

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022



ASSURANCE, TAX & ADVISORY SERVICES

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

TABLE OF CONTENTS

INTRODUCTORY SECTION

Board of Directors	i
--------------------	---

FINANCIAL SECTION

Independent Auditor's Report	1 – 3
------------------------------	-------

Basic Financial Statements

Exhibit 1	Statement of net position	4
-----------	---------------------------	---

Exhibit 2	Statement of revenues, expenses and change in net position	5
-----------	--	---

Exhibit 3	Statement of cash flows	6
-----------	-------------------------	---

Notes to Financial Statements	7 – 17
-------------------------------	--------

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	18
--	----

Notes to the Schedule of Expenditures of Federal Awards	19 - 20
---	---------

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21 – 22
---	---------

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	23 – 25
--	---------

Schedule of Finding and Questioned Costs	26 – 27
--	---------

Corrective Action Plan	28
------------------------	----

Summary Schedule of Prior Audit Findings	29 – 31
--	---------

INTRODUCTORY SECTION

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

June 30, 2022

Board of Directors

James “Jim” White, Chairman
R. Mark Johnson, Vice Chairman

Keith F. Marshall

James “Jim” Crozier

Lee H. Frame

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Orange County Broadband Authority (FyberLync)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Orange County Broadband Authority (FyberLync) (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2022

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 1

STATEMENT OF NET POSITION

June 30, 2022

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,288,447
Restricted cash and cash equivalents	1,157,511
Accounts receivable	547,974
Prepaid items	37,728
Other current assets	14,076
Total current assets	4,045,736
Noncurrent assets:	
Restricted investments	1,233,450
Capital assets:	
Right-to-use leased buildings	29,370
Furniture, equipment, and vehicles	372,645
Right-to-use leased equipment	2,403
Construction in progress	22,119,052
Less accumulated depreciation and amortization	(61,072)
Total capital assets, net of accumulated depreciation and amortization	22,462,398
Total noncurrent assets	23,695,848
Total assets	27,741,584
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	499,581
Accrued payroll and payroll taxes	621
Unearned revenue	672,676
Accrued interest payable	73,057
Total current liabilities	1,245,935
Noncurrent Liabilities:	
Due within one year:	
Leases payable	12,968
Compensated absences	10,689
Due in more than one year:	
Bonds payable, net	15,820,915
Leases payable	274
Compensated absences	13,064
Total noncurrent liabilities	15,857,910
Total liabilities	17,103,845
NET POSITION	
Net investment in capital assets	6,628,241
Restricted	2,390,961
Unrestricted	1,618,537
Total net position	\$ 10,637,739

See Notes to Financial Statements.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)**EXHIBIT 2****STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2022**

Operating revenues:	
Charges for services:	
Subscription revenue	\$ 1,552,510
Installation revenue	939,607
	<hr/>
Total operating revenues	2,492,117
	<hr/>
Operating expenses:	
Professional fees	133,938
Insurance	14,977
Lease	1,859
Office	181,115
Salaries and payroll taxes	786,123
Fringe benefits	111,484
Repairs and maintenance	43,616
Depreciation and amortization	54,113
Internet service costs	355,458
	<hr/>
Total operating expenses	1,682,683
	<hr/>
Operating income	809,434
	<hr/>
Nonoperating revenues (expenses):	
Federal revenue passed through from primary government	3,389,275
Interest income	1,275
Bank service charge	(10,748)
Interest expense	(295,233)
	<hr/>
Total nonoperating revenues, net	3,084,569
	<hr/>
Change in net position	3,894,003
	<hr/>
Net position, beginning	6,743,736
	<hr/>
Net position, ending	\$ 10,637,739
	<hr/>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 3

STATEMENT OF CASH FLOWS Year Ended June 30, 2022

Cash flows from operating activities:	
Receipts from customers	\$ 2,891,350
Payments to suppliers for goods and services	(951,414)
Payments to employees for services	(917,082)
Net cash provided by operating activities	1,022,854
Cash flows from capital and related financing activities:	
Federal revenue passed through from primary government	1,389,275
Acquisition and construction of capital assets	(12,127,863)
Interest payment on bonds	(272,504)
Net cash used in capital and related financing activities	(11,011,092)
Cash flows from noncapital financing activities	
Principal payments on leases	(18,531)
Net cash used in noncapital financing activities	(18,531)
Cash flows from investing activities:	
Payments for bank service charges	(10,748)
Purchase of investments	(1,233,450)
Interest from investments	1,275
Net cash used in investing activities	(1,242,923)
Net decrease in cash and cash equivalents	(11,249,692)
Cash and cash equivalents:	
Beginning	14,695,650
Ending	\$ 3,445,958
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 809,434
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	54,113
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(200,705)
Prepaid items	5,298
Other current assets	(8,834)
Increase (decrease) in:	
Accounts payable and accrued expenses	(236,390)
Unearned revenue	599,938
Net cash provided by operating activities	\$ 1,022,854
Schedule of noncash capital and related financing activities	
Capital assets acquired through incurrence of accounts payable	\$ 434,600
Line of credit forgiven by County via application of Federal ARPA funds	2,000,000

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Orange County Broadband Authority (FiberLync) (the Authority) is a municipal corporation governed by an elected five-member Board of Supervisors. The Authority was created for the purpose of facilitating the provision of affordable broadband service to businesses, governmental agencies, and the public.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority prepares its financial statements using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The activities of the Authority are similar to those of proprietary funds of local jurisdictions. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a discretely presented component unit of Orange County.

C. Assets, Liabilities, and Net Position

1. Deposits and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts, including cash on hand, demand deposits, and all short-term investments with a maturity of three months or less to be cash equivalents.

Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents, and investments consists of unspent bond proceeds and required debt service reserves.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

3. Capital Assets

Capital assets include property, right-to-use leased buildings, furniture, equipment, right-to-use leased equipment, and vehicles. Capital assets are defined as assets with an initial, individual cost of more than \$1,200 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. There were no impaired capital assets at June 30, 2022.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position (Continued)

3. Capital Assets (Continued)

Most capital assets are depreciated or amortized using the straight line method over the following estimated useful lives:

Furniture, equipment and vehicles	3-10 years
Right-to-use leased equipment	3 years
Right-to-use leased buildings	2 years

4. Compensated Absences

The Authority has policies to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred. A liability for these amounts is reported in the accompanying financial statements.

5. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from actual debt proceeds, are expensed.

6. Leases

Lessee: The Authority is a lessee for a noncancellable lease of equipment and buildings. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Broadband Authority recognized lease liabilities with an initial, individual value of \$1,200 or more.

As the commencement of the lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate is uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position (Continued)

6. Leases (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

7. Pension

Prior to July 1, 2021, the Authority employees were included in the Virginia Retirement System (VRS) Orange County Retirement Plan, which is a multiple employer, agent plan. On July 1, 2021, the Authority formed a separate VRS Retirement plan. However, due to a one-year lag in the reports, the net pension liability, deferred outflows of resources and deferred inflows of resource related to pensions, and pension expense are reported as part of the County for the current fiscal year. These amounts will be reported separately in the next fiscal year and in the Authority's financial statements.

8. Other Postemployment Benefits

Prior to July 1, 2021, the Authority employees were included in the Orange County Medical Insurance Program, a single employer plan, and VRS Group Life Insurance Program, a multiple-employer, cost sharing plan. On July 1, 2021, the Authority formed a separate VRS Group Life Insure Program. However, due to a one-year lag in the reports, the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense are reported as part of the County for the current fiscal year. The GLI amounts will be reported separately in the next fiscal year and in the Authority's financial statements, while the Medical Insurance Program amounts will remain recorded as part of the County until they have a separate plan.

9. Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities. 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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position (Continued)

9. 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 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.

D. Operating and Nonoperating Revenues and Expenses

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

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

F. Subsequent Events

The Authority has evaluated subsequent events through December 7, 2022, the date on which the financial statements were available to be issued.

Note 2. Deposits and Investments

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

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires all deposits comply with the Act. At year end, the Authority's deposits were exposed to custodial credit risk because they had not been identified as public deposits by the Authority's financial institution.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments: State statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VIP), and the State Non-Arbitrage Program (SNAP).

Investment Policy: The Authority has adopted a formal investment policy. The primary investment goals of the Authority are the safeguarding of principal, the investment portfolio be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operations requirements either known or which might be reasonably anticipated and with the objective of obtaining no worse than a market rate of return over the course of budgetary and economic cycles, taking into account the constraints contained herein and the cash flow patterns of the Authority.

As of June 30, 2022, the Authority's investment policy establishes investment types and quality levels for use by the Authority in the investment of its public funds:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency Obligations	100%	100%
Municipal Obligations	100%	100%
Repurchase Agreements	100%	100%
Certificates of Deposit	100%	100%
Bankers' Acceptances	40%	100%
Commercial Paper	35%	5%
Corporate Notes and Bonds	100%	100%
Money Market Mutual Funds	100%	100%

Credit Risk: Credit risk is the risk that the Authority funds will not recover their investments due to the ability of the counterparty to fulfill its obligation. The Authority's policy requires commercial paper must be issued by an entity incorporated in the U.S. and rates at least A-1 by S&P or P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P or Aa by Moody's. Municipal obligations must have a rating of at least AA (or its equivalent) by Standard & Poor's or Moody's Investors Service. Bankers' Acceptances issued by a domestic bank or a foreign bank with an agency domiciled in the U.S., must be rated by Thomson Bankwatch at least "B/C" (issuing bank) and "I" (Authority of origin). Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

The Authority's investments as of June 30, 2022 are presented in the following table using the Standard & Poor's rating scale.

Rated Debt Investment	Fair Quality Ratings	
	AAAm	
US Treasury Note	\$	1,233,450

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Investments): This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of items investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent five percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Interest Rate Risk: Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The Authority does not have policies related to interest rate risk.

	Fair Value	Investment Maturities	
		1 - 5 Years	
US Treasury Note	\$ 1,233,450	\$	1,233,450
	\$ 1,233,450	\$	1,233,450

It is recognized that, prior to maturity, the market value of securities in the Authority's portfolio may fluctuate due to changes in market conditions. In view of this and the Authority's primary investment objectives of liquidity and preservation of principal, every effort shall be made to manage investment maturities to precede or coincide with the expected needs for funds. Accordingly, a minimum of 10 percent of the portfolio must be invested in securities maturing within 30 days and a minimum of 50 percent of the portfolio funds must be invested in securities maturing within 12 months.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurement as of June 30, 2022:

- Money market mutual funds totaling \$1,157,511 is valued using quoted market prices (Level 1 inputs)
- US Treasury note totaling \$1,233,450 is valued using quoted market prices (Level 1 inputs)

Note 3. Receivables

The Authority's receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts is not applicable for those receivables.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the Broadband Authority for the year consists of the following:

	Beginning Balance*	Increases	Ending Balance
Capital assets not being depreciated:			
Construction in progress	\$ 9,739,675	\$ 12,379,377	\$ 22,119,052
Capital assets being depreciated or amortized:			
Right-to-use leased buildings	29,370	-	29,370
Furniture, equipment and vehicles	189,559	183,086	372,645
Right-to-use leased equipment	2,403	-	2,403
Total capital assets being depreciated or amortized	221,332	183,086	404,418
Less accumulated depreciation and amortization:			
Right-to-use leased buildings	-	17,622	17,622
Furniture, equipment and vehicles	6,959	35,423	42,382
Right-to-use leased equipment	-	1,068	1,068
Total accumulated depreciation and amortization	6,959	54,113	61,072
Total capital assets being depreciated or amortized, net	214,373	128,973	343,346
Broadband Authority capital assets, net	\$ 9,954,048	\$ 12,508,350	\$ 22,462,398

*Beginning balance was restated due to the implementation of GASB 87, *Leases*.

Note 5. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
VRA revenue bond	\$ 15,830,000	\$ -	\$ -	\$ 15,830,000	\$ -
Discount on bond	(9,085)	-	-	(9,085)	-
Leases payable	31,773	-	(18,531)	13,242	12,968
Compensated absences	40,040	49,921	(66,208)	23,753	10,689
	\$ 15,892,728	\$ 49,921	\$ (84,739)	\$ 15,857,910	\$ 23,657

Details of long-term obligations are as follows:

Revenue Bond:

\$15,830,000 VRA bond, issued May 2021, due in annual installments of \$1,020,000 to \$1,295,000 commencing October 2023 through October 2036, plus semi-annual interest at 0.698% to 2.596%. The bond was issued at a discount of \$9,085 which will be amortized over the life of the bond.

\$ 15,830,000

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (Continued)

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

Year(s) Ending June 30,	VRA Bonds	
	Principal	Interest
2023	\$ -	\$ 292,229
2024	1,020,000	288,667
2025	1,030,000	280,744
2026	1,040,000	270,784
2027	1,050,000	258,615
2028-2032	5,530,000	1,020,106
2033-2037	6,160,000	388,908
	<u>\$ 15,830,000</u>	<u>\$ 2,800,053</u>

Note 6. Leases

During the current fiscal year, the Authority had a lease agreement for equipment for three years. In accordance with the implementation of GASB Statement 87, an initial lease liability was recorded in the amount of \$2,403 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$1,351. The Authority is required to make monthly principal and interest payments of \$92. The lease has an interest rate of 2.44%. The equipment has a three-year estimated useful life. The value of the right-to-use leased assets as of the end of the current fiscal year was \$2,403 and had accumulated amortization of \$1,068.

During the current fiscal year, the Authority had a lease agreement for a building for two years. In accordance with the implementation of GASB Statement 87, an initial lease liability was recorded in the amount of \$29,370 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$11,891. The County is required to make monthly principal and interest payments of \$1,500. The lease has an interest rate of 2.44%. The equipment has a two-year estimated useful life. The value of the right-to-use leased assets as of the end of the current fiscal year was \$29,370 and had accumulated amortization of \$17,622.

The future principal and interest please payments as of June 30, 2022 are as follows:

Year Ending June 30,	Leases	
	Principal	Interest
2023	\$ 12,968	\$ 130
2024	274	1
	<u>\$ 13,242</u>	<u>\$ 131</u>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension

The Authority contributes to the Virginia Retirement System (VRS), a multiple-employer pension plan administered by the VRS. The employees of the Program are included with employees of Orange County for the purpose of determining the actuarial valuation for post-employment retirement liability. Since the actuarial valuation cannot be determined for the Authority's employees separately from the School Board's employees, for complete disclosure for the VRS liability, refer to Note 12, Pension Plan, *Schedule of changes in the County net pension liability and related ratios- Virginia Retirement System, and Schedule of County contributions – Virginia Retirement System* in the Annual Comprehensive Financial Report of the County of Orange, Virginia.

Note 8. Other Postemployment Benefit Plans

The Authority contributes to the VRS. The employees of the Authority are included with employees of the Orange County for the purpose of determining the actuarial valuation for postemployment benefits liability. Since the actuarial valuation cannot be determined for the Authority's employees separately from the County's employees, for complete disclosure of the other postemployment benefit plan liabilities refer to Notes 13 and 14, Other Postemployment Benefits – Medical Insurance Program and Other Postemployment Benefits – Group Life Insurance Program, in the Annual Comprehensive Financial Report of the County of Orange, Virginia.

Note 9. Commitments and Contingencies

Federal Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Construction Commitments

Project	Spent-to-date	Remaining Commitment
Fiber	\$ 342,159	\$ 269,111
	<u>\$ 342,159</u>	<u>\$ 269,111</u>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the government carries insurances.

The Authority is a member of the Virginia Association of Counties Group Self Insurance Association (Association) for workers' compensation, property and liability coverage. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. Association contributions and assessments are based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority carries commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 11. Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuer, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for fiscal years beginning after December 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 11. Pending GASB Statements (Continued)

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

Management has not determined the effects of these new Statements may have on prospective financial statements.

Note 12. Subsequent Events

On September 15, 2022, the Authority issued a revenue bond totaling \$6,065,000, which the County of Orange, VA has good faith to pay if the Authority is unable to.

COMPLIANCE SECTION

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF THE TREASURY:				
<u>Pass-through payments:</u>				
<u>County of Orange</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not provided	\$ -	\$ 3,389,275
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,389,275</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Orange County Broadband Authority (Authority) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Orange County Broadband Authority was determined using a risk-based approach in accordance with Uniform Guidance.

Federal Assistance Listing Number – The Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the listing is assigned a five-digit program identification number (Federal Assistance Listing Number), which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. There are no clusters administered by the Orange County Broadband Authority.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Authority has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S 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 Honorable Members of the Board of Directors
Orange County Broadband Authority (FiberLync)

We have audited, 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, the financial statements of the Orange County Broadband Authority (Authority), as of and for the year ended June 30, 2022, 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 7, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Finding as Response as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
December 7, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Directors
Orange County Broadband Authority (FiberLync)

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Orange County Broadband Authority's (Authority) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance 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 audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

PBMares, LLP

Harrisonburg, Virginia
December 7, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> √ </u> No
Significant deficiencies identified?	<u> √ </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> √ </u> No

Federal Awards

Internal control over major programs:

Material weakness identified?	<u> </u> Yes	<u> √ </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> √ </u> None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 Yes √ No

Identification of major program:

Federal Assistance Listing	
Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recover Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes √ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II. FINANCIAL STATEMENT FINDINGS

A. Significant Deficiency in Internal Control

2022-001: Significant Deficiency Due to Significant Audit Adjustments

Criteria: The year-end financial statements obtained from the Broadband Authority should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the Broadband Authority, there were instances of significant adjustments identified.

Context: Audit entries were required to properly record unearned revenue and accounts receivable.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate year-end general ledger balances of the Authority. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend a more thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

Section III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

Orange County Broadband Authority

James K. White – Board Chairman
R. Mark Johnson – Board Vice-Chairman
James P. Crozier – Board Member
Lee H. Frame – Broad Member
Keith F. Marshall – Board Member



Address:
323 N. Madison Rd. Suite C
Orange, VA 22960
(540) 360-0585

CORRECTIVE ACTION PLAN Year Ended June 30, 2022

Identifying Number: 2022-001: Significant Deficiencies Due to Significant Audit Adjustments

Finding:

Upon auditing the year-end balances of the Broadband Authority, there were instances of significant adjustments identified.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The Broadband Authority has changed billing systems. The new billing system does not bill in advance. There will not be a monthly unearned revenue entry. The new billing system went into place 09/01/2022.

The contact persons responsible for the corrective action are Barbara Tilley, Financial Controller of the Broadband Authority.

Orange County Broadband Authority

James K. White – Board Chairman
R. Mark Johnson – Board Vice-Chairman
James P. Crozier – Board Member
Lee H. Frame – Broad Member
Keith F. Marshall – Board Member



Address:
323 N. Madison Rd. Suite C
Orange, VA 22960
(540) 360-0585

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2022

Identifying Number: 2021-001

Audit Finding:

2021-001: Material Weakness Due to Lack of Segregation of Duties

Criteria: There should be adequate segregation of duties relating to journal entries. The authorization of journal entries should not be carried out by the same person who posts journal entries.

Condition: Upon obtaining an understanding of the internal controls of the Authority, it was noted that there was no formal journal entry approval process.

Context: The Financial Controller is the only person who makes journal entries and codes revenues and expenses in the general ledger. There is no approval process for the Financial Controller's duties. There are also no formal policies and procedures in place to help ensure segregation of duties for the authorization and approval of journal entries.

Cause: There is a lack of formal policies and procedures in place including segregation of duties for journal entries.

Effect: Lack of segregation of duties increases the risk that fraud or error may occur undetected.

Recommendation: We recommend the Authority implement formal policies and procedures to ensure proper segregation of duties for journal entries.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. All journal entries have been and will be reviewed by CEO/Chairman James K. White. The Authority has taken the necessary steps to ensure that segregation of duties relating to journal entries are proper.

Identifying Number: 2021-002

Audit Finding:

2021-002: Material Weakness Due to Lack of Segregation of Duties

Criteria: The year-end financial statements obtained from the Broadband Authority should be free of significant misstatements.

Condition: Upon auditing the year-end balances of the Broadband Authority, there were instances of significant adjustments identified.

Context: Audit entries were required to properly record contributions of assets under construction from Orange County, interest expense, prepaid items and accounts receivable.

Cause: There was a lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate year-end general ledger balances of the Authority. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: The Authority's financial statements are included in the County's financial reporting as a discretely presented component unit. We recommend the Authority work together with the County to perform a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The County and the Broadband Authority will communicate to ensure staff are made aware of all journal entries. Journal entries will be monitored throughout the year. The Authority has taken the necessary steps to help ensure that amounts received from Orange County and other associated journal entries are properly recorded.

Identifying Number: 2021-003

Compliance Finding:

Criteria: The Security for Public Deposits Act, contained in the Code of Virginia, Sections 2.2-4400 to 2.2-4411, governs security for Virginia public deposits held in financial institutions. In Virginia, all public deposits must be identified as such to ensure the safety of the deposit.

Condition: Upon auditing cash balances, it was noted that the Authority's checking account is not identified as a public deposit.

Recommendation: We recommend the Authority contact the bank to ensure it is properly reported as a public deposit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. The bank has been contacted and requested to identify the accounts as public deposits. The Authority has taken the necessary steps to help ensure their bank accounts are identified as public deposits.