

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



FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

**BLUE RIDGE RESOURCE AUTHORITY**  
**(A COMPONENT UNIT OF THE**  
**COUNTY OF ROCKBRIDGE, VIRGINIA)**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

**TABLE OF CONTENTS**

---

	<u>Page</u>
List of Key Officials .....	1
Organizational Chart .....	2
Independent Auditors' Report .....	3-4
Management's Discussion and Analysis.....	5-9
<b>Financial Statements:</b>	
Exhibit 1 – Statement of Net Position .....	10
Exhibit 2 – Statement of Revenues, Expenses and Changes in Net Position .....	11
Exhibit 3 – Statement of Cash Flows .....	12
Notes to Financial Statements .....	13-47
<b>Required Supplementary Information:</b>	
Exhibit 4 – Schedule of Authority's Proportionate Share of the Net Pension Liability .....	48
Exhibit 5 – Schedule of Employer Contributions - Pension.....	49
Exhibit 6 – Notes to Required Supplementary Information - Pension .....	50-51
Exhibit 7 – Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance .....	52
Exhibit 8 – Schedule of Employer Contributions – Group Life Insurance .....	53
Exhibit 9 – Notes to Required Supplementary Information – Group Life Insurance.....	54-55
Exhibit 10 – Schedule of Changes in Total OPEB Liability and Related Ratios – Medical, Dental, Prescription Insurance .....	56
Exhibit 11 – Notes to Required Supplementary Information – Authority OPEB – Medical, Dental, Prescription Insurance .....	57
<b>Compliance:</b>	
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 <i>Government Auditing Standards</i> .....	58-59

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

---

**BLUE RIDGE RESOURCE AUTHORITY BOARD OF DIRECTORS**

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

**AUTHORITY OFFICIALS**

Secretary.....Lauren Potter  
Authority Counsel.....Susan Waddell

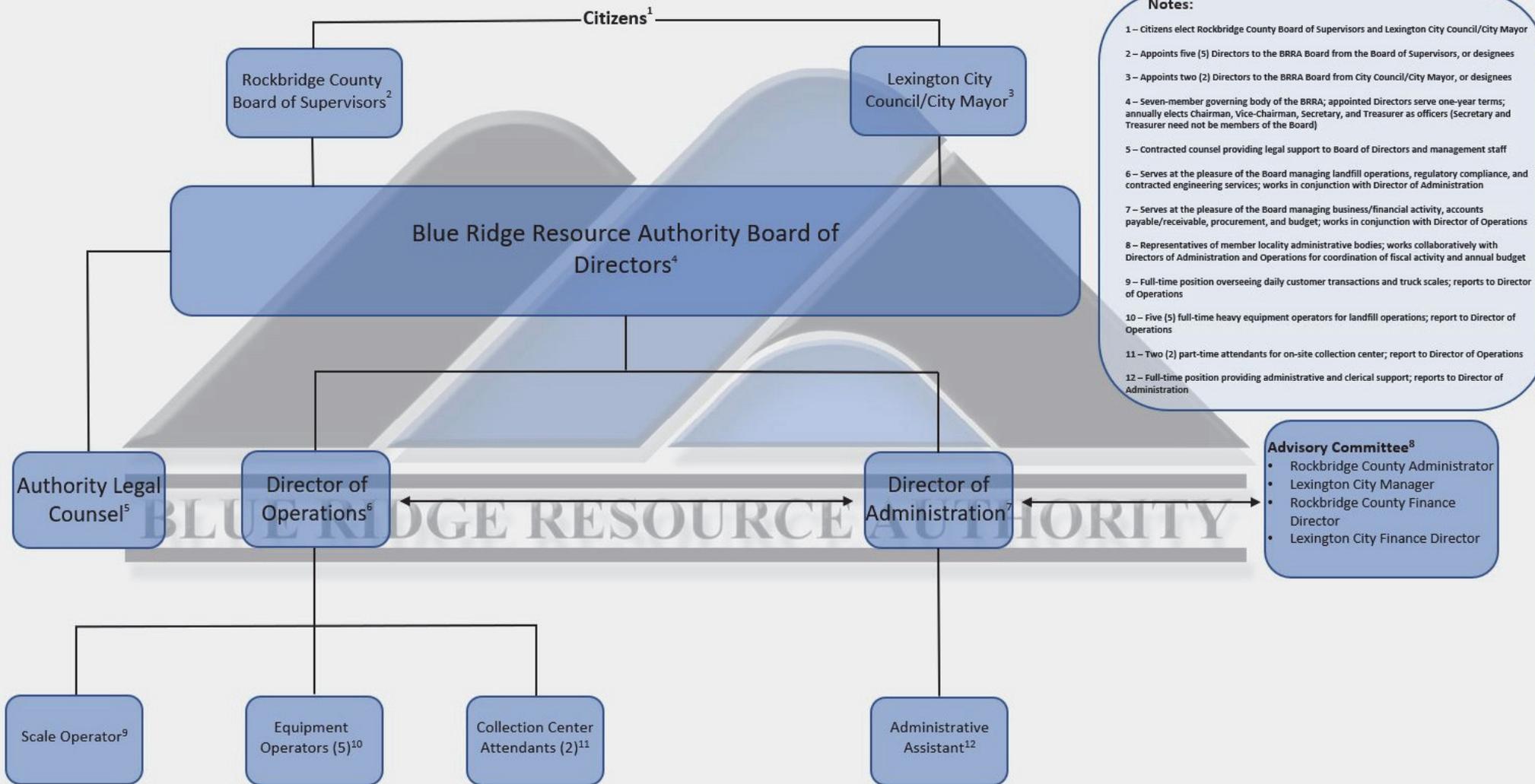
**AUTHORITY KEY STAFF**

Director..... Ray York  
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



---

**INDEPENDENT AUDITORS' REPORT**

---

**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, 2019, 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, 2019, 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 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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 48-57 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 December 20, 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  
December 20, 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, 2019.

### 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 47 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 48 through 57.

### Financial Highlights of FYE 2019

- The Blue Ridge Resource Authority represents the joinder of the City of Lexington and the County of Rockbridge. 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 2019 by \$2,126,389 (net position), a \$563,522 decrease compared to last fiscal year.

- Total liabilities increased by \$19,130 in FYE 2019. Although long term liabilities were reduced by \$1,208,277, other liabilities were increased by \$1,227,407. Due to the additional realized closure/post-closure liability for Cell-1, there was an increase of \$485,562 in landfill closure liability bringing the total liability to \$5,681,142 from \$5,195,580. At the end of FYE 2019 the Accounts Payable balance was \$410,065 an increase of \$384,772 over the Accounts Payable for FYE- 2018.
- Total revenues increased by \$285,199 when compared to last fiscal year. This change is due to a \$251,498 increase in service fees, resulting from an increase in tonnage and sale of recyclables.
- Total expenses decreased by \$1,896,676 when compared to FYE 2018. The key areas seeing expense reduction was 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 \$563,522 compared to FYE 2018. 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 2019.

### **BRRRA NET POSITION**

**June 30, 2019**

	Business-type Activities	
	2019	2018
Current and other assets	\$ 6,649,143	\$ 6,973,973
Capital Assets	8,475,448	8,714,108
<b>Total Assets</b>	<b>\$ 15,124,591</b>	<b>\$ 15,688,081</b>
Deferred Outflow s of Resources	\$ 51,970	\$ 48,922
Long-term liabilities	\$ 11,350,149	\$ 12,558,426
Other liabilities	1,669,252	441,845
<b>Total liabilities</b>	<b>\$ 13,019,401</b>	<b>\$ 13,000,271</b>
Deferred Inflow s of Resources	\$ 30,771	\$ 46,821
Net Position:		
Net investment in capital assets	\$ 3,005,550	\$ 2,579,553
Unrestricted (deficit)	824,130	(894,497)
Restricted	(1,703,291)	1,004,855
<b>Total net position</b>	<b>\$ 2,126,389</b>	<b>\$ 2,689,911</b>

**Changes in Net Position** – Tipping fee revenues for FYE 2019 increased by \$251,498 resulting from greater overall tonnage received. Although the financial statements show an unrestricted deficit due to increased non-operational expenses accounted for in FYE 2019, operational revenues exceeded operational expenses by \$361,881. Non-operational costs were \$174,157 interest expense, \$22,540 in loss of property, and landfill closure costs and post closure costs of \$829,969. These expenses were offset by interest income of \$111,965 creating a non-operational cost of \$914,701. The Authority increased it’s use of money and property from \$63,798 in FYE 2018 to \$111,965 an increase of \$48,167. The Net position was decreased by \$563,522.

Expenses realized a \$1,896,676 decrease compared to FYE 2018. This reduction was due to decreased closure costs and post-closure liability of \$2,438,407 captured in FYE 2018. Personnel services increased by \$18,409 in salary and \$7,262 in fringe benefits. Contractual services increased by \$365,725 to a total of \$715,825. The greater part of this increased cost was due to the emergency hauling of leachate. The Authority contracted hauling services in the amount of \$171,412. Also, due to the expansion of Cell-1, depreciation expense increased \$160,281 to a total \$534,734. Overall operating expenses increased by \$541,731 in FYE 2019, \$381,450 less depreciation costs. This rise in expenses is related to the increase of Contracted Services. There was also a loss of \$22,540 due to an accident involving the transport trailer used in the removal of leachate. The Authority is expecting to recoup the loss from the insurance carrier. 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, 2019**

	Business-type Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 2,360,386	\$ 2,108,888
Operating grants	-	21,966
General Revenues:		
Use of money and property	111,965	63,798
Other	21,087	13,587
Total Revenues	\$ 2,493,438	\$ 2,208,239
Expenses:		
Public works	\$ 3,046,258	\$ 4,942,934
Total expenses	\$ 3,046,258	\$ 4,942,934
Increase (decrease) in net position before transfers	\$ (552,820)	\$ (2,734,695)
Transfers	(10,702)	(28,204)
Increase (decrease) net position	\$ (563,522)	\$ (2,762,899)
Net position - beginning as restated	2,689,911	5,452,810
Net position - ending	\$ 2,126,389	\$ 2,689,911

**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 net asset value of Buildings and Improvements decreased by \$200,487. Machinery and Equipment was decreased by \$38,173. Payments of \$216,395 helped offset the depreciation costs of Machinery and Equipment. \$73,168 was spent on paving the road to the scale house. Total Capital Assets values decreased by \$238,660. The FYE-2018 total of \$8,714,108 was reduced to a new total of \$8,475,448.

**BRRR CAPITAL ASSETS****Net of Depreciation**

	Business-type Activities	
	2019	2018
Land	\$ 531,037	\$ 531,037
Building and improvements	6,793,003	6,993,490
Machinery and equipment	1,151,408	1,189,581
Total	\$ 8,475,448	\$ 8,714,108

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

Long-term Debt – The Authority has \$12,198,802 in long-term obligations. FYE 2019 saw a reduction in Revenue Bonds by \$630,859, with the balance remaining at \$5,902,133. Capital leases for operating equipment were reduced by \$214,523 to an amount of \$391,895. There was no additional equipment financed in FYE 2019. Net pension liability was \$29,724 a reduction of \$693 and OPEB (Other Post Employment Benefit) was \$28,330 a reduction of \$4,589. Landfill closure/post-closure liability increased from \$5,195,580 to \$5,681,412. This increase is due to an increase in the engineering estimate for closure and post closure cost. 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 12 to the financial statements for the end of year balance and more information on these funds).

**BRRR LONG-TERM OBLIGATIONS**

	Business-type Activities	
	2019	2018
Revenue Bonds	\$ 5,902,133	\$ 6,532,992
Capital Leases	391,895	606,418
Compensated Absences	29,724	24,516
Net pension liability	165,308	166,001
Net OPEB liability	28,330	32,919
Landfill closure liability	5,681,412	5,195,580
Total long-term obligations	\$ 12,198,802	\$ 12,558,426

Additional information on the Authority's long-term obligations can be found in Note 6 to the financial statements.

**Economic Factors and the FY 2020 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 Blue Ridge Resource Authority Board recommended the FYE 2020 per ton tipping fees for Rockbridge County and Lexington City to remain at \$54.50 per ton. Additionally, the Member Jurisdictional Commercial rate was recommended to remain at \$56.50 per ton. The Non-Member Commercial rate will be \$70.63. The rate for Non-Member Municipal is \$68.18.

## **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**  
**June 30, 2019**

**Exhibit 1**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 1,694,477
Accounts receivable	303,175
Total current assets	<u>\$ 1,997,652</u>
Noncurrent assets:	
Restricted cash and cash equivalents	\$ 4,651,491
Capital assets, net of accumulated depreciation:	
Land	531,037
Building and improvements	6,793,003
Machinery and equipment	1,151,408
Total capital assets	<u>\$ 8,475,448</u>
Total noncurrent assets	<u>\$ 13,126,939</u>
Total assets	<u>\$ 15,124,591</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related items	\$ 48,738
OPEB related items	3,232
Total deferred outflows of resources	<u>\$ 51,970</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 410,065
Capital advances from Rockbridge County	350,000
Accrued interest payable	60,534
Bond payable - current portion	649,778
Capital lease payable, current portion	192,746
Compensated absences, current portion	6,129
Total current liabilities	<u>\$ 1,669,252</u>
Noncurrent liabilities:	
Compensated absences, net of current portion	\$ 23,595
Net OPEB liability	28,330
Net pension liability	165,308
Closure and post-closure liability	5,681,412
Bonds payable, net of current portion	5,252,355
Capital lease payable - net of current portion	199,149
Total noncurrent liabilities	<u>\$ 11,350,149</u>
Total liabilities	<u>\$ 13,019,401</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension related items	\$ 27,663
OPEB related items	3,108
Total deferred inflows of resources	<u>\$ 30,771</u>

**NET POSITION**

Net investment in capital assets	\$ 3,005,550
Restricted for debt service	824,130
Unrestricted (deficit)	<u>(1,703,291)</u>
Total net position	<u>\$ 2,126,389</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, 2019**

**Exhibit 2**

	<b>Business-type Activities</b>
	<u>Landfill Fund</u>
<b>Operating revenues:</b>	
Charges for services:	
Landfill Rockbridge County	\$ 863,723
Landfill City of Lexington	169,438
Landfill City of Buena Vista	237,616
Commercial and noncommercial customers	1,089,609
Miscellaneous	<u>21,087</u>
Total charges for services	\$ <u>2,381,473</u>
<b>Operating expenses:</b>	
Personnel services	\$ 389,001
Fringe benefits	121,673
Contractual services	715,825
Other charges	247,894
Rent	10,465
Depreciation	<u>534,734</u>
Total operating expenses	\$ <u>2,019,592</u>
Operating income (loss)	\$ <u>361,881</u>
<b>Nonoperating revenues (expenses):</b>	
Investment income	\$ 111,965
Interest expense	(174,157)
Loss on disposal of property	(22,540)
Landfill closure costs and post-closure liability	<u>(829,969)</u>
Total nonoperating revenues (expenses)	\$ <u>(914,701)</u>
Income (loss) before transfers	\$ <u>(552,820)</u>
Transfers out	\$ <u>(10,702)</u>
Change in net position	\$ (563,522)
Total net position - beginning	<u>2,689,911</u>
Total net position - ending	<u><u>\$ 2,126,389</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, 2019**

**Exhibit 3**

**Cash flows from operating activities:**

Receipts from customers/jurisdictions	\$ 2,433,340
Payments to suppliers	(589,412)
Payments to and for employees	<u>(529,846)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,314,082</u>

**Cash flows from noncapital financing activities:**

Transfer to general fund of Rockbridge County	<u>(10,702)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (10,702)</u>

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

Purchase of capital assets	\$ (388,815)
Proceeds from the sale of assets	70,201
Principal paid on capital debt	(749,523)
Interest expense	(276,034)
Landfill closure costs	<u>(344,137)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,688,308)</u>

**Cash flows from investing activities:**

Interest income	<u>\$ 111,965</u>
Increase (decrease) in cash and cash equivalents	\$ (272,963)
Cash and cash equivalents (including restricted), beginning of year	<u>6,618,931</u>
Cash and cash equivalents (including restricted), end of year	<u><u>\$ 6,345,968</u></u>

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

cash provided by (used for) operating activities:	
Operating income (loss)	\$ 361,881
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	534,734
Changes in operating assets and deferred outflows of resources and operating liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	51,867
(Increase) decrease in deferred outflows of resources	(3,048)
Increase (decrease) in accounts payable	384,772
Increase (decrease) in compensated absences	5,208
Increase (decrease) in net OPEB liability	(4,589)
Increase (decrease) in net pension liability	(693)
Increase (decrease) in deferred inflows of resources	<u>(16,050)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,314,082</u></u>
Schedule of noncash capital and related financing activities:	
Landfill closure and post-closure costs	<u>\$ 485,832</u>
Total noncash capital and related financing activities	<u><u>\$ 485,832</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, 2019**

---

**NOTE 1—BASIS OF PRESENTATION:**

---

- 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 fund.
- 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, 2019 (CONTINUED)**

---

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

---

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:**

---

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 show a significant increase over the prior year, and no allowances for uncollectible accounts has been established.

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, 2019 was \$534,734.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

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

---

- 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 – Due to early implementation of Governmental Accounting Standards Board Statement No. 89, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, interest cost incurred during construction is expensed and no longer capitalized as part of project costs.
- 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 \$824,130 at June 30, 2019.
- 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, 2019 (CONTINUED)**

---

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

---

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, 2019 (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. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The Authority early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

**NOTE 3—DEPOSITS AND INVESTMENTS:**

Deposits

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

Investments

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

Credit Risk of Debt Securities

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

The Authority's rated debt investments as of June 30, 2019 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	\$ 3,485,263
SNAP External Investment Pool	824,130
Total	<u>\$ 4,309,393</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

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

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:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u> <u>Less than 1 year</u>
Local Government Investment Pool	\$ 3,485,263	\$ 3,485,263
SNAP External Investment Pool	824,130	824,130
Total	<u>\$ 4,309,393</u>	<u>\$ 4,309,393</u>

**NOTE 4—CAPITAL ASSETS:**

Details of changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<b>Landfill Fund:</b>				
Capital Assets not being depreciated:				
Land	\$ 531,037	\$ -	\$ -	\$ 531,037
Total capital assets not being depreciated	<u>\$ 531,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,037</u>
Capital Assets being depreciated:				
Buildings and improvements	\$ 8,201,153	\$ 73,168	\$ -	\$ 8,274,321
Machinery and equipment	2,042,305	315,647	(309,136)	2,048,816
Total capital assets being depreciated	<u>\$ 10,243,458</u>	<u>\$ 388,815</u>	<u>\$ (309,136)</u>	<u>\$ 10,323,137</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,207,663)	\$ (273,655)	\$ -	\$ (1,481,318)
Machinery and equipment	(852,724)	(261,079)	216,395	(897,408)
Total accumulated depreciation	<u>\$ (2,060,387)</u>	<u>\$ (534,734)</u>	<u>\$ 216,395</u>	<u>\$ (2,378,726)</u>
Net capital assets being depreciated	<u>\$ 8,183,071</u>	<u>\$ (145,919)</u>	<u>\$ (92,741)</u>	<u>\$ 7,944,411</u>
Total capital assets, net of accumulated depreciation	<u>\$ 8,714,108</u>	<u>\$ (145,919)</u>	<u>\$ (92,741)</u>	<u>\$ 8,475,448</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

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

The Resource Authority has advances from participating localities as follows:

	Balance June 30, 2018	Increase (Decrease)	Balance June 30, 2019
County of Rockbridge	\$ 350,000	\$ -	\$ 350,000
Total	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

**NOTE 6—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, 2019:

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
Direct borrowings and direct placements				
Revenue Bonds	\$ 5,765,000	\$ -	\$ 535,000	\$ 5,230,000
Bond Premium	767,992	-	95,859	672,133
Total direct borrowings and direct placements	<u>\$ 6,532,992</u>	<u>\$ -</u>	<u>\$ 630,859</u>	<u>\$ 5,902,133</u>
Other long-term obligations				
Capital Leases	606,418	-	214,523	391,895
Compensated Absences	24,516	23,595	18,387	29,724
Net OPEB Liabilities	32,919	6,371	10,960	28,330
Landfill Closure and Post-closure Care	5,195,580	485,832	-	5,681,412
Net Pension Liability	166,001	156,387	157,080	165,308
Total other long-term obligations	<u>\$ 6,025,434</u>	<u>\$ 672,185</u>	<u>\$ 400,950</u>	<u>\$ 6,296,669</u>
Total Long-term Obligations	<u>\$ 12,558,426</u>	<u>\$ 672,185</u>	<u>\$ 1,031,809</u>	<u>\$ 12,198,802</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year Ending June 30,	Direct Borrowings and Direct Placements Business-type Activities			
	Capital Leases		Revenue Bond	
	Principal	Interest	Principal	Interest
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	32,084	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>391,895</u>	\$ <u>15,678</u>	\$ <u>5,230,000</u>	\$ <u>1,795,762</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Direct borrowings and direct placements:</b>		
Revenue bonds:		
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.	\$ 520,000	\$ 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>4,710,000</u>	<u>535,000</u>
Total direct borrowings and direct placements	<u>\$ 5,230,000</u>	<u>\$ 560,000</u>
<b>Other long-term obligations:</b>		
Capital leases:		
\$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%.	202,053	141,831
\$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>189,842</u>	<u>50,915</u>
Total capital leases	<u>\$ 391,895</u>	<u>\$ 192,746</u>
Unamortized bond premium	<u>\$ 672,133</u>	<u>\$ 89,778</u>
Compensated absences	<u>\$ 29,724</u>	<u>\$ 6,129</u>
Net OPEB liabilities	<u>\$ 28,330</u>	<u>\$ -</u>
Landfill closure and post-closure liability	<u>\$ 5,681,412</u>	<u>\$ -</u>
Net pension liability	<u>\$ 165,308</u>	<u>\$ -</u>
Total other long-term obligations	<u>\$ 6,968,802</u>	<u>\$ 288,653</u>
Total long-term obligations	<u>\$ 12,198,802</u>	<u>\$ 848,653</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 7—CAPITAL LEASES:**

---

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	\$	936,931
Accumulated depreciation		<u>(379,584)</u>
Total	\$	<u><u>557,347</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019 are as follows:

Year Ended June 30,		
2020	\$	201,644
2021		116,769
2022		56,145
2023		<u>33,015</u>
Total	\$	<u>407,573</u>
Less: Amount representing interest		<u>(15,678)</u>
Present value of minimum lease payments	\$	<u><u>391,895</u></u>

**THIS SPACE LEFT BLANK INTENTIONALLY**

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 8—PENSION PLAN:**

---

***Plan Description***

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. 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. 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.

***Benefit Structures***

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 8—PENSION PLAN: (CONTINUED)**

---

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***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.

The Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 12.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$39,193 and \$40,277 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 8—PENSION PLAN: (CONTINUED)**

---

***Net Pension Liability***

At June 30, 2019, the Authority reported a liability of \$165,308 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2018 and 2017 as a basis for allocation. As of June 30, 2018 and 2017, the Authority's proportion was 4.54% and 4.30%, 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, 2017, 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, 2018.

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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 8—PENSION PLAN: (CONTINUED)**

**Actuarial Assumptions – General Employees: (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, 2017 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  
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 8—PENSION PLAN: (CONTINUED)**

---

***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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 8—PENSION PLAN: (CONTINUED)**

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

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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 8—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:

<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	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\* 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2018, 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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 8—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:

	<b>Rate</b>		
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
Authority			
Net Pension Liability (Asset)	\$ 366,052	\$ 165,308	\$ (2,302)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$18,175. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 11,810
Change in assumptions	-	3,465
Net difference between projected and actual earnings on pension plan investments	-	12,388
Change in proportional allocation	9,545	-
Employer contributions subsequent to the measurement date	39,193	-
Total	<u>\$ 48,738</u>	<u>\$ 27,663</u>

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 8—PENSION PLAN: (CONTINUED)**

---

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

\$39,193 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, 2020. 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>	
2020	\$ (2,255)
2021	(3,208)
2022	(11,425)
2023	(1,230)
Thereafter	-

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):**

---

***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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

---

***Plan Description (Continued)***

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

***Eligible Employees***

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

***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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$1,683 and \$1,517 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—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, 2019, the Authority reported a liability of \$23,330 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0015% as compared to 0.0015% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$258. 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	\$ 1,119	\$ 387
Net difference between projected and actual earnings on GLI OPEB program investments	-	775
Change in assumptions	-	990
Changes in proportion	430	-
Employer contributions subsequent to the measurement date	1,683	-
Total	<u>\$ 3,232</u>	<u>\$ 2,152</u>

\$1,683 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, 2020. 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>	
2020	\$ (258)
2021	(258)
2022	(258)
2023	(86)
2024	215
Thereafter	42

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

---

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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.

**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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates – General State Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 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.

The actuarial assumptions used in the June 30, 2017 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

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**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, 2017 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%

**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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

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

The actuarial assumptions used in the June 30, 2017 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.

The actuarial assumptions used in the June 30, 2017 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

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

**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, 2017 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%

**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.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions: (Continued)**

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

The actuarial assumptions used in the June 30, 2017 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.

The actuarial assumptions used in the June 30, 2017 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%

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 9—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

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

**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, 2017 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, 2019 (CONTINUED)**

**NOTE 9—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, 2018, 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	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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	2.50%
		*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, 2019 (CONTINUED)**

**NOTE 9—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, 2018, 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, 2018 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:

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.00%)</b>	<b>(7.00%)</b>	<b>(8.00%)</b>
Authority's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 30,476	\$ 23,330	\$ 17,519

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

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (CONTINUED)**

---

**NOTE 10—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):**

---

***Plan Description***

In addition to the pension benefits described in NOTE 8, 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.

***Benefits Provided***

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 Primary Government 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 Primary Government.

***Plan Membership***

At July 1, 2018 (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, 2019; therefore, no benefit payments were made.

***Total OPEB Liability***

The Authority’s total OPEB liabilities were measured as of July 1, 2018. The total OPEB liabilities were determined by an actuarial valuation as of that date.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 10—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2018 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 3.62%
Investment Rate of Return	N/A

Mortality rates for Active employees and healthy retirees were based on the RP-2014 Total Dataset Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018.

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 3.62% and represents the Municipal GO AA20-year yield curve rate as of June 30, 2018. The final equivalent single discount rate used for this year’s valuation is 3.62% 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 Total OPEB Liability</b>	
	<hr/>	
Balances at June 30, 2018	\$	10,000
Changes for the year:		
Service cost		1,000
Interest		1,000
Difference between expected and actual experience		(5,000)
Changes in assumptions		(2,000)
Net changes	\$	<hr/> (5,000) <hr/>
Balances at June 30, 2019	\$	<hr/> <hr/> 5,000

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

**NOTE 10—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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

<b>Rate</b>		
<b>1% Decrease (2.62%)</b>	<b>Current Discount Rate (3.62%)</b>	<b>1% Increase (4.62%)</b>
\$ 5,529	\$ 5,000	\$ 4,529

***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 (5.5%) or one percentage point higher (7.5%) than the current healthcare cost trend rates:

<b>Rates</b>		
<b>1% Decrease (5.5% decreasing to 4.00%)</b>	<b>Healthcare Cost Trend (6.5% decreasing to 5.00%)</b>	<b>1% Increase (7.5% decreasing to 6.00%)</b>
\$ 4,441	\$ 5,000	\$ 5,662

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

For the year ended June 30, 2019, the Authority did not have any OPEB expense. At June 30, 2019, the Authority did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

**NOTE 11—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 \$29,724.

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

**Notes to Financial Statements  
June 30, 2019 (CONTINUED)**

---

**NOTE 12—LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:**

---

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 \$5,681,412 reported as accrued closure and post-closure liability at June 30, 2019 represents the cumulative amount reported for closure and post closure of the landfill, which has reached full capacity (\$4,221,386), and the estimated closure and post closure liability for the new landfill cell based on the estimated use of capacity as of June 30, 2019 (approximately 33.5%, or \$1,460,026). The estimated total current cost of the landfill closure and post-closure care of \$8,579,673 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, 2019. 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 13—UPCOMING PRONOUNCEMENTS:**

---

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, 2019 (CONTINUED)**

---

**NOTE 13—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

---

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.

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 Measurement Dates of June 30, 2014 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)
2018	4.5422% \$	165,308 \$	311,500	53.07%	89.82%
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 - Pension  
For the Years Ended June 30, 2010 through June 30, 2019**

<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>
2019	\$ 39,193	\$ 39,193	\$ -	\$ 329,102	11.91%
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%

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 - Pension  
For the Year Ended June 30, 2019**

---

**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, 2018 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 - Pension  
For the Year Ended June 30, 2019 (continued)**

---

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**  
**For the Measurement Dates of June 30, 2017 through June 30, 2018**

Exhibit 7

<b>Date</b> <b>(1)</b>	<b>Employer's Proportion of the Net GLI OPEB Liability (Asset)</b> <b>(2)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)</b> <b>(3)</b>	<b>Employer's Covered Payroll</b> <b>(4)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll</b> <b>(3)/(4)</b> <b>(5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</b> <b>(6)</b>
2018	0.0015% \$	23,330 \$	291,642	8.00%	51.22%
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, 2010 through June 30, 2019**

**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>
2019	\$ 1,683	\$ 1,683	\$ -	\$ 329,102	0.51%
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%

**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 Years Ended June 30, 2018 through June 30, 2019**

**Exhibit 10**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,000	\$ 1,000
Interest	1,000	-
Changes in assumptions	(2,000)	-
Differences between expected and actual experience	(5,000)	-
<b>Net change in total OPEB liability</b>	<u>\$ (5,000)</u>	<u>\$ 1,000</u>
<b>Total OPEB liability - beginning</b>	<u>10,000</u>	<u>9,000</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 5,000</u></u>	<u><u>\$ 10,000</u></u>
<b>Covered payroll</b>	\$ 118,854	\$ 191,313
<b>Authority's total OPEB liability (asset) as a percentage of covered payroll</b>	4.21%	5.23%

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, 2019**

---

Valuation Date: 7/1/2018  
Measurement Date: 7/1/2018

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	3.62% which represents the Municipal GO AA 20-year yield curve rate as of June 30, 2018
Inflation	2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 0% in 2019, then 6.50% for fiscal year end 2020, 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	Mortality is based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018

## **COMPLIANCE**



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

---

**TO THE BOARD OF THE 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 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, Fanner, Cox Associates*

Staunton, Virginia  
December 20, 2019