# Blue Ridge Resource Authority

(A Component Unit of the County of Rockbridge, Virginia)

Financial Report

For the Year Ended June 30, 2020

# BLUE RIDGE RESOURCE AUTHORITY

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

## FINANCIAL REPORT

## FOR THE YEAR ENDED JUNE 30, 2020

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

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## BLUE RIDGE RESOURCE AUTHORITY BOARD OF DIRECTORS

Daniel E. Lyons, Chairman (Rockbridge County)
Frank W. Friedman, Vice-Chairman (Lexington City)
Charles N. Smith, Treasurer (Rockbridge County)
R. W. Day (Rockbridge County)
David B. McDaniel (Rockbridge County)
Albert J. Lewis, II (Rockbridge County)
Leslie E. Ayers (Rockbridge County)

## AUTHORITY OFFICIALS

Secretary……………………………………………………………………….……………….. Lauren Potter
Authority Counsel…………………………………………………………………….…. Jeremy Carroll
Treasurer………………………………………………………………………….……………..Charles Smith

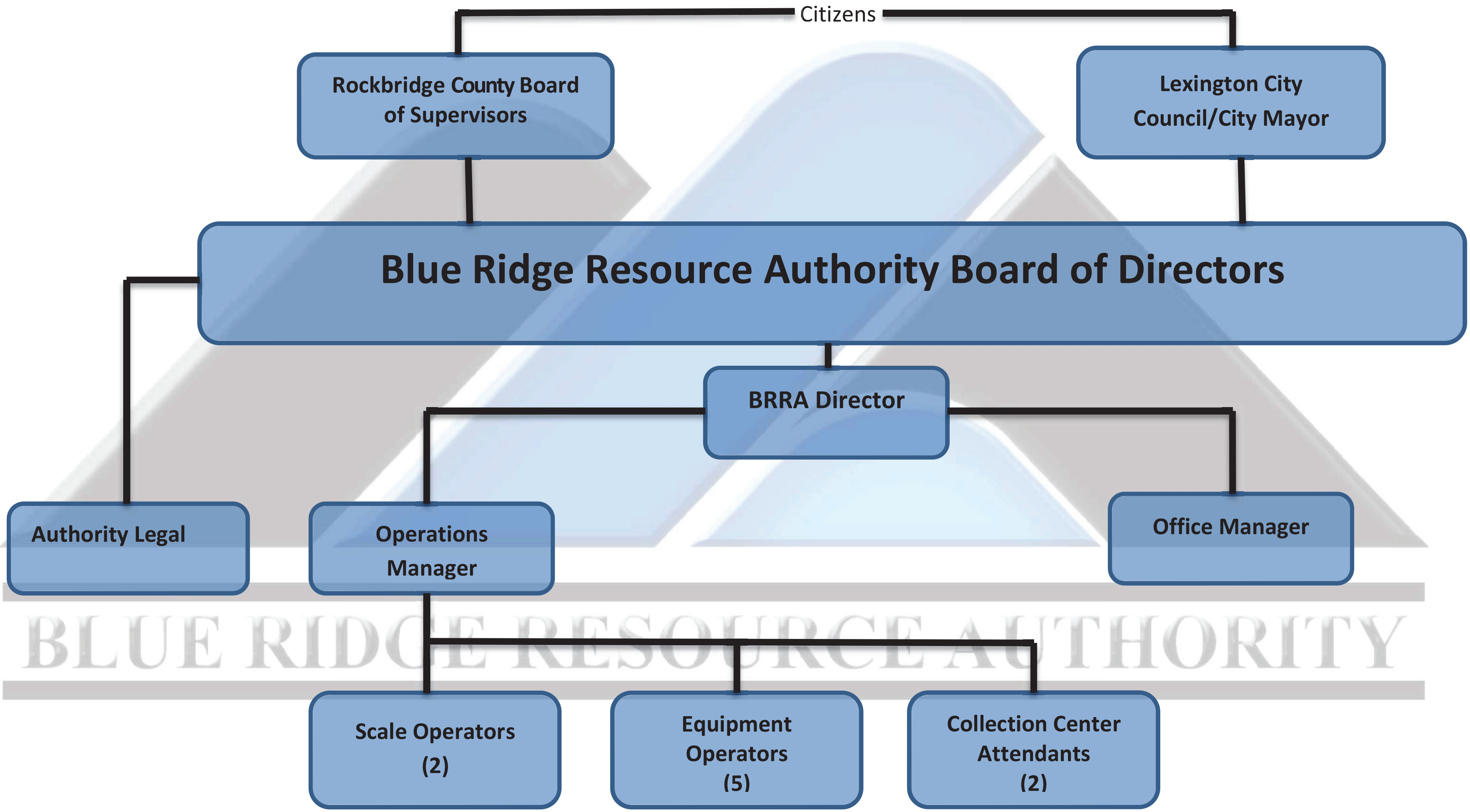
## AUTHORITY KEY STAFF

Director……………………..…………………………………………..……………………………….. Ray York
Operations Manager…………………………………………………………………….... Fred Dudley
Office Manager……………………………………………………………………................. Lauren Potter
Scale Operator………………………………………………………………………………… Stephen Lucas

## SOLID WASTE ADVISORY COMMITTEE STAFF

Rockbridge County Administrator…………………..……………………………………... Spencer Suter
Rockbridge County Fiscal Services Director…………………………….................... Steven Bolster
Lexington City Manager……………………..………………………………….................. Jim Halasz
Lexington City Director of Finance………………………….……………………………….. Jake Adams

# The Blue Ridge Resource Authority (BRRA) Organizational Chart



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Blue Ridge Resource Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Blue Ridge Resource Authority, as of June 30, 2020, 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.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 5-9, and 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2020, on our consideration of the Blue Ridge Resource Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blue Ridge Resource Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Blue Ridge Resource Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 30, 2020

## Management's Discussion and Analysis

As management of the Blue Ridge Resource Authority (the Authority), we offer readers of our financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending (FYE) June 30, 2020.

### Overview of the Financial Statements

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

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

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

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

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

The basic enterprise fund financial statements are found on pages 9 through 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 40 of this report.

**Required supplementary information.** This report also includes required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. It is located immediately following the notes to financial statements on pages 41 through 48.

### Financial Highlights of FYE 2020

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of FYE 2020 by $23,587 (net position), a $2,102,802 decrease compared to last fiscal year.

- Total liabilities increased by $306,208 in FYE 2020. Although net long-term liabilities decreased by $260,964, net current liabilities increased by $566,902.

- Total operating revenues increased by $245,426 when compared to FYE 2019. This is due primarily to an increase in tipping fees effective in FYE 2020.

- Total operating expenses increased by $171,443 when compared to FYE 2019. Total non-operating expenses increased significantly by $1,623,965 due to landfill closure activity. This increase is detailed further in the Financial Analysis section of the discussion.

## Financial Analysis

**Net Position** – Total net position decreased by $2,102,802 compared to FYE 2019. This decrease is largely driven by the utilization of non-current, restricted cash assets for the Phase I landfill closure project (-$1,494,839), as well as a $607,218 increase in accounts payable liability for related professional services and construction costs. The Authority anticipates finalization of the Phase I closure effort in FYE 2021 and an associated decrease in long-term closure liability from the completion of the project.

**BRRA NET POSITION**
**June 30, 2020**

| | Business-type Activities | | | |
|---|---|---|---|---|
| | | 2020 | | 2019 |
| Current and other assets | $ | 5,267,091 | $ | 6,649,143 |
| Capital Assets | | 7,989,320 | | 8,475,448 |
| Total Assets | $ | 13,256,411 | $ | 15,124,591 |
| Deferred Outflows of Resources | $ | 112,355 | $ | 51,970 |
| Long-term liabilities | $ | 11,089,455 | $ | 11,350,149 |
| Other liabilities | | 2,236,154 | | 1,669,252 |
| Total liabilities | $ | 13,325,609 | $ | 13,019,401 |
| Deferred Inflows of Resources | $ | 19,570 | $ | 30,771 |
| Net Position: | | | | |
| Net investment in capital assets | $ | 3,382,024 | $ | 3,005,550 |
| Unrestricted (deficit) | | (4,196,565) | | (1,703,291) |
| Restricted | | 838,128 | | 824,130 |
| Total net position | $ | 23,587 | $ | 2,126,389 |

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**Changes in Net Position** – Service revenues for FYE 2020 increased by $245,426, resulting from a $2.50 increase to the base tipping fees over FYE 2019 rates. Operating revenues exceeded operating expenses by $435,864. However, non-operational costs increased by $1,623,965, resulting from the Phase I closure project and reduced interest earnings on restricted cash assets (-$52,764). Long-term closure/post-closure liabilities increased by $450,699 due to an increase in the Phase I closure cost and the annual accrual of closure/post-closure liabilities from use of capacity in the active Cell 1 of the landfill expansion. Overall, total net position decreased by $2,102,802.

Operating expenses rose by $171,443 compared to FYE 2019. This increase was due to higher wage and fringe benefit expense resulting from the addition of the full-time Director position in FYE 2020 as well as a $104,487 increase in contractual services from greater legal and engineering expenses. Depreciation expense decreased by $30,606.

**BRRA CHANGES IN NET POSITION**
**June 30, 2020**

| | Business-type Activities | |
|---|---|---|
| | 2020 | 2019 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | $ 2,586,640 | $ 2,360,386 |
| Use of money and property | 59,201 | 111,965 |
| Other | 40,259 | 21,087 |
| Total Revenues | $ 2,686,100 | $ 2,493,438 |
| Expenses: | | |
| Public works | $ 4,788,902 | $ 3,046,258 |
| Total expenses | $ 4,788,902 | $ 3,046,258 |
| Increase (decrease) in net position before transfers | $ (2,102,802) | $ (552,820) |
| Transfers | - | (10,702) |
| Increase (decrease) net position | $ (2,102,802) | $ (563,522) |
| Net position - beginning as restated | 2,126,389 | 2,689,911 |
| Net position - ending | $ 23,587 | $ 2,126,389 |

## Capital Asset and Debt Administration

Capital Assets – The net value of fixed assets decreased by $486,128 in FYE 2020 from annual depreciation. An addition of $18,000 is reflected from the procurement of a new tanker trailer used to haul leachate to the nearby regional wastewater treatment facility. Buildings and improvements depreciated by $274,874, and machinery and equipment depreciated by $229,254.

**BRRA CAPITAL ASSETS**
**Net of Depreciation**

| | Business-type Activities | |
|---|---|---|
| | 2020 | 2019 |
| Land | $ 531,037 | $ 531,037 |
| Building and improvements | 6,518,129 | 6,793,003 |
| Machinery and equipment | 940,154 | 1,151,408 |
| Total | $ 7,989,320 | $ 8,475,448 |

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

**Capital Asset and Debt Administration (Continued)**

Long-term Debt – The Authority has $11,904,542 in total long-term obligations, reflecting a $294,260 net decrease from FYE 2019. FYE 2020 saw a reduction in debt service by retirement of $560,000 in bond principal and repayment of $95,858 in bond premiums. The balance of direct borrowings and placements as of FYE 2020 is $5,246,275. Capital leases for operating equipment were reduced by $192,746 in lease payments to a balance of $199,149. There were no new lease-purchase agreements for equipment executed in FYE 2020. Other long-term debt changes included accrual of compensated absences (+$19,644), OPEB (Other Post-Employment Benefits) liability (+$5,988), pension liability (+$78,013), and landfill closure/post-closure liability (+$450,699). Operating funds are budgeted and transferred annually to a non-operating, restricted cash account for long-term closure/post-closure expense based upon updated estimates of cost provided by Authority engineering consultants. (see Note 12 to the financial statements for the end of year balance and more information on these funds).

**BRRA LONG-TERM OBLIGATIONS**

| | Business-type Activities | |
|---|---|---|
| | 2020 | 2019 |
| Revenue Bonds | $ 5,246,275 | $ 5,902,133 |
| Capital Leases | 199,149 | 391,895 |
| Compensated Absences | 49,368 | 29,724 |
| Net pension liability | 243,321 | 165,308 |
| Net OPEB liability | 34,318 | 28,330 |
| Landfill closure liability | 6,132,111 | 5,681,412 |
| Total long-term obligations | $ 11,904,542 | $ 12,198,802 |

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

**Economic Factors and the FY 2021 Budget and Rates**

- The Blue Ridge Resource Authority Board of Directors authorized an increase of $5.00 to the base tipping fees for FYE 2021. This increased the municipal rate for Rockbridge County and the City of Lexington to $59.50 per ton and the member jurisdiction commercial rate to $61.50 per ton. Rates for non-member municipalities and commercial tonnage have an additional 25% surcharge added to the base fee. The FYE 2021 adopted tipping fees are higher to support an increased cost estimate for future closure/post-closure requirements. Cost estimates to close the 36.15 acre system are $9,064,040, while post-closure costs are forecasted at $5,356,000.

**Requests for Information**

This financial report is designed to provide readers with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Blue Ridge Resource Authority, 225 Landfill Road, Buena Vista, VA 24416.

# FINANCIAL STATEMENTS

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 1**
**(A Component Unit of the County of Rockbridge, Virginia)**
**Statement of Net Position**
**June 30, 2020**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 1,830,613 |
| Accounts receivable | | 187,133 |
| Due from County of Rockbridge | | 92,693 |
| Total current assets | $ | 2,110,439 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | $ | 3,156,652 |
| Capital assets, net of accumulated depreciation: | | |
| Land | | 531,037 |
| Building and improvements | | 6,518,129 |
| Machinery and equipment | | 940,154 |
| Total capital assets | $ | 7,989,320 |
| Total noncurrent assets | $ | 11,145,972 |
| Total assets | $ | 13,256,411 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related items | $ | 105,467 |
| OPEB related items | | 6,888 |
| Total deferred outflows of resources | $ | 112,355 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 1,017,283 |
| Capital advances from Rockbridge County | | 350,000 |
| Accrued interest payable | | 53,784 |
| Bond payable - current portion | | 685,858 |
| Capital lease payable, current portion | | 112,790 |
| Compensated absences, current portion | | 16,439 |
| Total current liabilities | $ | 2,236,154 |
| Noncurrent liabilities: | | |
| Compensated absences, net of current portion | $ | 32,929 |
| Net OPEB liability | | 34,318 |
| Net pension liability | | 243,321 |
| Closure and post-closure liability | | 6,132,111 |
| Bonds payable, net of current portion | | 4,560,417 |
| Capital lease payable - net of current portion | | 86,359 |
| Total noncurrent liabilities | $ | 11,089,455 |
| Total liabilities | $ | 13,325,609 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related items | $ | 16,958 |
| OPEB related items | | 2,612 |
| Total deferred inflows of resources | $ | 19,570 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 3,382,024 |
| Restricted for debt service | | 838,128 |
| Unrestricted (deficit) | | (4,196,565) |
| Total net position | $ | 23,587 |

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

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 2**

**(A Component Unit of the County of Rockbridge, Virginia)**

**Statement of Revenues, Expenses and Changes in Net Position**

**For the Year Ended June 30, 2020**

| | | Business-type Activities |
|---|---|---|
| | | Landfill Fund |
| **Operating revenues:** | | |
| Charges for services: | | |
| Landfill Rockbridge County | $ | 931,525 |
| Landfill City of Lexington | | 189,189 |
| Landfill City of Buena Vista | | 267,710 |
| Commercial and noncommercial customers | | 1,198,216 |
| Miscellaneous | | 40,259 |
| Total charges for services | $ | 2,626,899 |
| **Operating expenses:** | | |
| Personnel services | $ | 456,343 |
| Fringe benefits | | 181,713 |
| Contractual services | | 820,312 |
| Other charges | | 228,539 |
| Depreciation | | 504,128 |
| Total operating expenses | $ | 2,191,035 |
| Operating income (loss) | $ | 435,864 |
| **Nonoperating revenues (expenses):** | | |
| Investment income | $ | 59,201 |
| Interest expense | | (134,925) |
| Landfill closure costs and post-closure liability | | (2,462,942) |
| Total nonoperating revenues (expenses) | $ | (2,538,666) |
| Change in net position | $ | (2,102,802) |
| Total net position - beginning | | 2,126,389 |
| Total net position - ending | $ | 23,587 |

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

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 3**
**(A Component Unit of the County of Rockbridge, Virginia)**
**Statement of Cash Flows**
**For the Year Ended June 30, 2020**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers/jurisdictions | $ | 2,650,248 |
| Payments to suppliers | | (1,290,421) |
| Payments to and for employees | | (605,997) |
| Net cash provided by (used for) operating activities | $ | 753,830 |
| **Cash flows from capital and related financing activities:** | | |
| Purchase of capital assets | $ | (18,000) |
| Principal paid on capital debt | | (752,746) |
| Interest expense | | (237,533) |
| Landfill closure costs | | (1,163,455) |
| Net cash provided by (used for) capital and related financing activities | $ | (2,171,734) |
| **Cash flows from investing activities:** | | |
| Interest income | $ | 59,201 |
| Increase (decrease) in cash and cash equivalents | $ | (1,358,703) |
| Cash and cash equivalents (including restricted), beginning of year | | 6,345,968 |
| Cash and cash equivalents (including restricted), end of year | $ | 4,987,265 |
| **Reconciliation of operating income (loss) to net** cash provided by (used for) operating activities: | | |
| Operating income (loss) | $ | 435,864 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | | 504,128 |
| Changes in operating assets and deferred outflows of resources and operating liabilities and deferred inflows of resources: | | |
| (Increase) decrease in accounts receivable | | 116,042 |
| (Increase) decrease in due from other funds | | (92,693) |
| (Increase) decrease in deferred outflows of resources | | (60,385) |
| Increase (decrease) in accounts payable | | (241,570) |
| Increase (decrease) in compensated absences | | 19,644 |
| Increase (decrease) in net OPEB liability | | 5,988 |
| Increase (decrease) in net pension liability | | 78,013 |
| Increase (decrease) in deferred inflows of resources | | (11,201) |
| Net cash provided by (used for) operating activities | $ | 753,830 |
| Schedule of noncash capital and related financing activities: | | |
| Landfill closure and post-closure costs | $ | 450,699 |
| Total noncash capital and related financing activities | $ | 450,699 |

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

## NOTE 1—BASIS OF PRESENTATION:

A. Organization and Purpose – The Blue Ridge Resource Authority (a Component Unit of the County of Rockbridge, Virginia), formerly known as the Rockbridge County Solid Waste Authority, was created by the Board of Supervisors for the purpose of developing and operating regional garbage and refuse disposal. The Authority owns the only permitted landfill site within the County of Rockbridge. The Authority is also responsible for the operation and maintenance of the landfill. In 2017, both the County of Rockbridge and the City of Lexington passed joint resolutions approving the joinder of the City to the Solid Waste Authority and renaming the organization as Blue Ridge Resource Authority. The Authority serves its two member localities, the County of Rockbridge and City of Lexington, the citizens of both localities, as well as several municipal customers throughout the region.

B. Financial Reporting Entity - The Blue Ridge Resource Authority is reported as a blended Component Unit of the County of Rockbridge. The Authority is governed by a board comprised of five members appointed by the County Board of Supervisors, and two appointed members from the Lexington City Council. The rates for user charges and the authorizations to incur indebtedness are approved by the Authority. The Authority is reported as an enterprise fund.

C. Basic Financial Statements - Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management’s discussion and analysis
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Required Supplementary Information
  - Schedule of Authority’s Proportionate Share of the Net Pension Liability
  - Schedule of Employer Contributions
  - Notes to Required Supplementary Information
  - Schedule of Authority’s Share of Net OPEB Liability – Group Life Insurance
  - Schedule of Employer Contributions – Group Life Insurance
  - Notes to Required Supplementary Information – Group Life Insurance
  - Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Medical, Dental, Prescription Insurance
  - Notes to Required Supplementary Information – Medical, Dental, Prescription Insurance

D. Business-type Activities account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. Business-type activities consist of Enterprise Funds.

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

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

## NOTE 2—SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting - The Blue Ridge Resource Authority (a Component Unit of the County of Rockbridge, Virginia) operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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

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

B. Accounts Receivable - Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances show a significant increase over the prior year, and no allowances for uncollectible accounts has been established.

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

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

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

Depreciation is calculated using the straight-line method. Depreciation for the year ended June 30, 2020 was $504,128.

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

D. Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amount of cash and investments with original maturities of 90 days or less. The Authority considers all bank accounts to be cash and cash equivalents.

E. Interest on Indebtedness – Due to Governmental Accounting Standards Board Statement No. 89, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* interest cost incurred during construction is expensed and no longer capitalized as part of project costs.

F. Budgets and Budgetary Accounting -The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments but does not provide for depreciation of utility plant and amortization.

G. Inventory - Consumption of materials and supplies is recorded as an expense when used. No inventory amount is recorded as an asset, as available inventories are not significant.

H. Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Restricted Assets - The Authority maintains restricted assets invested in the Local Government Investment Pool in the amount of $1,668,823. In addition, restricted cash is maintained in the amount of $573,204. These funds are restricted for the payment of future closure and post-closure costs associated with the landfill. The Landfill fund has restricted unspent bond proceeds of $838,128 at June 30, 2020. The Authority maintains restricted cash for capital asset purchases in the amount of $76,497 as of June 30, 2020.

J. Investments - External investment pools are measured at amortized cost. All other investments are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations.

K. Net Position - For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

K. Net Position (Continued) - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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.

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

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

M. 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.

N. Other Postemployment Benefits (OPEB) - For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

## NOTE 3—DEPOSITS AND INVESTMENTS:

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

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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities
The Authority investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Authority's rated debt investments as of June 30, 2020 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

**Authority's Rated Debt Investment's Values**

| | | Fair Quality Ratings |
|---|---|---|
| | | AAAm |
| Local Government Investment Pool | $ | 1,668,823 |
| SNAP External Investment Pool | | 838,128 |
| Total | $ | 2,506,951 |

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

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

Interest Rate Risk

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

| **Investments** | | **Fair Value** | | **Maturity**<br>**Less than 1 year** |
|---|---|---|---|---|
| Local Government Investment Pool | $ | 1,668,823 | $ | 1,668,823 |
| SNAP External Investment Pool | | 838,128 | | 838,128 |
| Total | $ | 2,506,951 | $ | 2,506,951 |

## NOTE 4—CAPITAL ASSETS:

Details of changes in capital assets for the year ended June 30, 2020 are as follows:

| | | Balance June 30, 2019 | | Additions | | Deletions | | Balance June 30, 2020 |
|---|---|---|---|---|---|---|---|---|
| **Landfill Fund:** | | | | | | | | |
| Capital Assets not being depreciated: | | | | | | | | |
| Land | $ | 531,037 | $ | - | $ | - | $ | 531,037 |
| Total capital assets not being depreciated | $ | 531,037 | $ | - | $ | - | $ | 531,037 |
| Capital Assets being depreciated: | | | | | | | | |
| Buildings and improvements | $ | 8,274,321 | $ | | $ | - | $ | 8,274,321 |
| Machinery and equipment | | 2,048,816 | | 18,000 | | | | 2,066,816 |
| Total capital assets being depreciated | $ | 10,323,137 | $ | 18,000 | $ | - | $ | 10,341,137 |
| Accumulated depreciation: | | | | | | | | |
| Buildings and improvements | $ | (1,481,318) | $ | (274,874) | $ | - | $ | (1,756,192) |
| Machinery and equipment | | (897,408) | | (229,254) | | | | (1,126,662) |
| Total accumulated depreciation | $ | (2,378,726) | $ | (504,128) | $ | - | $ | (2,882,854) |
| Net capital assets being depreciated | $ | 7,944,411 | $ | (486,128) | $ | - | $ | 7,458,283 |
| Total capital assets, net of accumulated depreciation | $ | 8,475,448 | $ | (486,128) | $ | - | $ | 7,989,320 |

## NOTE 5—ADVANCES FROM PARTICIPATING ENTITIES:

The Resource Authority has advances from participating localities as follows:

| | Balance June 30, 2019 | Increase (Decrease) | Balance June 30, 2020 |
|---|---|---|---|
| County of Rockbridge | $ 350,000 | $ - | $ 350,000 |
| Total | $ 350,000 | $ - | $ 350,000 |

## NOTE 6—LONG-TERM OBLIGATIONS:

Changes in long-term obligations:
The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2020:

| | Balance July 1, 2019 | Issuances | Retirements | Balance June 30, 2020 |
|---|---|---|---|---|
| Direct borrowings and direct placements | | | | |
| Revenue Bonds | $ 5,230,000 | $ - | $ 560,000 | $ 4,670,000 |
| Bond Premium | 672,133 | - | 95,858 | 576,275 |
| Total direct borrowings and direct placements | $ 5,902,133 | $ - | $ 655,858 | $ 5,246,275 |
| Other long-term obligations | | | | |
| Capital Leases | 391,895 | - | 192,746 | 199,149 |
| Compensated Absences | 29,724 | 41,937 | 22,293 | 49,368 |
| Net OPEB Liabilities | 28,330 | 11,116 | 5,128 | 34,318 |
| Net Pension Liability | 165,308 | 231,521 | 153,508 | 243,321 |
| Landfill Closure and Post-closure Care | 5,681,412 | 2,462,942 | 2,012,243 | 6,132,111 |
| Total other long-term obligations | $ 6,296,669 | $ 2,747,516 | $ 2,385,918 | $ 6,658,267 |
| Total Long-term Obligations | $ 12,198,802 | $ 2,747,516 | $ 3,041,776 | $ 11,904,542 |

The Authority’s outstanding revenue bonds from direct borrowings and direct placements contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 12.2-2659 of the Code of Virginia, 1950 as amended.

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

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

| Year Ending June 30, | Direct Borrowings and Direct Placements Business-type Activities | | | |
|---|---|---|---|---|
| | Capital Leases | | Revenue Bond | |
| | Principal | Interest | Principal | Interest |
| 2021 | $ 112,790 | 3,979 | $ 590,000 | $ 200,019 |
| 2022 | 54,275 | 1,870 | 625,000 | 168,959 |
| 2023 | 32,084 | 931 | 655,000 | 136,259 |
| 2024 | - | - | 120,000 | 116,425 |
| 2025 | - | - | 130,000 | 110,019 |
| 2026 | - | - | 135,000 | 103,378 |
| 2027 | - | - | 140,000 | 96,731 |
| 2028 | - | - | 150,000 | 90,000 |
| 2029 | - | - | 155,000 | 83,359 |
| 2030 | - | - | 160,000 | 76,338 |
| 2031 | - | - | 170,000 | 68,756 |
| 2032 | - | - | 180,000 | 60,537 |
| 2033 | - | - | 185,000 | 52,484 |
| 2034 | - | - | 140,000 | 45,957 |
| 2035 | - | - | 145,000 | 40,503 |
| 2036 | - | - | 150,000 | 34,868 |
| 2037 | - | - | 155,000 | 29,053 |
| 2038 | - | - | 160,000 | 23,056 |
| 2039 | - | - | 170,000 | 16,775 |
| 2040 | - | - | 175,000 | 10,209 |
| 2041 | - | - | 180,000 | 3,439 |
| Totals | $ 199,149 | $ 6,780 | $ 4,670,000 | $ 1,567,124 |

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

Details of long-term obligations:

| | Total Amount | Amount Due Within One Year |
|---|---|---|
| **Direct borrowings and direct placements:** | | |
| Revenue bonds: | | |
| VRA 2012A Revenue Bond totaling $655,000. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.625% to 5.125% beginning October 1, 2012 through April 1, 2033. | $ 495,000 | $ 30,000 |
| VRA 2016A Revenue Bond totaling $5,710,000, issued at a premium of $856,329. The obligation is due in varying annual principal installments, and semi-annual interest payments with interest from 3.792% to 5.125% beginning October 1, 2017 through April 1, 2041. | 4,175,000 | 560,000 |
| Total direct borrowings and direct placements | $ 4,670,000 | $ 590,000 |
| **Other long-term obligations:** | | |
| Capital leases: | | |
| $681,832 issued December 15, 2015 for a vehicle and an excavator, due in monthly payments of $12,125 through November 25, 2020, interest at 2.67%. | $ 60,222 | $ 60,222 |
| $259,100 issued December 15, 2017 for the purchase of a bulldozer, due in monthly payments of $4,679 through November 20, 2022, interest at 3.2%. | 138,927 | 52,568 |
| Total capital leases | $ 199,149 | $ 112,790 |
| Unamortized bond premium | $ 576,275 | $ 95,858 |
| Compensated absences | $ 49,368 | $ 16,439 |
| Net OPEB liabilities | $ 34,318 | $ - |
| Landfill closure and post-closure liabilitiy | $ 6,132,111 | $ - |
| Net pension liability | $ 243,321 | $ - |
| Total other long-term obligations | $ 7,234,542 | $ 225,087 |
| Total long-term obligations | $ 11,904,542 | $ 815,087 |

## NOTE 7—CAPITAL LEASES:

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

| | | |
|---|---|---|
| Assets: | | |
| Machinery and equipment | $ | 936,931 |
| Accumulated depreciation | | (502,842) |
| Total | $ | 434,089 |

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020 are as follows:

| Year Ended June 30, | | |
|---|---|---|
| 2021 | $ | 116,769 |
| 2022 | | 56,145 |
| 2023 | | 33,015 |
| Total | $ | 205,929 |
| Less: Amount representing interest | | (6,780) |
| Present value of minimum lease payments | $ | 199,149 |

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## NOTE 8—PENSION PLAN:

### *Plan Description*

All full-time, salaried permanent employees of the Blue Ridge Resource Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the County of Rockbridge, Virginia, and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

### *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 service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

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 service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

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 service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

## NOTE 8—PENSION PLAN: (CONTINUED)

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

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 12.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $48,018 and $39,193 for the years ended June 30, 2020 and June 30, 2019, respectively.

**NOTE 8—PENSION PLAN: (CONTINUED)**

***Net Pension Liability***

At June 30, 2020, the Authority reported a liability of $243,321 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. In order to allocate the net pension liability to all employers included in the plan, the Authority is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2019 and 2018 was used as a basis for allocation to determine the Authority's proportionate share of the net pension liability. At June 30, 2019 and 2018, the Authority's proportion was 4.4679% and 4.5422%, respectively.

***Actuarial Assumptions – General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% – 5.35% |
| Investment rate of return | 6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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.

## NOTE 8—PENSION PLAN: (CONTINUED)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

### *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:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.63% |

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40$^{th}$ percentile of expected long-term results of the VRS fund asset allocation.

## NOTE 8—PENSION PLAN: (CONTINUED)

### *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019, on, participating employers are assumed to continue 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.

### *Changes in Net Pension Liability*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2019 | $ 1,624,407 | $ 1,459,099 | $ 165,308 |
| Changes for the year: | | | |
| Service cost | $ 44,146 | $ - | $ 44,146 |
| Interest | 108,912 | - | 108,912 |
| Differences between expected and actual experience | 29,147 | - | 29,147 |
| Assumption changes | 48,312 | - | 48,312 |
| Impact in change in proportion | (26,572) | (23,868) | (2,704) |
| Contributions - employer | - | 40,229 | (40,229) |
| Contributions - employee | - | 15,753 | (15,753) |
| Net investment income | - | 94,822 | (94,822) |
| Benefit payments, including refunds | (83,901) | (83,901) | - |
| Administrative expenses | - | (944) | 944 |
| Other changes | - | (60) | 60 |
| Net changes | $ 120,044 | $ 42,031 | $ 78,013 |
| Balances at June 30, 2020 | $ 1,744,451 | $ 1,501,130 | $ 243,321 |

## NOTE 8—PENSION PLAN: (CONTINUED)

### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Rate Current Discount (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| Blue Ridge Resource Auhtority's Net Pension Liability (Asset) | $ 459,747 | $ 243,321 | $ 70,081 |

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

For the year ended June 30, 2020, the Authority recognized pension expense of $59,633. 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. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 20,574 | $ 3,429 |
| Change in assumptions | 34,103 | 1,042 |
| Net difference between projected and actual earnings on pension plan investments | - | 12,487 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,772 | - |
| Employer contributions subsequent to the measurement date | 48,018 | - |
| Total | $ 105,467 | $ 16,958 |

## NOTE 8—PENSION PLAN: (CONTINUED)

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

$48,018 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. 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 | | |
|---|---|---|
| 2021 | $ | 19,825 |
| 2022 | | 11,608 |
| 2023 | | 8,132 |
| 2024 | | 926 |
| 2025 | | - |
| Thereafter | | - |

### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan):

### *Plan Description*

The Group Life Insurance (GLI) Plan 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 GLI Plan 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 Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

### *Eligible Employees*

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

### *Benefit Amounts*

The GLI Plan 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 plan 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 service credit, the minimum benefit payable was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

### *Contributions*

The contribution requirements for the GLI Plan 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 Plan 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were $1,683 and $1,683 for the years ended June 30, 2020 and June 30, 2019, respectively.

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB*

At June 30, 2020, the entity reported a liability of $27,318 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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 Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.0016% as compared 0.0015% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of $876. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, 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 | $ 1,817 | $ 354 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 561 |
| Change in assumptions | 1,725 | 824 |
| Changes in proportion | 1,139 | - |
| Employer contributions subsequent to the measurement date | 1,683 | |
| Total | $ 6,364 | $ 1,739 |

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)*

$1,683 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. 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 | | |
|---|---|---|
| 2021 | $ | 341 |
| 2022 | | 341 |
| 2023 | | 579 |
| 2024 | | 757 |
| 2025 | | 718 |
| Thereafter | | 206 |

### *Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Teachers | 3.50%-5.95% |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

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

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

| | | GLI OPEB Plan |
|---|---|---|
| Total GLI OPEB Liability | $ | 3,390,238 |
| Plan Fiduciary Net Position | | 1,762,972 |
| GLI Net OPEB Liability | $ | 1,627,266 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 52.00% |

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

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

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

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.63% |

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

## NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB Plan): (CONTINUED)

### *Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | | Rate | |
|---|---|---|---|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Blue Ridge Resource Authority's proportionate share of the GLI Plan Net OPEB Liability | $ 35,889 | $ 27,318 | $ 20,368 |

### *GLI Plan Fiduciary Net Position*

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

### *Plan Description*

In addition to the pension benefits described in NOTE 8, the Authority participates in a single-employer defined benefit healthcare plan, the County of Rockbridge OPEB Plan. Several entities participate in the defined benefit healthcare plan through the County of Rockbridge and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides post-employment heath care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

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

### *Benefits Provided*

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

### *Plan Membership*

At July 1, 2019 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|---|
| Total active employees with coverage | 10 |
| Total | 10 |

### *Contributions*

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County of Rockbridge Board. The Authority did not have benefits come due during the year ended June 30, 2020; therefore, no benefit payments were made.

### *Total OPEB Liability*

The Authority's total OPEB liabilities were measured as of July 1, 2019. The total OPEB liabilities were determined by an actuarial valuation as of that date.

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

### *Actuarial Assumptions*

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Salary Increases | 2.5% per year for general salary inflations |
| Discount Rate | The discount rate has been set to equal 3.13% |
| Investment Rate of Return | N/A |

Mortality rates for Active employees and healthy retirees were based on the RP-2014 Total Dataset Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

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

### *Discount Rate*

The discount rate has been set to 3.13% and represents the Municipal GO AA20-year yield curve rate as of June 30, 2019. The final equivalent single discount rate used for this year's valuation is 7.00% as of the end of the fiscal year with the expectation that the Authority will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

### *Changes in Total OPEB Liability*

| | Authority Total OPEB Liability |
|---|---|
| Balances at June 30, 2019 | $ 5,000 |
| Changes for the year: | |
| Changes in assumptions | 2,000 |
| Net changes | $ 2,000 |
| Balances at June 30, 2020 | $ 7,000 |

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

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

| | Rate | |
|---|---|---|
| **1% Decrease (2.13%)** | **Current Discount Rate (3.13%)** | **1% Increase (4.13%)** |
| $ 7,733 | $ 7,000 | $ 6,337 |

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current healthcare cost trend rates:

| | Rates | |
|---|---|---|
| **1% Decrease (5.5% decreasing to 4.00%)** | **Healthcare Cost Trend (6.5% decreasing to 5.00%)** | **1% Increase (7.5% decreasing to 6.00%)** |
| $ 6,162 | $ 7,000 | $ 7,995 |

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

For the year ended June 30, 2020, the Authority did not have any OPEB expense. At June 30, 2020, the Authority did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

## NOTE 11—COMPENSATED ABSENCES:

The Authority has accrued liabilities arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. When employees leave the Authority's service through resignation or retirement, they are compensated for accumulated sick leave, up to the maximum hours allowed. The Authority has outstanding accrued compensated absences totaling $49,368.

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

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

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

The landfill began operation during 1972 and had an estimated capacity to last until the year 2018. The Authority constructed a new landfill cell that began operations on July 1, 2017. The $6,132,111 reported as accrued closure and post-closure liability at June 30, 2020 represents the cumulative amount reported for closure and post closure of the landfill, which has reached full capacity ($3,871,598), and the estimated closure and post closure liability for the new landfill cell based on the estimated use of capacity as of June 30, 2020 (approximately 51.00%, or $2,260,513).The estimated total current cost of the landfill closure and post-closure care of $8,303,976 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Authority intends to fund these costs from tipping revenues and from any funds derived and accumulated for this purpose in the upcoming years.

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

## NOTE 13—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments 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, 2019.

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 June 15, 2021.

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

## NOTE 14—COVID-19 PANDEMIC SUBSEQUENT DISCLOSURE:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Blue Ridge Resource Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

# REQUIRED SUPPLEMENTARY INFORMATION

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 4**
**(A COMPONENT UNITY OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Schedule of Authority's Proportionate Share of the Net Pension Liability**
**For the Measurement Dates of June 30, 2014 through June 30, 2019**

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Payroll (4) | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|---|---|---|---|---|---|
| 2019 | 4.4679% | $ 243,321 | $ 323,654 | 75.18% | 86.05% |
| 2018 | 4.5422% | 165,308 | 311,500 | 53.07% | 89.82% |
| 2017 | 4.3045% | 166,001 | 281,227 | 59.03% | 88.74% |
| 2016 | 6.2700% | 374,033 | 400,970 | 93.28% | 95.09% |
| 2015 | 6.4000% | 301,416 | 385,046 | 78.28% | 86.62% |
| 2014 | 6.4000% | 260,935 | 387,025 | 67.42% | 85.28% |

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

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 5**
**(A COMPONENT UNITY OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

**Schedule of Employer Contributions - Pension Plan**
**For the Years Ended June 30, 2011 through June 30, 2020**

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2020 | $ 48,018 | $ 48,018 | $ | $ 323,654 | 14.84% |
| 2019 | 39,193 | 39,193 | - | 329,102 | 11.91% |
| 2018 | 40,277 | 40,277 | - | 311,500 | 12.93% |
| 2017 | 35,888 | 35,888 | - | 281,227 | 12.76% |
| 2016 | 54,880 | 54,880 | - | 400,970 | 13.69% |
| 2015 | 54,022 | 54,022 | - | 385,046 | 14.03% |
| 2014 | 51,629 | 51,629 | - | 387,025 | 13.34% |
| 2013 | 48,784 | 48,784 | - | 365,697 | 13.34% |
| 2012 | 37,182 | 37,182 | - | 340,811 | 10.91% |
| 2011 | 37,675 | 37,675 | - | 345,324 | 10.91% |

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

**Notes to Required Supplementary Information**
**Pension Plan**
**For the Year Ended June 30, 2020**

**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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Schedule of Authority's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|---|---|
| 2019 | 0.0016% | $ 27,318 | $ 323,654 | 8.44% | 52.00% |
| 2018 | 0.0015% | 23,330 | 291,642 | 8.00% | 51.22% |
| 2017 | 0.0015% | 22,919 | 281,227 | 8.15% | 48.86% |

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

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2011 through June 30, 2020

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2020 | $ 1,683 | $ 1,683 | $ - | $ 323,654 | 0.52% |
| 2019 | 1,683 | 1,683 | - | 329,102 | 0.51% |
| 2018 | 1,517 | 1,517 | - | 291,642 | 0.52% |
| 2017 | 1,461 | 1,461 | - | 281,227 | 0.52% |
| 2016 | 1,926 | 1,926 | - | 401,278 | 0.48% |
| 2015 | 1,859 | 1,859 | - | 387,288 | 0.48% |
| 2014 | 1,858 | 1,858 | - | 387,025 | 0.48% |
| 2013 | 1,755 | 1,755 | - | 365,697 | 0.48% |
| 2012 | 954 | 954 | - | 340,811 | 0.28% |
| 2011 | 967 | 967 | - | 345,324 | 0.28% |

Schedule is intended to show information for 10 years.

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

**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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

**BLUE RIDGE RESOURCE AUTHORITY** **Exhibit 10**

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

**Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios-**

**Medical, Dental, Prescription Insurance**

**For the Years Ended June 30, 2017 through June 30, 2019**

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Total OPEB liability** | | | |
| Service cost | $ - | $ 1,000 | $ 1,000 |
| Interest | - | 1,000 | - |
| Changes in assumptions | 2,000 | (2,000) | - |
| Differences between expected and actual experience | - | (5,000) | - |
| **Net change in total OPEB liability** | $ 2,000 | $ (5,000) | $ 1,000 |
| **Total OPEB liability - beginning** | 5,000 | 10,000 | 9,000 |
| **Total OPEB liability - ending** | $ 7,000 | $ 5,000 | $ 10,000 |
| | | | |
| **Covered payroll** | $ 136,815 | $ 118,854 | $ 191,313 |
| | | | |
| **Authority's total OPEB liability (asset) as a percentage of covered payroll** | 5.12% | 4.21% | 5.23% |

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

**Notes to Required Supplementary Information - Authority OPEB**
**Medical, Dental, Prescription Insurance**
**For the Year Ended June 30, 2020**

Valuation Date: 7/1/2018
Measurement Date: 7/1/2019

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

*Methods and assumptions used to determine OPEB liability:*

| | |
|---|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 3.13% which represents the Municipal GO AA 20-year yield curve rate as of July 1, 2019 |
| Inflation | 2.50% per year |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 0% in 2019, then 12.02% for fiscal year end 2020 (to reflect actual experience), then 6.00% for fiscal year end 2021, decreasing 0.50% per year to an ultimate rate of 5.00% |
| Salary Increase Rates | 2.50% annually |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | Mortality is based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019 |

# COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Blue Ridge Resource Authority (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 30, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Blue Ridge Resource Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 30, 2020