,560	$ (330,026)	$ 893,769	$ 285,022

Revenues by Source
Last Five Fiscal Years

Fiscal Year	Tipping Fees	Recycling	Penalties & Interest	Other	Total
2008	$ -	$ -	$ -	$ -	$ -
2009	6,976,265	58,373	15,362	17,957	7,067,957
2010	7,084,438	65,882	21,309	41,324	7,212,953
2011	6,485,910	69,327	10,762	115,299	6,681,298
2012	7,079,548	58,824	8,034	52,505	7,198,911

REGION 2000 SERVICES AUTHORITY

Table 4

Expenses by Type
Last Five Fiscal Years

Fiscal Year	Personnel Costs	Contractual Legal and Professional	Other Operating Costs	Closure and Post-Closure	Depreciation	Total
2008	$ -	$ 1,923	$ -	$ -	$ 241	$ 2,164
2009	964,811	240,960	1,048,847	465,732	1,625,893	4,346,243
2010	1,065,860	259,994	864,736	1,826,644	1,384,231	5,401,465
2011	1,080,356	250,001	1,018,136	471,318	1,949,825	4,769,636
2012	1,080,480	280,804	1,078,164	637,852	1,907,046	4,984,346

Outstanding Debt by Type
Last Five Fiscal Years

	2012	2011	2010	2009	2008
Revenue bonds payable	$ 14,120,000	$ 16,130,000	$ 8,075,000	$ 10,000,000	$ 10,000,000
Other post-employment benefits	109,445	72,824	36,047	-	-
Landfill closure and postclosure care liability	8,987,137	5,760,797	5,289,479	3,462,835	-
Total outstanding debt	$ 23,216,582	$ 21,963,621	$ 13,400,526	$ 13,462,835	$ 10,000,000

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 Directors
Region 2000 Services Authority
Lynchburg, Virginia

We have audited the financial statements of the Region 2000 Services Authority as of and for the years ended June 30, 2012 and June 30, 2011, and have issued our report thereon dated October 8, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Region 2000 Services Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Region 2000 Services Authority's 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 Region 2000 Services Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Region 2000 Services 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 a 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.

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 Region 2000 Services 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 audits, 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 management, Board of Directors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 8, 2012