ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2024

PBMares SM

ASSURANCE, TAX & ADVISORY SERVICES

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

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INTRODUCTORY SECTION

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

June 30, 2024

Board of Directors

R. Mark Johnson, Chairman
Ed M. Van Hoven, Co-Chairman

Keith F. Marshall	Crystal D. Hale	J. Bryan Nicol

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, 2024, 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, 2024, 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 (*Government Auditing Standards)*; 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 twelve 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

Accounting principles generally accepted in the United States of America require the required supplementary information on pages 34–39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 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 6, 2024

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 1

STATEMENT OF NET POSITION
June 30, 2024

ASSETS	
Current assets:	
Cash and cash equivalents	$ 333,766
Restricted cash and cash equivalents	155,161
Restricted investments	1,245,263
Accounts receivable	443,097
Due from other governments	4,541
Due from Primary Government	4,938
Prepaid items	15,705
Other current assets	5,024
Total current assets	2,207,495
Noncurrent assets:	
Pension asset	44,478
Capital assets:	
Infrastructure	36,587,583
Intangible right-to-use lease buildings	220,321
Furniture, equipment, and vehicles	425,922
Intangible right-to-use lease equipment	9,060
Less accumulated depreciation and amortization	(2,026,708)
Total capital assets, net of accumulated depreciation and amortization	35,216,178
Total noncurrent assets	35,260,656
Total assets	37,468,151
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	45,129
Other postemployment benefits	49,711
Total deferred outflows of resources	94,840
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	682,039
Accrued payroll and payroll taxes	90,061
Accrued interest payable	112,772
Total current liabilities	884,872
Noncurrent Liabilities:	
Due within one year:	
Bonds payable, net	1,357,000
Leases payable	48,025
Compensated absences	34,865
Due in more than one year:	
Bonds payable, net	19,509,564
Leases payable	125,667
Compensated absences	12,250
Other postemployement benefits	47,373
Total noncurrent liabilities	21,134,744
Total liabilities	22,019,616
DEFERRED INFLOWS OF RESOURCES	
Other postemployment benefits	6,630
Total deferred outflows of resources	6,630
NET POSITION	
Net investment in capital assets	15,000,367
Restricted	1,444,902
Unrestricted	(908,524)
Total net position	$ 15,536,745

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2024

Operating revenues:	
Charges for services:	
Subscription revenue	$ 3,705,749
Installation revenue	510,907
Total operating revenues	4,216,656
Operating expenses:	
Professional fees	220,490
Insurance	13,691
Lease	23,916
Office	214,883
Salaries and payroll taxes	1,323,610
Fringe benefits	212,217
Repairs and maintenance	53,188
Depreciation and amortization	1,775,630
Internet service costs	528,419
Total operating expenses	4,366,044
Operating loss	(149,388)
Nonoperating revenues (expenses):	
Contributions from the primary government	1,068,696
Intergovernmental revenue	66,637
Interest income	53,267
Loss on early termination of subscription	(38,347)
Unrealized gains on investments, net	35,638
Other income	105,833
Interest expense	(541,827)
Total nonoperating revenues, net	749,897
Change in net position	600,509
Net position, beginning	14,936,236
Net position, ending	$ 15,536,745

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 3
Page 1 of 2

STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

Cash flows from operating activities:	
Receipts from customers	$ 4,297,631
Payments to suppliers for goods and services	(1,177,290)
Payments to employees for services	(1,509,800)
Net cash provided by operating activities	1,610,541
Cash flows from noncapital financing activities:	
Noncapital grant	81,461
Other	105,833
Net cash provided by noncapital financing activities	187,294
Cash flows from capital and related financing activities:	
Contributions from the primary government	995,505
Principal payment on bonds	(1,020,000)
Acquisition and construction of capital assets	(3,842,519)
Interest payment on bonds	(542,582)
Principal payments on leases	(45,124)
Principal payments on subscriptions	(11,540)
Net cash used in capital and related financing activities	(4,466,260)
Cash flows from investing activities:	
Interest from investments	53,267
Net cash provided by investing activities	53,267
Net decrease in cash and cash equivalents	(2,615,158)
Cash and cash equivalents:	
Beginning	3,104,085
Ending	$ 488,927

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 3

STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(149,388)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		1,775,630
Increase in pension and OPEB related deferred outflows of resources		(7,433)
Increase in pension and OPEB related deferred inflows of resources		(982)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable		80,975
Prepaid items		(6,033)
Other current assets		(301)
Pension asset		(19,403)
Increase (decrease) in:		
Accounts payable and accrued expenses		(71,848)
OPEB liability		9,324
Net cash provided by operating activities	$	1,610,541
Schedule of noncash capital and related financing activities		
Capital assets acquired through incurrence of accounts payable	$	584,414
Unrealized gain on investments		35,638
Loss on early termination of subscription impact to:		
Subscription liability		14,784
Right-of-use subscription asset and accumulated amortization		(53,131)
Intangible right-to-use asset acquired through leases		112,574
Debt acquired through leases		(112,574)

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, intangible right-to-use lease buildings, equipment, intangible right-to-use lease equipment, vehicles, and intangible subscription assets. Capital assets are defined as assets with an initial, individual cost of more than $10,000 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, 2024.

Note 1. Summary of Significant Accounting Policies (Continued)

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

3. Capital Assets (Continued)

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

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
Intangible right-to-use lease equipment	3 years
Intangible right-to-use lease buildings	2-9 years
Infrastructure	20 years
Intangible right-to-use subscription assets	3 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 recognizes lease liabilities with an initial, individual value of $10,000 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 it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Note 1. Summary of Significant Accounting Policies (Continued)

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

6. Leases (Continued)

- 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.

- 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. Subscription-based information technology arrangements (SBITAs)

For new or modified contracts, the Authority determines whether the contract is a subscription-based information technology arrangement (SBITA). If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Authority records a right-to-use subscription asset (intangible asset) and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Authority recognizes a subscription liability and right-to-use subscription asset on the Statement of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Authority measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The right-to-use subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Pension

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Authority's retirement plan) is a multi-employer, agent defined benefit plan. 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 fiduciary net position have been determined on the same basis as they were reported by 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.

9. Other Postemployment Benefits

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net 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.

10. Deferred outflows and inflows of resources

In addition to assets, the Statement of Net 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For more detailed information on these items, reference the pension plan and other post employment benefit plan notes.

In addition to liabilities, the Statement of Net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For more detailed information on these items, reference the pension plan and other post employment benefits notes.

Note 1. Summary of Significant Accounting Policies (Continued)

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

11. 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.

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 6, 2024, 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.

Note 2. Deposits and Investments (Continued)

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.

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, 2024, 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.

Note 2. Deposits and Investments (Continued)

The Authority's investments as of June 30, 2024 are presented in the following table using the Standard & Poor's rating scale.

Rated Debt Investment	Fair Quality Ratings
	AAAm
US Treasury Note	$ 1,245,263

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.

		Investment Maturities
	Fair Value	Less Than 1 Year
US Treasury Note	$ 1,245,263	$ 1,245,263
	$ 1,245,263	$ 1,245,263

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, 2024:

- Money market mutual funds totaling $154,536 is valued using quoted market prices (Level 1 inputs)
- US Treasury note totaling $1,245,263 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.

Note 4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets being depreciated or amortized:					
Infrastructure	$ 32,194,500	$ 4,393,083	$ -	$ -	$ 36,587,583
Intangible right-to-use lease buildings	116,807	103,514	-	-	220,321
Intangible right-to-use subscription assets	133,374	-	(133,374)	-	-
Furniture, equipment and vehicles	392,072	33,850	-	-	425,922
Intangible right-to-use lease equipment	-	9,060	-	-	9,060
Total capital assets being depreciated or amortized	32,836,753	4,539,507	(133,374)	-	37,242,886
Less accumulated depreciation and amortization:					
Infrastructure	134,144	1,610,016	-	-	1,744,160
Intangible right-to-use lease buildings	13,350	47,752	-	-	61,102
Intangible right-to-use subscription assets	36,474	43,769	(80,243)	-	-
Furniture, equipment and vehicles	147,353	72,809	-	-	220,162
Intangible right-to-use lease equipment	-	1,284	-	-	1,284
Total accumulated depreciation and amortization	331,321	1,775,630	(80,243)	-	2,026,708
Total capital assets being depreciated or amortized, net	32,505,432	2,763,877	(53,131)	-	35,216,178
Broadband Authority capital assets, net	$ 32,505,432	$ 2,763,877	$ (53,131)	$ -	$ 35,216,178

Note 5. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	$ 21,895,000	$ -	$ (1,020,000)	$ 20,875,000	$ 1,357,000
Discount on bond	(9,085)	-	649	(8,436)	-
Leases payable	106,242	112,574	(45,124)	173,692	48,025
Subscriptions payable	26,324	-	(26,324)	-	-
Compensated absences	25,659	143,678	(122,222)	47,115	34,865
	$ 22,044,140	$ 256,252	$ (1,213,021)	$ 21,087,371	$ 1,439,890

Note 5. Long-Term Liabilities (Continued)

Details of long-term obligations are as follows:

Revenue Bonds:	
$6,065,000 USBank bond, issued September 2022, due in annual installments of $327,000 to $558,000 commencing November 2024 through November 2037, plus semi-annual interest at 4.100%.	$ 6,065,000
$15,830,000 VRA bond, issued May 2021, due in annual installments of $1,030,000 to $1,295,000 commencing October 2023 through October 2036, plus semi-annual interest at 0.847% to 2.596%. The bond was issued at a discount of $9,085 which will be amortized over the life of the bond.	14,810,000
Total Revenue Bonds	$ 20,875,000

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

	Revenue Bonds	
Year(s) Ending June 30,	Principal	Interest
2025	$ 1,357,000	$ 522,706
2026	1,381,000	499,052
2027	1,405,000	472,614
2028	1,435,000	442,883
2029	1,471,000	409,593
2030-2034	7,941,000	1,455,513
2035-2038	5,885,000	322,372
	$ 20,875,000	$ 4,124,733

Note 6. Leases

During the current fiscal year, the Authority had two lease agreements for buildings and one for equipment ranging from three to eight years.

One of these agreements had an initial lease liability of $116,807. As of June 30, 2024, the value of the lease liability was $95,249. The Authority is required to make monthly principal and interest payments of $1,156. The lease has an interest rate of 2.84%. The building has a nine-year estimated useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $116,807 and had accumulated amortization of $26,699.

The other building agreement is for three years and requires the Authority to make monthly principal and interest payments of $3,000. It had an initial lease liability of $103,514. As of June 30, 2024, the value of the lease liability was $69,868. The lease has an interest rate of 2.901%. The building has a three-year estimated useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $103,514 and had accumulated amortization of $34,403.

Note 6. Leases (Continued)

The equipment agreement is for five years and requires the Authority to make monthly principal and interest payments of $178. It had an initial lease liability of $9,060. As of June 30, 2024, the value of the lease liability was $8,575. The lease has an interest rate of 3.511%. The copier has a five-year estimated useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $9,060 and had accumulated amortization of $1,284.

The future principal and interest please payments as of June 30, 2024 are as follows:

	Leases	
Year Ending June 30,	Principal	Interest
2025	$ 48,025	$ 4,399
2026	49,876	2,977
2027	15,311	1,983
2028	16,227	1,522
2029	15,744	1,049
2030-2034	28,509	754
	$ 173,692	$ 12,684

Note 7. Subscription Agreements

During the current fiscal year, the Authority had a subscription agreement for software for three years. This agreement entered into by the Authority had an initial subscription liability in the amount of $35,815. The subscription was terminated early in the current fiscal year. The Authority was required to make monthly principal and interest payments of $1,000. The subscription had an interest rate of 2.184%. The intangible right-to-use subscription asset had a three-year estimated useful life.

Note 8. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

- http://www.varetire.org/members/benefits/defined-benefit/plan1.asp,
- http://www.varetire.org/members/benefits/defined-benefit/plan2.asp,
- http://www.varetirement.org/hybrid.html.

B. Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested	0
Non-vested	5
Active elsewhere in VRS	0
Total inactive members	5
Active members	14
Total covered employees	19

Note 8. Pension Plan (Continued)

C. Contributions

The contribution requirement for active employees is governed by Sections 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 contribution rate for the year ended June 30, 2024 was 5.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 $42,688 and $38,330 for the years ended June 30, 2024 and 2023, respectively.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2023. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

E. Actuarial Assumptions

General Employees

The total pension liability for General Employee's in the Authority's retirement plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Note 8. Pension Plan (Continued)

D. Actuarial Assumptions (Continued)

General Employees (Continued)

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Note 8. Pension Plan (Continued)

F. 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 estimates 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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS	4.00%	4.50%	0.18%
PIP	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year expected return of 8.25%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 8. Pension Plan (Continued)

G. 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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, 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, 2022 actuarial valuations, whichever was greater. From July 1, 2023 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.

H. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2022	$ 67,391	$ 92,466	$ (25,075)
Changes for the year:			
Service cost	56,383	-	56,383
Interest	8,355	-	8,355
Contributions – employer	-	38,330	(38,330)
Contributions – employee	-	36,541	(36,541)
Net investment income	-	9,290	(9,290)
Administrative expense	-	(24)	24
Other changes	-	4	(4)
Net changes	64,738	84,141	(19,403)
Balances at June 30, 2023	$ 132,129	$ 176,607	$ (44,478)

Note 8. Pension Plan (Continued)

I. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, using the discount rate of 6.75%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current 1,245,263 (6.75%)	1% Increase (7.75%)
Broadband Authority net pension liability (asset)	$ (27,944)	$ (44,478)	$ (63,113)

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

For the year ended June 30, 2024, the Authority recognized pension expense of $20,298. At June 30, 2024, the Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 2,441	$ -
Employer contributions subsequent to the measurement date	42,688	-
Total	$ 45,129	$ -

The $42,688 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 asset in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	$ 848
2026	848
2027	848
2028	(103)
	$ 2,441

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2023-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 9. Other Postemployment Benefit Plans

Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is 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. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI have several components. • Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit: The accidental death benefit is double the natural death benefit. • Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Seatbelt benefit o Repatriation benefit o Felonious assault benefit • Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI 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.

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

A. Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit 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 $9,254 as of June 30, 2024.

B. Contributions

The contribution requirements for the GLI are governed by Sections 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 was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2024 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2022. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $5,668 and $3,641 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately $10.1 million to the Group Life Insurance plan. The special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share of $401 is reflected in the Intergovernmental revenue line of the Statement of Revenues, Expenses, and Change in Net Position of our financial statements.

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

At June 30, 2024, the Authority reported a liability of $47,373 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2023 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, 2022, and rolled forward to the measurement date of June 30, 2023. 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 for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.00395% as compared to 0.00316% at June 30, 2022.

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

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

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of $11,353. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, 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	$ 4,731	$ (1,438)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(1,904)
Change in assumptions	1,013	(3,282)
Changes in proportionate share	38,299	(6)
Employer contribution subsequent to the measurement date	5,668	-
Total	$ 49,711	$ (6,630)

The $5,668 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, 2025. 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 Ending June 30,	Amount
2025	$ 8,884
2026	7,261
2027	10,003
2028	9,149
2029	2,116
Total	$ 37,413

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation:	
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

Mortality Rates – Non-Largest 10 Locality Employers – General Employees

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality Rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the GLI represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 3,907,052
Plan fiduciary net position	2,707,739
GLI Net OPEB liability	$ 1,199,313
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability (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.

F. 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%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS	4.00%	4.50%	0.18%
PIP	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year return of 8.25%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 9. Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

G. 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 and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the Authority 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 113% of the actuarially determined contribution rate. From July 1, 2023 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.

H. Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the Authority'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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Broadband Authority	$ 70,221	$ 47,373	$ 28,900

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 10. 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.

Note 11. 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 12. Pending GASB Statements

At June 30, 2024, 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. 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.

GASB Statement No. 102, *Certain Risk Disclosures* requires the Authority to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires the Authority to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If the Authority determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in the notes to the financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for the Authority beginning with its year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 will be effective for the Authority beginning with its year ending June 30, 2026.

Note 12. Pending GASB Statements (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases,* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96., *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

Note 13. Subsequent Events

In August 2024, the Authority entered into a line of credit with Orange County with a credit limit of $3,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 4

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2022	Fiscal Year June 30, 2023
Total pension liability:		
Service cost	$ -	$ 56,383
Interest	-	8,355
Changes of benefit terms	67,391	-
Net change in total pension liability	67,391	64,738
Total pension liability - beginning	-	67,391
Total pension liability - ending (a)	$ 67,391	$ 132,129
Plan fiduciary net position:		
Contributions - employer	$ 22,917	$ 38,330
Contributions - employee	27,762	36,541
Net investment income	(1,591)	9,290
Administrative expense	29	(24)
Other	43,349	4
Net change in plan fiduciary net position	92,466	84,141
Plan fiduciary net position - beginning	-	92,466
Plan fiduciary net position - ending (b)	$ 92,466	$ 176,607
Authority's net pension liability (asset) - ending (a) - (b)	$ (25,075)	$ (44,478)
Plan fiduciary net position as a percentage of the total pension liability (asset)	137.21%	133.66%
Covered payroll	$ 413,664	$ 691,877
Authority's net pension liability (asset) as a percentage of covered payroll	-6.06%	-6.43%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years which information is available. Prior to 2022, the Authority was included within the County's VRS plan.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 5

SCHEDULE OF AUTHORITY CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,		
	2022	2023	2024
Contractually required contribution (CRC)	$ 22,917	$ 38,330	$ 42,688
Contributions in relation to the CRC	22,917	38,330	42,688
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered payroll	$ 413,664	$ 691,877	$ 770,542
Contributions as a percentage of covered payroll	5.54%	5.54%	5.54%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Aurhority will present information for those years for which information is available. Prior to 2022, the Authority was included within the County's VRS plan.

Note 14. Changes of Benefit Terms

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

Note 15. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 6

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	2022	2023
Employer's proportion of the net GLI OPEB liability	0.00316%	0.00395%
Employer's proportionate share of the net GLI OPEB liability	$ 38,049	$ 47,373
Employer's covered payroll	688,058	931,198
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.53%	5.09%
Plan fiduciary net position as a percentage of the total GLI OPEB liabi	67.21%	69.30%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available. Prior to 2022, the Authority was included within the County's GLI plan.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 7

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,		
	2022	2023	2024
Contractually required contribution (CRC)	$ 3,716	$ 3,641	$ 5,668
Contributions in relation to the CRC	3,716	3,641	5,668
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered payroll	$ 688,058	$ 931,198	$ 770,542
Contributions as a percentage of covered payroll	0.54%	0.54%	0.74%

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB – GROUP LIFE INSURANCE PROGRAM
Year Ended June 30, 2024

Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

COMPLIANCE SECTION

PBMares
CPAs and Consultants

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 (*Government Auditing Standards)*; 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 (FiberLync) (Authority), as of and for the year ended June 30, 2024, 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 6, 2024.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 and Response as item 2024-001, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit described in the accompanying Schedule of Finding and Response. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 6, 2024

SCHEDULE OF FINDING AND RESPONSE
Year Ended June 30, 2024

Section I. FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

2024-001: 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 accounts payable, due to primary government, and federal revenue.

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 this finding and has taken the necessary steps to prevent a recurrence.

Orange County Broadband Authority

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

FiberLync

CORRECTIVE ACTION PLAN
Year Ended June 30, 2024

Identifying Number: 2024-001: Significant Deficiency 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 Authority will more thoroughly review the general ledger and supporting schedules prior to the audit.

The contact person responsible for the corrective action is Sara Keeler, Finance Director of Orange County.

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:
331 N. Madison Rd. Suite A
Orange, VA 22960
(540) 360-0585

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

Identifying Number: 2023-001

Audit Finding:

2023-001: Material Weakness Due to Lack of Segregation of Duties

Criteria: There should be adequate segregation of duties relating to journal entries, including in cases where money is deposited. 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 for money being deposited.

Context: The former Financial Controller was the only person who made journal entries for money being deposited until March 2023. There was no approval process for those entries. There was also no formal policies and procedures in place to help ensure segregation of duties for the authorization and approval of journal entries for money being deposited until March 2023.

Cause: There was a lack of formal policies and procedures in place including segregation of duties for journal entries from money being deposited until March 2023.

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

Recommendation: We recommend the Authority ensure formal policies and procedures that were implemented subsequent to March 2023 are followed to ensure proper segregation of duties for journal entries.

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

Corrective Action Taken or Planned:

The Authority implemented a formal journal entry approval process in March 2023.

The contact person responsible for the corrective action is Sara Keeler, Finance Director of Orange County.

Identifying Number: **2023-002**

Audit Finding:

2023-002: 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 cash, depreciation expense, and loss on disposal of capital assets.

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 this finding and has taken the necessary steps to prevent a recurrence.

Corrective Action Taken or Planned:

The Authority will more thoroughly review the general ledger and supporting schedules prior to the audit.

The contact person responsible for the corrective action is Sara Keeler, Finance Director of Orange County.

Identifying Number: **2023-003**

Audit Finding:

2023-003: Significant Deficiency Due to Lack of Timely Reconciliation of Cash Balances

Criteria: The cash balances for the Broadband Authority should be reconciled timely and properly.

Condition: Upon auditing the year-end cash balances of the Broadband Authority, it was noted the cash balance was not reconciled timely and was not reconciled properly, requiring audit adjustments to cash.

Context: Audit entries were required to properly record cash and there was a delay of completing the year-end bank reconciliation by four months.

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 cash balances of the Authority and have the cash balances not timely reconciled. 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 cash. Failure to record the item noted above is a departure from accounting principles generally accepted in the United States of America. In addition, lack of timely reconciliation of cash accounts increases the risk that fraud or error may occur undetected.

Recommendation: We recommend a more thorough and timely review of the cash balances and supporting reconciliations prior to the audit.

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

Corrective Action Taken or Planned:

The Authority has taken appropriate steps to ensure timely accurate reconciliation.

The contact person responsible for the corrective action is Sara Keeler, Finance Director of Orange County.