

**ORANGE COUNTY BROADBAND AUTHORITY
(FIBERLYNC)**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2025



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 – 7
-----------	-------------------------	-------

Notes to financial statements	8 – 33
-------------------------------	--------

Required Supplementary Information

Exhibit 4	Schedule of changes in the Authority's net pension liability (asset) and related ratios – Virginia Retirement System	34
-----------	---	----

Exhibit 5	Schedule of Authority's contributions – Virginia Retirement System	35
-----------	--	----

Notes to required supplementary information – Virginia Retirement System	36
--	----

Exhibit 6	Schedule of employer's share of net OPEB liability – Group Life Insurance Program	37
-----------	---	----

Exhibit 7	Schedule of employer contributions – OPEB – Group Life Insurance Program	38
-----------	--	----

Notes to required supplementary information – OPEB – Group Life Insurance Program	39
---	----

COMPLIANCE SECTION

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>	40 – 41
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INTRODUCTORY SECTION

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

June 30, 2025

Board of Directors

R. Mark Johnson, Chairman
Keith F. Marshall, Co-Chairman

Ed M. Van Hoven

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, 2025, 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, 2025, 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.

Emphasis of Matter

As described in Note 13 to the financial statements, in fiscal year 2025, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

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 1, 2025 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.



Harrisonburg, Virginia
December 1, 2025

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 1

STATEMENT OF NET POSITION

June 30, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,132,289
Restricted cash and cash equivalents	1,352,290
Accounts receivable	299,570
Due from Federal Government	188,240
Prepaid items	20,160
Other current assets	5,425
Total current assets	<u>2,997,974</u>
Noncurrent assets:	
Pension asset	156,498
Capital assets:	
Infrastructure	40,465,714
Intangible right-to-use lease buildings	233,604
Furniture, equipment, and vehicles	425,922
Intangible right-to-use lease equipment and vehicles	130,201
Less accumulated depreciation and amortization	(4,039,383)
Total capital assets, net of accumulated depreciation and amortization	<u>37,216,058</u>
Total noncurrent assets	<u>37,372,556</u>
Total assets	<u>40,370,530</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	20,552
Other postemployment benefits	42,975
Total deferred outflows of resources	<u>63,527</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	552,961
Accrued payroll and payroll taxes	102,511
Accrued interest payable	107,715
Due to Primary Government	2,177,460
Total current liabilities	<u>2,940,647</u>
Noncurrent Liabilities:	
Due within one year:	
Bonds payable, net	1,381,000
Leases payable	77,775
Compensated absences	74,593
Due in more than one year:	
Bonds payable, net	18,129,213
Leases payable	166,811
Compensated absences	22,598
Other postemployment benefits	45,195
Total noncurrent liabilities	<u>19,897,185</u>
Total liabilities	<u>22,837,832</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plan	50,954
Other postemployment benefits	7,180
Total deferred outflows of resources	<u>58,134</u>
NET POSITION	
Net investment in capital assets	18,278,895
Restricted	1,508,788
Unrestricted	(2,249,592)
Total net position	<u>\$ 17,538,091</u>

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, 2025

Operating revenues:	
Charges for services:	
Subscription revenue	\$ 4,265,589
Installation revenue	353,412
	<hr/>
Total operating revenues	4,619,001
	<hr/>
Operating expenses:	
Professional fees	110,689
Insurance	13,391
Lease	18,368
Office	183,429
Salaries and payroll taxes	1,427,664
Fringe benefits	221,968
Repairs and maintenance	24,069
Depreciation and amortization	2,012,675
Internet service costs	475,201
	<hr/>
Total operating expenses	4,487,454
	<hr/>
Operating income	131,547
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Nonoperating revenues (expenses):	
Contributions from the primary government	1,463,691
Intergovernmental revenue	733,865
Interest income	63,384
Unrealized gains on investments, net	8,811
Other income	141,763
Interest expense	(523,394)
	<hr/>
Total nonoperating revenues, net	1,888,120
	<hr/>
Change in net position	2,019,667
	<hr/>
Net position, beginning as previously stated	15,536,745
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Restatement due to implementation of GASB 101	(18,321)
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Net position, beginning as restated	15,518,424
	<hr/>
Net position, ending	\$ 17,538,091
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ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

EXHIBIT 3

STATEMENT OF CASH FLOWS

Page 1 of 2

Year Ended June 30, 2025

Cash flows from operating activities:	
Receipts from customers	\$ 4,762,528
Payments to suppliers for goods and services	(960,336)
Payments to employees for services	<u>(1,636,808)</u>
Net cash provided by operating activities	<u>2,165,384</u>
Cash flows from noncapital financing activities:	
Noncapital grant	550,166
Other	<u>141,763</u>
Net cash provided by noncapital financing activities	<u>691,929</u>
Cash flows from capital and related financing activities:	
Contributions from the primary government	2,335,699
Line of credit received from primary government	1,310,390
Principal payment on bonds	(1,357,000)
Acquisition and construction of capital assets	(3,878,131)
Interest payment on bonds	(527,802)
Principal payments on leases	<u>(62,275)</u>
Net cash used in capital and related financing activities	<u>(2,179,119)</u>
Cash flows from investing activities:	
Sale of investments	1,254,074
Interest from investments	<u>63,384</u>
Net cash provided by investing activities	<u>1,317,458</u>
Net increase in cash and cash equivalents	1,995,652
Cash and cash equivalents:	
Beginning	<u>488,927</u>
Ending	<u><u>\$ 2,484,579</u></u>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)**EXHIBIT 3****STATEMENT OF CASH FLOWS****Page 2 of 2****Year Ended June 30, 2025**

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 131,547
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,012,675
Remeasurement of lease	(1,255)
Increase in pension and OPEB related deferred outflows of resources	31,313
Increase in pension and OPEB related deferred inflows of resources	51,504
Changes in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	143,527
Prepaid items	(4,455)
Other current assets	(401)
Pension asset	(112,020)
Increase (decrease) in:	
Accounts payable and accrued expenses	(84,873)
OPEB liability	(2,178)
Net cash provided by operating activities	\$ 2,165,384

Schedule of noncash capital and related financing activities	
Capital assets acquired through incurrence of accounts payable	\$ 534,654
Unrealized gain on investments	8,811
Intangible right-to-use asset acquired through leases	134,424
Debt acquired through leases	(133,169)

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, intangible right-to-use lease buildings, 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, 2025.

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)

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
Intangible right-to-use lease vehicles	5 years
Infrastructure	20 years
Intangible right-to-use subscription assets	3 years

4. Compensated Absences

The Authority permit employees to accumulate earned but unused annual, sick, comp, and personal leave. In accordance with GASB Statement No. 101, liabilities for compensated absences are recognized for:

- Leave that has not been used, if it is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled.
- Leave that has been used but not yet paid or settled.

The Authority does not recognize a liability for leave balances that are not expected to be paid or settled, such as those forfeited upon separation from service. However, under GASB 101, the Authority evaluates historical usage patterns and employment policies to determine the portion of leave that is more likely than not to be used.

Authority employees accumulate annual leave for subsequent use or for payment upon termination, death or retirement based on full-time status. An employee may carry forward to a new calendar year leave balance of no more than the applicable maximum annual hours per year. Authority employees may accumulate compensatory time for subsequent use up to 80 hours or 120 hours, depending on position. Authority employees earn one personal day each calendar year that is forfeited at the end of the year. Lastly, Authority employees accumulate an unlimited amount of sick leave, paid out upon termination at the lesser of 25% or \$5,000.

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.

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

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 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.

- 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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

7. Subscription-based information technology arrangements (SBITAs) (Continued)

The Authority will recognize 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. There are no SBITAs reported by the Authority for fiscal year 2025.

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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

11. Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation and amortization 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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Subsequent Events

The Authority has evaluated subsequent events through December 1, 2025, 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.

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, 2025, the Authority's investment policy establishes investment types and quality levels for use by the Authority in the investment of its public funds:

<u>Permitted Investment</u>	<u>Sector Limit</u>	<u>Issuer Limit</u>
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%

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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.

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.

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, 2025:

- Money market mutual funds totaling \$1,320,472 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. Due from Other Governments

For the year ended June 30, 2025, the Authority had \$188,240 due from Virginia Department of Housing and Community Development for the Virginia Line Extension Customer Assistance Program (LECAP) that is funded through the American Rescue Plan Act (ARPA).

Note 5. Capital Assets

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

	Beginning Balance	Increases	Ending Balance
Capital assets being depreciated or amortized:			
Infrastructure	\$ 36,587,583	\$ 3,878,131	\$ 40,465,714
Intangible right-to-use lease buildings	220,321	13,283	233,604
Furniture, equipment and vehicles	425,922	-	425,922
Intangible right-to-use lease equipment and vehicles	9,060	121,141	130,201
Total capital assets being depreciated or amortized	37,242,886	4,012,555	41,255,441
Less accumulated depreciation and amortization:			
Infrastructure	1,744,160	1,863,552	3,607,712
Intangible right-to-use lease buildings	61,102	56,810	117,912
Furniture, equipment and vehicles	220,162	81,685	301,847
Intangible right-to-use lease equipment and vehicles	1,284	10,628	11,912
Total accumulated depreciation and amortization	2,026,708	2,012,675	4,039,383
Total capital assets being depreciated or amortized, net	35,216,178	1,999,880	37,216,058
Broadband Authority capital assets, net	\$ 35,216,178	\$ 1,999,880	\$ 37,216,058

Note 6. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	(Restated)				
	Beginning Balance	Increases*	Decreases	Ending Balance	Due Within One Year
Bonds payable	\$ 20,875,000	\$ -	\$ (1,357,000)	\$ 19,518,000	\$ 1,381,000
Discount on bond	(8,436)	-	649	(7,787)	-
Leases payable	173,692	133,169	(62,275)	244,586	77,775
Compensated absences	65,436	31,755	-	97,191	74,593
	\$ 21,105,692	\$ 164,924	\$ (1,418,626)	\$ 19,851,990	\$ 1,533,368

*Compensated Absences is presented as net change

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 6. 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 \$341,000 to \$558,000 commencing November 2024 through November 2037, plus semi-annual interest at 4.100%. \$ 5,738,000

\$15,830,000 VRA bond, issued May 2021, due in annual installments of \$1,040,000 to \$1,295,000 commencing October 2023 through October 2036, plus semi-annual interest at 1.077% to 2.596%. The bond was issued at a discount of \$9,085 which will be amortized over the life of the bond. 13,780,000

Total Revenue Bonds \$ 19,518,000

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

Year(s) Ending June 30,	Revenue Bonds	
	Principal	Interest
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	1,507,000	373,498
2031-2035	8,157,000	1,237,644
2036-2038	4,162,000	166,743
	<u>\$ 19,518,000</u>	<u>\$ 3,602,027</u>

In addition, the Authority has established a line of credit with the County of Orange with a maximum principal amount of \$3,000,000. The agreement is for five years and bears no interest. The current outstanding balance with the County under this agreement is \$1,310,390. This amount is included in Due to the Primary Government on the Statement of Net Position.

Note 7. Leases

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

One of these agreements had an initial lease liability of \$116,807. As of June 30, 2025, the value of the lease liability was \$83,517. 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 \$40,048.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 7. Leases (Continued)

The other building agreement is for three years and requires the Authority to make monthly principal and interest payments of \$3,385. It had an initial lease liability of \$116,797. This includes \$8,968 that was added to the liability calculation in the current fiscal year due to a remeasurement. Also, \$13,283 was added to the right-to-use lease asset calculation in the current year. This results in a net impact of remeasurement totaling \$4,315. As of June 30, 2025, the value of the lease liability was \$39,989. 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 \$116,797 and had accumulated amortization of \$77,864.

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, 2025, the value of the lease liability was \$6,710. The lease has an interest rate of 3.511%. The equipment 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 \$3,095.

The other equipment agreement is for five years and requires the Authority to make monthly principal and interest payments of \$2,196. It had an initial lease liability of \$124,201. As of June 30, 2025, the value of the lease liability was \$114,370. The lease has an interest rate of 2.885%. The equipment 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 \$121,141 and had accumulated amortization of \$8,817. The lease commenced in the current fiscal year.

The future principal and interest lease payments as of June 30, 2025 are as follows:

Year Ending June 30,	Leases	
	Principal	Interest
2026	\$ 77,775	\$ 6,041
2027	39,345	4,292
2028	40,963	3,129
2029	41,203	1,933
2030	32,749	782
2031-2035	12,551	149
	<u>\$ 244,586</u>	<u>\$ 16,326</u>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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 Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested	0
Non-vested	12
Active elsewhere in VRS	1
Total inactive members	<u>13</u>
Active members	<u>13</u>
Total covered employees	<u><u>26</u></u>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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 1.60% 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 \$18,646 and \$42,688 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$11,278 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$9,221 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,127,846 for the year ended June 30, 2025.

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, 2024. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

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, 2023, 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, 2024.

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

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (Continued)

E. 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
Total	100.00%		7.07%
			* Expected arithmetic nominal return
			7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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%.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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, 2023	\$ 132,129	\$ 176,607	\$ (44,478)
Changes for the year:			
Service cost	46,719	-	46,719
Interest	11,396	-	11,396
Difference between expected and actual experience	(65,458)	-	(65,458)
Contributions – employer	-	42,688	(42,688)
Contributions – employee	-	41,609	(41,609)
Refunds of Contributions	(20,035)	(20,035)	-
Net investment income	-	20,364	(20,364)
Administrative expense	-	6	(6)
Other changes	-	10	(10)
Net changes	(27,378)	84,642	(112,020)
Balances at June 30, 2024	\$ 104,751	\$ 261,249	\$ (156,498)

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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)	\$ (142,090)	\$ (156,498)	\$ (166,694)

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

For the year ended June 30, 2025, the Authority recognized pension expense of \$(17,843). At June 30, 2025, 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	\$ 1,906	\$ (50,954)
Employer contributions subsequent to the measurement date	18,646	-
Total	\$ 20,552	\$ (50,954)

The \$18,646 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, 2026. 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	\$ (20,243)
2026	(20,243)
2027	(7,308)
2028	(1,254)
	<u>\$ (49,048)</u>

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2024-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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
<p>Eligible Employees</p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>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.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Seatbelt benefit○ Repatriation benefit○ Felonious assault benefit• Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 9 Other Postemployment Benefits (Continued)

Group Life Insurance Program (Continued)

A. Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
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Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
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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 \$9,532 as of June 30, 2025.
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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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$5,477 and \$5,668 for the years ended June 30, 2025 and June 30, 2024, respectively.

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, 2025, the Authority reported a liability of \$45,195 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.00405% as compared to 0.00395% at June 30, 2023.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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, 2025, the participating employer recognized GLI OPEB expense of \$10,535. 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, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,128	\$ (1,104)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(3,809)
Change in assumptions	258	(2,240)
Changes in proportionate share	30,112	(27)
Employer contribution subsequent to the measurement date	5,477	-
Total	\$ 42,975	\$ (7,180)

The \$5,477 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, 2026. 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
2026	\$ 7,441
2027	10,253
2028	9,381
2029	2,357
2030	886
Total	\$ 30,318

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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, 2023, 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, 2024.

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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2024, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	<u>3,080,133</u>
GLI Net OPEB liability	<u><u>\$ 1,115,922</u></u>

Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41%
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ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
Total	100.00%		7.07%

* Expected arithmetic nominal return

7.07%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, 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%.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

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, 2024, 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, 2024 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	\$ 70,284	\$ 45,195	\$ 24,926

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2024-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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (Continued)

Construction

The Authority has entered into various construction contracts. Future amounts due under these agreements are approximately \$309,229 for the Authority at year end.

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, 2025, 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. 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.

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 assets 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.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO FINANCIAL STATEMENTS

Note 13. Change in Accounting Principle

In fiscal year 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*, as a change in accounting principle. Statement No. 101 requires recognizing a liability for compensated absences, including certain amounts not previously accrued, and related salary-based payments. The standard has been applied retroactively, resulting in a restatement of beginning net position as of July 1, 2024 as shown below.

	<u>Authority</u>
Net position, as previously reported	\$ 15,536,745
Implementation of GASB Statement No. 101, <i>Compensated Absences</i>	<u>(18,321)</u>
Net position, as restated	<u><u>\$ 15,518,424</u></u>

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	2023	2024
Total pension liability:			
Service cost	\$ -	\$ 56,383	\$ 46,719
Interest	-	8,355	11,396
Changes of benefit terms	67,391	-	-
Differences between expected and actual experience	-	-	(65,458)
Benefit payments, including refunds of employee contributions	-	-	(20,035)
Net change in total pension liability	67,391	64,738	(27,378)
Total pension liability - beginning	-	67,391	132,129
Total pension liability - ending (a)	\$ 67,391	\$ 132,129	\$ 104,751
Plan fiduciary net position:			
Contributions - employer	\$ 22,917	\$ 38,330	\$ 42,688
Contributions - employee	27,762	36,541	41,609
Net investment income	(1,591)	9,290	20,364
Benefit payments, including refunds of employee contributions	-	-	(20,035)
Administrative expense	29	(24)	6
Other	43,349	4	10
Net change in plan fiduciary net position	92,466	84,141	84,642
Plan fiduciary net position - beginning	-	92,466	176,607
Plan fiduciary net position - ending (b)	\$ 92,466	\$ 176,607	\$ 261,249
Authority's net pension liability (asset) - ending (a) - (b)	\$ (25,075)	\$ (44,478)	\$ (156,498)
Plan fiduciary net position as a percentage of the total pension liability (asset)	137.21%	133.66%	249.40%
Covered payroll	\$ 413,664	\$ 691,877	\$ 770,542
Authority's net pension liability (asset) as a percentage of covered payroll	-6.06%	-6.43%	-20.31%

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	2025
Contractually required contribution (CRC)	\$ 22,917	\$ 38,330	\$ 42,688	\$ 18,646
Contributions in relation to the CRC	22,917	38,330	42,688	18,646
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 413,664	\$ 691,877	\$ 770,542	\$ 1,165,375
Contributions as a percentage of covered payroll	5.54%	5.54%	5.54%	1.60%

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 VRS plan.

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2025

Note 1. Changes of Benefit Terms

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

Note 2. 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	2024
Employer's proportion of the net GLI OPEB liability	0.00316%	0.00395%	0.00405%
Employer's proportionate share of the net GLI OPEB liability	\$ 38,049	\$ 47,373	\$ 45,195
Employer's covered payroll	688,058	931,198	770,542
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.53%	5.09%	5.87%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%	69.30%	73.41%

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	2025
Contractually required contribution (CRC)	\$ 3,716	\$ 3,641	\$ 5,668	\$ 5,477
Contributions in relation to the CRC	3,716	3,641	5,668	5,477
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 688,058	\$ 931,198	\$ 770,542	\$ 1,165,375
Contributions as a percentage of covered payroll	0.54%	0.39%	0.74%	0.47%

ORANGE COUNTY BROADBAND AUTHORITY (FIBERLYNC)

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB –
GROUP LIFE INSURANCE PROGRAM
Year Ended June 30, 2025**

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



**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, 2025, 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 1, 2025.

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 or a significant deficiency. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

P. B. Mares, CPA

Harrisonburg, Virginia
December 1, 2025