

ROANOKE VALLEY RESOURCE AUTHORITY

Comprehensive Annual Financial Report For the Year Ended June 30, 2019



TINKER CREEK TRANSFER STATION

Roanoke, Virginia

ROANOKE VALLEY RESOURCE AUTHORITY

ROANOKE, VIRGINIA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2019**

Prepared by:

Roanoke County Finance Department

INTRODUCTORY SECTION

ROANOKE VALLEY RESOURCE AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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ROANOKE VALLEY RESOURCE AUTHORITY

September 27, 2019

To the Honorable Chairman, Members of the Board of Directors of the Roanoke Valley Resource Authority, and Citizens of the Cities of Roanoke and Salem, the County of Roanoke and the Town of Vinton, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Roanoke Valley Resource Authority (Authority) for the fiscal year ended June 30, 2019. This audit was conducted 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 *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts for the Commonwealth of Virginia.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. Management has established a comprehensive framework of internal control to provide a reasonable basis to make these representations. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unmodified (clean) opinion on the financial statements of the Authority for the year ending June 30, 2019. The annual audit was conducted in accordance with professional standards which require that the independent auditors plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The Roanoke Valley Resource Authority (Authority) was established on October 23, 1991, as a tax exempt political subdivision within the Commonwealth of Virginia to acquire and construct a regional sanitary landfill and waste collection and transfer station with related treatment facilities. The charter members are the City of Roanoke, County of Roanoke, and the Town of Vinton. The Authority began its operations in 1993. The City of Salem joined July 1, 2016 and RVRA assumed ownership and operational control of Salem's transfer station on November 1, 2016.

The Authority's Board of Directors consists of nine members; five are appointed by Roanoke County, two are appointed by Roanoke City, one is appointed by Salem City, and one is appointed by the Town of Vinton. Each member is appointed for a four year term. Regular meetings of the Board of Directors are normally held monthly.

The Authority is administered by a Chief Executive Officer (CEO). The CEO has the direct supervision of all employees of the Authority, the responsibility for the operation of the landfill facilities, and the establishment of guidelines for efficient and sound fiscal management.

Residents and businesses in the Roanoke City, the Roanoke County, Salem City and the Town of Vinton generate approximately 224,000 tons of wastes every year with approximately 214,000 tons landfilled. The remaining tonnages are recycled. Each locality collects its own trash using its own equipment. After collection, all but the City of Salem, refuse trucks deliver the trash to the Authority's Tinker Creek Transfer Station (TCTS) in the City of Roanoke. The City of Salem delivers its trash to the Authority's Salem Transfer Station (STS). Wastes received at the STS are currently transported by a contract over-the-road hauler, using RVRA's trailers, to the TCTS. At the TCTS, waste is loaded into specially designed rail cars and covered with watertight lock-down lids. Each rail car holds approximately 65 tons of waste, making them among the largest on the railroad. At the end of the day, all waste that has been collected and loaded into the rail cars is transported 33 miles on the Waste Line Express by Norfolk Southern to Smith Gap Station in the County. Upon arriving at the landfill, the rail cars are uncoupled and positioned for unloading the following day. The train then returns the same day with empty rail cars from the previous day's load.

Additional information on this process including a seven minute video may be gleaned by accessing the Authority's website at www.RVRA.net.

At Smith Gap Station the rail cars are unloaded using one of the largest rotary tippers in the world. The rail cars are rotated upside down to remove the waste. The unloading operation takes place inside the tipper building, where the waste is inspected and loaded into haul trucks for burial in a 1,200 acre, environmentally protected landfill disposal area that meets all state and federal regulations.

Budgetary and Accounting Controls

The Authority is required to prepare and submit an annual operating budget to the Charter Members for approval on or before April 1 of each year for the upcoming fiscal year (July 1 to June 30). The budget is prepared by staff of the Authority and serves as the foundation for the Authority's financial planning and control.

The Authority's accounting records are maintained on an accrual basis under which revenues are recognized when earned and expenses are recognized when incurred. Accounting functions are separated to the extent possible for a small sized staff. The County of Roanoke currently is the fiscal agent for the Authority. The accounting system the Authority is using belongs to the County and County staff has provided support and assistance to the Authority in its accounting operations.

Local Economy

The Authority draws from a regional labor force of approximately 300,000 within a radius of sixty miles. The Roanoke Valley as well as the surrounding communities, are fortunate that their economic indicators are more favorable compared to some of the neighboring localities and to the State, but there remain formidable challenges for the Roanoke Valley; not only in the delivery of local government and authority services, but also in maintaining our traditionally high standard of living and quality of life.

The Economic Development Department of each locality successfully utilizes provisions under the public/private partnership policy that allows businesses to receive assistance from them for qualifying facility expansions and relocations. The expected return on investment in new taxes and employment is a critical measure governing the use of public funds to assist businesses and industries.

Long-Term Financial Planning

The Authority annually reviews the adequacy of the Replacement Reserve Requirements under the current operating conditions, and in comparison with industry standards. The review is done in consultation with a professional engineer familiar with solid waste services, equipment, and facilities as utilized by the Authority. A professional consulting engineer, external to the Authority, reviews the plan every five years. The Authority has defined adequacy to mean that funds exist in amounts equivalent to or exceeding the anticipated expenditures during a period of the next five subsequent fiscal years. The Authority annually makes deposits to replacement reserves for funding future planned expenditures. These reserves allow the Authority to establish and project an orderly increase in tipping fees to prepare for future expenses along with annual operating costs. All funds have been determined to be adequate to address industry costs and planning, thus allowing the reserve funds to reflect future anticipated costs over the next five years.

The Authority has established a "Closure Fund" to cover its future closure and post-closure obligations. Maintenance of this fund enables the Authority to qualify for Financial Assurance using a "Corporate Financial Test," thereby eliminating the need for additional financial commitments from its member communities in the form of a "Local Government Financial Test" or the additional annual cost for a "Letter of Credit" assuring the closure obligations will be met.

Major Initiatives and Accomplishments for FY 2019

- During the year, the Roanoke Valley Resources Authority maintained financial and reserve policies providing for the establishment of and the planned funding level of maintenance and improvement reserve accounts for planned expenditures over a short and long-term planning period.

- The Authority continues to maintain an account for a "Closure Fund" to cover future closure and post-closure obligations. This fund enables the Authority to qualify for Financial Assurance by using a "Corporate Financial Test," thereby eliminating the need for additional financial commitments from its member communities in the form of a "Local Government Financial Test" or the additional annual cost for a "Letter of Credit" assuring the closure obligations will be met. The Authority continues to maintain adequate funds (cash) to cover anticipated costs required for closure and post closure care of the active Smith Gap and closed Rutrough Road Landfills as well as the Tinker Creek and Salem Transfer Stations.
- The Authority continues to maintain and own sufficient land to provide long-term disposal capacity for its members in excess of 100 years which will be developed in phases or cells. The long-term disposal capacity provides the Authority with the flexibility it needs to properly evaluate emerging solid waste technologies and to allow sufficient timing to properly fund and to ultimately transition to one or more of these technologies if feasible.
- Since its inception, the Authority has developed six landfill cells in six construction phases to-date. Phase V provided disposal capacity through FY 2018. Construction of Phase VI began in FY'17, was completed in FY'18, and became operational in FY'19. Other than the initial Phase I, all funding associated with the construction of Phases II-VI has been cash-funded through an established and dedicated reserve account which continues to receive regular contributions from the Authority's tipping fees to cash-fund subsequent cell developments.
- Portions of the Smith Gap Landfill are nearing final construction grade and in accordance with the Authority's permit, are in the process of being closed. The Authority initiated the closure construction for seven acres of filled cells in FY'17 and subsequently completed this construction in FY'18. The closure of this area will enable the Authority to install additional gas collection wells planned for FY'20. All funding associated with closure construction has been cash-funded through an established and dedicated reserve account which continues to receive regular contributions from the Authority's tipping fees to cash-fund subsequent cell closures.
- As part of the original closure plan for the Smith Gap Landfill, the Authority installed an active gas collection and control system (GCCS) that began operations in April 2011. All funding for the closure plan, including the GCCS, is funded through an established reserve account which continues to receive regular contributions from tipping fees that will continue to fund subsequent cell closure costs. Although the Authority has no regulatory obligation to install and operate a GCCS at this time, the Authority's GCCS is currently collecting and preventing the annual emissions of approximately 60,000 tons of carbon dioxide equivalent (CO₂e) to the atmosphere, thereby greatly reducing greenhouse gas emissions. The Authority is a registered member of the California Climate Action Registry (CARs) which qualifies the Authority's destruction of greenhouse gases for emission credits which can be sold on the open market to help offset the initial cost of installing the GCCS. In FY 2015, the Authority received third party validation for approximately 93,000 tons of CO₂e emission credits which were sold, after expenses, for approximately \$106,000; in FY 2016 the Authority's CO₂e emission credits sold, after expenses, for approximately \$57,300; in FY 2017 the Authority's CO₂e emission credits sold, after expenses, for approximately \$42,600; in FY 2018 the Authority's CO₂e emission credits sold, after expenses, for approximately \$34,300; in FY 2019 the Authority's CO₂e emission credits sold, after expenses, for approximately \$37,610 for

total sale to-date of approximately \$277,810. The Authority anticipates FY 2019 will be the last year the Authority projects to be eligible for these credits based on current federal and state regulations. Since the credits are paid one year in arrears, the Authority does anticipate receiving its last revenue from emission credit sales in FY'20.

- The Authority issued \$20M in financing proceeds in FY'17. The debt was issued in association with the Authority's "Facilities Modifications and Improvements Program" ("Program") that includes five distinct projects: the Connector Road Project; the Salem Transfer Station Project; the Tinker Creek Transfer Station Project; the Smith Gap Regional Landfill Project; and the Rail Corridor Conversion Project. The Authority completed its second full year of debt service payments in FY'19.
- The Connector Road Project will ultimately construct a road that may serve as an alternative delivery system (vs. current rail-haul transportation of solid waste) and route for tractor trailers to access the Authority's Smith Gap Landfill directly from the interstate (I-81) in lieu of using public road system. The Connector Road, in and by itself, serves as an effective negotiating tool with the Authority's current service provider to ensure the Authority will not overpay for its transportation services. If utilized, the Connector Road, in conjunction with the Rail Corridor Conversion Project, will provide safe, efficient and effective routing for the Authority's service provider via tractor trailer-hauled solid waste. It will also enable the Authority to entertain the fullest use of one of its most valuable assets, the Smith Gap Landfill, by expanding the Authority's potential customer base which would increase landfill tonnages in order to maximize its economies of scale. Land to construct the Connector Road Project was acquired by the Authority in FY 2017. Construction of the Connector Road began in FY'18 with completion projected for FY'20.
- The Salem Transfer Station (STS) Project, Phase I, constructed two, new top-load hoppers to ultimately replace two compactor units. This conversion provides a more efficient load-out of solid waste into trailers that will be hauled by tractors, to the Authority's Tinker Creek Transfer Station, where the waste will be loaded onto rail cars for transport to the Smith Gap Landfill. The new load-out system will allow acceptance of large, bulky wastes at the STS to better serve the Authority's customers. In the event the Authority transitions from rail-haul transportation to tractor-trailers, deliveries will go directly to the Smith Gap Landfill avoiding the double-handling of its wastes from STS. Additionally, truck deliveries would be a shorter distance to the landfill saving additional operating costs. Phase I construction was initiated in FY'17 and was completed in FY'18. The Authority is continuing to evaluate its options to complete Phase II of this project which would include constructing a new entrance at the site; constructing a new scalehouse and residential service area; and rerouting traffic for additional vehicle queuing space and improved ingress and egress.
- The Tinker Creek Transfer Station Project; the Smith Gap Regional Landfill Project; and the Rail Corridor Conversion Project are currently being further evaluated by the Authority. In FY'18, the Authority authorized a new five-year transportation contract with Norfolk Southern Corp., effective July 1, 2018 through June 30, 2023. The contract provides the Authority with a cancellation option at the end of any annual term under certain terms and conditions. The Authority will continue to utilize its rail-haul system, at a minimum, until its current transportation contract expires on June 30, 2023, unless that contract is cancelled by the Authority.
- The Authority joined forces with the Western Virginia Water Authority and the Roanoke County Recreation and Parks Department for the design and construction of a Joint Utility

Project (JUP). The JUP will construct a water and sewer line contiguous to the Authority's closed Rutrough Road Landfill. The Authority has historically utilized "pump and haul" to dispose of its leachate (wastewater) that is generated at this facility. With the JUP, the Authority will construct a stand-alone lift station and force main that will connect to the JUP's sewer line, effectively terminating the Authority's need to pump and haul its leachate. This project has a 2.5 year ROI and will remove tanker trucks from public roads. The JUP construction began in FY 2017 and the Authority's portion was completed in FY 2019.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RVRA for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the tenth consecutive year that the Authority received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation and gratitude to the personnel at the Authority and in the Department of Finance and Management Services at the County of Roanoke for their dedication and support in producing this report. Appreciation is also extended to the Authority's Board of Directors whose continuing leadership and support is essential to the financial health of the Authority.

Sincerely,



Daniel D. Miles
Chief Executive Officer



Rebecca E. Owens
Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Roanoke Valley Resource Authority
Virginia**

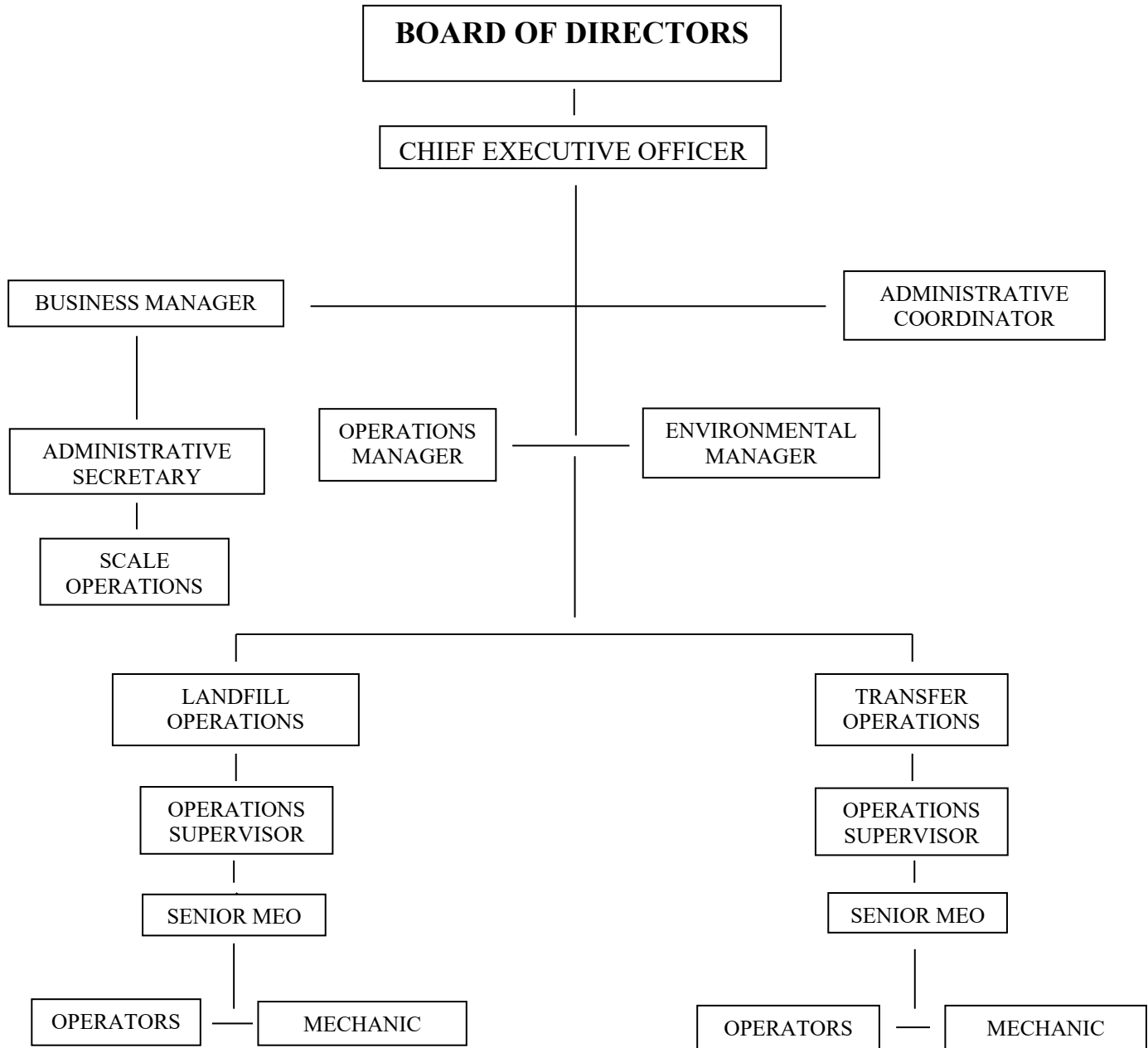
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

**ROANOKE VALLEY RESOURCE AUTHORITY
ORGANIZATIONAL CHART**



ROANOKE VALLEY RESOURCE AUTHORITY

List of Appointed Officials For the Year Ended June 30, 2019

(A Governmental organization established October 23, 1991
as a tax exempt political subdivision within the Commonwealth of Virginia)

BOARD MEMBERS

Joey Hiner, Chairman

Rob Light, Vice Chair

Rebecca E. Owens, MBA, Treasurer

Bobby Edwards

Timothy Martin

Daniel O'Donnell

Daniel Webb Jeffrey Powell

Mike Tyler

Daniel Webb

OFFICIALS

Chief Executive Officer
Operations Manager
Business Manager
Business Supervisor
Administrative Coordinator
Environmental/Safety Manager
General Counsel

Daniel D. Miles, P.E.
Steven R. Barger, P.E.
Randall Remington
Ollie Tyree
Peggy Bishop
Edward Hacker
Jim H. Guynn, Jr., Esq.

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Board
Roanoke Valley Resource Authority
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Roanoke Valley Resource Authority, 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 Roanoke Valley 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 14 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 12-16 and 54-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Roanoke Valley Resource Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Roanoke Valley 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 the Roanoke Valley 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 Roanoke Valley Resource Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
September 27, 2019

**Roanoke Valley Resource Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The management discussion and analysis (MD&A) serves as an introduction to the financial statements of the Roanoke Valley Resource Authority (the Authority) for the year ended June 30, 2019. The MD&A represents management's examination and analysis of the Authority's financial condition and performance and should be read in conjunction with the Authority's basic financial statements which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*.

Financial Highlights

- The total assets of the Authority exceeded its liabilities as of June 30, 2019 by \$12,885,089 (Net Position). Of this amount, \$(466,605) is classified as unrestricted net assets, indicating that no funds were available for discretionary purposes.
- During the year, the Authority's total revenues were \$108,856 less than the \$15,606,055 of expenses.
- The Authority had outstanding debt of \$18,782,733 at June 30, 2019.

Overview of the Basic Financial Statements

The Authority's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB).

The financial statements provide information about the Authority as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. In addition to the basic financial statements, the report includes Notes to the Basic Financial Statements and Required Supplemental Information.

- The **Statements of Net Position** reports assets and deferred outflows, liabilities and deferred inflows and the difference between them. The entire equity section is combined to report total Net Position and displayed in three broad components – net investment in capital assets; restricted assets; and unrestricted assets.
- The **Statement of Revenues, Expenses and Changes in Fund Position** present the results of the business activities over the course of the fiscal year and information about how the Net Position changed during the year. Revenues and expenses are categorized as either operating or nonoperating based upon definitions provided by GASB's 33 and 34. Operating revenue consists of tipping fees and recycling fees. Nonoperating revenues consist of net increase in fair value of investments, interest income, gains on disposals of property and equipment and miscellaneous income.

One of the main goals of these two statements is to report the Authority's net position and changes that affected net position during the fiscal year. The change in the Authority's net position is one way to measure the Authority's financial health, or financial position. Increases and decreases in net position are indicators of whether the Authority's financial health is improving or deteriorating. These statements allow readers to answer the question: "Is the Authority's financial position, as a whole, better or worse as a result of the year's activities?" As noted in the financial statements, the Authority's financial condition deteriorated by \$108,856 during the fiscal year. This deterioration would have been significantly higher absent a \$1.4 million decrease in the landfill closure and postclosure cost estimates.

- The **Statement of Cash Flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earning event, when an obligation arises, or depreciation of capital assets.

Notes to the basic financial statements - The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found beginning on page 21 of this report.

Financial Analysis of the Authority as a Whole

The following comparative condensed Statement of Net Position provides an analysis of the change in financial position from the previous fiscal year.

Statement of Net Position

The following table reflects the condensed Summary of Net Position:

| | FY 2019 | FY 2018 |
|----------------------------------|---------------|---------------|
| Current and other assets | \$ 19,727,710 | \$ 21,678,351 |
| Capital assets, net | 31,128,589 | 32,364,877 |
| Total assets | 50,856,299 | 54,043,228 |
| Deferred outflows of resources | 667,627 | 502,960 |
| Current liabilities | 2,513,655 | 2,722,143 |
| Noncurrent liabilities | 35,889,795 | 38,603,540 |
| Total Liabilities | 38,403,450 | 41,325,683 |
| Deferred inflows of resources | 235,387 | 226,560 |
| Net investment in capital assets | 13,351,694 | 14,261,988 |
| Unrestricted | (466,605) | (1,268,043) |
| Total net position | \$ 12,885,089 | \$ 12,993,945 |

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$12,885,089 at the close of fiscal year 2019. This is comparable to last year's Net Position of \$12,993,945.

A portion of the Authority's Net Position, 103.62%, reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related debt used to acquire those assets that are outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The Authority's investment in its capital assets is reported net of related debt, if applicable, and it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's Net Position, (3.62)%, represents resources that are not subject to restrictions on how they may be used. A negative balance indicates that no funds were available for discretionary purposes.

Statement of Revenues, Expenses and Changes in Net Position

The following table shows the revenue and expenses of the Authority:

| | <u>FY 2019</u> | <u>FY 2018</u> |
|---|----------------------|----------------------|
| Revenues | | |
| Charges for services | \$ 15,073,139 | \$ 13,718,403 |
| Nonoperating Revenues: | | |
| Interest income | 295,546 | 165,909 |
| Gain on sale of capital assets | 128,514 | - |
| Total revenues | <u>15,497,199</u> | <u>13,884,312</u> |
| Expenses | | |
| Operating expense | | |
| Salaries and benefits | (3,003,458) | (2,792,507) |
| Landfill closure costs | 1,006,653 | (1,976,295) |
| Other operating expenses | (9,297,096) | (8,157,369) |
| Depreciation | (3,772,640) | (3,224,611) |
| Nonoperating expenses: | | |
| Interest expense | (539,514) | (533,080) |
| Loss on sale of assets | - | (47,796) |
| Total expenses | <u>(15,606,055)</u> | <u>(16,731,658)</u> |
| Change in net position | (108,856) | (2,847,346) |
| Total net position at beginning of year | 12,993,945 | 15,841,291 |
| Total net position at end of year | <u>\$ 12,885,089</u> | <u>\$ 12,993,945</u> |

The Authority's total revenues increased over the prior year by 11.6% to \$15,497,199 due primarily to an increase in tipping fee rates. Tipping fees were 9.3% higher than the prior year. Interest income increased by 78.1% as a result of higher investment yields. The expenses for all programs and services decreased by 6.7% in FY 2019, primarily due to a decrease in landfill closure liability resulting from an increase in available volume related to cell expansions.

Approximately 96.1% of the Authority's Fiscal Year 2019 revenue is from operating revenue consisting of tipping fees, and recycling income; 1.2% is miscellaneous consisting primarily of mulch sales and insurance recoveries; 2.7% from non-operating revenue consisting of interest income and gain on sale of assets. Operational expenses for FY 2019 account for 96.5% of total expenses, with remaining expense from interest expense (3.5%).

Capital Assets

As of June 30, 2019, the Authority had invested \$31,128,589, net of accumulated depreciation, in a variety of capital assets including land, landfill development costs, buildings, and equipment. The Authority's investment in capital assets for the current year was \$6,373,707. The majority of this investment was composed of the following:

- The completion of Phase I of the Salem Transfer Station improvements
- The completion of Phase II of the Rutrough Road landfill lift station sewer project
- (3) Heavy equipment purchases (e.g. excavator, compactor, wheel loader)

Included in this year's investment total is construction in progress related to construction of the Connector Road. The completion of several construction in progress projects decreased activity to a level of \$1,291,503.

Additional information on the Authority's capital assets can be found in Note 3 in the notes to the basic financial statements on page 28. Capital assets net of accumulated depreciation are illustrated in the following table:

| | FY 2019 | FY 2018 |
|--------------------------|----------------------|----------------------|
| Land | \$ 5,535,682 | \$ 5,535,682 |
| Landfill and Rail Access | 41,102,839 | 40,113,806 |
| Transfer Station | 13,355,666 | 10,607,242 |
| Equipment | 19,135,965 | 18,953,308 |
| Construction in progress | 1,291,503 | 3,534,497 |
| Subtotal | 80,421,655 | 78,744,535 |
| Accumulated depreciation | (49,293,066) | (46,379,658) |
| Totals | <u>\$ 31,128,589</u> | <u>\$ 32,364,877</u> |

Long -Term Debt

At June 30, 2019, the Authority had \$18,782,733 of bonded debt issues outstanding. This debt was used to support the development of additional capacity due to the 2017 addition of the City of Salem as a member of the Authority. Additional information related to long - term liabilities can be found in Note 4, page 29 in the notes to the basic financial statements.

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty regarding the economy
- Projected increases in health insurance premiums and retirement contribution rates assessed by the Virginia Retirement System
- Expansion of the open landfill
- Estimated landfill closure costs
- Renewal and replacement needs; costs of plant and equipment
- Closed landfill groundwater monitoring and remediation costs
- Interest rates
- Issuance of debt
- Energy and fuel costs

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, potential investors and creditors with a general overview of the Authority's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Chief Executive Officer, Roanoke Valley Resource Authority, 1020 Hollins Road, N.E., Roanoke, VA 24012, telephone (540-857-5050), or visit the Authority's web site at www.rvra.net.

Basic Financial Statements

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Net Position
June 30, 2019

ASSETS

Current assets:

| | |
|---|---------------|
| Cash and cash equivalents | \$ 10,225,170 |
| Investments (note 2) | 2,150,979 |
| Restricted cash and cash equivalents (note 1) | 2,856,332 |
| Accounts receivable | 1,406,565 |
| Interest receivable | 17,019 |
| Inventory | 193,667 |
| Prepaid items | <u>200</u> |

| | |
|----------------------|----------------------|
| Total current assets | \$ <u>16,849,932</u> |
|----------------------|----------------------|

Noncurrent assets:

| | |
|--|-------------------|
| Investments (note 2) | \$ 2,877,778 |
| Non-depreciable capital assets (note 3) | 6,827,185 |
| Depreciable capital assets, net of accumulated depreciation (note 3) | <u>24,301,404</u> |

| | |
|-------------------------|----------------------|
| Total noncurrent assets | \$ <u>34,006,367</u> |
|-------------------------|----------------------|

| | |
|--------------|----------------------|
| Total assets | \$ <u>50,856,299</u> |
|--------------|----------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-----------------------|----------------|
| Pension related items | \$ 468,206 |
| OPEB related items | <u>199,421</u> |

| | |
|--------------------------------------|-------------------|
| Total deferred outflows of resources | \$ <u>667,627</u> |
|--------------------------------------|-------------------|

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY

Statement of Net Position

June 30, 2019

LIABILITIES

Current liabilities:

| | | |
|--|----|---------|
| Vouchers payable | \$ | 382,619 |
| Construction and retainage payables | | 197,656 |
| Accrued payroll | | 19,365 |
| Accrued interest | | 151,064 |
| Compensated absences, current portion (note 4) | | 118,875 |
| Locality compensation payments payable, current portion (note 4) | | 208,161 |
| Accrued landfill closure, current portion (note 4 and 9) | | 323,078 |
| Capital lease (note 4 and 5) | | 307,477 |
| Revenue bonds payable (note 4) | | 805,360 |

| | | |
|---------------------------|----|------------------|
| Total current liabilities | \$ | <u>2,513,655</u> |
|---------------------------|----|------------------|

Noncurrent liabilities:

| | | |
|---|----|-------------------|
| Compensated absences, net of current portion (note 4) | \$ | 167,845 |
| Net OPEB liabilities (note 7 and 8) | | 508,206 |
| Net pension liability (note 6) | | 1,282,039 |
| Accrued landfill closure, net of current portion (note 4 and 9) | | 14,817,132 |
| Locality compensation payments payable (note 4) | | 789,921 |
| Capital lease, net (note 4 and 5) | | 347,279 |
| Revenue bonds payable, net (note 4) | | <u>17,977,373</u> |

| | | |
|------------------------------|----|-------------------|
| Total noncurrent liabilities | \$ | <u>35,889,795</u> |
|------------------------------|----|-------------------|

| | | |
|-------------------|----|-------------------|
| Total liabilities | \$ | <u>38,403,450</u> |
|-------------------|----|-------------------|

DEFERRED INFLOWS OF RESOURCES

| | | |
|-----------------------|----|---------------|
| Pension related items | \$ | 184,038 |
| OPEB related items | | <u>51,349</u> |

| | | |
|-------------------------------------|----|----------------|
| Total deferred inflows of resources | \$ | <u>235,387</u> |
|-------------------------------------|----|----------------|

NET POSITION

| | | |
|----------------------------------|----|------------------|
| Net investment in capital assets | \$ | 13,351,694 |
| Unrestricted | | <u>(466,605)</u> |

| | | |
|--------------------|----|--------------------------|
| Total net position | \$ | <u><u>12,885,089</u></u> |
|--------------------|----|--------------------------|

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

OPERATING REVENUES

| | |
|--------------------------|----------------------|
| Tipping fees | \$ 14,810,979 |
| Recycling revenue | 82,022 |
| Mulch revenue | 56,527 |
| Miscellaneous fees | 123,611 |
| Total operating revenues | <u>\$ 15,073,139</u> |

OPERATING EXPENSES

| | |
|--|----------------------|
| Salaries and benefits | \$ 3,003,458 |
| Landfill closure and post closure costs (note 9) | (1,006,653) |
| Other operating expenses | 9,297,096 |
| Depreciation | 3,772,640 |
| Total operating expenses | <u>\$ 15,066,541</u> |

| | |
|-------------------------|-----------------|
| Operating income (loss) | <u>\$ 6,598</u> |
|-------------------------|-----------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|---------------------|
| Interest income | \$ 295,546 |
| Interest expense | (539,514) |
| Gain on sale of assets | 128,514 |
| Total nonoperating revenues (expenses) | <u>\$ (115,454)</u> |

| | |
|------------------------|--------------|
| Change in net position | \$ (108,856) |
|------------------------|--------------|

| | |
|---------------------------------------|-----------------------------|
| Total net position, beginning of year | 12,993,945 |
| Total net position, end of year | <u><u>\$ 12,885,089</u></u> |

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY
Statement of Cash Flows
For Year Ended June 30, 2019

Cash Flows from Operating Activities

| | |
|--|---------------------|
| Receipts from customers | \$ 14,880,644 |
| Payments to suppliers | (9,905,365) |
| Payments to employees | (3,119,009) |
| Net cash provided by (used for) operating activities | <u>\$ 1,856,270</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|-----------------------|
| Purchase and construction of capital assets | \$ (2,754,462) |
| Proceeds from sales of capital assets | 228,412 |
| Principal paid on locality compensation payments | (211,797) |
| Principal paid on capital lease | (353,219) |
| Principal paid on revenue bonds | (784,116) |
| Interest paid on revenue bonds | (546,595) |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (4,421,777)</u> |

Cash Flows from Investing Activities

| | |
|--|---------------------|
| Interest income | \$ 309,953 |
| Proceeds from the sale and maturity of investments | 5,244,214 |
| Net cash provided by (used for) investing activities | <u>\$ 5,554,167</u> |

Net increase (decrease) in cash and cash equivalents \$ 2,988,660

Cash and cash equivalents at the beginning of the year, including restricted amounts 10,092,842

Cash and cash equivalents at the end of the year, including restricted amounts \$ 13,081,502

**Reconciliation of operating income (loss) to net cash provided by
(used for) operating activities:**

| | |
|--|---------------------|
| Operating income (loss) | \$ 6,598 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 3,772,640 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| Accounts receivable | (192,495) |
| Inventory | (126,625) |
| Prepaid items | (200) |
| Deferred outflows of resources | (164,667) |
| Vouchers payable | (95,934) |
| Accrued payroll | 5,115 |
| Compensated absences | (50,006) |
| Landfill closure liability | (1,392,163) |
| Net OPEB liabilities | 194,637 |
| Net pension liabilities | (109,457) |
| Deferred inflows of resources | 8,827 |
| Net cash provided by (used for) operating activities | <u>\$ 1,856,270</u> |

Noncash items:

Assets with a net book value of \$99,898 were sold during the year for \$228,412.

The accompanying notes are an integral part of the basic financial statements.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
as of June 30, 2019

Note 1—Summary of Significant Accounting Policies:

A. Description of Entity

The Roanoke Valley Resource Authority (the Authority) was established on October 23, 1991 as a tax exempt political subdivision within the Commonwealth of Virginia to acquire and construct a regional sanitary landfill and waste collection and transfer station with related treatment facilities. The charter members are the City of Roanoke (the City), County of Roanoke (the County) and the Town of Vinton (the Town).

Prior to October 23, 1991, the operations of the Authority were accounted for as an enterprise fund of the County of Roanoke. As of October 23, 1991, under agreement between the City, the County and the Town, the County transferred all existing assets and liabilities to the Authority.

Under terms of an agreement with the Roanoke Valley Solid Waste Management Board (the Management Board), certain assets and liabilities were transferred to the Authority, effective October 1, 1993. The terms of the agreement call for the Authority to monitor an old landfill site of the Roanoke Valley Regional Solid Waste Management Board during the postclosure care period.

B. Basis of Accounting

The Roanoke Valley Resource Authority operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Deferred Outflows/Inflows or 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 liabilities and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liabilities and net OPEB liabilities 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. Certain items related to the measurement of the net pension liabilities and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

D. 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 the Financial Statements
- Required Supplementary Information
 - Schedules of OPEB and Pension related items

E. Capital Assets

Capital assets are stated at cost or historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Capital Assets (Continued)

Maintenance, repairs and minor renewals are charged to expense as incurred, while major renewals and replacements are capitalized. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the related accounts, and any resulting gain or loss is included in income.

The Authority defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life of at least one year. Assets are depreciated over their estimated useful lives. Equipment, furniture and fixtures are depreciated over three to ten years. Buildings and structures, including the transfer station, are depreciated over 35 years. Landfill and rail access assets are depreciated over fifteen to thirty-five years. Landfill cell development costs are depreciated over the expected life of the cell.

F. Interest on Indebtedness

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. No interest was capitalized during the current or prior fiscal year.

G. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

H. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

I. Budgets and Budgetary Accounting

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting user rates. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

J. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Primary customers consist of the City of Roanoke, County of Roanoke, Town of Vinton and their respective citizens, and local businesses. Management does not feel that an allowance of balances is necessary so the direct write off method of accounting for uncollectible accounts is used.

Note 1— Summary of Significant Accounting Policies: (Continued)

K. Inventory

Inventory is recorded using the first-in, first-out method (FIFO) and is valued at cost. Inventory consists of parts and supplies utilized in the daily operation of the landfill.

L. Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect certain reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

M. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

N. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond and 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.

O. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position at face value, net of any applicable premiums and discounts.

P. Compensated Absences

The liability for compensated absences consists of unpaid accumulated vacation and sick leave balances. The liability is based on the sick leave and the vacation leave accumulated at June 30. Limited vacation and sick leave may be accumulated until retirement or termination. Accumulated sick leave is paid at a fixed daily rate and accumulated vacation is paid at the employee's current wage upon retirement or termination.

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Accrued Landfill Closure

Accrued landfill closure represents the estimated liability for closure and postclosure costs for the landfill sites. This includes the cost of any equipment and facilities to be installed near or after the date of landfill closure for purposes of closure, the cost of landfill capping, and the cost of monitoring and maintaining the sites during the postclosure period. A total estimate of these expenses is made and updated on a periodic basis and expenses are charged to current period usage of the landfill site. Current cost of landfill closure and postclosure care is an estimate and subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

R. Funding Requirements

The City, County and the Town are responsible for their pro rata share, based on population, of any year-end operating deficit or capital expenditures, if additional funding is required. The Authority is responsible for paying all outstanding debt.

S. 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.

T. 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.

U. Restricted Assets

Deposits totaling \$2,856,332 have been restricted by applicable bond agreements for the construction of landfill cell(s), an access road and related items.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is the fiscal agent. The Authority participates in this pool and at June 30, 2019, the carrying value of the Authority's deposits with banks and savings institutions was \$13,081,502. Deposits with banks are covered by Federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits 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 local governments and other public bodies 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Information related to the County of Roanoke pooled account is presented in the audited financial statements of the County of Roanoke and can be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or visit the County's web site at www.roanokecountyva.gov.

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2019 all of the Authority's investments were held in accordance with this policy.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

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

The Authority's debt investments as of June 30, 2019 have not been rated as noted below.

Authority's Rated Debt Investments' Values

| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> | |
|-------------------------------|-----------------------------|-----------|
| | <u>Not rated</u> | |
| Roanoke County Treasurer's | | |
| Investment Pool | \$ | 5,028,757 |
| Total | \$ | 5,028,757 |

The Roanoke County Investment Pool is not rated; however, underlying investments in the pool are rated. Those ratings along with additional information concerning the pool are presented in the Roanoke County, Virginia Comprehensive Annual Financial Report, a copy of which may be requested from: County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

Interest Rate Risk

The Authority's policy with regard to interest rate risk requires that all investments mature within five years of their purchase date. The policy further requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects. Investment maturities presented below are based on the maturity dates for individual investments held within the pool as allocated based on the Authority's percentage of funds invested in the pool.

Investment Maturities (in years)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>1 Year</u> | <u>1-5 Years</u> |
|--------------------------------|-------------------|---------------|------------------|
| Roanoke County Investment Pool | \$ 5,028,757 | \$ 2,150,979 | \$ 2,877,778 |
| Totals | \$ 5,028,757 | \$ 2,150,979 | \$ 2,877,778 |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority has measured fair value of the investments, as reported in Note 2, at the net asset value (NAV). As the Roanoke County Investment Pool is not SEC registered, regulatory oversight of the pool rests with the Roanoke County Board of Supervisors.

Redemption Restrictions

Currently, the County of Roanoke does not impose any redemption restrictions on the Authority.

Note 3—Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|--|-------------------------|----------------|----------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,535,682 | \$ - | \$ - | \$ 5,535,682 |
| Construction in Progress | 3,534,497 | 1,494,463 | (3,737,457) | 1,291,503 |
| Total capital assets not being depreciated | \$ 9,070,179 | \$ 1,494,463 | \$ (3,737,457) | \$ 6,827,185 |
| Capital assets being depreciated: | | | | |
| Landfill and Rail Access | \$ 40,113,806 | \$ 989,033 | \$ - | \$ 41,102,839 |
| Transfer Station (Building and Structure) | 10,607,242 | 2,748,424 | - | 13,355,666 |
| Equipment | 18,953,308 | 1,141,787 | (959,130) | 19,135,965 |
| Total capital assets being depreciated | \$ 69,674,356 | \$ 4,879,244 | \$ (959,130) | \$ 73,594,470 |
| Accumulated depreciation: | | | | |
| Landfill and Rail Access | \$ (32,405,004) | \$ (1,392,501) | \$ - | \$ (33,797,505) |
| Transfer Station (Building and Structure) | (5,097,934) | (340,947) | - | (5,438,881) |
| Equipment | (8,876,720) | (2,039,192) | 859,232 | (10,056,680) |
| Total accumulated depreciation | \$ (46,379,658) | \$ (3,772,640) | \$ 859,232 | \$ (49,293,066) |
| Total capital assets being depreciated, net | \$ 23,294,698 | \$ 1,106,604 | \$ (99,898) | \$ 24,301,404 |
| Total capital assets, net | \$ 32,364,877 | \$ 2,601,067 | \$ (3,837,355) | \$ 31,128,589 |

Additions include accounts payable of \$197,656 (\$315,868 in prior year) at year end.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements As of June 30, 2019 (Continued)

Note 4—Long-Term Liabilities:

Changes in long-term liabilities for the year are as follows:

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|--|-------------------------|---------------------|-----------------------|--------------------------|------------------------|
| Direct Borrowings - | | | | | |
| Revenue Bonds | \$ 19,566,849 | \$ - | \$ (784,116) | \$ 18,782,733 | \$ 805,360 |
| Locality Compensation Payments | 1,209,879 | - | (211,797) | 998,082 | 208,161 |
| Capital Lease | 1,007,975 | - | (353,219) | 654,756 | 307,477 |
| Compensated Absences | 336,726 | 16,427 | (66,433) | 286,720 | 118,875 |
| Accrued Landfill Closure and Postclosure (Note 9) | 16,532,373 | - | (1,392,163) | 15,140,210 | 323,078 |
| Net OPEB Liabilities | 313,569 | 232,837 | (38,200) | 508,206 | - |
| Net Pension Liability | 1,391,496 | 958,688 | (1,068,145) | 1,282,039 | - |
| | <u>\$ 40,358,867</u> | <u>\$ 1,207,952</u> | <u>\$ (3,914,073)</u> | <u>\$ 37,652,746</u> | <u>\$ 1,762,951</u> |

All liabilities are liquidated by operating funds.

Details of the Authority's outstanding long-term liabilities at June 30, 2019 are as follows:

| Type | Interest Rates | Installment Amounts | Final Maturity Date | Amount of Original Issue | Balance Due | Amount Due Within One Year |
|--|-------------------|--------------------------|---------------------------|--------------------------------|----------------------|----------------------------------|
| <i>Direct Borrowings</i> | | | | | | |
| <i>Revenue Bonds</i> | | | | | | |
| Solid Waste Revenue Bond Series 2017A | 2.50% | \$42,925-\$69,025 (a+) | 7/15/2037 | \$ 1,100,000 | \$ 1,013,064 | \$ 45,126 |
| Solid Waste Revenue Bond Series 2017B | 2.65%(v) | \$340,000-\$565,000 (a+) | 7/15/2037 | 8,900,000 | 8,560,000 | 350,000 |
| Solid Waste Revenue Bond Series 2016 | 2.50% | \$390,226-\$627,504 (a+) | 11/1/2036 | 10,000,000 | 9,209,669 | 410,234 |
| <i>Total Revenue Bonds</i> | | | | | <u>\$ 18,782,733</u> | <u>\$ 805,360</u> |
| <i>Locality Compensation Payments:</i> | | | | | | |
| City of Salem 2011 Bond | 2.14% | \$189,981-\$219,069 (a+) | 10/1/2023 | 1,644,381 | \$ 998,082 | \$ 208,161 |
| <i>Other Long-Term Obligations:</i> | | | | | | |
| Capital lease | | | | | \$ 654,756 | \$ 307,477 |
| Compensated absences | | | | | 286,720 | 118,875 |
| Accrued landfill closure liability | | | | | 15,140,210 | 323,078 |
| Net OPEB liabilities | | | | | 508,206 | - |
| Net pension liability | | | | | 1,282,039 | - |
| <i>Total Other Long-Term Obligations</i> | | | | | <u>\$ 17,871,931</u> | <u>\$ 749,430</u> |
| Total Long-Term Liabilities | | | | | <u>\$ 37,652,746</u> | <u>\$ 1,762,951</u> |

(a+)-annual principal installments shown, does not include semi-annual interest installments

(v) - Interest rate to be adjusted on July 15, 2027 to each five year Treasury rate plus 0.25%

City of Salem Bond was issued to purchase the Salem solid waste facilities and equipment. Solid Waste Revenue Bonds were issued for the construction of a landfill, transfer station, and related equipment. The capital lease was issued for equipment.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 4—Long-Term Liabilities: (Continued)

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

| Year Ending June 30 | Direct Borrowings - Revenue Bonds | | Direct Borrowing - Locality Compensation Payments | |
|------------------------|--------------------------------------|--------------|--|-----------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 805,360 | \$ 472,079 | \$ 208,161 | \$ 19,132 |
| 2021 | 826,888 | 451,143 | 204,525 | 14,716 |
| 2022 | 848,708 | 429,651 | 199,980 | 10,388 |
| 2023 | 870,827 | 407,594 | 195,435 | 6,157 |
| 2024 | 893,253 | 384,966 | 189,981 | 2,033 |
| 2025-2029 | 4,828,950 | 1,564,236 | - | - |
| 2030-2034 | 5,495,328 | 902,679 | - | - |
| 2035-2038 | 4,213,419 | 202,198 | - | - |
| Total | \$ 18,782,733 | \$ 4,814,546 | \$ 998,082 | \$ 52,426 |

Note 5—Capital Lease:

The Authority has entered into a capital lease for two dump trucks on June 28, 2018. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through the capital lease are as follows:

| | |
|----------------------------------|--------------|
| Dump trucks (2) | \$ 1,007,975 |
| Total capital assets | \$ 1,007,975 |
| Accumulated Depreciation | (143,996) |
| Net Book Value of Capital Assets | \$ 863,979 |

Present value of future minimum lease payments:

| June 30, | Leases |
|--|------------|
| 2020 | \$ 324,689 |
| 2021 | 354,206 |
| Total minimum lease payments | \$ 678,895 |
| Less: amount representing interest | (24,139) |
| Present value of future minimum lease payments | \$ 654,756 |

Note 6—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Roanoke Valley Resource Authority are automatically covered by the Roanoke County Pension Plan. 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 pays 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.
- 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.
- 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.

Note 6—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 and 1.85% for sheriffs and regional jail superintendents. 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 and 1.85% for sheriffs and regional jail superintendents. 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 Roanoke Valley Resource Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 12.32% 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 Roanoke Valley Resource Authority were \$231,403 and \$200,782 for the years ended June 30, 2019 and June 30, 2018, respectively.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 6—Pension Plan: (Continued)

Net Pension Liability

At June 30, 2019, the Authority reported a liability of \$1,282,039 for its proportionate share of the net pension liability. The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB No. 68, less that employer's fiduciary net position. For Roanoke Valley Resource Authority, the 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 rolled forward to the measurement date of June 30, 2018. The Authority's proportionate share of same was calculated using the average creditable compensation for the 2017 and 2018 fiscal years as a basis for allocation. At June 30, 2018 and 2017, the Authority's proportion was 3.8000% and 3.5259%, respectively.

Actuarial Assumptions - General Employees

The total pension liability for employees in the Roanoke Valley Resource 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 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 6—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 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:

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% |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 6—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 6—Pension Plan: (Continued)

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 Roanoke Valley Resource 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. From July 1, 2018 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.

Sensitivity of the Roanoke Valley Resource Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Roanoke Valley Resource Authority's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Roanoke Valley Resource Authority's proportionate share of the 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:

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Roanoke Valley Resource Authority Net Pension Liability (Asset) | \$ 2,523,213 | \$ 1,282,039 | \$ 250,298 |

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

For the year ended June 30, 2019, the Roanoke Valley Resource Authority's recognized pension expense of \$197,226. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 6—Pension Plan: (Continued)

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

At June 30, 2019, the Roanoke Valley Resource Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 5,822 | \$ 80,000 |
| Changes in assumptions | - | 8,351 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 230,981 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 95,687 |
| Contributions subsequent to the measurement date | 231,403 | - |
| Totals | \$ 468,206 | \$ 184,038 |

\$231,403 reported as deferred outflows of resources related to pensions resulting from the Roanoke Valley Resource Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending 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:

| Year Ended June 30 | |
|--------------------|-----------|
| 2020 | \$ 80,949 |
| 2021 | 45,454 |
| 2022 | (66,641) |
| 2023 | (6,997) |
| Total | \$ 52,765 |

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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 7—Roanoke Valley Resource Authority Other Postemployment Benefits:

Plan Description

In addition to the pension benefits described in Note 6, the Authority administers a single-employer defined benefit healthcare plan, The Roanoke Valley Resource Authority Postretirement Benefits Plan. The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan does not issue publicly available financial reports.

Benefits Provided

The Plan will provide retiring employees the option to continue health insurance offered by the Authority. Employees are eligible for the program after ten (10) years of service to the Authority. The benefits, employee contributions, and the employer contributions are governed by the Authority's Board and can be amended through Board action.

Plan Membership

At June 30, 2018 (valuation date), the following employees were covered by the benefit terms:

| | |
|---|------------------|
| Total active employees with coverage | 25 |
| Total active employees without coverage | <u>11</u> |
| Total | <u><u>36</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 Authority's Board. The amount paid by the Authority for OPEB as the benefits came due during the year ended June 30, 2019 was \$4,141.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|--|
| Healthcare cost trend rate | Graded down from 7.8% to 5% over 10 years beginning in 2018. |
| Salary Increases | 2.00% per annum |
| Discount Rate | 2.98% per annum |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 7—Roanoke Valley Resource Authority Other Postemployment Benefits: (Continued)

Actuarial Assumptions (Continued)

Mortality rates were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report.

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

Significant changes to the actuarial assumptions include:

1. The percentage of future eligible retirees electing medical coverage was updated from 64.6% to 61.4%.
2. The percentage of future eligible retirees electing medical coverage for a spouse was updated from 29.8% to 27.5%.
3. The mortality, disability, withdrawal, and retirement assumptions were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report.
4. Actives hired on or after July 1, 2016 are not eligible for the plan.

Discount Rate

The discount rate is 2.98% per annum.

Changes in Total OPEB Liability

| | | Total OPEB Liability |
|---|----|-----------------------|
| Balances at June 30, 2017 | \$ | <u>180,677</u> |
| Changes for the year: | | |
| Service cost | \$ | 17,674 |
| Interest | | 5,803 |
| Difference between expected and actual experience | | (32,187) |
| Changes in assumptions | | 194,614 |
| Contributions - employer | | (3,611) |
| Net changes | \$ | <u>182,293</u> |
| Balances at June 30, 2018 | \$ | <u><u>362,970</u></u> |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 7—Roanoke Valley Resource Authority Other Postemployment Benefits: (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 (1.98%) or one percentage point higher (3.98%) than the current discount rate:

| Rate | | |
|-------------|------------------|-------------|
| 1% Decrease | Current Discount | 1% Increase |
| (1.98%) | (2.98%) | (3.98%) |
| \$ 318,425 | \$ 362,970 | \$ 416,714 |

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50% decreasing to 4.00% over 10 years) or one percentage point higher (8.50% decreasing to 6.00% over 10 years) than the current healthcare cost trend rates:

| Healthcare Cost Trend Rate | | |
|---------------------------------------|----------------------|----------------------|
| 1% Decrease | Current Discount | 1% Increase |
| (6.5% decreasing to 4% over 10 years) | to 5% over 10 years) | to 6% over 10 years) |
| \$ 318,425 | \$ 362,970 | \$ 416,714 |

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

For the year ended June 30, 2019, the Authority recognized OPEB expense in the amount of \$46,831. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience \$ | - | \$ 37,973 |
| Changes in assumptions | 162,178 | - |
| Employer contributions subsequent to the measurement date | 4,141 | - |
| Total | \$ 166,319 | \$ 37,973 |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 7—Roanoke Valley Resource Authority Other Postemployment Benefits: (Continued)

\$4,141 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|--------------------|----|--------|
| 2020 | \$ | 23,354 |
| 2021 | | 23,354 |
| 2022 | | 23,354 |
| 2023 | | 27,071 |
| 2024 | | 27,072 |
| Thereafter | | - |

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 8—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (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. 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits described 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.

Note 8—Group Life Insurance (GLI) Program (OPEB Plan):

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 GLI 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 GLI 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 GLI Program from the entity were \$24,628 and \$23,523 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, the entity reported a liability of \$145,236 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 GLI 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 0.00956% as compared to 0.00883% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$133. 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—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 GLI Program OPEB (Continued)

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 7,106 | \$ 2,622 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 4,712 |
| Change in assumptions | - | 6,042 |
| Changes in proportion | 1,368 | - |
| Employer contributions subsequent to the measurement date | 24,628 | - |
| Total | \$ <u>33,102</u> | \$ <u>13,376</u> |

\$24,628 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:

Year Ended June 30

| | |
|------------|------------|
| 2020 | \$ (1,824) |
| 2021 | (1,824) |
| 2022 | (1,824) |
| 2023 | (494) |
| 2024 | 608 |
| Thereafter | 456 |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—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. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

| | |
|--|---|
| 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 - 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - 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 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 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% |

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% |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

| | | Group Life Insurance OPEB Program |
|--|----|---|
| 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|-------------------|--|--|
| 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 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 ended 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 which was 100% of the actuarially determined contribution rate. 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.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 8—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

| | Rate | | |
|---|-------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Authority's proportionate share of the Group Life Insurance Program | | | |
| Net OPEB Liability | \$ 189,810 | \$ 145,236 | \$ 109,060 |

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.

Note 9—Accrued Landfill Closure:

The Authority currently has responsibility for closure and postclosure care related to two landfill sites and two transfer stations. The landfills include the old landfill site, formerly owned by the Roanoke Valley Regional Solid Waste Management Board, which closed in 1994 and the new Smith Gap landfill placed in service during 1994. The new landfill has a permitted life of approximately 50 years and remaining life of approximately 37 years. State and Federal laws and regulations require that the Authority place a final cover on its landfills when closed and perform certain maintenance and monitoring functions for a minimum of thirty years after closure.

Closure costs will be paid as closure occurs and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste. The Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity of the existing cells used to date (88.4%) of the constructed cells at June 30, 2019 for the Smith Gap landfill and includes anticipated effects of changes in regulations and cost estimates. The total liability recorded at June 30, 2019, is \$15,140,210 and includes \$3,232,977 designated for the old landfill site; \$11,511,981 designated for the new Smith Gap landfill; and \$395,252 for the transfer stations. Total closure and postclosure cost for all opened landfill cells is estimated at \$17,119,438, of which 88.4% has been recognized as noted above based on usage. As such, \$1,979,228 or 11.6% of the total estimated liability will be recognized in future periods as the usage percentage increases. For the year ending June 30, 2019, the Authority's recognized liability for closure and postclosure care decreased due to an increase in available volume related to cell expansions without an increase in related closure and postclosure costs.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 9—Accrued Landfill Closure: (Continued)

The Authority will periodically update these closure and postclosure cost estimates and, as necessary, make revisions to reflect any significant changes in estimates due to inflation or deflation, technology, or changes in applicable laws and regulations.

Closure and postclosure care requirements are mandated under the United States Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", and are subject to periodic revisions by the EPA.

Federal and state regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, postclosure care and corrective costs arising from the operations of such facilities. The Authority has demonstrated financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 10—Commitments, Contingencies, and Other Information:

Under terms of a five year transportation contract that commenced on July 1, 2018, a rail carrier will haul waste for a predetermined transportation charge to be adjusted on an annual basis from 3.25% to 10%. The contract provides the Authority with the sole option to cancel the contract at the end of each fiscal year. Upon cancellation, the Authority is required to pay a cancellation fee of up to \$2,500,000. Expenditures under this contract were approximately \$ 2,631,305 for the year ended June 30, 2019.

From time to time the Authority is involved in litigation in the normal course of operations. It is the opinion of the Authority's management that any adverse outcomes related to litigation would not have a material impact on the financial position or results of operations of the Authority as of and for the year ended June 30, 2019.

The Authority has entered into the following construction contracts as of June 30, 2019:

| <u>Contract Purpose</u> | <u>Contractor</u> | <u>Original Contract</u> | <u>Spent to Date</u> | <u>Remaining Contract</u> |
|-----------------------------------|---------------------|--------------------------|----------------------|---------------------------|
| Smith Gap Landfill Connector Road | Sowers Construction | \$ 3,038,589 | \$ 1,291,503 | \$ 1,747,086 |

Note 11—Arbitrage Rebate Compliance:

As of June 30, 2019 and for the year then ended, the Authority was not liable for any amounts due under current rules governing arbitrage earnings.

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 12—Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The Authority participates with other localities in the Virginia Municipal Group Self Insurance public entity risk pool and the Virginia Association of Counties Risk Pool for certain coverage noted below. Each member of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the risk pools contributions and assessments based upon classifications and rates into designated cash reserve funds out of which expenses of the pools, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, each pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority carries insurance coverage for all other risk of loss. Settled claims have not exceeded coverage in the current or prior three fiscal years.

Worker's Compensation - Worker's Compensation Insurance is provided through the Virginia Municipal Group Self Insurance Association. During 2017-18, the total premiums paid were \$89,430. Benefits are those afforded through the State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon covered payroll, job rates and claims experience.

General Liability and Other - The Authority carries general liability, machinery, property and other insurance through policies administered by the Virginia Association of Counties Risk Pool. General liability and business automobile have a \$1,000,000 combined single limit. Machinery coverage and property insurance are covered as per statement of values. Public officials' liability with a \$1,000,000 limit is covered through a policy with the Commonwealth of Virginia. Total premiums paid for year ended June 30, 2019 were \$52,363.

Healthcare - Healthcare insurance coverage is provided to Authority employees through Roanoke County's self-insured health insurance program. The Authority's employees pay a monthly amount based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. An excess coverage insurance policy covers each individual's pooled claims in excess of \$200,000. The Authority has no claims payable as of June 30, 2019.

Note 13—Related Party Transactions:

The following table summarizes approximate tipping fees received and accounts receivable from charter members as of and for the year ended June 30, 2019:

| | Tipping Fees | | Accounts Receivable | |
|-------------------|--------------|-----------|---------------------|---------|
| | 2019 | | 2019 | |
| City of Roanoke | \$ | 2,281,984 | \$ | 370,135 |
| County of Roanoke | | 2,064,680 | | 166,437 |
| City of Salem | | 866,499 | | 70,832 |
| Town of Vinton | | 174,383 | | 15,677 |
| | \$ | 5,387,546 | \$ | 623,081 |

ROANOKE VALLEY RESOURCE AUTHORITY

Notes to the Financial Statements
As of June 30, 2019 (Continued)

Note 14—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.

Note 15— Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Required Supplementary Information

ROANOKE VALLEY RESOURCE AUTHORITY
 Schedule of Changes in Net OPEB Liability and Related Ratios
 Post Employment Health Coverage
 For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Total OPEB liability | | |
| Service cost | \$ 17,674 | \$ 16,832 |
| Interest | 5,803 | 6,048 |
| Differences between expected and actual experience | (32,187) | (18,585) |
| Changes of assumptions | 194,614 | - |
| Benefit payments | (3,611) | (4,642) |
| Net change in total OPEB liability | \$ 182,293 | \$ (347) |
| Total OPEB liability - beginning | <u>180,677</u> | <u>181,024</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 362,970</u></u> | <u><u>\$ 180,677</u></u> |
| | | |
| Covered payroll | \$ 1,824,134 | \$ 1,258,150 |
| | | |
| Authority's net OPEB liability (asset) as a percentage of covered payroll | 19.90% | 14.36% |

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

ROANOKE VALLEY RESOURCE AUTHORITY
Notes to Required Supplementary Information
Post Employment Health Coverage
For the Year Ended June 30, 2019

Valuation Date: 6/30/2018
Measurement Date: 6/30/2018

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 | 2.98% per annum |
| Inflation | Not applicable |
| Healthcare Trend Rate | Graded down from 7.5% to 5% over 10 years beginning in 2018. |
| Salary Increase Rates | 2.00% per annum |
| Retirement Age | The average age at retirement is 60. |
| Mortality Rates | The mortality rates were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report. |

ROANOKE VALLEY RESOURCE AUTHORITY
Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2018 | 0.00956% | \$ 145,236 | \$ 1,860,564 | 7.81% | 51.22% |
| 2017 | 0.00883% | 132,892 | 1,630,826 | 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.

ROANOKE VALLEY RESOURCE AUTHORITY
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2017 through June 30, 2019

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contributions Deficiency (Excess) (1) - (2) | Employer's Covered Payroll | Contributions as a % of Covered Payroll (2)/(4) |
|------|---|--|--|----------------------------------|---|
| | (1) | (2) | (3) | (4) | (5) |
| 2019 | \$ 24,628 | \$ 24,628 | \$ - | \$ 1,979,670 | 1.24% |
| 2018 | 23,523 | 23,523 | - | 1,860,564 | 1.26% |
| 2017 | 21,339 | 21,339 | - | 1,630,826 | 1.31% |

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

ROANOKE VALLEY RESOURCE AUTHORITY
Notes to Required Supplementary Information
Group Life Insurance Program
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.

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 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% |

ROANOKE VALLEY RESOURCE AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liabilities
For the Measurement Dates of June 30, 2014 through June 30, 2018

Roanoke County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

| Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Employee Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|------|---|-----------------------------------|-----------------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2018 | 3.8000% | \$ 1,282,039 | \$ 1,860,564 | 68.91% | 86.53% |
| 2017 | 3.5259% | 1,308,197 | 1,630,826 | 80.22% | 84.76% |
| 2016 | 2.8980% | 1,324,942 | 1,262,032 | 104.98% | 80.43% |
| 2015 | 2.7704% | 970,264 | 1,178,061 | 82.36% | 84.31% |
| 2014 | 2.7738% | 923,522 | 1,117,882 | 82.61% | 84.61% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

ROANOKE VALLEY RESOURCE AUTHORITY
Schedule of Employer Contributions
For the Years Ended June 30, 2010 through June 30, 2019

Roanoke County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contributions Deficiency (Excess) (1) - (2) | Employer's Covered Payroll | Contributions as a % of Covered Payroll (2)/(4) |
|------|---|--|--|----------------------------------|---|
| | (1) | (2) | (3) | (4) | (5) |
| 2019 | \$ 231,403 | \$ 231,403 | \$ - | \$ 1,979,670 | 11.69% |
| 2018 | 200,782 | 200,782 | - | 1,860,564 | 10.79% |
| 2017 | 181,460 | 181,460 | - | 1,630,826 | 11.13% |
| 2016 | 142,146 | 142,146 | - | 1,262,032 | 11.26% |
| 2015 | 132,238 | 132,238 | - | 1,178,061 | 11.23% |
| 2014 | 112,745 | 112,745 | - | 1,117,882 | 10.09% |
| 2013 | 112,591 | 112,591 | - | 1,139,043 | 9.88% |
| 2012 | 114,847 | 114,847 | - | 763,103 | 15.05% |
| 2011 | 149,643 | 149,643 | - | 994,306 | 15.05% |
| 2010 | 152,302 | 152,302 | - | 1,085,545 | 14.03% |
| 2009 | 142,990 | 142,990 | - | 1,019,173 | 14.03% |

ROANOKE VALLEY RESOURCE AUTHORITY
Notes to Required Supplementary Pension Information
For the Year Ended June 30, 2019

Roanoke County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

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

Changes of assumptions - For the Roanoke County Retirement Plan, 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% |

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% |

STATISTICAL SECTION

Statistical Section

This part of the Roanoke Valley Resource Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends

Page

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. 62-63

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its operating revenue. 64-69

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future. 70-71

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other authorities. 72-73

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs. 74-75

Roanoke Valley Resource Authority
Net Position by Component
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Net investment in capital assets | \$ 13,351,694 | \$ 14,261,988 | \$ 18,957,557 | \$ 16,137,093 | \$ 20,016,507 | \$ 20,859,509 | \$ 22,126,898 | \$ 23,579,296 | \$ 24,601,591 | \$ 17,072,072 |
| Restricted | - | - | - | - | - | - | - | - | 1,091,000 | 5,560,294 |
| Unrestricted | (466,605) | (1,268,043) | (3,116,266) | 1,450,628 | 756,182 | 2,159,326 | 2,087,537 | 3,028,633 | 965,985 | 5,120,125 |
| Total primary government net position | \$ 12,885,089 | \$ 12,993,945 | \$ 15,841,291 | \$ 17,587,721 | \$ 20,772,689 | \$ 23,018,835 | \$ 24,214,435 | \$ 26,607,929 | \$ 26,658,576 | \$ 27,752,491 |

The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year and restated beginning net position accordingly. Information relative to GASB Statement 68 was not available for prior fiscal years and therefore provisions of this statement were not applied retroactively in this table.

The Authority implemented provisions of GASB Statement 75 during the 2018 fiscal year and restated beginning net position for 2018 and 2017, accordingly. Information relative to GASB Statement 75 was not available for fiscal years prior to fiscal year 2017 and therefore provisions of this statement were not applied retroactively in this table.

Source: RVRA audited financial statements

Table 2

Roanoke Valley Resource Authority

Changes in Net Position

Last Ten Fiscal Years

(unaudited)

(accrual basis of accounting)

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income (Loss) | Total | | Income/(Loss) before Special Items | Special Items | Change in Net Position |
|----------------|-----------------------|-----------------------|----------------------------|---|--------------|--|------------------|------------------------------|
| | | | | Nonoperating Revenues/ (Expenses) | | | | |
| 2019 | \$ 15,073,139 | \$ 15,066,541 | \$ 6,598 | \$ (115,454) | \$ (108,856) | \$ - | \$ - | (108,856) |
| 2018 | 13,718,403 | 16,150,782 | (2,432,379) | (414,967) | (2,847,346) | - | - | (2,847,346) |
| 2017 | 12,011,736 | 13,134,353 | (1,122,617) | 11,043 | (1,111,574) | (634,856) | - | (1,746,430) |
| 2016 | 8,743,169 | 12,034,820 | (3,291,651) | 106,683 | (3,184,968) | - | - | (3,184,968) |
| 2015 | 8,434,037 | 9,455,022 | (1,020,985) | 69,368 | (951,617) | - | - | (951,617) |
| 2014 | 8,125,576 | 9,680,144 | (1,554,568) | 358,968 | (1,195,600) | - | - | (1,195,600) |
| 2013 | 7,890,905 | 10,327,241 | (2,436,336) | 42,842 | (2,393,494) | - | - | (2,393,494) |
| 2012 | 7,561,367 | 7,660,234 | (98,867) | 48,220 | (50,647) | - | - | (50,647) |
| 2011 | 7,677,198 | 8,514,962 | (837,764) | (256,151) | (1,093,915) | - | - | (1,093,915) |
| 2010 | 8,067,614 | 8,942,409 | (874,795) | (169,616) | (1,044,411) | - | - | (1,044,411) |

The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year and restated beginning net position accordingly. Information relative to GASB Statement 68 was not available for prior fiscal years and therefore provisions of this statement were not applied retroactively in this table.

The Authority implemented provisions of GASB Statement 75 during the 2018 fiscal year and restated beginning net position for 2018 and 2017, accordingly. Information relative to GASB Statement 75 was not available for fiscal years prior to fiscal year 2017 and therefore provisions of this statement were not applied retroactively in this table.

Source: RVRA audited financial statements

Table 3

Roanoke Valley Resource Authority

Operating Revenue by Source

Last Ten Fiscal Years

(unaudited)

(accrual basis of accounting)

| Fiscal Year | Municipal Revenue | Commercial Revenue | Private Revenue | Recycling Revenue | Residential | | Total Revenues |
|----------------|----------------------|-----------------------|--------------------|----------------------|----------------------|--------------------------|-------------------|
| | | | | | Homeowner Revenue | Miscellaneous Revenue | |
| 2019 | \$ 5,387,546 | \$ 6,177,973 | \$ 2,706,997 | \$ 82,022 | \$ 538,463 | \$ 180,138 | \$ 15,073,139 |
| 2018 | 4,842,979 | 6,039,663 | 2,200,310 | 72,535 | 470,649 | 92,272 | 13,718,408 |
| 2017 | 4,698,363 | 4,987,383 | 1,758,711 | 50,922 | 424,074 | 92,283 | 12,011,736 |
| 2016 | 4,035,795 | 2,760,585 | 1,372,023 | 38,775 | 420,724 | 115,267 | 8,743,169 |
| 2015 | 3,928,363 | 2,578,463 | 1,315,017 | 33,491 | 438,105 | 140,598 | 8,434,037 |
| 2014 | 3,962,910 | 2,221,222 | 1,499,014 | 39,970 | 390,324 | 12,136 | 8,125,576 |
| 2013 | 4,061,632 | 2,050,320 | 1,351,256 | 41,062 | 386,635 | - | 7,890,905 |
| 2012 | 3,885,701 | 1,876,495 | 1,204,215 | 47,524 | 397,427 | 150,005 | 7,561,367 |
| 2011 | 3,927,059 | 1,932,618 | 1,315,910 | 64,570 | 433,503 | 3,538 | 7,677,198 |
| 2010 | 4,080,939 | 2,108,682 | 1,376,333 | 64,307 | 436,117 | 1,236 | 8,067,614 |

Source: RVRA audited financial statements

Table 4

Roanoke Valley Resource Authority
Operating Expenses
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|----------------------------------|---------------|------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Salaries and Benefits | \$ 3,003,458 | 2,792,507 | 2,659,354 | 1,903,883 | 1,859,968 | 1,912,552 | 1,869,179 | 1,772,108 | 1,794,891 | 1,717,528 |
| Landfill Closure and Postclosure | (1,006,653) | 1,976,295 | 1,512,073 | 438,484 | 222,415 | 1,217,034 | 2,298,948 | (164,307) | 512,817 | 1,560,459 |
| Other operating expenses | 9,297,096 | 8,157,369 | 6,352,682 | 4,620,424 | 5,164,825 | 4,436,385 | 4,048,933 | 3,897,231 | 3,856,292 | 3,362,015 |
| Depreciation | 3,772,640 | 3,224,611 | 2,610,244 | 2,279,094 | 2,207,814 | 2,114,173 | 2,110,181 | 2,155,202 | 2,350,962 | 2,302,407 |
| Total Operating Expenses | \$ 15,066,541 | 16,150,782 | 13,134,353 | 9,241,885 | 9,455,022 | 9,680,144 | 10,327,241 | 7,660,234 | 8,514,962 | 8,942,409 |

Source: RVRA audited financial statements

Table 5

Roanoke Valley Resource Authority
Nonoperating Revenues and Expenses
Last Ten Fiscal Years

| (unaudited) (accrual basis of accounting) | | | | | |
|--|------------------|--|-------------------------------|-----------------------------|---------------------------------------|
| Fiscal Year | Interest Revenue | Net increase (Decrease) In Fair Value of Investments | Gain (Loss) on Sale of Assets | Interest and Fiscal Charges | Total Non-Operating Income (Expenses) |
| 2019 | \$ 295,546 | \$ - | \$ 128,514 | \$ (539,514) | (115,454) |
| 2018 | 165,909 | - | (47,796) | (533,080) | (414,967) |
| 2017 | 158,602 | - | - | (147,559) | 11,043 |
| 2016 | 106,683 | - | - | - | 106,683 |
| 2015 | 69,368 | - | - | - | 69,368 |
| 2014 | 46,812 | - | 312,156 | - | 358,968 |
| 2013 | 42,842 | - | - | - | 42,842 |
| 2012 | 48,220 | - | - | - | 48,220 |
| 2011 | 95,016 | (1,532) | 5,270 | (354,905) | (256,151) |
| 2010 | 233,266 | (11,490) | 68,980 | (460,372) | (169,616) |

Source: RVRA audited financial statements

Table 6

Roanoke Valley Resource Authority
Annual Tonnage Received
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | Municipal Tonnage | Commercial Tonnage | Private Tonnage | Residential Tonnage | Total Tonnage |
|-------------|-------------------|--------------------|-----------------|---------------------|---------------|
| 2019 | 106,915 | 100,434 | 43,838 | 11,805 | 262,992 |
| 2018 | 99,326 | 103,139 | 38,854 | 10,844 | 252,163 |
| 2017 | 96,459 | 84,839 | 29,708 | 10,158 | 221,164 |
| 2016 | 84,167 | 46,854 | 23,553 | 9,329 | 163,903 |
| 2015 | 82,865 | 44,417 | 22,916 | 8,541 | 158,739 |
| 2014 | 85,773 | 39,022 | 26,758 | 9,020 | 160,573 |
| 2013 | 92,824 | 37,399 | 24,508 | 10,076 | 164,807 |
| 2012 | 87,373 | 34,518 | 21,142 | 9,473 | 152,506 |
| 2011 | 88,183 | 35,312 | 23,592 | 8,796 | 155,883 |
| 2010 | 91,473 | 38,637 | 24,687 | 9,119 | 163,916 |

Source: RVRA reports provided by staff

Table 7

Roanoke Valley Resource Authority
Principal Customers
(unaudited)
(accrual basis of accounting)

| | FY 2019 | | FY 2010 | |
|------------------------------|-------------------|------------------------|-------------------|------------------------|
| | Revenue Amount | Percentage of Total | Revenue Amount | Percentage of Total |
| City of Roanoke | \$ 2,281,984 | 15.14% | \$ 2,105,947 | 26.10% |
| County of Roanoke | 2,064,680 | 13.70% | 1,814,387 | 22.49% |
| Waste Management Inc | 1,914,810 | 12.70% | 727,687 | 9.02% |
| First Piedmont Corporation | 1,281,224 | 8.50% | 624,720 | 7.74% |
| County Waste | 813,676 | 5.40% | N/A | - |
| City of Salem | 866,499 | 5.75% | N/A | - |
| Tidy Services | 622,777 | 4.13% | 181,426 | 2.25% |
| Residential Disposal Program | 538,463 | 3.57% | 436,117 | 5.41% |
| Republic Services | 660,172 | 4.38% | 32,335 | 0.40% |
| Town of Vinton | 174,383 | 1.16% | 161,868 | 2.01% |
| Subtotal largest customers | 11,218,668 | 75.42% | 6,084,487 | 75.42% |
| Balance From other Customers | 3,854,471 | 24.58% | 1,983,127 | 24.58% |
| Grand Totals | \$ 15,073,139 | 100.00% | \$ 8,067,614 | 100.00% |

Source: RVRA reports provided by staff

Table 8

Roanoke Valley Resource Authority
Disposal Fees Per Ton
Last Ten Fiscal Years
(unaudited)
(accrual basis of accounting)

| Fiscal Year | Municipal Rate | Commercial Rate | Private Rate | Residential Rate |
|------------------------|---------------------------|----------------------------|-------------------------|-----------------------------|
| 2019 | \$ 51.50 | \$ 61.50 | \$ 61.50 | \$ 51.50 |
| 2018 | 49.50 | 59.50 | 59.50 | 49.50 |
| 2017 | 49.50 | 59.50 | 59.50 | 49.50 |
| 2016 | 49.00 | 59.00 | 59.00 | 49.00 |
| 2015 | 48.00 | 58.00 | 58.00 | 48.00 |
| 2014 | 47.00 | 57.00 | 57.00 | 57.00 |
| 2013 | 45.00 | 55.00 | 55.00 | 45.00 |
| 2012 | 45.00 | 55.00 | 55.00 | 45.00 |
| 2011 | 45.00 | 55.00 | 55.00 | 45.00 |
| 2010 | 45.00 | 55.00 | 55.00 | 45.00 |

Source RVRA Budget Book

Table 9

Roanoke Valley Resource Authority
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Revenue Bonds | Roanoke County | | Roanoke City | | Vinton | | City of Salem* | |
|-------------|---------------|----------------|-------------------------------|--------------|-------------------------------|------------|-------------------------------|----------------|-------------------------------|
| | | Per Capita | As a Share of Personal Income | Per Capita | As a Share of Personal Income | Per Capita | As a Share of Personal Income | Per Capita | As a Share of Personal Income |
| 2019 | \$ 18,782,733 | 201 | 0.32% | 188 | 0.45% | 2,320 | 0.32% | 732 | 0.32% |
| 2018 | 19,566,849 | 209 | 0.35% | 196 | 0.49% | 2,426 | 0.35% | 757 | 0.35% |
| 2017 | 20,000,000 | 213 | 0.35% | 201 | 0.49% | 2,444 | 0.35% | 783 | 0.35% |
| 2016 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2015 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2014 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2013 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2012 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2011 | - | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| 2010 | 7,675,145 | 85 | 0.16% | 84 | 0.21% | 976 | 0.16% | - | 0.00% |

Source: Comprehensive Annual Financial Reports from Roanoke County, Roanoke City and Vinton
Population and Personal Income data from the Bureau of Economic Analysis
Audited financial statements Roanoke Valley Resource Authority

Note: The Authority did not have any revenue bonds outstanding as of June 30, 2011 through June 30, 2016.

* The City of Salem joined the RVRA in FY2017

Table 10

Roanoke Valley Resource Authority
Pledged Revenue Coverage
Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | Operating Revenues | Investment Income | Miscellaneous Income | Transfer from Reserves | Gross Revenues | Operating Expenses (excluding depreciation) | Debt Service | | | | Net Available Revenues |
|-------------|--------------------|-------------------|----------------------|------------------------|----------------|---|--------------|------------|--------------------|-----------------------------|------------------------|
| | | | | | | | Principal | Interest | Total Debt Service | Less: 100/110% Debt Service | |
| 2019 | \$ 15,073,139 | \$ 295,546 | \$ - | \$ - | \$ 15,368,685 | \$ 11,293,901 | \$ 784,116 | \$ 546,595 | \$ 1,330,711 | \$ 1,330,711 | \$ 2,744,073 |
| 2018 | 13,718,403 | 165,909 | - | - | 13,884,312 | 12,926,171 | 433,151 | 452,274 | 885,425 | 885,425 | 72,716 |
| 2017 | 12,011,736 | 158,602 | - | - | 12,170,338 | 10,524,109 | 219,069 | - | 219,069 | 219,069 | 1,427,160 |
| 2016* | 8,743,169 | 106,683 | - | - | 8,849,852 | 6,962,791 | - | - | - | - | 1,887,061 |
| 2015* | 8,434,037 | 69,368 | - | - | 8,503,405 | 7,247,208 | - | - | - | - | 1,256,197 |
| 2014* | 8,125,576 | 46,812 | - | - | 8,172,388 | 7,565,971 | - | - | - | - | 606,417 |
| 2013* | 7,890,905 | 42,842 | - | - | 7,933,747 | 8,217,060 | - | - | - | - | (283,313) |
| 2012* | 7,411,362 | 48,220 | 150,005 | - | 7,609,587 | 5,505,032 | - | - | - | - | 2,104,555 |
| 2011 | 7,673,660 | 95,016 | 8,808 | 9,784,603 | 17,562,087 | 6,164,000 | 7,775,000 | 352,604 | 8,127,604 | 8,940,364 | 2,457,723 |
| 2010 | 8,067,614 | 233,266 | 68,980 | 1,982,603 | 10,352,463 | 6,640,002 | 2,355,000 | 409,146 | 2,764,146 | 3,040,561 | 671,900 |

Note: The revenue covenant was 110% of debt service prior to 2012 and 100% of debt service in 2017 and thereafter.

*The Authority did not have any debt outstanding from 2012 through 2016.

Source: RVRA financial and budget records.

Table 11

Roanoke Valley Resource Authority
Demographic Information
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Roanoke County | | | | Roanoke City | | | |
|-------------|----------------|-------------------|-------------------|-------------------|--------------|------------------|-------------------|-------------------|
| | Population | Personal Income * | Per Capita Income | Unemployment Rate | Population | Personal Income | Per Capita Income | Unemployment Rate |
| 2010 | 91,011 | \$ 4,672,291,000 | \$ 39,315 | 6.3% | 97,032 | \$ 3,747,025,000 | \$ 38,713 | 7.4% |
| 2011 | 92,376 | 4,561,791,000 | 40,688 | 5.7% | 97,061 | 3,576,942,000 | 36,948 | 6.9% |
| 2012 | 92,687 | 4,672,000,000 | 42,288 | 5.6% | 97,206 | 3,827,065,000 | 39,100 | 6.5% |
| 2013 | 93,256 | 4,789,030,000 | 42,288 | 5.8% | 98,641 | 3,799,698,000 | 38,453 | 6.4% |
| 2014 | 92,703 | 4,984,547,000 | 42,288 | 5.2% | 98,913 | 3,915,935,000 | 39,385 | 5.7% |
| 2015 | 93,569 | 5,159,100,000 | 42,288 | 4.2% | 99,320 | 3,915,935,000 | 39,385 | 5.6% |
| 2016 | 93,775 | 5,435,865,000 | 45,577 | 3.5% | 99,681 | 3,915,935,000 | 39,385 | 4.1% |
| 2017 | 93,924 | 5,758,037,000 | 48,047 | 3.6% | 99,644 | 4,090,520,000 | 40,947 | 4.5% |
| 2018 | 93,735 | 5,785,780,000 | 48,384 | 3.1% | 99,908 | 4,211,972,000 | 42,263 | 3.7% |
| 2019 | 93,672 | 5,962,802,000 | 49,860 | 2.7% | 99,920 | 4,187,753,000 | 41,946 | 2.8% |

| Fiscal Year | Vinton | | | | City of Salem* | | | |
|-------------|------------|------------------|-------------------|-------------------|----------------|------------------|-------------------|-------------------|
| | Population | Personal Income | Per Capita Income | Unemployment Rate | Population | Personal Income | Per Capita Income | Unemployment Rate |
| 2010 | 7,814 | \$ 4,672,291,000 | \$ 39,315 | 6.3% | - | - | - | - |
| 2011 | 8,098 | 4,561,791,000 | 39,315 | 5.7% | - | - | - | - |
| 2012 | 8,130 | 4,672,000,000 | 39,866 | 5.7% | - | - | - | - |
| 2013 | 8,092 | 4,789,030,000 | 40,688 | 5.9% | - | - | - | - |
| 2014 | 8,151 | 4,984,547,000 | 42,288 | 5.5% | - | - | - | - |
| 2015 | 8,151 | 5,159,100,000 | 43,418 | 4.5% | - | - | - | - |
| 2016 | 8,151 | 5,435,865,000 | 43,418 | 3.6% | - | - | - | - |
| 2017 | 8,185 | 5,758,037,000 | 48,047 | 3.7% | 25,549 | \$ 5,758,037,000 | \$ 48,047 | 4.1% |
| 2018 | 8,065 | 5,785,780,000 | 48,384 | 3.4% | 25,862 | 5,785,780,000 | 48,384 | 3.4% |
| 2019 | 8,096 | 5,962,802,000 | 49,860 | 2.9% | 25,643 | 5,962,802,000 | 49,860 | 2.9% |

Source: Comprehensive Annual Financial Reports from Roanoke County, Roanoke City and Vinton
Population and Personal Income data from the Bureau of Economic Analysis

* City of Salem joined RVRA in October 2017

Table 12

Roanoke Valley Resource Authority
Principal Employers
(unaudited)
Fiscal Years 2018 and 2009

| Employer | 2019 | | | | 2010 | | | |
|---|------|-------------|---------------------|--|------|-------------|---------------------|--|
| | Rank | Ownership | Number of Employees | | Rank | Ownership | Number of Employees | |
| Roanoke County Schools | 1 | Local Govt. | 2,000+ | | 1 | Local Govt. | 1,000+ | |
| Wells Fargo Operations Center (Wachovia division) | 2 | Private | 2,000+ | | 2 | Private | 1,000+ | |
| County of Roanoke | 3 | Local Govt. | 1,000+ | | 4 | Local Govt. | 1,000+ | |
| Kroger | 4 | Private | 500-999 | | 5 | Private | 500-999 | |
| Friendship Retirement Community | 5 | Private | 500-999 | | 6 | Private | 500-999 | |
| Richfield Recovery & Care Center | 6 | Private | 500-999 | | - | - | - | |
| Allstate Insurance Company | 7 | Private | 500-999 | | 3 | Private | 1,000+ | |
| Harris Corporation | 8 | Private | 500-999 | | - | - | - | |
| Integrity Windows & Doors | 9 | Private | 250-499 | | - | - | - | |
| Wal-mart | 10 | Private | 250-499 | | 10 | Private | 250-499 | |
| Bright Personnel and Business | | | | | 7 | Private | 250-499 | |
| Courtland Health Care Center | - | - | - | | 8 | Private | 250-499 | |
| HSN LP | - | - | - | | 9 | Private | 250-499 | |

Source: Roanoke County Economic Development Department

Roanoke Valley Resource Authority
Number of Employees by Identifiable Activity

Last Ten Fiscal Years

(unaudited)

| | Fiscal Year | | | | | | | | | |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Administration | | | | | | | | | | |
| General Management | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Finance | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Administrative Coordinator | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Business Supervisor | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | - |
| Operating | | | | | | | | | | |
| Supervisors | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Scale Operators | 3 | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Equipment Operators | 25 | 24 | 24 | 18 | 18 | 16 | 17 | 17 | 16 | 14 |
| Building and General Maintenance | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Equipment Mechanic | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Laborer | - | - | - | - | - | - | - | - | 1 | 3 |
| Total Employees | 38 | 38 | 38 | 29 | 29 | 27 | 28 | 28 | 29 | 29 |

Source: RVRA Budget Book

Table 14

Roanoke Valley Resource Authority
Operating and Capital Indicators
Last Ten Fiscal Years
(Unaudited)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Waste Received in tons | 262,992 | 252,163 | 221,164 | 163,903 | 158,739 | 160,573 | 164,807 | 152,506 | 155,883 | 163,917 |
| Materials Recycled in tons (equals total above) | | | | | | | | | | |
| Wood | 11,921 | 10,311 | 10,304 | 11,344 | 8,463 | 11,407 | 18,720 | 11,837 | 10,551 | 11,294 |
| Circuit Court Civil Cases Concluded | | | | | | | | | | |
| Circuit Court Criminal Cases Concluded | | | | | | | | | | |
| Metal | 497 | 494 | 371 | 262 | 182 | 187 | 170 | 228 | 314 | 416 |
| Tires | 671 | 600 | 418 | 299 | 259 | 315 | 238 | 256 | 252 | 405 |
| Other (batteries, cardboard, glass, newspapers) | 27 | 59 | 46 | 43 | 40 | 47 | 27 | 44 | 2 | 39 |
| Landfilled | 249,876 | 240,699 | 210,025 | 151,955 | 149,795 | 148,617 | 145,652 | 140,141 | 144,764 | 151,763 |
| Percent Recycled | 5.00% | 4.54% | 5.03% | 7.30% | 5.63% | 7.45% | 11.62% | 8.11% | 7.13% | 7.41% |
| Residential Waste Disposal | | | | | | | | | | |
| Tonnage | 11,806 | 10,846 | 10,158 | 9,329 | 8,541 | 9,020 | 10,076 | 9,472 | 8,796 | 9,119 |
| Tires (Count) | 1,950 | 2,289 | 1,715 | 1,971 | 1,505 | 1,397 | 1,451 | 1,893 | 1,667 | 1,801 |
| Transactions | 47,617 | 44,355 | 41,132 | 37,911 | 34,500 | 36,441 | 40,600 | 37,284 | 35,157 | 36,850 |
| Disposal Fees | \$ 538,454 | \$ 470,648 | \$ 424,074 | \$ 420,724 | \$ 438,101 | \$ 390,324 | \$ 386,633 | \$ 398,057 | \$ 432,871 | \$ 436,144 |
| Disposal Fees | | | | | | | | | | |
| Municipal Rate | \$ 51.5 | \$ 49.5 | \$ 49.5 | \$ 49.5 | \$ 49.0 | \$ 47.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 |
| Commercial Rate | \$ 61.5 | \$ 59.5 | \$ 59.5 | \$ 59.5 | \$ 59.0 | \$ 57.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 |
| Private Rate | \$ 61.5 | \$ 59.5 | \$ 59.5 | \$ 59.5 | \$ 59.0 | \$ 57.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 | \$ 55.0 |
| Residential Rate | \$ 51.5 | \$ 49.5 | \$ 49.5 | \$ 49.5 | \$ 49.0 | \$ 47.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 | \$ 45.0 |
| Wood Waste Rate | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 | \$ 35.0 |
| Railcar Waste Transported in tons | | | | | | | | | | |
| Railcars | 2,934 | 3,449 | 2,979 | 2,361 | 2,172 | 2,258 | 2,231 | 2,142 | 2,216 | 2,409 |
| Tonnage | 201,352 | 230,434 | 196,743 | 150,597 | 148,908 | 146,309 | 145,448 | 139,066 | 144,428 | 151,911 |
| Average | 68.63 | 66.81 | 66.04 | 63.79 | 68.56 | 64.80 | 65.19 | 64.92 | 65.18 | 63.06 |
| Shipping Cost | \$ 2,344,947 | \$ 2,525,469 | \$ 2,194,605 | \$ 1,734,373 | \$ 1,864,514 | \$ 1,935,012 | \$ 1,797,827 | \$ 1,857,047 | \$ 1,687,991 | \$ 1,606,684 |
| Capital Indicators | | | | | | | | | | |
| Number of Permitted Sites | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Number of Open Permitted Sites | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Collection sites | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: Roanoke Valley Resource Authority records

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Members of the Board
Roanoke Valley Resource Authority
Roanoke, 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 the Roanoke Valley Resource Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Roanoke Valley Resource Authority's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Roanoke Valley 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 Roanoke Valley Resource Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roanoke Valley 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

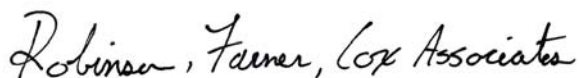
As part of obtaining reasonable assurance about whether the Roanoke Valley Resource Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

Roanoke Valley Resource Authority's Response to Findings

Roanoke Valley Resource Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Roanoke Valley Resource Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Blacksburg, Virginia
September 27, 2019

Roanoke Valley Resource Authority

Schedule of Findings and Responses
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Noncompliance material to financial statements noted? | No |

Section II - Financial Statement Findings

2019-001

| | |
|------------------------|--|
| Condition: | The Authority lacks proper segregation of duties over billing and collections. |
| Criteria: | A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets. |
| Cause: | The Authority's limited number of staff does not allow them to properly segregate duties. |
| Effect: | There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting. |
| Management's Response: | Limited number of staff has precluded the Roanoke Valley Resource Authority from segregating key duties related to billings and collections. Currently, the Authority does not plan on hiring additional personnel to address the aforementioned condition as same is not considered cost-effective. |

Section III - Status of Prior Audit Findings

| | |
|--|--|
| <u>2018-001 (Significant Deficiency)</u> | Recurring in the current year as 2019-001. |
|--|--|