

**BLUE RIDGE RESOURCE AUTHORITY**  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)



**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE**  
**COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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**BLUE RIDGE RESOURCE AUTHORITY**

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

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**BLUE RIDGE RESOURCE AUTHORITY BOARD OF DIRECTORS**

David W. Hinty, Jr., Chairman (Rockbridge County)  
Frank W. Friedman, Vice-Chairman (Lexington City)  
Ronnie R. Campbell, Treasurer (Rockbridge County)  
John M. Higgins (Rockbridge County)  
Albert J. Lewis, II (Rockbridge County)  
Daniel E. Lyons (Rockbridge County)  
Charles N. Smith (Lexington City)

**AUTHORITY OFFICIALS**

Secretary.....Jake Adams  
Authority Counsel.....Susan Waddell

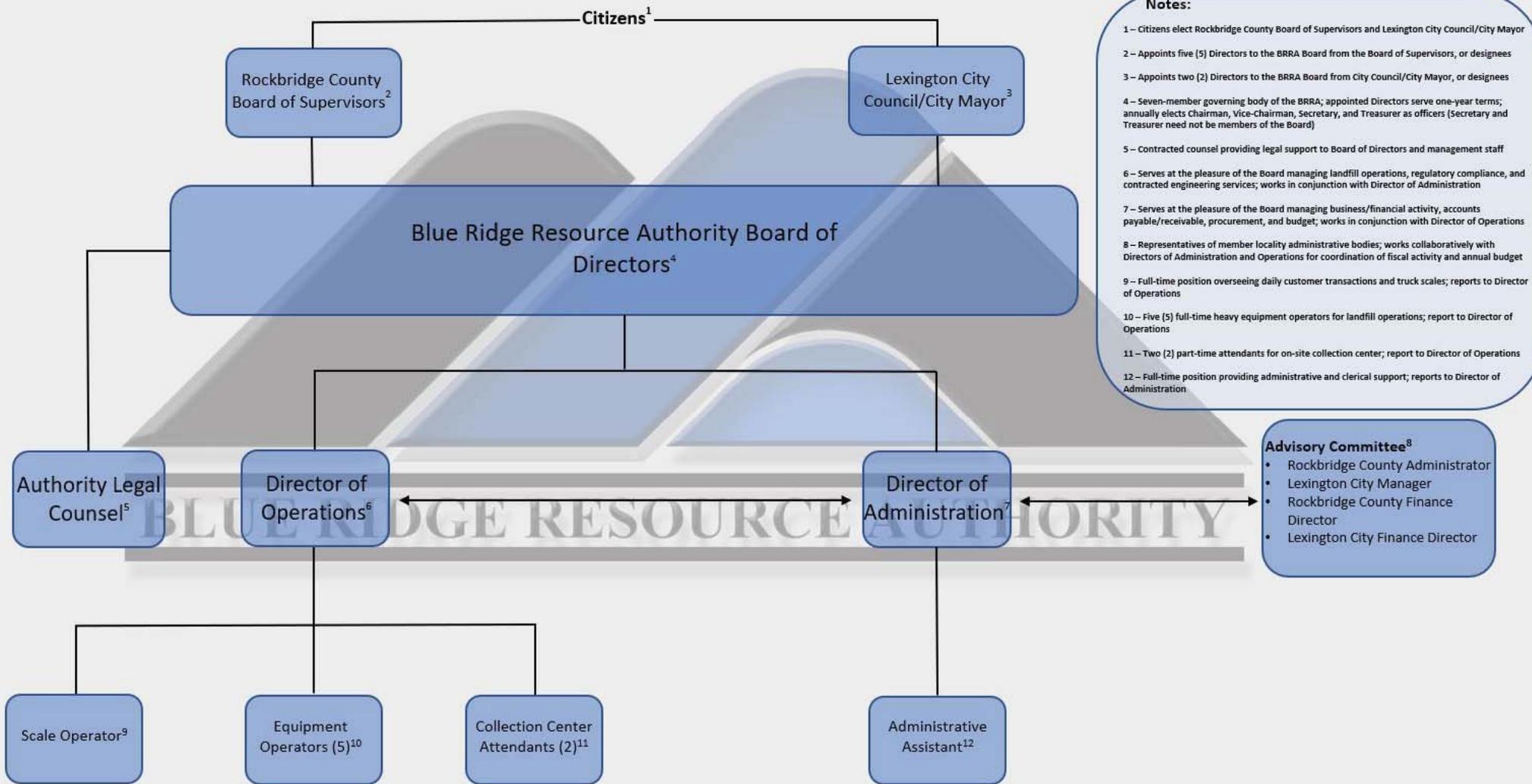
**AUTHORITY KEY STAFF**

Director of Administration.....Jake Adams  
Director of Operations.....Fred Dudley  
Administrative Assistant.....Lauren Potter  
Scale Operator.....Stephen Lucas

**SOLID WASTE ADVISORY COMMITTEE STAFF**

Rockbridge County Administrator.....Spencer Suter  
Rockbridge County Director of Finance.....Steven Bolster  
Lexington City Manager.....Noah Simon  
Lexington City Director of Finance.....Gary Swink

# BLUE RIDGE RESOURCE AUTHORITY (BRRR) ORGANIZATIONAL CHART



- Notes:**
- 1 – Citizens elect Rockbridge County Board of Supervisors and Lexington City Council/City Mayor
  - 2 – Appoints five (5) Directors to the BRRR Board from the Board of Supervisors, or designees
  - 3 – Appoints two (2) Directors to the BRRR Board from City Council/City Mayor, or designees
  - 4 – Seven-member governing body of the BRRR; appointed Directors serve one-year terms; annually elects Chairman, Vice-Chairman, Secretary, and Treasurer as officers (Secretary and Treasurer need not be members of the Board)
  - 5 – Contracted counsel providing legal support to Board of Directors and management staff
  - 6 – Serves at the pleasure of the Board managing landfill operations, regulatory compliance, and contracted engineering services; works in conjunction with Director of Administration
  - 7 – Serves at the pleasure of the Board managing business/financial activity, accounts payable/receivable, procurement, and budget; works in conjunction with Director of Operations
  - 8 – Representatives of member locality administrative bodies; works collaboratively with Directors of Administration and Operations for coordination of fiscal activity and annual budget
  - 9 – Full-time position overseeing daily customer transactions and truck scales; reports to Director of Operations
  - 10 – Five (5) full-time heavy equipment operators for landfill operations; report to Director of Operations
  - 11 – Two (2) part-time attendants for on-site collection center; report to Director of Operations
  - 12 – Full-time position providing administrative and clerical support; reports to Director of Administration

- Advisory Committee<sup>8</sup>**
- Rockbridge County Administrator
  - Lexington City Manager
  - Rockbridge County Finance Director
  - Lexington City Finance Director

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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**TO THE BOARD OF THE BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)  
LEXINGTON, VIRGINIA**

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

We have audited the accompanying financial statements of the business-type activities of the Blue Ridge Resource Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Blue Ridge Resource Authority, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

### ***Restatement of Beginning Balances***

As described in Note 2 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 and schedules related to pension and OPEB funding on pages 5-9, and 60-69 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2019, on our consideration of the Blue Ridge Resource 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Ridge Resource Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Blue Ridge Resource Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
January 2, 2019

## Management's Discussion and Analysis

As management of the Blue Ridge Resource Authority (the Authority), we offer readers of our financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending (FYE) June 30, 2018.

### Overview of the Financial Statements

This discussion and analysis are 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 required supplementary information in addition to the basic financial statements.

**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.

- **Statement of Net Position:** This statement presents information on the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- **Statement of Revenues, Expenses, and Changes in Net Position:** This statement 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).

- **Statement of Cash Flows:** This statement reports cash and cash equivalent activities for the year resulting from operating, capital, and related activities.

The basic enterprise fund financial statements are found on pages 10 through 12 of this report.

**Notes to the 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 59 of this report.

**Required supplementary information.** This report also includes required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. It is located immediately following the notes to financial statements on pages 60 through 69.

### Financial Highlights of FYE 2018

- The former Rockbridge County Solid Waste Authority (RCSWA) finalized its transition to the Blue Ridge Resource Authority during FYE 2018. This change represents the joinder of the City of Lexington to the Authority and staff reorganization to accommodate increased administrative and financial duties assumed by the Authority. The Virginia State Corporation Commission certified the Authority's Amended and Restated Articles of Incorporation on December 27, 2017. The Authority's new Board of Directors, comprised of five seats appointed by the County of Rockbridge and two appointed by the City of Lexington, held its first organizational meeting on January 10, 2018.
- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of FYE 2018 by \$2,689,911 (net position), a \$2,762,899 decrease compared to last fiscal year.
- Total liabilities increased by \$2,444,794 in FYE 2018 due to the additional realized closure/post-closure liability for Phase 1, the old landfill cell. Active landfill operations in Phase 1 ceased in

April 2018, and closure design planning is now underway. Cell 1, the first phase of the new lined landfill, has been operational since July 1, 2017.

- Total revenues decreased by \$137,644 when compared to last fiscal year. This change is due to lower income generated from service fees (-\$123,934) resulting from a decrease in tonnage and sale of recyclables, formerly accounted for in Fund 20 (Recycling Fund), being transitioned to the County's General Fund in FYE 2018.
- Total expenses increased by \$3,248,770 when compared to FYE 2018. The key areas seeing expense growth are the non-operational landfill closure costs and post-closure liability as a result of the pending closure activity for Phase 1. These non-operational expenses are sourced from restricted closure/post-closure reserve funds and do not impact operational cash flows. This is detailed further in the MD&A.

## **Financial Analysis**

**Net Position** – Total net position decreased by \$2,762,899 compared to FYE 2017. The Authority's total net position invested in capital assets has grown significantly over the past several years with the development of the new piggy-back lined landfill, procurement of heavy-duty equipment and increased tipping fees generating additional cash for future landfill expansion procurement. The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending. The realization of increased landfill closure costs and post-closure liability due to the cessation of operations in Phase 1 during FYE 2018 contribute to the decrease in net position for FYE 2018.

### **BRRR NET POSITION June 30, 2018**

	Business-type Activities	
	2018	2017 restated
Current and other assets	\$ 6,973,973	\$ 7,209,410
Capital Assets	8,714,108	8,707,796
Total Assets	\$ 15,688,081	\$ 15,917,206
Deferred Outflow s of Resources	\$ 48,922	\$ 95,727
Long-term liabilities	\$ 12,558,426	\$ 9,190,647
Other liabilities	441,845	1,364,830
Total liabilities	\$ 13,000,271	\$ 10,555,477
Deferred Inflow s of Resources	\$ 46,821	\$ 4,646
Net Position:		
Net investment in capital assets	\$ 2,579,553	\$ 2,096,784
Unrestricted (deficit)	(894,497)	1,673,929
Restricted	1,004,855	1,682,097
Total net position	\$ 2,689,911	\$ 5,452,810

**Changes in Net Position** – Tipping fee revenues for FYE 2018 decreased by \$123,934 resulting from lower overall tonnage received. Although the financial statements show an unrestricted deficit due to increased non-operational expenses accounted for in FYE 2018, operational revenues exceeded operational expenses by \$644,614, resulting in a cash surplus. The additional surplus cash is planned to offset future construction cost (Cell 2) and equipment procurement related to the expanded landfill operations. In addition, landfill staff continue to extract scrap metal from the working face of the active cell. The Authority realized nearly \$6,000 in additional revenue from selling these resources during the fiscal year. Lastly, income from investment of closure/post-closure funds continues to increase, with the statements reflecting a \$20,342 improvement in investment income from the previous year.

Expenses realized a \$3,248,770 increase compared to FYE 2017. The primary drivers are increased closure costs and post-closure liability (+\$3,355,869) captured in FYE 2018. Personnel services (+\$57,757), contractual services (+\$61,786), and depreciation expense (+\$78,956) all reflected increases in FYE 2018 for the Authority's Landfill Fund (Fund 19); however, overall operating expenses for the Authority decreased due to the transition of the former Recycling Fund (Fund 20) to the County's General Fund prior to the beginning of the fiscal year. The individual expense categories showing increases grew due to the following respective factors: 1) additional salary expense due to staff reorganization during the transition to the Blue Ridge Resource Authority, 2) increased professional services costs from contracting with outside legal counsel and additional engineering services and monitoring, and 3) depreciating heavy equipment purchased in FYE 2016.

**BRRR CHANGES IN NET POSITION**

**June 30, 2018**

	Business-type Activities	
	2018	2017 restated
Revenues:		
Program revenues:		
Charges for services	\$ 2,108,888	\$ 2,232,822
Operating grants	21,966	22,492
General Revenues:		
Use of money and property	63,798	43,456
Other	13,587	47,113
Total Revenues	\$ 2,208,239	\$ 2,345,883
Expenses:		
General		
Public works	\$ 4,942,934	\$ 1,694,164
Total expenses	\$ 4,942,934	\$ 1,694,164
Increase (decrease) in net position before transfers	\$ (2,734,695)	\$ 651,719
Transfers	(28,204)	447,927
Increase (decrease) net position	\$ (2,762,899)	\$ 1,099,646
Net position - beginning as restated	5,452,810	4,382,933
Effect of change in accounting principle	-	(29,769)
Net position - ending	\$ 2,689,911	\$ 5,452,810

**Capital Asset and Debt Administration**

**Capital Assets** – Cell 1, the first lined landfill cell of the expansion project, was opened for operations in July 2018. The construction projects related to the development of Cell 1 and associated infrastructure for the master expansion plan were completed in FYE 2018. Other capital activities completed included the construction of a new scale house and installation of two (2) new truck scales for use in conjunction with the operation of the new landfill cell. These new buildings and improvements result in a \$4,731,388 net increase in these assets during the fiscal year. Additionally, the procurement of a new Caterpillar D6N Dozer during FYE 2018 reflects a \$51,600 net increase in machinery and capital equipment assets.

**BRRR CAPITAL ASSETS**

**Net of Depreciation**

	Business-type Activities	
	2018	2017
Land	\$ 531,037	\$ 531,037
Building and improvements	6,993,490	2,262,102
Machinery and equipment	1,189,581	1,137,981
Construction in progress	-	4,776,676
Total	\$ 8,714,108	\$ 8,707,796

Additional information on the Authority’s capital assets can be found in Note 4 to the financial statements.

Long-term Debt – The Authority has \$12,558,426 in long-term obligations. A \$259,100 capital lease increase resulting from procurement of the Caterpillar D6N Dozer was offset by \$296,041 in lease retirements due to the final payment on the debt issuance for the lease-purchase of a Caterpillar 963D Loader. This demonstrates a net decrease of \$36,941 in capital leases for FYE 2018. Net pension liability (-\$208,032) and compensated absences (-\$13,175) both saw decreases from the previous year due to staff reorganization; and other post-employment benefits (-\$2,311) realized a decrease based on updated cost estimates. Landfill closure/post-closure liability (+\$3,355,869) realized the largest increase from the previous fiscal year due to the full closure costs and post-closure liability for the Phase 1 landfill being realized and accounted for during FYE 2018. Funding for this long-term debt liability is sourced from a restricted, non-operational closure/post closure account held in investments with the Local Government Investment Pool. Funds have been contributed annually to this account based upon updated closure/post-closure cost requirement estimates as a part of the operating budget while Phase 1 was in operation. (see Note 3 to the financial statements for the end of year balance and more information on these funds).

<b>BRRR LONG-TERM OBLIGATIONS</b>		
	<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017 restated</u>
Revenue Bonds	\$ 6,532,992	\$ 7,143,851
Capital Leases	606,418	643,359
Compensated Absences	24,516	37,691
Net pension liability	166,001	374,033
Net OPEB liability	32,919	35,230
Landfill closure liability	5,195,580	1,839,711
Total long-term obligations	<u>\$ 12,558,426</u>	<u>\$ 10,073,875</u>

Additional information on the Authority’s long-term obligations can be found in Note 7 to the financial statements.

**Economic Factors and the FY 2019 Budget and Rates**

- Effective December 27, 2018, the Blue Ridge Resource Authority assumed all assets and liabilities of the former Rockbridge County Solid Waste Authority and will continue to operate as an enterprise fund.
- The Regional Solid Waste Advisory Committee recommended the FYE 2019 per ton tipping fees for Rockbridge County and Lexington City to remain at \$51 per ton. Additionally, the member jurisdictional commercial rate was recommended to remain at \$53 per ton. Effective February 13, 2018, the Authority Board of Directors adopted a new rate structure to address charges for non-member municipalities and non-member jurisdiction commercial customers. This rate structure includes an additional 25% surcharge on the \$51 per ton member rate for non-member municipal customers, resulting in a \$63.75 per ton charge. Additionally, an additional 25% surcharge on the \$53 per ton member jurisdictional commercial rate was adopted for commercial entities delivering waste from localities outside of the County or City of Lexington and as authorized by the Amended Solid Waste Members Use Agreement. This results in a \$66.25 charge for these entities.
- The FYE 2019 budget reflects additional operational changes that includes the assumption of all direct billing and accounts receivable duties by Authority staff. Prior to FYE 2018, the Authority billed each of the three participating localities, and in-turn the localities subsidized all commercial waste originating within their respective jurisdictions and were responsible for billing the commercial customers. Authority staff aims to also assume accounts payable and payroll processing duties during FYE 2019

- As of June 30, 2018, the City of Buena Vista continues to utilize the Authority facility as a municipal customer under the terms of the Amended Use Agreement and rate structure. The Authority has the capacity to continue acceptance of their refuse as both the City and Authority may mutually agree.
- The anticipated tonnages for FYE 2019 under the new rate structure are expected to generate \$220,468 in surplus for future procurement needs linked to the 5-year capital improvement plan which includes the purchase of heavy-duty, operating equipment and construction of future landfill cells.
- The Authority approved a one-time 5% salary adjustment for full-time operations staff and a 2% cost-of-living adjustment for all part time staff for FYE 2019.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

### **Requests for Information**

This financial report is designed to provide readers with 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 Blue Ridge Resource Authority, 225 Landfill Road, Buena Vista, VA 24416.

## **FINANCIAL STATEMENTS**

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Net Position**  
**For the Year Ended June 30, 2018**

**Exhibit 1**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 1,908,520
Accounts receivable	355,042
Total current assets	<u>\$ 2,263,562</u>

Noncurrent assets:

Restricted cash and cash equivalents	\$ 4,710,411
Capital assets, net of accumulated depreciation:	
Land	531,037
Building and improvements	6,993,490
Machinery and equipment	1,189,581
Total capital assets	<u>\$ 8,714,108</u>
Total noncurrent assets	<u>\$ 13,424,519</u>
Total assets	<u>\$ 15,688,081</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related items	\$ 47,061
OPEB related items	1,861
Total deferred outflows of resources	<u>\$ 48,922</u>

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 25,293
Capital advances from Rockbridge County	350,000
Accrued interest payable	66,552
Bond payable - current portion	624,778
Capital lease payable, current portion	214,785
Compensated absences, current portion	6,129
Total current liabilities	<u>\$ 1,287,537</u>

Noncurrent liabilities:

Compensated absences, net of current portion	\$ 18,387
Net OPEB liability	32,919
Net pension liability	166,001
Closure and post-closure liability	5,195,580
Bonds payable, net of current portion	5,908,214
Capital lease payable - net of current portion	391,633
Total noncurrent liabilities	<u>\$ 11,712,734</u>
Total liabilities	<u>\$ 13,000,271</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension related items	\$ 44,284
OPEB related items	2,537
Total deferred inflows of resources	<u>\$ 46,821</u>

**NET POSITION**

Net investment in capital assets	\$ 2,579,553
Restricted for debt service	1,004,855
Unrestricted (deficit)	<u>(894,497)</u>
Total net position	<u>\$ 2,689,911</u>

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

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

**Exhibit 2**

	<b>Business-type Activities</b>		
	Landfill Fund	Recycling Fund	Total
<b>Operating revenues:</b>			
Charges for services:			
Landfill Rockbridge County	\$ 1,229,844	\$ -	\$ 1,229,844
Landfill City of Lexington	244,538	-	244,538
Landfill City of Buena Vista	252,510	-	252,510
Commercial and noncommercial customers	381,996	-	381,996
Miscellaneous	13,587	-	13,587
Total charges for services	<u>\$ 2,122,475</u>	<u>\$ -</u>	<u>\$ 2,122,475</u>
<b>Operating expenses:</b>			
Personnel services	\$ 370,592	\$ -	\$ 370,592
Fringe benefits	114,411	-	114,411
Contractual services	350,100	-	350,100
Other charges	263,855	-	263,855
Rent	4,450	-	4,450
Depreciation	374,453	-	374,453
Total operating expenses	<u>\$ 1,477,861</u>	<u>\$ -</u>	<u>\$ 1,477,861</u>
Operating income (loss)	<u>\$ 644,614</u>	<u>\$ -</u>	<u>\$ 644,614</u>
<b>Nonoperating revenues (expenses):</b>			
Investment income	\$ 63,798	\$ -	\$ 63,798
Commonwealth of Virginia - litter control grant	21,966	-	21,966
Interest expense	(109,204)	-	(109,204)
Landfill closure costs and post-closure liability	(3,355,869)	-	(3,355,869)
Total nonoperating revenues (expenses)	<u>\$ (3,379,309)</u>	<u>\$ -</u>	<u>\$ (3,379,309)</u>
Income (loss) before transfers	<u>\$ (2,734,695)</u>	<u>\$ -</u>	<u>\$ (2,734,695)</u>
Transfers out	<u>\$ -</u>	<u>\$ (28,204)</u>	<u>\$ (28,204)</u>
Change in net position	\$ (2,734,695)	\$ (28,204)	\$ (2,762,899)
Total net position - beginning, as restated	5,424,606	28,204	5,452,810
Total net position - ending	<u><u>\$ 2,689,911</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,689,911</u></u>

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

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A Component Unit of the County of Rockbridge, Virginia)**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

**Exhibit 3**

**Cash flows from operating activities:**

Receipts from customers/jurisdictions	\$ 2,078,142
Payments to suppliers	(652,364)
Payments to and for employees	<u>(505,350)</u>
Net cash provided by (used for) operating activities	<u>\$ 920,428</u>

**Cash flows from noncapital financing activities:**

Commonwealth of Virginia-litter control grant	\$ <u>21,966</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 21,966</u>

**Cash flows from capital and related financing activities:**

Purchase of capital assets	\$ (520,441)
Proceeds from capital leases issue	259,100
Principal paid on capital debt	(906,900)
Interest expense	<u>(115,002)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,283,243)</u>

**Cash flows from investing activities:**

Interest income	\$ <u>63,798</u>
Increase (decrease) in cash and cash equivalents	\$ (277,051)
Cash and cash equivalents (including restricted), beginning of year	<u>6,895,982</u>
Cash and cash equivalents (including restricted), end of year	<u><u>\$ 6,618,931</u></u>

**Reconciliation of operating income (loss) to net**

cash provided by (used for) operating activities:	
Operating income (loss)	\$ 644,614
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	374,453
Changes in operating assets and deferred outflows of resources and operating liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	(232,607)
(Increase) decrease in due from other funds	188,274
(Increase) decrease in deferred outflows of resources	28,612
Increase (decrease) in accounts payable	(33,959)
Increase (decrease) in compensated absences	(373)
Increase (decrease) in net OPEB liability	(2,311)
Increase (decrease) in net pension liability	(89,917)
Increase (decrease) in deferred inflows of resources	<u>43,642</u>
Net cash provided by (used for) operating activities	<u><u>\$ 920,428</u></u>

Schedule of noncash capital and related financing activities:

Landfill closure and post-closure costs	\$ <u>3,355,869</u>
Total noncash capital and related financing activities	<u><u>\$ 3,355,869</u></u>

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

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements**  
**June 30, 2018**

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**NOTE 1—BASIS OF PRESENTATION:**

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- A. Organization and Purpose – The Blue Ridge Resource Authority (a Component Unit of the County of Rockbridge, Virginia), formerly known as the Rockbridge County Solid Waste Authority, was created by the Board of Supervisors for the purpose of developing and operating regional garbage and refuse disposal. The Authority owns the only permitted landfill site within the County of Rockbridge. The Authority is also responsible for the operation and maintenance of the landfill. In 2017, both the County of Rockbridge and the City of Lexington passed joint resolutions approving the joinder of the City to the Solid Waste Authority and renaming the organization as Blue Ridge Resource Authority. The Authority serves its two member localities, the County of Rockbridge and City of Lexington, the citizens of both localities, as well as several municipal customers throughout the region.
- B. Financial Reporting Entity - The Blue Ridge Resource Authority is reported as a blended Component Unit of the County of Rockbridge. The Authority is governed by a board comprised of five members appointed by the County Board of Supervisors, and two appointed members from the Lexington City Council. The rates for user charges and the authorizations to incur indebtedness are approved by the Authority. The Authority is reported as an enterprise activity.
- C. Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:
- Management’s discussion and analysis
  - 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
  - Required Supplementary Information
    - Schedule of Authority’s Proportionate Share of the Net Pension Liability
    - Schedule of Employer Contributions
    - Notes to Required Supplementary Information
    - Schedule of Authority’s Share of Net OPEB Liability – Group Life Insurance
    - Schedule of Employer Contributions – Group Life Insurance
    - Notes to Required Supplementary Information – Group Life Insurance
    - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Medical, Dental, Prescription Insurance
    - Notes to Required Supplementary Information – Medical, Dental, Prescription Insurance
- D. Business-type Activities account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Business-type activities consist of Enterprise Funds.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 1—BASIS OF PRESENTATION: (CONTINUED)**

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E. Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Landfill Fund.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES:**

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A. Basis of Accounting - The Blue Ridge Resource Authority (a Component Unit of the County of Rockbridge, Virginia) 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.

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

B. Accounts Receivable - Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.

C. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Landfill equipment	3 to 20 years
Wells	20 to 30 years
Buildings	30 years

Maintenance and repairs are charged to expense as incurred; material renewals and betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is calculated using the straight-line method. Depreciation for the year ended June 30, 2018 was \$374,453.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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

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- D. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amount of cash and investments with original maturities of 90 days or less. The Authority considers all bank accounts to be cash and cash equivalents.
- E. Interest on Indebtedness - Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Capitalized interest amounted to \$85,253 for the year ended June 30, 2018 and \$187,515 in interest was capitalized during the previous year. Other interest costs of the Authority are treated as nonoperating expenses.
- F. Budgets and Budgetary Accounting -The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant and amortization.
- G. Inventory - Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventories are not significant.
- H. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- I. Restricted Assets - The Authority maintains restricted assets invested in the Local Government Investment Pool. These funds are restricted for the payment of future closure and post-closure costs associated with the landfill. The Landfill fund has restricted unspent bond proceeds of \$1,004,855 at June 30, 2018.
- J. Investments - External investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.
- K. Net Position - Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- L. 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.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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

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M. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. This item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities. For more detailed information on this item, reference the related notes.

N. Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Postemployment Benefits (OPEB)

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

*Medical, Dental, and Prescription Insurance – Pay as You Go Program*

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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

P. Adoption of Accounting Principles - The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Authority implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net position as reported at June 30, 2017	\$ 5,482,579
Implementation of GASB 75:	
To remove OPEB health insurance obligation as reported under GASB 45:	
Net OPEB obligation for health insurance as reported at June 30, 2017	4,000
To increase the net OPEB liability for health insurance based on revised actuarial valuation:	
Net OPEB liability for health insurance as reported at June 30, 2017 per revised actuarial valuation	(9,000)
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017:	
GLI net OPEB Liability at June 30, 2017, as restated	(26,230)
Deferred outflow of resources related to GLI net OPEB liability at June 30, 2017, as restated	<u>1,461</u>
Net position as restated at June 30, 2017	<u>\$ 5,452,810</u>

**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.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 3—DEPOSITS AND INVESTMENTS: (Continued)**

Investments

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

Credit Risk of Debt Securities

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

The Authority’s rated debt investments as of June 30, 2018 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

<b>Authority's Rated Debt Investment's Values</b>	
	<b>Fair Quality Ratings</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 3,534,527
SNAP External Investment Pool	804,189
Total	\$ 4,338,716

External Investment Pool

The value of the position in the external investment pools (Local Government Investment Pool and SNAP) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

All Authority investments must be in securities maturing within five years. Maturities of the Authority’s investments are as follows:

<b>Investments</b>	<b>Fair Value</b>	<b>Maturity</b>
		<b>Less than 1 year</b>
Local Government Investment Pool	\$ 3,534,527	\$ 3,534,527
SNAP External Investment Pool	804,189	804,189
Total	\$ 4,338,716	\$ 4,338,716

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Landfill Fund:</b>					
Capital Assets not being depreciated:					
Land	\$ 531,037	\$ -	\$ -	\$ -	\$ 531,037
Construction in progress	4,776,676	198,626	(4,975,302)		-
Total capital assets not being depreciated	<u>\$ 5,307,713</u>	<u>\$ 198,626</u>	<u>\$ (4,975,302)</u>	<u>\$ -</u>	<u>\$ 531,037</u>
Capital Assets being depreciated:					
Buildings and improvements	\$ 3,225,851	\$ 4,975,302	\$ -	\$ -	\$ 8,201,153
Machinery and equipment	1,796,558	321,816	(76,070)	-	2,042,304
Total capital assets being depreciated	<u>\$ 5,022,409</u>	<u>\$ 5,297,118</u>	<u>\$ (76,070)</u>	<u>\$ -</u>	<u>\$ 10,243,457</u>
Accumulated depreciation:					
Buildings and improvements	\$ (1,061,883)	\$ (145,780)	\$ -	\$ -	\$ (1,207,663)
Machinery and equipment	(700,119)	(228,674)	76,070	-	(852,723)
Total accumulated depreciation	<u>\$ (1,762,002)</u>	<u>\$ (374,454)</u>	<u>\$ 76,070</u>	<u>\$ -</u>	<u>\$ (2,060,386)</u>
Net capital assets being depreciated	<u>\$ 3,260,407</u>	<u>\$ 4,922,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,183,071</u>
Total capital assets, net of accumulated depreciation	<u>\$ 8,568,120</u>	<u>\$ 5,121,290</u>	<u>\$ (4,975,302)</u>	<u>\$ -</u>	<u>\$ 8,714,108</u>
<b>Recycling Fund:*</b>					
Capital Assets being depreciated:					
Buildings and improvements	\$ 408,748	\$ -	\$ -	\$ (408,748)	\$ -
Machinery and equipment	62,951	-	-	(62,951)	-
Total capital assets	<u>\$ 471,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (471,699)</u>	<u>\$ -</u>
Accumulated depreciation:					
Buildings and improvements	\$ (310,614)	\$ -	\$ -	\$ 310,614	\$ -
Machinery and equipment	(21,408)	-	-	21,408	-
Total accumulated depreciation	<u>\$ (332,022)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,022</u>	<u>\$ -</u>
Net capital assets being depreciated	<u>\$ 139,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (139,677)</u>	<u>\$ -</u>

\*See Note 6 for transfer of Recycling fund assets to the County of Rockbridge's general fund.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 5—ADVANCES FROM PARTICIPATING ENTITIES:**

The Resource Authority has advances from participating localities as follows:

	Balance June 30, 2017	Increase (Decrease)	Balance June 30, 2018
County of Rockbridge	350,000	-	350,000
Total	\$ 350,000	\$ -	\$ 350,000

**NOTE 6—INTERFUND TRANSFERS:**

As a result of the newly formed Blue Ridge Resource Authority, all assets from the Recycling fund were transferred to the County of Rockbridge's general fund. The transfer to the general fund was necessary to close the Recycling fund. Historically, the Recycling fund has been reported as an enterprise fund of the county; however, the activity in this fund has been subsidized by the county's general fund. Net transfers to the County of Rockbridge for the year ended June 30, 2018 amounted to \$28,204.

**NOTE 7—LONG-TERM OBLIGATIONS:**

Changes in long-term obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2018:

	Balance July 1, 2017 as restated	Issuances	Retirements	Balance June 30, 2018
Revenue Bonds	\$ 6,280,000	\$ -	\$ 515,000	\$ 5,765,000
Bond Premium	863,851	-	95,859	767,992
Capital Leases	643,359	259,100	296,041	606,418
Compensated Absences	37,691	15,093	28,268	24,516
Net OPEB Liabilities	35,230	1,645	3,956	32,919
Landfill Closure and Post-closure Care	1,839,711	3,355,869	-	5,195,580
Net Pension Liability	374,033	137,032	345,064	166,001
Total Long-term Obligations	\$ 10,073,875	\$ 3,768,739	\$ 1,284,188	\$ 12,558,426

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year Ending June 30,	Business-type Activities			
	Capital Leases		Revenue Bond	
	Principal	Interest	Principal	Interest
2019	\$ 214,785	\$ 14,397	\$ 535,000	\$ 254,172
2020	192,746	8,898	560,000	228,638
2021	112,790	3,979	590,000	200,019
2022	54,275	1,870	625,000	168,959
2023	31,822	931	655,000	136,259
2024	-	-	120,000	116,425
2025	-	-	130,000	110,019
2026	-	-	135,000	103,378
2027	-	-	140,000	96,731
2028	-	-	150,000	90,000
2029	-	-	155,000	83,359
2030	-	-	160,000	76,338
2031	-	-	170,000	68,756
2032	-	-	180,000	60,537
2033	-	-	185,000	52,484
2034	-	-	140,000	45,957
2035	-	-	145,000	40,503
2036	-	-	150,000	34,868
2037	-	-	155,000	29,053
2038	-	-	160,000	23,056
2039	-	-	170,000	16,775
2040	-	-	175,000	10,209
2041	-	-	180,000	3,439
Totals	\$ <u>606,418</u>	\$ <u>30,075</u>	\$ <u>5,765,000</u>	\$ <u>2,049,934</u>

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Revenue bonds:</u></b>		
VRA 2012A Revenue Bond totaling \$655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033.	\$ 545,000	\$ 25,000
VRA 2016A Revenue Bond totaling \$5,710,000, issued at a premium of \$856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041.	<u>5,220,000</u>	<u>510,000</u>
Total revenue bonds	\$ <u>5,765,000</u>	\$ <u>535,000</u>
<b><u>Capital leases:</u></b>		
\$309,436 issued April 13, 2013 for a track loader, due in monthly payments of \$5,588 through April 15, 2018, interest at 4.55%.	\$ 27,374	\$ 27,374
\$681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of \$12,125 through November 25, 2020, interest at 2.67%.	340,152	138,099
\$259,100 issued December 15, 2017 for the purchase of a bulldozer, due in monthly payments of \$4,679 through November 20, 2022, interest at 3.2%.	<u>238,892</u>	<u>49,312</u>
Total capital leases	\$ <u>606,418</u>	\$ <u>214,785</u>
Unamortized bond premium	\$ <u>767,992</u>	\$ <u>89,778</u>
Compensated absences	\$ <u>24,516</u>	\$ <u>6,129</u>
Net OPEB liabilities	\$ <u>32,919</u>	\$ <u>-</u>
Landfill closure and post-closure liability	\$ <u>5,195,580</u>	\$ <u>-</u>
Net pension liability	\$ <u>166,001</u>	\$ <u>-</u>
Total	\$ <u>12,558,426</u>	\$ <u>845,692</u>

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 8—CAPITAL LEASES:**

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The Authority has financed the acquisition of equipment by means of capital leases. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Assets:		
Machinery and equipment	\$	1,322,609
Accumulated depreciation		(449,164)
Total	\$	<u>873,445</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018 are as follows:

Year Ended June 30,		
2019	\$	229,182
2020		201,644
2021		116,769
2022		56,145
2023		<u>32,752</u>
Total	\$	636,492
Less: Amount representing interest		<u>(30,074)</u>
Present value of minimum lease payments	\$	<u>606,418</u>

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**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN:**

***Plan Description***

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment, through the County of Rockbridge. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through the County of Rockbridge and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1 (Cont.)</b></p>	<p><b>About Plan 2 (Cont.)</b></p>	<p><b>About the Hybrid Retirement Plan (Cont.)</b></p> <ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contribution Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contribution Component:</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contribution Component: (Cont.)</b></u>                      Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as Plan 1 and Plan 2.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2017-annual-report.pdf>, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% 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. The Solid Waste Authority opted to make the transition in a single fiscal year rather than phasing in the requirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 12.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$40,277 and \$35,888 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the Authority reported a liability of \$166,001 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Authority's proportionate share of the same was calculated using the contribution as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017, and June 30, 2016, the Authority's proportion was 4.30% and 6.27%, respectively.

***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Actuarial Assumptions – General Employees (Continued)***

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rates:**

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

Mortality rates (continued):

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates at age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Rockbridge's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Mortality rates:**

**Largest 10 – Hazardous Duty:** 70% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**All Others (Non 10 Largest) – Hazardous Duty:** 45% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Long-term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 9—PENSION PLAN: (CONTINUED)**

***Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Authority’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Authority			
Net Pension Liability (Asset)	\$ 348,750	\$ 166,001	\$ 13,160

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2018, the Authority recognized pension expense of \$20,449. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 723	\$ 19,494
Change in assumptions	-	5,888
Net difference between projected and actual earnings on pension plan investments	-	18,902
Change in proportional allocation	6,061	-
Employer contributions subsequent to the measurement date	40,277	-
Total	<u>\$ 47,061</u>	<u>\$ 44,284</u>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 9—PENSION PLAN: (CONTINUED)**

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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions ) (Continued)***

\$40,277 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2019	\$ (19,442)
2020	(3,571)
2021	(2,287)
2022	(12,200)
Thereafter	-

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**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):**

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***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Plan Description (Continued)***

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)</b>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"><li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• <b><u>Accidental Death Benefit</u></b> – The accidental death benefit is double the natural death benefit.</li><li>• <b><u>Other Benefit Provisions</u></b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$1,517 and \$1,461 for the years ended June 30, 2018 and June 30, 2017, respectively.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB***

At June 30, 2018, the Authority reported a liability of \$22,919 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer’s proportion was 0.0015% as compared to 0.0022% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$301. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 516
Net difference between projected and actual earnings on GLI OPEB program investments	-	860
Change in assumptions	-	1,161
Changes in proportion	344	-
Employer contributions subsequent to the measurement date	<u>1,517</u>	<u>-</u>
Total	<u>\$ 1,861</u>	<u>\$ 2,537</u>

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)***

\$1,517 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2019	\$ (473)
2020	(473)
2021	(473)
2022	(473)
2023	(258)
Thereafter	(43)

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Mortality Rates – Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – Teachers (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**Mortality Rates – SPORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – VaLORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

**Mortality Rates – JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – JRS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Mortality Rates – Largest Ten Locality Employers – General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**BLUE RIDGE RESOURCE AUTHORITY  
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**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Net GLI OPEB Liability***

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

***Long-Term Expected Rate of Return***

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Long-Term Expected Rate of Return (Continued)***

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

***Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 29,670	\$ 22,919	\$ 17,458

***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):**

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***Plan Description***

In addition to the pension benefits described in Note 9, the Authority participates in a single-employer defined benefit healthcare plan, the County of Rockbridge OPEB Plan. Several entities participate in the defined benefit healthcare plan through the County of Rockbridge and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County’s pension plans. The plan does not issue a publicly available financial report.

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Authority who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits if they have at least 5 years of service with the Authority.

***Plan Membership***

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	<u>10</u>
Total	<u><u>10</u></u>

***Contributions***

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County of Rockbridge Board. The Authority did not have benefits come due during the year ended June 30, 2018; therefore no benefit payments were made.

***Total OPEB Liability***

The Authority’s total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2016.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Investment Rate of Return	N/A

Mortality rates for Active employees and healthy retirees were based on a RPH-2015 Total Dataset Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

***Discount Rate***

The discount rate has been set to 3.56% and represents the Municipal GO AA20-year yield curve rate as of June 30, 2017. The final equivalent single discount rate used for this year’s valuation is 3.56% as of the end of the fiscal year with the expectation that the Authority will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

***Changes in Total OPEB Liability***

		<b>Authority</b>
		<b>Total OPEB Liability</b>
Balances at June 30, 2017	\$	9,000
Changes for the year:		
Service cost		1,000
Net changes		1,000
Balances at June 30, 2018	\$	10,000

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

**NOTE 11—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 11,088	\$ 10,000	\$ 9,038

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.5% decreasing to 4.00%)	Healthcare Cost Trend (7.50% decreasing to 5.00%)	1% Increase (8.5% decreasing to 6.00%)
\$ 8,785	\$ 10,000	\$ 11,468

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2018, the Authority did not have any OPEB expense. At June 30, 2018, the Authority did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

**NOTE 12—COMPENSATED ABSENCES:**

The Authority has accrued liabilities arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. When employees leave the Authority’s service through resignation or retirement, they are compensated for accumulated sick leave, up to the maximum hours allowed. The Authority has outstanding accrued compensated absences totaling \$24,516.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 13—LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:**

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The Blue Ridge Resource Authority (a Component Unit of the County of Rockbridge, Virginia) owns the only permitted landfill site within the County of Rockbridge. The Cities of Lexington and Buena Vista also use the landfill site. Landfill costs are prorated to each jurisdiction based on tonnage of solid waste accepted each month. The Authority is responsible for the management and operation of the landfill. Rockbridge County's share of tonnage has historically been approximately 70%, the City of Lexington's share has been approximately 20%, and Buena Vista approximately 10%.

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

The landfill began operation during 1972 and currently has an estimated capacity to last until the year 2018. The Authority constructed a new landfill cell that began operations on July 1, 2017. The \$5,195,580 reported as accrued closure and post-closure liability at June 30, 2018 represents the cumulative amount reported for closure and post closure of the landfill, which has reached full capacity, and the estimated closure and post closure liability for the new landfill cell based on the estimated use of capacity as of June 30, 2018 (approximately 15%). The estimated total current cost of the landfill closure and post-closure care of \$5,195,580 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

The Authority demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**NOTE 14—UPCOMING PRONOUNCEMENTS:**

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Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2018 (CONTINUED)**

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**NOTE 14—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

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Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Authority's Proportionate Share of the Net Pension Liability  
 For the Years Ended June 30, 2015 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2017	4.3045% \$	166,001	\$ 281,227	59.03%	88.74%
2016	6.2700%	374,033	400,970	93.28%	95.09%
2015	6.4000%	301,416	385,046	78.28%	86.62%
2014	6.4000%	260,935	387,025	67.42%	85.28%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

**BLUE RIDGE RESOURCE AUTHORITY  
(A COMPONENT UNITY OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Exhibit 5**

**Schedule of Employer Contributions  
For the Years Ended June 30, 2009 through June 30, 2018**

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2018	\$ 40,277	\$ 40,277	\$ -	\$ 311,500	12.93%
2017	35,888	35,888	-	281,227	12.76%
2016	54,880	54,880	-	400,970	13.69%
2015	54,022	54,022	-	385,046	14.03%
2014	51,629	51,629	-	387,025	13.34%
2013	48,784	48,784	-	365,697	13.34%
2012	37,182	37,182	-	340,811	10.91%
2011	37,675	37,675	-	345,324	10.91%
2010	35,579	35,579	-	360,844	9.86%
2009	35,930	35,930	-	364,398	9.86%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018**

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest 10 – Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Largest 10 – Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**All Others (Non 10 Largest) – Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018 (continued)**

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All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**Schedule of Authority's Share of Net OPEB Liability**  
**Group Life Insurance Program**  
**June 30, 2018**

Exhibit 7

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.0015% \$	22,919 \$	281,227	8.15%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**Schedule of Employer Contributions**  
**Group Life Insurance Program**  
**For the Years Ended June 30, 2009 through June 30, 2018**

**Exhibit 8**

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2018	\$ 1,517	\$ 1,517	\$ -	\$ 291,642	0.52%
2017	1,461	1,461	-	281,227	0.52%
2016	1,926	1,926	-	401,278	0.48%
2015	1,859	1,859	-	387,288	0.48%
2014	1,858	1,858	-	387,025	0.48%
2013	1,755	1,755	-	365,697	0.48%
2012	954	954	-	340,811	0.28%
2011	967	967	-	345,324	0.28%
2010	735	735	-	272,189	0.27%
2009	984	984	-	364,398	0.27%

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 14% to 25%	

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 60% to 85%	

**VaLORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	
Disability Rates	Adjusted rates to better fit experience	
Salary Scale	No change	
Line of Duty Disability	Decreased rate from 50% to 35%	

**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios-**  
**Medical, Dental, Prescription Insurance**  
**For the Year Ended June 30, 2018**

**Exhibit 10**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 1,000
<b>Net change in total OPEB liability</b>	\$ 1,000
<b>Total OPEB liability - beginning</b>	9,000
<b>Total OPEB liability - ending</b>	<u>\$ 10,000</u>
<b>Covered payroll</b>	\$ N/A
<b>Authority's total OPEB liability (asset) as a percentage of covered payroll</b>	N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**Notes to Required Supplementary Information - Authority OPEB**  
**Medical, Dental, Prescription Insurance**  
**For the Year Ended June 30, 2018**

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**Exhibit 11**

Valuation Date: 7/1/2016  
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.5% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

## **COMPLIANCE**

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## 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

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### TO THE BOARD OF THE BLUE RIDGE RESOURCE AUTHORITY (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) LEXINGTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Blue Ridge Resource Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 2, 2019.

#### Internal Control over Financial Reporting

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Blue Ridge Resource 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, Farrow, Cox Associates*

Staunton, Virginia  
January 2, 2019