REGION 2000 SERVICES AUTHORITY

LYNCHBURG, VIRGINIA

FINANCIAL REPORT
YEARS ENDED JUNE 30, 2013 AND 2012

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Region 2000 Services Authority as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Region 2000 Services Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Region 2000 Services Authority's basic financial statements. The statistical information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013, 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* in considering Region 2000 Services Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 3, 2013

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, 2013. 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.

For fiscal year 2013 the Authority implemented GASB Statement No. 63 and 65. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. GASB Statement No 65, Items Previously Reported as Assets and Liabilities provides accounting guidance to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additional details about the implementation of GASB Statement No. 63 and 65 can be found in Note 11 of the Notes to Financial Statements.

The statement of net position presents information on the Authority's assets, deferred outflows, deferred inflows and liabilities. Equity of the Authority is reported as 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, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Overview of the Financial Statements: (Continued)

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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 28 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 $5,226,310 (net position). Of this amount $2,815,294 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors.

- The Authority's total net position increased by $1,767,800.

- The Authority's total obligations decreased by $3,005,662 during the current fiscal year. Additional analysis of the changes in long-term obligations is provided under the Long-Term Obligation section of the MD&A.

Financial Analysis

As noted earlier, net position 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 $5,226,310 at the close of the most recent fiscal year.

Financial Analysis: (Continued)

A portion of the Authority's net position $2,411,016 reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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 Position 2013	Net Position 2012
Current and other assets	$ 15,272,977	$ 17,018,539
Capital assets	11,815,086	11,319,679
Total assets	$ 27,088,063	$ 28,338,218
Long-term liabilities outstanding	$ 20,288,999	$ 23,294,661
Other liabilities	1,572,754	1,585,047
Total liabilities	$ 21,861,753	$ 24,879,708
Net position:		
Net investment in capital assets	$ 2,411,016	$ 692,880
Unrestricted	2,815,294	2,765,630
Total net position	$ 5,226,310	$ 3,458,510

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

	Change in Net Position 2013	Change in Net Position 2012
Revenues:		
Operating revenues	$ 8,393,972	$ 7,200,292
Return of excess revenues to participating governments	(1,187,310)	(945,418)
Other revenue	299,743	44,094
Total revenues	$ 7,506,405	$ 6,298,968
Expenses:		
Operating expenses	$ 2,713,392	$ 2,439,448
Landfill closure and post-closure expense	1,065,485	637,852
Depreciation and amortization expense	1,472,821	1,907,046
Interest expense	486,907	563,299
Total expenses	$ 5,738,605	$ 5,547,645
Increase in net position	$ 1,767,800	$ 751,323
Net position—July 1, as restated (Note 11)	3,458,510	2,707,187
Net position—June 30	$ 5,226,310	$ 3,458,510

Financial Analysis: (Continued)

The Authority's net position increased by $1,767,800 during the current year. Total revenues increased by $1,207,437, net of return excess revenues to participating governments, while total expenses increased $190,960 from fiscal year 2012 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, 2013 amounts to $11,815,086 (net of accumulated depreciation). Below is a comparison of the capital asset costs as of June 30, 2013 and June 30, 2012.

	2013	2012
Buildings and fixtures	$ 3,152,767	$ 138,581
Other site improvements	3,705,139	2,114,445
Landfill site	8,486,167	5,699,508
Equipment and vehicles	4,371,283	3,326,274
Less accumulated depreciation	(8,024,828)	(6,621,634)
Construction in progress	124,558	6,662,505
Total capital assets, net	$ 11,815,086	$ 11,319,679

Long-Term Obligations - At the end of the fiscal year, the Authority had $20,288,999 in total long-term obligations in comparison to $23,294,661 reported in the prior year, a net decrease of $3,005,662. Long-term obligations are composed of various types of obligations including; revenue bonds, landfill closure and post-closure care liability, compensated absences and other postemployment benefit obligations. The Authority paid $4,120,000 of principal on the outstanding revenue bonds decreasing total outstanding debt including satisfying the outstanding balance of the previously issued 2008 revenue bonds.

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

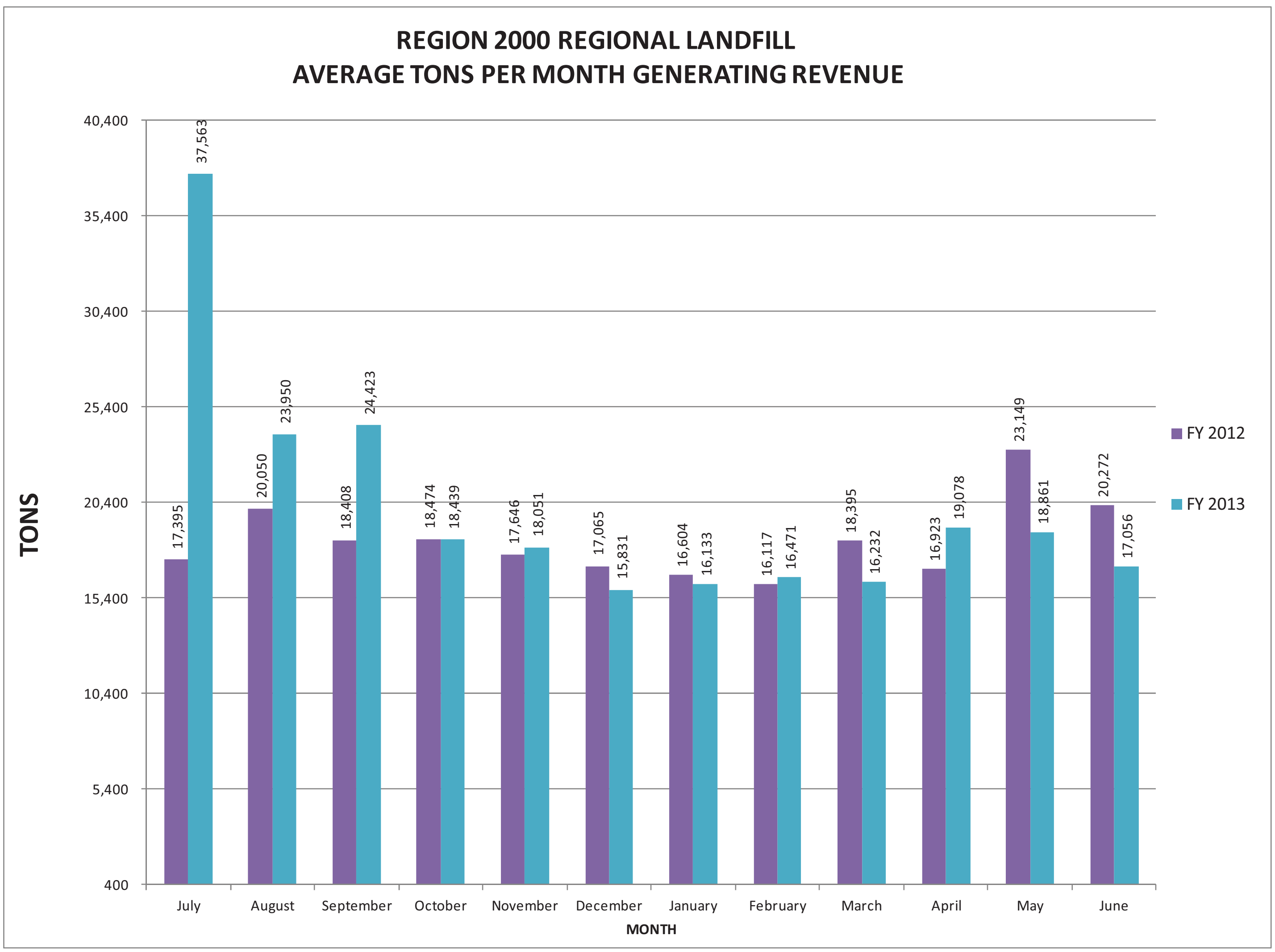
Review of Operations: (Continued)

The former City of Lynchburg's landfill, currently known as the Concord Turnpike Regional Landfill, was being used up until July 9, 2012. On July 9, 2012, the majority of regional solid waste is being disposed at the Campbell County Landfill, now known as the Livestock Road Facility.

The Concord Turnpike Regional Landfill remains open for the disposal of solid waste from the Lynchburg Residential Convenience Center located on site. It is anticipated the Concord Turnpike Regional Landfill will be fully closed on June 30, 2014, and construction of the closure cap will begin.

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 2013 were $8,226,940 which is an increase of $1,101,917 over FY 2012. The facility received 242,056 revenue generating tons in FY 2013. This represents an increase of 21,558 tons over the FY 2012 revenue generating tonnage amount of 220,498. The substantial increase of revenue and revenue generating tons can be attributed to one major construction project at a local university. This substantial increase will not be factored into future tonnage projections. Tonnage projections for FY 2014 have been reduced to FY 2011 levels based on regional solid waste generating trends.



Recycling

The Authority separates white goods (old appliances), tires and yard waste from the waste stream as it enters the landfill property. Revenue of $8,774 was generated in FY 2013 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 at the Concord Turnpike Regional Landfill 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 2013 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. The Livestock Road Facility has solid waste disposal capacity for approximately fifteen years. The Authority is exploring several landfill expansion alternatives to increase the landfill life and capacity at that site.

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

Statement of Net Position
At June 30, 2013 and 2012

	At June 30, 2013	At June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	$ 3,672,344	$ 2,717,333
Cash and cash equivalents - closure/post-closure reserve accounts	8,979,099	7,970,357
Restricted cash and cash equivalents:		
Unspent bond proceeds	209,430	1,735,339
Cash held with trustee for debt service	386,500	1,757,862
Accounts receivable (Net of allowance for doubtful accounts) (Note 2)	692,763	747,262
Due from participating government	1,283,962	2,051,867
Prepaid expenses	48,879	38,519
Total current assets	$ 15,272,977	$ 17,018,539
Noncurrent assets:		
Capital assets (Note 4):		
Buildings and fixtures	$ 3,152,767	$ 138,581
Landfill site	8,486,167	5,699,508
Equipment and vehicles	4,371,283	3,326,274
Other site improvements	3,705,139	2,114,445
Less accumulated depreciation (Note 4)	(8,024,828)	(6,621,634)
Sub-total net capital assets	$ 11,690,528	$ 4,657,174
Construction work in progress	$ 124,558	$ 6,662,505
Total net capital assets	$ 11,815,086	$ 11,319,679
Total noncurrent assets	$ 11,815,086	$ 11,319,679
Total assets	$ 27,088,063	$ 28,338,218

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

Statement of Net Position
At June 30, 2013 and 2012 (Continued)

	At June 30,	
	2013	**2012**
LIABILITIES		
Current liabilities:		
Accounts payable	$ 212,527	$ 723,565
Due to participating governments	1,187,310	656,120
Accrued interest payable	172,917	205,362
Revenue bonds payable-current portion (Note 6)	233,000	2,070,000
Compensated absences (Note 5)	89,585	78,079
Total current liabilities	$ 1,895,339	$ 3,733,126
Noncurrent liabilities:		
Accrued landfill closure and post-closure costs (Note 8)	$ 8,979,099	$ 7,970,357
Accrued closure and post-closure costs - unfunded portion	1,073,523	1,016,780
Net OPEB obligation (Note 10)	146,792	109,445
Revenue bonds - net of current portion (Note 6)	9,767,000	12,050,000
Total noncurrent liabilities	$ 19,966,414	$ 21,146,582
Total liabilities	$ 21,861,753	$ 24,879,708
NET POSITION		
Net investment in capital assets	$ 2,411,016	$ 692,880
Unrestricted	2,815,294	2,765,630
Total net position	$ 5,226,310	$ 3,458,510

Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	Year Ended June 30,	
	2013	**2012**
Operating revenues:		
Tipping fees	$ 8,226,940	$ 7,125,023
Recycling revenues	59,769	58,824
Penalties & interest	26,294	8,034
Other revenue	80,969	8,411
Total revenues	$ 8,393,972	$ 7,200,292
Return of excess revenues to participating governments	$ (1,187,310)	$ (945,418)
Total operating revenues	$ 7,206,662	$ 6,254,874
Operating expenses:		
Personnel costs	$ 1,169,169	$ 1,080,480
Contractual, legal and professional	332,210	280,804
Other operating costs	1,212,013	1,078,164
Landfill closure and post-closure expense	1,065,485	637,852
Depreciation	1,472,821	1,907,046
Total operating expenses	$ 5,251,698	$ 4,984,346
Operating income (loss)	$ 1,954,964	$ 1,270,528
Nonoperating revenues (expenses):		
Interest earned	$ 27,729	$ 37,987
Gain (loss) on disposal of assets	64,793	-
Insurance recovery	207,221	6,107
Interest expense	(486,907)	(563,299)
Total nonoperating revenues (expenses)	$ (187,164)	$ (519,205)
Net income (loss)	$ 1,767,800	$ 751,323
Change in net position	$ 1,767,800	$ 751,323
Net position, beginning of year, as restated	3,458,510	2,707,187
Net position, end of year	$ 5,226,310	$ 3,458,510

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

Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash from operating activities:		
Receipts from customers and users	$ 7,792,351	$ 6,182,438
Payments to suppliers	(1,655,399)	(1,327,711)
Payments to employees	(1,120,316)	(1,037,634)
Net cash provided by (used for) operating activities	$ 5,016,636	$ 3,817,093
Cash from capital and related financing activities:		
Additions to capital assets	$ (2,430,670)	$ (6,011,555)
Proceeds from the disposal of assets	117,013	-
Return of capital contribution from participating government	767,905	289,288
Principal payments on bonds	(4,120,000)	(2,010,000)
Insurance recovery	207,221	6,107
Interest payments	(519,352)	(476,146)
Net cash provided by (used for) capital and related financing activities	$ (5,977,883)	$ (8,202,306)
Cash from investing activities:		
Interest earned	$ 27,729	$ 37,987
Net cash provided by (used for) investing activities	$ 27,729	$ 37,987
Increase (decrease) in cash and cash equivalents	$ (933,518)	$ (4,347,226)
Cash and cash equivalents at beginning of year (including $3,493,201 and $11,808,408, respectively reported in restricted accounts)	14,180,891	18,528,117
Cash and cash equivalents at end of year (including $595,930 and $3,493,201, respectively reported in restricted accounts)	$ 13,247,373	$ 14,180,891
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 1,954,964	$ 1,270,528
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,472,821	1,907,046
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	54,499	(69,586)
(Increase) decrease in prepaid expenses	(10,360)	(8,579)
Increase (decrease) in compensated absences	11,506	6,225
Increase (decrease) in net OPEB obligation	37,347	36,621
Increase (decrease) in payables and accrued expenses	(100,816)	36,986
Increase (decrease) in due to participating governments	531,190	
Increase (decrease) in accrued landfill costs	1,065,485	637,852
Net cash provided by (used for) operating activities	$ 5,016,636	$ 3,817,093

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.

Financial 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–SUMMARY OF 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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Basic Financial Statements (Continued)

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

B. Basis of Accounting

The Region 2000 Services Authority operates as an enterprise fund 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 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.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, all 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 reported separately on the statement of net position.

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–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets (Continued)

The Authority purchased the initial landfill cells and the landfill site from the City of Lynchburg and purchased an additional landfill site from the County of Campbell in fiscal year 2012. The landfill sites were valued by a consulting engineer. The engineer also estimated the accrued landfill closure and related expenses. The remaining land area of the landfill sites are reported at their value as a landfill site. The landfill sites will be depreciated over the remaining useful lives.

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

Assets	Years
Buildings and Fixtures	15
Other Site Improvements	15
Equipment and Vehicles	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, 2013 and 2012 was $1,472,821 and $1,907,046, 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, 2013 and 2012.

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.

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

I. 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, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and increased by deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

J. 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.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

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 and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

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

Rated Debt Investments		**Fair Quality Ratings AAA**
Local Government Investment Pool	$	6,302,069
U.S. Treasury Obligation Money Market		386,500
Total	$	6,688,569

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP 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.

NOTE 4–CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2013 follows:

	Balance July 1, 2012	Increases	Decreases	Reclass	Balance June 30, 2013
Capital assets not being depreciated:					
Construction in progress	$ 6,662,505	$ 954,061	$ 7,492,008	$ -	$ 124,558
Total capital assets not being depreciated	$ 6,662,505	$ 954,061	$ 7,492,008	$ -	$ 124,558
Other Capital Assets:					
Buildings and fixtures	$ 138,581	$ 3,014,186	$ -	$ -	$ 3,152,767
Accumulated depreciation	(21,965)	(246,567)	-	-	(268,532)
Other site improvements	2,114,445	1,590,694	-	-	3,705,139
Accumulated depreciation	(1,251,132)	(206,788)	-	-	(1,457,920)
Landfill site	5,699,508	2,786,659	-	-	8,486,167
Less: accumulated depreciation	(3,602,538)	(448,028)	-	-	(4,050,566)
Equipment and vehicles	3,326,274	1,166,857	121,848	-	4,371,283
Accumulated depreciation	(1,745,999)	(571,438)	(69,627)	-	(2,247,810)
Other capital assets, net	$ 4,657,174	$ 7,085,575	$ 52,221	$ -	$ 11,690,528
Capital assets, net	$ 11,319,679	$ 8,039,636	$ 7,544,229	$ -	$ 11,815,086

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 and fixtures	$ 36,069	$ 111,123	$ -	$ (8,611)	$ 138,581
Accumulated depreciation	(21,641)	(8,935)	-	8,611	(21,965)
Other site improvements	1,912,517	561,544	-	(359,616)	2,114,445
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
Accumulated depreciation	(2,264,018)	(970,293)	-	(368,227)	(3,602,538)
Equipment and vehicles	3,283,517	42,757	-	-	3,326,274
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

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 and sick leave amounts are accrued when incurred. At June 30, 2013 and 2012, the liability for accrued vacation and sick leave was $89,585 and $78,079, respectively.

NOTE 6–LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2012	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2013	Due Within One Year
Landfill closure/post-closure costs	$ 8,987,137	$ 1,065,485	$ -	$ 10,052,622	$ -
Revenue bonds	14,120,000	-	4,120,000	10,000,000	233,000
Net OPEB obligation	109,445	39,324	1,977	146,792	-
Compensated absences	78,079	11,506	-	89,585	89,585
Totals	$ 23,294,661	$ 1,116,315	$ 4,121,977	$ 20,288,999	$ 322,585

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

	Balance July 1, 2011	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2012	Due Within One Year
Landfill closure/post-closure costs	$ 5,760,797	$ 3,226,340	$ -	$ 8,987,137	$ -
Revenue bonds	16,130,000	-	2,010,000	14,120,000	2,070,000
Net OPEB obligation	72,824	42,120	5,499	109,445	-
Compensated absences	71,854	6,225	-	78,079	78,079
Totals	$ 22,035,475	$ 3,274,685	$ 2,015,499	$ 23,294,661	$ 2,148,079

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

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

Year Ending June 30,	Revenue Bond Principal	Revenue Bond Interest
2014	$ 233,000	410,165
2015	1,695,000	370,159
2016	1,767,000	298,323
2017	590,000	249,415
2018	615,000	224,411
2019-2023	3,488,000	708,406
2024-2025	1,612,000	67,603
Total	$ 10,000,000	$ 2,328,482

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
$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	$ 233,000
Total revenue bonds	$ 10,000,000	$ 233,000
Compensated absences	$ 89,585	$ 89,585
Net OPEB Obligation	$ 146,792	$ -
Landfill closure and post-closure costs	$ 10,052,622	$ -
Total long-term debt obligations	$ 20,288,999	$ 322,585

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 of 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 service 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 were vested as of January 1, 2013 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 as early as 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 Plan 1 members who were not vested on January 1, 2013 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.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

NOTE 7–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect 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.

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/2012-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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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, 2013 was 10.92% of the annual covered payroll.

NOTE 7–DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For the fiscal year ended June 30, 2013, the Authority's annual pension cost of $85,058 was equal to the 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, 2011	$ 61,622	100%	$ -
June 30, 2012	75,631	100%	-
June 30, 2013	85,058	100%	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. 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. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 133.60% funded. The actuarial accrued liability for benefits was $526,311, and the actuarial value of assets was $703,172, resulting in a funded actuarial accrued liability (UAAL) of ($176,861) – excess funded. The covered payroll (annual payroll of active employees covered by the plan) was $1,202,496 and the ratio of the UAAL to the covered payroll was (14.71%).

Virginia's Region 2000 Local Government Council acts as the employer for purposes of the retirement plan administered by the Virginia Retirement System for all 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 $3,972,578 and $2,515,489, respectively, at June 30, 2013. The total closure and post-closure care costs reported in the amount of $6,488,067 for the Concord site is based on the use of 97.3% of the landfill capacity at June 30, 2013. 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 2013. The amount recorded as accrued landfill closure and post-closure care costs is $2,587,723 and $976,832, respectively, at June 30, 2013. The total closure and post-closure care costs reported in the amount of $3,564,555 for the Livestock Road site is based on the use of 58.90% of the landfill capacity at June 30, 2013. 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, 2013 was $6,560,301 and $3,492,321, 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 $8,979,099 at June 30, 2013 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 POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:

A. Background:

Beginning in fiscal year 2010, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how governmental entities should account for and report their costs related to postemployment 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 postemployment 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 postemployment 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 postemployment 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 $437.07 to $740.23. 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 POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (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	$	39,540
Interest on OPEB obligation		3,831
Adjustment to annual required contribution		(4,047)
Annual OPEB cost (expense)	$	39,324
Contribution made		(1,977)
Increase in net OPEB obligation	$	37,347
Net OPEB obligation - beginning of year		109,445
Net OPEB obligation - end of year	$	146,792

For 2013, the Authority's expected cash payment of $1,977 was $37,347 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 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of ARC Contributed		Net OPEB Obligation
June 30, 2011	$	39,413	6%	$	72,824
June 30, 2012		42,120	13%		109,445
June 30, 2013		39,324	5%		146,792

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	$	310,389
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability (UAAL)	$	310,389
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	973,541
UAAL as a percentage of covered payroll		31.88%

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 POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (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)	3.50%
Amortization period (closed)	30 years
Healthcare trend rate	7.70% to 4.80%
Payroll growth rate	3.00%

NOTE 11–ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority has evaluated the financial statement impact and adopted several new accounting principles for the year ended June 30, 2013.

GASB issued GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"), which provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. These elements were previously identified and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. They are required to be reported in the statement of financial position in a separate section following assets. Similarly, deferred inflows of resources are defined as an acquisition of net position by a government that is applicable to a future reporting period. They should be reported in the statement of financial position in a separate section following liabilities. Additionally, GASB No. 63 renames the statement of net assets as the statement of net position. The statement of net position will report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as applicable. There was no material impact to the Authority's financial statements from the adoption of this standard in the fiscal year ended June 30, 2013.

NOTE 11–ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)

GASB issued Statement No 65, Items Previously Reported as Assets and Liabilities ("GASB No. 65"), to provide accounting guidance to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB No. 65 is required to be implemented for periods beginning after December 15, 2012. As encouraged in the standard, the Authority has elected to early implement this standard effective for the year ended June 30, 2013.

Adoption of GASB No. 65 requires the Authority to recognize as an expense in the period incurred the costs to issue indebtedness. Accounting changes adopted to conform to GASB No. 65 are applied retroactively by restating all periods presented. Accordingly, beginning net position as of July 1, 2011 is restated as follows:

Net Position, July 1, 2011, as previously reported	$	2,953,995
Adjustment to write-off outstanding bond issue costs		(246,808)
Net Position, July 1, 2011, as restated	$	2,707,187

Nonoperating expenses decreased in fiscal year ending June 30, 2012 by $45,180 due to the implementation of GASB No. 65.

Required Supplementary Information

Schedule of Pension Funding Progress - Virginia Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
6/30/2012	703,172	526,311	(176,861)	133.60%	1,202,496	-14.71%

Schedule of OPEB Funding Progress

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%
1/1/2013	-	310,389	310,389	0.00%	973,541	31.88%

Other Supplementary Information

REGION 2000 SERVICES AUTHORITY **Table 1**

Net Position by Component
Last Six Years

	2013 (2)	2012 (1)	2011	2010	2009 (1)	2008
Net investment in capital assets	$ 2,411,016	$ 692,880	$ 305,090	$ (203,719)	$ 641,068	$ 61,152
Unrestricted	2,815,294	2,765,630	2,402,097	2,684,154	537,723	223,870
Total net position	$ 5,226,310	$ 3,458,510	$ 2,707,187	$ 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.

(2) In fiscal year 2013 the Authority implemented GASB Statements 63 and 65

(3) The Authority commenced operations on June 20, 2008.

Changes in Net Position
Last Six Fiscal Years

	2013	2012	2011	2010	2009	2008
Operating revenues:						
Tipping fees	$ 8,226,940	$ 7,125,023	$ 6,485,910	$ 7,084,438	$ 6,976,265	$ -
Recycling revenues	59,769	58,824	69,327	65,882	58,373	-
Penalties & interest	26,294	8,034	10,762	21,309	15,362	-
Other revenue	80,969	8,411	10,627	41,324	17,957	-
Total revenues	$ 8,393,972	$ 7,200,292	$ 6,576,626	$ 7,212,953	$ 7,067,957	$ -
Return of excess revenues to participating localities	$ (1,187,310)	$ (945,418)	$ (989,145)	$ (1,598,636)	$ (1,447,966)	$ -
Total operating revenue	$ 7,206,662	$ 6,254,874	$ 5,587,481	$ 5,614,317	$ 5,619,991	$ -
Operating expenses:						
Personnel costs	$ 1,169,169	$ 1,080,480	$ 1,080,356	$ 1,065,860	$ 964,811	$ -
Contractual, legal and professional	332,210	280,804	250,001	259,994	240,960	1,923
Other operating costs	1,212,013	1,078,164	1,018,136	864,736	1,048,847	-
Landfill closure and post-closure expense	1,065,485	637,852	607,595	1,826,644	465,732	-
Depreciation and amortization	1,472,821	1,907,046	1,949,825	1,384,231	1,625,893	241
Total operating expenses	$ 5,251,698	$ 4,984,346	$ 4,905,913	$ 5,401,465	$ 4,346,243	$ 2,164
Operating income (loss)	$ 1,954,964	$ 1,270,528	$ 681,568	$ 212,852	$ 1,273,748	$ (2,164)
Nonoperating revenues (expenses):						
Interest earned	$ 27,729	$ 37,987	$ 41,271	$ 12,475	$ 94,090	$ 7,764
Participating governments operating contributions	-	-	-	-	28,458	-
Gain (loss) on sale of assets	64,793	-	63,401	111,469	12,756	-
Insurance recovery	207,221	6,107	-	-	-	-
Return of equity to participating governments	-	-	-	(353,613)	(248,533)	-
Interest expense	(486,907)	(563,299)	(312,680)	(313,209)	(362,357)	-
Total nonoperating revenues (expenses)	$ (187,164)	$ (519,205)	$ (208,008)	$ (542,878)	$ (475,586)	$ 7,764
Income (loss) before capital contributions	$ 1,767,800	$ 751,323	$ 473,560	$ (330,026)	$ 798,162	$ 5,600
Participating governments capital contributions	-	-	-	-	95,607	279,422
Change in net position	$ 1,767,800	$ 751,323	$ 473,560	$ (330,026)	$ 893,769	$ 285,022

Revenues by Source (Operating Source)
Last Six Fiscal Years

Fiscal Year	Tipping Fees	Recycling	Penalties & Interest	Other	Total
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	10,627	6,576,626
2012	7,125,023	58,824	8,034	8,411	7,200,292
2013	8,226,940	59,769	26,294	80,969	8,393,972

(1) The Authority commenced operations on June 20, 2008. No data was available for fiscal year 2008.

Expenses by Type
Last Six 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	607,595	1,949,825	4,905,913
2012	1,080,480	280,804	1,078,164	637,852	1,907,046	4,984,346
2013	1,169,169	332,210	1,212,013	1,065,485	1,472,821	5,251,698

(1) The Authority commenced operations on June 20, 2008.

Outstanding Debt by Type
Last Six Fiscal Years

	2013	2012	2011	2010	2009	2008
Revenue bonds payable	$ 10,000,000	$ 14,120,000	$ 16,130,000	$ 8,075,000	$ 10,000,000	$ 10,000,000
Net OPEB obligation	146,792	109,445	72,824	36,047	-	-
Compensated absences	89,585	78,079	71,854	66,124	62,901	-
Landfill closure and postclosure care costs	10,052,622	8,987,137	5,760,797	5,289,479	3,462,835	-
Total outstanding obligation	$ 20,288,999	$ 23,294,661	$ 22,035,475	$ 13,466,650	$ 13,525,736	$ 10,000,000

(1) The Authority commenced operations on June 20, 2008.

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 Directors
Region 2000 Services Authority
Lynchburg, 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 Region 2000 Services Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Region 2000 Services Authority and have issued our report thereon dated October 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 2000 Services 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 an 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. Accordingly, we do not express an opinion on the effectiveness of Region 2000 Services 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 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. 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 Region 2000 Services Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 3, 2013