

601 S. Jefferson Street, SW, Suite 110, Roanoke, VA 24011  
**Frank M. Smith, II, President & CEO**  
[fsmith@highspeedroanoke.net](mailto:fsmith@highspeedroanoke.net) Ph: 540.904.1073  
rvba.online

**BOARD MEMBERS:**

*Bob Cowell, City of Roanoke*  
*Gary Larrowe, Botetourt County*  
*Mike McEvoy, Citizen*  
*Daniel R. O'Donnell, Roanoke County*  
*James E. Taliaferro, II, City of Salem*  
*Dr. Scott Midkiff, Virginia Tech*  
*Keith Perry, Carilion*

**Roanoke Valley Broadband Authority Board**  
**Friday, January 15, 2021 at 8:30 a.m.**  
**Roanoke Valley Broadband Authority office, Suite 110 (Coulter Building)**  
**601 S. Jefferson Street, SW, Roanoke, VA 24011**

**AGENDA**

1. **Call to Order, Roll Call, Introductions** ..... *Chair McEvoy*
2. **Approval of the Minutes, pp. 3-12** ..... *Chair McEvoy*
  - a. November 20, 2020 Minutes
  - b. December 14, 2020 Minutes
3. **Treasurer's Report, pp. 13-14** ..... *Olivia Dooley, Treasurer & CFO*
  - Acceptance of the November and December 2020 Financial Reports
4. **Presentation of FY 2020 Audit, pp. 15-54**..... *Corbin Stone*
5. **Election of Officers, p. 55** ..... *Chair McEvoy*
6. **Project Updates** ..... *Frank Smith, President & CEO*
7. **Other Business**
8. **Adjournment**

# ROANOKE VALLEY BROADBAND AUTHORITY

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## **Virtual Meeting Notice**

TO: Board of Directors, Alternates, Interested Stakeholders, Staff, Others

RE: January 15, 2021 Virtual Meeting- Roanoke Valley Broadband Authority

A virtual Meeting of the Board of Directors of the Roanoke Valley Broadband Authority will be held on January 15, 2021 at 8:30 a.m. to discuss business necessary to continue operations of the Roanoke Valley Broadband Authority. Because of present state of emergency due to the COVID-19 pandemic, the public cannot be accommodated physically in proximity to the Member and Staff Participants. Any members of the public may view and participate in the meeting through electronic means. The meeting will be set up through Zoom <https://zoom.us/j/92805889473?pwd=Y0taVnVwZ1RYaXRMMUUrUjhBQmF0Zz09>, Matt Miller, will be responsible for receiving public comments at 540-343-4417 and [mmiller@rvarc.org](mailto:mmiller@rvarc.org). All materials made available to the Members will be made available to the public at the same time by posting on <http://rvba.online/>.

A video and/or audio recording will be made available at <http://rvba.online> within three (3) working days of the meeting. The draft minutes of the meeting will be distributed to common interest community members through the same method used to provide notice of this meeting. Draft minutes of the meeting will be available at <http://rvba.online> within ten (10) working days of the meeting. Final minutes will be available at <http://rvba.online> within three (3) working days of approval.

Please note for purposes of planning to participate in the meeting remotely, members will be required to state the location (a general description such as home, office, or other) from which they are participating for purposes of compliance with new state law related to participation in electronic meetings during the COVID-19 crisis. The location will be recorded in the minutes of the meeting.

Join Zoom Meeting

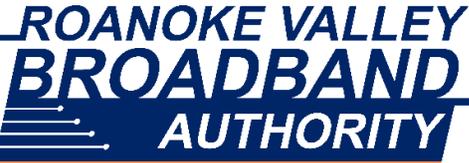
<https://zoom.us/j/92805889473?pwd=Y0taVnVwZ1RYaXRMMUUrUjhBQmF0Zz09>

Meeting ID: 928 0588 9473

Passcode: 833188

+1 301 715 8592 US (Washington D.C)

Find your local number: <https://zoom.us/u/adGVemijQb>



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James Taliaferro, II, City of Salem  
Dr. Scott Midkiff, Virginia Tech  
Keith Perry, Carilion*

## **DRAFT MINUTES**

The September Board Meeting of the Roanoke Valley Broadband Authority was held virtually on November 20, 2020 at 8:30 a.m. A video recording of the meeting is available.

### **1. CALL TO ORDER, WELCOME AND ROLL CALL**

Chairman McEvoy called the meeting to order at 8:31 a.m. and welcomed those in attendance. Wayne Strickland, Secretary to the Broadband Authority, called the roll and reported that a quorum was present.

Roanoke Valley Broadband Authority Board Members: *Present:* Gary Larrowe, Botetourt County; Mike McEvoy, Citizen; Dan O'Donnell, Roanoke County, Bob Cowell, City of Roanoke, Jay Taliaferro, City of Salem; Dr. Scott Midkiff, Virginia Tech; and Keith Perry, Carilion.

### **OTHERS IN ATTENDANCE**

Broadband Authority Staff: Frank Smith, Jim Bandy, and Barry Stacy

Roanoke Valley-Alleghany Regional Commission Staff: Matt Miller and Wayne Strickland.

Others: Jeff Crowder, Virginia Tech; Sam Darby, Glenn Feldmann Darby & Goodlatte; Jill Loope, Roanoke County Economic Development; Jennifer Eddy, EddyAlexander; and Russell Decker, Segra

**2. Approval of Minutes**

September 18, 2020 Minutes were presented. Dan O'Donnell moved that the minutes be approved. The motion was seconded by Gary Larrowe. The motion was adopted by a unanimous voice vote of 7-0.

**3. Treasurer's Report**

Frank Smith gave an overview of the financial statements for September and October. Bob Cowell moved that the two financial statements be accepted as presented. The motion was seconded by Dan O'Donnell. The motion was adopted by a unanimous voice vote of 7-0:

**4. Chairman's Comments**

- a. Mr. McEvoy gave an overview of the changes to the bylaws. The bylaws now outline the RVBA structure with the inclusion of board members from Virginia Tech and Carilion. The bylaws also outline how a nominating committee will function to appoint non-locality board members. Finally, the bylaws now state the voting requirements for certain actions by the authority board, such as undertaking debt. Roanoke County asked for a redline copy of the bylaws. Gary Larrowe made a motion to accept the bylaws as presented. Bob Cowell made a second. By a unanimous voice vote, the bylaws were accepted.
- b. Mr. McEvoy announced that two new board members are now part of the board and had been introduced at the last meeting.
- c. Additionally, Mr. McEvoy thanked Frank Smith and Jennifer Eddy for participating in a State meeting that received input on broadband funding and legislation.

**5. Project Updates**

Frank Smith presented slides that gave an overview of RVBA activities. Goals of the RVBA focus on access, pricing and innovation. The RVBA has served the community by advancing regional infrastructure in a transparent and financially responsible way while attracting customers and providing carrier grade technology and support. The RVBA has over 100 miles of fiber backbone and has 9 switching centers and 3 colocation centers. The RVBA plans additional work in wireless and FTTH home projects. Mr. Smith then gave an overview of 5G technology at the request of Mr. McEvoy.

**6. Other Business**

Russell Decker said that from his perspective the RVBA has been a good thing for the region to increase competition and help expand affordable broadband.

The next RVBA meeting is scheduled for January 15, 2021 at 8:30 a.m.

**7. Request for Closed Meeting**

Dan O'Donnell made a motion to enter into closed session according to Section 2.2-3711.A.33 of the Virginia Code to discuss confidential proprietary information and trade secrets developed by or for a local authority created in accordance with the Virginia Wireless

Service Authorities Act (§ [15.2-5431.1](#) et seq.) to provide qualifying communications services as authorized by Article 5.1 (§ [56-484.7:1](#) et seq.) of Chapter 15 of Title 56, where disclosure of such information would be harmful to the competitive position of the authority. Jay Taliaferro made a second. The voice vote was unanimous, and the closed session was started at 9:08 A.M.

**8. End Closed Meeting and Reconvene Regular Meeting**

Dan O'Donnell made a motion to exit the closed meeting and return to regular session. The motion received a second from Bob Cowell. By unanimous voice vote, the closed session was ended at 9:27 a.m.

**9. Certification of Closed Meeting**

Dan O'Donnell moved for a roll call vote to be taken that only legally exempted matters covered by the closed meeting motion were taken up in the closed meeting. The motion received a second from Bob Cowell. The motion was adopted by a Roll Call vote of 7-0, as follows:

**Member & Vote**

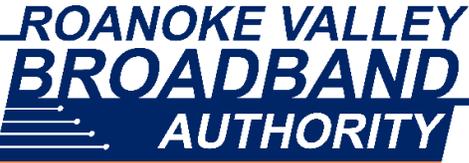
Mr. Cowell – Yes  
Mr. Larrowe – Yes  
Mr. McEvoy – Yes  
Mr. O'Donnell – Yes  
Mr. Taliaferro – Yes  
Mr. Keith Perry-Yes (confirmed via email)  
Dr. Scott Midkiff-Yes (confirmed via email)

**10. Adjournment**

The meeting was adjourned at 9:29 a.m.

Submitted by:

Wayne G. Strickland  
Secretary to the Roanoke Valley Broadband Authority



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Dr. Scott Midkiff, Virginia Tech  
Keith Perry, Carilion*

## **DRAFT MINUTES**

A special called meeting of the Roanoke Valley Broadband Authority was held virtually on December 14, 2020 at 3:30 p.m. A video recording of the meeting is available.

### **1. CALL TO ORDER, WELCOME AND ROLL CALL**

Chairman McEvoy called the meeting to order at 3:35 p.m. and welcomed those in attendance. Wayne Strickland, Secretary to the Broadband Authority, called the roll and reported that a quorum was present.

Roanoke Valley Broadband Authority Board Members: *Present:* Gary Larrowe, Botetourt County; Mike McEvoy, Citizen; Dan O'Donnell, Roanoke County, Dr. Scott Midkiff, Virginia Tech; and Keith Perry, Carilion.

### **OTHERS IN ATTENDANCE**

Broadband Authority Staff: Frank Smith

Roanoke Valley-Alleghany Regional Commission Staff: Matt Miller and Wayne Strickland.

Others: Sam Darby, Glenn Feldmann Darby & Goodlatte; Derrick Williams, Cox.

**2. Contract Change Order and Agreements**

Frank Smith described that because of CARES Act funding, the project previously contracted in Botetourt County requires a change to be approved by the board. The change is for a contract extension on Phase II, and because the approximate amount of \$806,000 is more than 25% of the original contract, board approval is required. Recommended approval also includes a reimbursement and hold harmless agreement which will protect the Authority, as well as Botetourt County.

Gary Larowe made a motion to approve the agreement and resolution to approve the change order. After a brief discussion, Mr. Larowe withdrew his motion. Mr. O'Donnell made a new motion to authorize the hold harmless agreement and approve the contract change order resolution. Mr. Larowe provided the second to the motion. The motion passed 5-0, by a roll call vote.

**Member & Vote**

- Mr. Cowell – absent
- Mr. Larowe – Yes
- Mr. McEvoy – Yes
- Mr. O'Donnell – Yes
- Mr. Taliaferro – absent
- Mr. Keith Perry-Yes
- Dr. Scott Midkiff-Yes

**3. Other Business**

none

**4. Adjournment**

The meeting was adjourned at 3:48 p.m.

Submitted by:

Wayne G. Strickland  
Secretary to the Roanoke Valley Broadband Authority

## REIMBURSEMENT AND HOLD HARMLESS AGREEMENT

This Reimbursement and Hold Harmless Agreement is dated as of December \_\_\_\_, 2020, by and between the Roanoke Valley Broadband Authority (the “Broadband Authority”), a broadband authority formed and existing under Chapter 54.1 of Title 15.2 of the code of Virginia, 1950, as amended (the “Virginia Wireless Service Authorities Act”) and Botetourt County, Virginia (the “County”), a Virginia county.

### WITNESSETH:

WHEREAS, heretofore the Broadband Authority has undertaken to assist the County in the extension of its fiber facility from the Greenfield Training and Education Center in Botetourt County, Virginia (the “Original Project”); and,

WHEREAS, the County has procured certain funds under the CARES Act to provide for a 4.35 mile extension to the fiber facility terminating near the intersection of Route 630/Blacksburg Road and Route 672 Etzler Road (the “Extension Project”); and,

WHEREAS, the Board of Directors of the Broadband Authority has approved a change order to the original contract for the additional amount of \$835,000 to finance the Extension Project.

NOW THEREFORE, the parties agree as follows:

1. The County will reimburse and hold the Broadband Authority harmless from any claim based upon the untimely application of the CARES Act funds and specifically, if due to weather, construction, onsite or any other condition, the Extension Project is not completed in time to be funded with CARES Act funds.
2. The Broadband Authority agrees to provide the highest professional standards to its procurement and its contracting so that the CARES Act funds will have a reasonable opportunity to be correctly employed.
3. Ultimately the Original Project and the Extension Project will become part of the Broadband Authority’s fiber system and will be assets of the Broadband Authority.
4. Any notices or requests required to be given hereunder shall be deemed given if sent by registered or certified mail, postage prepaid, addressed (a) if to Roanoke Valley Broadband Authority, to 601 S. Jefferson, Suite 110, Roanoke, Virginia 24011 (Attention: President and CEO), with a copy to Glenn, Feldmann Darby & Goodlatte at 37 Campbell Avenue, S.W., Roanoke, Virginia 24011, Roanoke, Virginia, (b) if to the County, to Botetourt County, Virginia, 1 West Main Street, #1, Fincastle, Virginia 24090 (Attention: County Administrator) with a copy to Michael Lockaby, Esq., Guynn, Waddell, Carroll and Lockaby, P.C., 415 S. College Street,

Salem, Virginia 24153. Any party may designate any other address for notices or requests by giving notice under this paragraph.

5. This Agreement shall be governed by the laws of the Commonwealth of Virginia.

6. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement.

7. This Agreement may be executed in counterparts each of which shall be an original and all of which together shall constitute but one and the same instrument. Facsimile and electronic signatures may substitute for and have the same effect as original signatures.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed in their respective names as of the date first above written.

ROANOKE VALLEY BROADBAND  
AUTHORITY

By: \_\_\_\_\_  
Frank M. Smith, II, President and CEO

BOTETOURT COUNTY, VIRGINIA

By: \_\_\_\_\_  
Gary Larrowe, County Administrator

**RESOLUTION  
OF THE BOARD OF THE  
ROANOKE VALLEY BROADBAND AUTHORITY**

**Approving a Change Order to a Construction Contract**

WHEREAS, the Roanoke Valley Broadband Authority (the “Authority”), an authority formed and existing in accordance with the provisions of Chapter 54.1 of Title 15.2 of the Code of Virginia, 1950, as amended, the Virginia Wireless Service Authorities Act (the “Act”), issued and advertised its Request for Proposals for the extension of its broadband system located in Botetourt County, Virginia (the “Original Project”); and,

WHEREAS the proposals received in response to the Request for Proposals were evaluated, vendors were selected and ranked, and discussions with and evaluations of such vendors’ proposals resulted in the Authority’s entering into a contract (the “Original Contract”) with LIT Communities in cooperation with TPRC Broadband LLC (“LIT/TPRC”) for the Original Project; and

WHEREAS, the Authority has the opportunity now, due to the availability of additional CARES Act funding, to contract for the continuation of the Original Project with an additional fiber project over a 4.35 mile section of Botetourt County terminating near the intersection of Route 630/Blacksburg Road and Route 672 Etzler Road (the “Extension Project”); and,

WHEREAS, the Executive Director has recommended to the Board that in light of the positive experience the Authority has had with LIT/TPRC and that firm’s familiarity with the Original Project, that the Board consider a change order to the Original Contract to provide for the Extension Project; and

WHEREAS, Virginia Code Section 2.2-4309 provides that while contracts may be modified during performance, no fixed-price contract may be increased by more than twenty-five percent (25%) of the amount of the contract or \$50,000, whichever is greater, without the advance written approval of the governing body of the Authority; and,

WHEREAS, the amount of construction costs anticipated for the Extension Project is approximately \$835,000, which is more than the statutory limit of the greater of \$50,000 or 25% of the price of the Original Contract, and requires the advance written approval of the governing body of the Authority; and,

WHEREAS, the Members of the Board of the Authority have carefully considered the benefits to the Authority of modifying the Original Contract rather than go through a request for proposal or a competitive bid process, and have taken into account the positive experience the

Authority has had with LIT/TPRC, as well as the efficiencies to be gained from having LIT/TPRC continue the work.

NOW THEREFORE, be it resolved by the Members of the Board of the Roanoke Valley Broadband Authority that after consideration of the terms, conditions and benefits thereof, the Members of the Board of Directors of the Roanoke Valley Broadband Authority do hereby approve the change order to the Original Contract in an amount estimated to be \$835,000 to provide for the construction of the Extension Project, as presented to this meeting; and

AND BE IT FURTHER RESOLVED, that the Executive Director is hereby authorized and directed to negotiate change orders to the Original Contract consistent with this resolution, to negotiate for terms beneficial to the Authority, including, but not limited to, (a) a pause in the construction of the Extension Project on December 30, 2020, in case the CARES Act funding is no longer available and (b) a satisfactory reimbursement and hold harmless agreement with Botetourt County to cover any obligations related to the CARES Act finding and to take all such further action as may be necessary or desirable in connection with and that are in conformity with the purposes and intent of this resolution.

This resolution shall take effect immediately.

Directors absent     2  
Votes For             5  
Votes Against        0  
Abstentions          0

CERTIFICATION

The undersigned secretary of the Roanoke Valley Broadband Authority does hereby certify that the foregoing is a true, complete and correct Resolution adopted by a vote of a majority of the Members of the Roanoke Valley Broadband Authority, present at a special meeting of the Members of the Roanoke Valley Broadband Authority duly called and held December 14, 2020 at which a quorum was present and acting throughout, and that the same has not been amended or rescinded and is in full force and effect as of the date of this certification, December 18, 2020.



Wayne G. Strickland  
Wayne G. Strickland, Secretary,  
Roanoke Valley Broadband Authority

**Roanoke Valley Broadband Authority**  
**FY 2020/2021 Operations Statement**  
**For the Month Ended November 30, 2020**

	<u>FY 2020 Budget</u>	<u>November 2020</u>	<u>FY 20/21 Year to Date</u>	<u>Percent Budget</u>
<b>Broadband Revenues</b>				
Contributed Capital	\$397,637	\$73,323	\$247,632	62%
Service Revenue	726,971	182,433	306,215	42%
<b>Total Broadband Operating Revenues</b>	<b>\$1,124,608</b>	<b>\$255,756</b>	<b>\$553,847</b>	<b>49%</b>
<b>Broadband Operation &amp; Maintenance Expenses</b>				
Personnel Costs	\$462,000	\$51,819	\$176,629	38%
Network Operations	437,642	39,534	216,465	49%
Brand Management	60,000	10,000	20,000	33%
Legal Fees	20,000	5,157	16,786	84%
Office Expenses	104,966	7,078	50,170	48%
Richmond Message Management	25,000	0	10,000	40%
Travel	15,000	2,007	4,056	27%
<b>Total BB Operation &amp; Maintenance Expenses</b>	<b>\$1,124,608</b>	<b>\$115,595</b>	<b>\$494,106</b>	<b>44%</b>
<b>Income from Operations</b>	<b>\$0</b>	<b>\$140,161</b>	<b>\$59,741</b>	
<b>Non-Operating Revenues</b>				
Interest Income	\$1,500	\$75	\$344	23%
Installations	50,000	1,113	31,274	63%
Contributed Capital	539,877	976,479	1,491,397	276%
Other Non-Operating Revenue	0	0	0	0%
Subtotal Non-Operating Revenues	\$591,377	\$977,667	\$1,523,015	258%
<b>Total Non-Operating Revenues</b>	<b>591,377</b>	<b>977,667</b>	<b>1,523,015</b>	<b>258%</b>
<b>Net Income (Loss) from Operations</b>	<b>\$591,377</b>	<b>\$1,117,828</b>	<b>\$1,582,756</b>	<b>268%</b>
Capital Projects	581,377	218,349	390,825	
Reserves	10,000	-	-	
<b>Net Income (Loss)</b>	<b>\$0</b>	<b>\$899,479</b>	<b>\$1,191,931</b>	

**Roanoke Valley Broadband Authority**  
**FY 2020/2021 Operations Statement**  
**For the Month Ended December 31, 2020**

	<u>FY 2020 Budget</u>	<u>December 2020</u>	<u>FY 20/21 Year to Date</u>	<u>Percent Budget</u>
<b>Broadband Revenues</b>				
Contributed Capital	\$397,637	\$33,136	\$280,768	71%
Service Revenue	<u>726,971</u>	<u>254,530</u>	<u>685,809</u>	<u>94%</u>
<b>    Total Broadband Operating Revenues</b>	<b>\$1,124,608</b>	<b>\$287,666</b>	<b>\$966,577</b>	<b>86%</b>
<b>Broadband Operation &amp; Maintenance Expenses</b>				
Personnel Costs	\$462,000	\$35,811	\$212,439	46%
Network Operations	437,642	25,827	232,667	53%
Brand Management	60,000	0	20,000	33%
Legal Fees	20,000	2,845	19,632	98%
Office Expenses	104,966	6,639	56,810	54%
Richmond Message Management	25,000	0	10,000	40%
Travel	<u>15,000</u>	<u>340</u>	<u>3,049</u>	<u>20%</u>
<b>    Total BB Operation &amp; Maintenance Expenses</b>	<b>\$1,124,608</b>	<b>\$71,462</b>	<b>\$554,597</b>	<b>49%</b>
<b>Income from Operations</b>	<b>\$0</b>	<b>\$216,204</b>	<b>\$411,980</b>	
<b>Non-Operating Revenues</b>				
Interest Income	\$1,500	\$9	\$353	24%
Installations	50,000	663	31,937	64%
Contributed Capital	539,877	44,990	269,939	50%
Other Non-Operating Revenue	<u>0</u>	<u>2,607,525</u>	<u>2,607,525</u>	<u>0%</u>
Subtotal Non-Operating Revenues	<u>\$591,377</u>	<u>\$2,653,187</u>	<u>\$2,909,754</u>	<u>492%</u>
<b>    Total Non-Operating Revenues</b>	<b>591,377</b>	<b>2,653,187</b>	<b>2,909,754</b>	<b>492%</b>
<b>Net Income (Loss) from Operations</b>	<b>\$591,377</b>	<b>\$2,869,391</b>	<b>\$3,321,734</b>	<b>562%</b>
Capital Projects	581,377	1,700,250	2,102,047	
Reserves	<u>10,000</u>	<u>-</u>	<u>-</u>	
<b>Net Income (Loss)</b>	<b><u>\$0</u></b>	<b><u>\$1,169,141</u></b>	<b><u>\$1,219,687</u></b>	



September 8, 2020

To the Members of the Board of Directors  
Roanoke Valley Broadband Authority

We have audited the financial statements of the Roanoke Valley Broadband Authority for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Roanoke Valley Broadband Authority are described in Note 1 to the financial statements. We noted no transactions entered into by Roanoke Valley Broadband Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on management's expectations regarding the useful service lives of assets placed in service. We evaluated the key factors and assumptions used to calculate depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the pension liability is based on calculations provided by the Virginia Retirement System(VRS). We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 8, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Roanoke Valley Broadband Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Roanoke Valley Broadband Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, as presented in the financial report, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Roanoke Valley Broadband Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Robinson, Fauner, Cox Associates*

September 8, 2020

# Roanoke Valley Broadband Authority



## FINANCIAL REPORT

Year Ended June 30, 2020

**ROANOKE VALLEY BROADBAND AUTHORITY**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2020**

**Roanoke Valley Broadband Authority  
Financial Report  
Year Ended June 30, 2020**

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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**To the Members of the Board of Directors  
Roanoke Valley Broadband Authority  
Roanoke, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Roanoke Valley Broadband Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditors' Responsibility***

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Roanoke Valley Broadband Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 3-5 and 28-30, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020, on our consideration of the Roanoke Valley Broadband 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 Roanoke Valley Broadband Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Roanoke Valley Broadband Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
September 8, 2020

## Management's Discussion and Analysis FY 2019/2020

### **Roanoke Valley Broadband Authority**

This section of the Roanoke Valley Broadband Authority's (RVBA) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2020. Please read it in conjunction with the Authority's financial statements and related notes which follow this section.

#### **Overview of Activity**

Operating revenues increased by 72% over the previous fiscal year. Operating expenditures (including depreciation) increased by approximately 8% percent over the previous fiscal year. Non-operating activities (comprised of government contributions, connection fees and interest income as offset by interest expense) decreased by approximately 3.5% from the previous year. The aforementioned items culminated in an increase of net position totaling \$1,130,563. This increase compares favorably to the prior year's increase of \$1,087,637.

The RVBA continued to expand its network footprint through the addition of approximately ten miles of fiber that supports both core backbone infrastructure and customer connections. The RVBA successfully completed expansions of the network through building connections to the Western Virginia Regional Jail and the Western Virginia Water Authority's Spring Hollow Reservoir facility in Roanoke County. A network expansion and connection was completed to support the new VA 811 and City of Roanoke 911 joint command center in the Blue Hills Industrial Park. In addition to expanding service to the government and business community, the RVBA continues to grow and expand offerings to major education and research institutions in the Innovation District of the City of Roanoke. The City of Salem has actively engaged the RVBA in economic development projects that support an open access model to enable Fiber to the Home (FTTH) projects. The County of Botetourt has partnered with the RVBA to develop mission critical telecommunications facilities in the Greenfield Center and develop the groundwork for FTTH projects. The RVBA considers it a great privilege to have the opportunity to positively impact the community it serves and the localities that support it.

On May 28, 2015, the RVBA issued its \$5,780,000 Broadband Infrastructure Revenue Bond, Series 2015 (the "First Bond") pursuant to a Local Bond Sale and Financing Agreement through the Virginia Resource Authority Virginia Pooled Financing Program. The First Bond is to be paid back by the City of Roanoke, Virginia, and the City of Salem, Virginia, by October 1, 2025, in accordance with a support agreement (the First Support Agreement") signed by the two participating jurisdictions. Funds were used to design, construct and operate the original 47-mile metropolitan, suburban and rural fiber optic telecommunications network with single ring architecture in the Roanoke Valley (the "Original Project"). The Authority continues to service this debt through contributions from the participants.

On August 10, 2016, the RVBA issued its \$3,450,000 Broadband Infrastructure Revenue Bond, Series 2015 (the "Second Bond") pursuant to a second Local Bond Sale and Financing Agreement through the Virginia Resource Authority Virginia Pooled Financing Program. The Second Bond is to be paid back by October 1, 2026 by the County of Roanoke, in accordance with a new support agreement (the Second Support Agreement") for the Second Bond. The First Support Agreement was amended by the City of Roanoke, Virginia, and the City of Salem, Virginia, with the First Amendment to the Support Agreement, which recognized Roanoke County's support obligation in the Second Support Agreement and equalized the support obligations of the three

localities. Funds were used to design, construct and operate an approximately 25-mile extension to the Original Project. Substantial completion of Phase II was completed on August 21, 2017. The Authority continues to service this debt through contributions from the participants.

The Western Virginia Water Authority continues to support the GIS mapping and payroll services requirements of the RVBA.

### Virginia General Assembly Activities for Fiscal Year 2019/20

The RVBA continued to actively participate in the legislative process in Richmond, Virginia to support and maintain its right by law to provide municipal broadband services to the community.

### Financial Analysis

Presented below is a Summary of the Authority's financial statements for the current and prior fiscal years. The Authority was in the development stage during these periods and therefore significant activity is related to the construction of infrastructure assets and basic operating expenditures.

### Summary Statement of Net Position

	Fiscal Year Ending, June 30th		
	2020	2019	2018
Assets			
Current asset	\$ 931,651	\$ 738,278	\$ 605,296
Non current assets	9,558,030	9,672,295	9,570,524
Total assets	<u>\$ 10,489,681</u>	<u>\$ 10,410,573</u>	<u>\$ 10,175,820</u>
Deferred outflows of resources	\$ 13,737	\$ 7,146	\$ 9,424
Liabilities			
Current liabilities	\$ 1,079,392	\$ 1,233,073	\$ 1,212,681
Non current liabilities	5,234,921	6,122,883	6,996,136
Total liabilities	<u>\$ 6,314,313</u>	<u>\$ 7,355,956</u>	<u>\$ 8,208,817</u>
Deferred inflows of resources	\$ 6,702	\$ 9,923	\$ 12,224
Net position			
Net investment in capital assets	\$ 3,439,545	\$ 2,464,765	\$ 1,701,909
Unrestricted	742,858	587,075	262,294
Total net position	<u>\$ 4,182,403</u>	<u>\$ 3,051,840</u>	<u>\$ 1,964,203</u>

The Summary of Net Position shows an increase of \$1,130,563.

## Summary Statement of Revenues, Expenditures & Changes in Net Position

	Fiscal Year Ending, June 30th		
	2020	2019	2018
Operating revenues	\$ 564,619	\$ 326,378	\$ 410,424
Operating expenditures	(1,569,323)	(1,453,891)	(1,392,311)
Operating income (loss)	\$ (1,004,704)	\$ (1,127,513)	\$ (981,887)
Nonoperating revenues (expenses)	\$ 2,135,267	\$ 2,215,150	\$ 1,906,940
Change in net position	\$ 1,130,563	\$ 1,087,637	\$ 925,053
Net position, beginning of year	3,051,840	1,964,203	1,039,150
Net position, end of year	\$ 4,182,403	\$ 3,051,840	\$ 1,964,203

### Economic Factors and Future Outlook

The RVBA continues to expand its network and serve the Roanoke Valley to support its mission and mandate. The RVBA continues to examine and evaluate new services areas and delivery methods to support the Economic Development and well-being of the Roanoke Valley.

### Contacting the Authority's Financial Management Staff

This financial report is designed to provide a general overview of the Authority's finances and show the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Authority's Chief Fiscal Officer at 601 S. Jefferson Street, Suite 110, Roanoke, Virginia 24011-2432, telephone 540-204-9200, or at [odooley@highspeedroanoke.net](mailto:odooley@highspeedroanoke.net).

## **Basic Financial Statements**

**Statement of Net Position**  
**As of June 30, 2020**

Assets:	
Current Assets:	
Cash and cash equivalents	\$ 774,847
Accounts receivable (net of allowance for uncollectibles)	56,554
Inventory	62,041
Prepaid items	38,209
Total current assets	\$ 931,651
Noncurrent Assets:	
Restricted cash and cash equivalents	\$ 1,067,361
Net pension asset	3,485
Capital Assets:	
Purchased easements	78,383
Machinery and equipment	54,789
Leasehold improvements	6,416
Infrastructure	9,678,270
Accumulated depreciation	(1,360,023)
Sub-total	\$ 8,457,835
Construction in progress	29,349
Total net capital assets	\$ 8,487,184
Total noncurrent assets	\$ 9,558,030
Total assets	\$ 10,489,681
Deferred Outflows of Resources:	
Pension related items	\$ 13,737
Total deferred outflows of resources	\$ 13,737
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 67,821
Accrued interest payable	42,198
Unearned revenue	49,612
Compensated absences - current portion	29,761
Revenue bonds - current portion	890,000
Total current liabilities	\$ 1,079,392
Noncurrent Liabilities:	
Compensated absences - net of current portion	\$ 9,921
Revenue bonds - net of current portion	5,225,000
Total noncurrent liabilities	\$ 5,234,921
Total liabilities	\$ 6,314,313
Deferred Inflows of Resources:	
Pension related items	\$ 6,702
Total deferred inflows of resources	6,702
Net Position:	
Net investment in capital assets	\$ 3,439,545
Unrestricted	742,858
Total net position	\$ 4,182,403

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

Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2020

Operating Revenues:		
Charges for services	\$	537,793
Miscellaneous		26,826
Total operating revenues	\$	<u>564,619</u>
Operating expenses:		
Wages and benefits		516,102
Professional fees		173,561
Carrier service		104,902
811 locates		60,260
Brand management		61,300
Repairs and maintenance		78,551
NOC Services		25,740
Rent		44,703
Supplies - office		12,172
Supplies - network		26,156
Billing expense		19,500
Miscellaneous		13,947
Travel		9,130
Telephone		5,356
Installation		7,945
Computer expenses		6,018
Insurance		5,625
Utilities		3,209
Postage		5,633
Training expenses		720
Dues and publications		1,871
Depreciation		386,922
Total operating expenses	\$	<u>1,569,323</u>
Operating income (loss)	\$	<u>(1,004,704)</u>
Nonoperating revenues (expenses):		
Interest income	\$	14,754
Interest expense		(172,955)
Connection/installation fees		199,045
Contributions - operating		2,094,423
Total nonoperating revenues (expenses)	\$	<u>2,135,267</u>
Change in net position	\$	1,130,563
Net position, beginning of year		<u>3,051,840</u>
Net position, end of year	\$	<u><u>4,182,403</u></u>

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

**Statement of Cash Flows**  
**Year Ended June 30, 2020**

Cash flows from operating activities:	
Receipts from customers and users	\$ 525,179
Payments to suppliers	(719,553)
Payments to employees	(505,491)
	<hr/>
Net cash provided by (used for) operating activities	\$ (699,865)
Cash flows from noncapital financing activities:	
Intergovernmental revenues/contributions	\$ 2,138,935
	<hr/>
Net cash provided by (used for) noncapital financing activities	\$ 2,138,935
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (490,274)
Contributions/installation fees	199,045
Principal payments on bonds and note	(875,000)
Interest payments	(177,115)
	<hr/>
Net cash provided by (used for) capital and related financing activities	\$ (1,343,344)
Cash flows from investing activities:	
Interest received	\$ 14,754
	<hr/>
Net cash provided by (used for) investing activities	\$ 14,754
Increase (decrease) in cash and cash equivalents	\$ 110,480
Cash and cash equivalents, including restricted cash and cash equivalents, at beginning of year	<hr/> 1,731,728
Cash and cash equivalents, including restricted cash and cash equivalents, at end of year	\$ <u><u>1,842,208</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,004,704)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	386,922
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(39,440)
(Increase) decrease in inventory	(31,890)
(Increase) decrease in prepaid expenses	(7,991)
(Increase) decrease in deferred outflows of resources	(6,591)
Increase (decrease) in operating payables	(13,373)
(Increase) decrease in compensated absences	8,151
Increase (decrease) in net pension asset	12,272
Increase (decrease) in deferred inflows of resources	(3,221)
	<hr/>
Net cash provided by (used for) operating activities	\$ <u><u>(699,865)</u></u>

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

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements**  
**As of June 30, 2020**

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**Note 1-Summary of Significant Accounting Policies:**

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The financial statements of the Roanoke Valley Broadband Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The Roanoke Valley Broadband Authority was created as an authority pursuant to the Virginia Wireless Service Authorities Act, Chapter 54.1, Title 15.2 of the *Code of Virginia 1950 as amended*. The governing bodies of the County of Roanoke, the County of Botetourt, the City of Roanoke, and the City of Salem established the Roanoke Valley Broadband Authority (the "Authority") for the purpose of providing broadband services and related services to individuals and organizations within the boundaries of the aforementioned participating jurisdictions.

**B. Basis of Accounting**

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

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

**C. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

**D. Basic Financial Statements**

The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB).

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

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**D. Basic Financial Statements (Continued)**

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

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to the Financial Statements
- Required supplementary information

**E. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Roanoke Valley Broadband Authority has two items that qualify for reporting in this category.

- Item one is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as an adjustment of the net pension liability next fiscal year. For more detailed information on these items, refer to the pension note herein (note 6).
- Item two is comprised of certain items related to the measurement of the net pension liability/asset. This includes the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, refer to the pension note herein (note 6).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Roanoke Valley Broadband Authority has one type of item that qualifies for reporting in this category.

- Certain items related to the measurement of the net pension asset are reported as deferred inflows of resources. For more detailed information on these items, refer to the pension note herein (note 6).

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

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**F. Restricted Assets**

Certain resources set aside from bond proceeds are classified as restricted assets on the statement of net position because they are maintained in separate bank and/or investment accounts and their use is limited by applicable bond covenants. At year end, restricted assets totaling \$1,067,361 were comprised of debt service reserves of \$1,057,332 and escrow funds totaling \$10,029 held pursuant to an escrow agreement with American Electric Power, Inc.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated 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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Interest expense for the period totaled \$172,955. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	10-30
Easements	30
Leasehold improvements	term of lease
Equipment	5

**H. Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**I. Other Significant Accounting Policies**

- The Authority bills for services in advance; therefore, no allowance for doubtful accounts has been reported.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 1-Summary of Significant Accounting Policies: (Continued)**

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**J. 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. Accordingly, actual results could differ from those estimates.

**K. Investments**

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

**L. Compensated Absences**

The liability for compensated absences reported in the financial statements consists of unpaid accumulated leave balances. The liability is based on the leave accumulated at June 30. Limited leave may be accumulated until retirement or termination. Accumulated leave is paid at the employee's current wage upon retirement or termination.

**M. Net Position**

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

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.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

**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 choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

**Credit Risk of Debt Securities**

The Organization’s rated debt investments as of June 30, 2020 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

Authority's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
First American Government Obligations Fund	\$ 1,057,332

**Interest Rate Risk**

The Organization has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Type	Investment Maturities (in years)		
	Fair Value	Less 1 yr	6-10 yrs
First American Government Obligations Fund	\$ 1,057,332	\$ 1,057,332	\$ -

**Concentration of Credit Risk**

The Organization has not adopted an investment policy for concentration of credit risk.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 3-Fair Value Measurement:**

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy establish by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimized the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2 - Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3 - Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Level 1	Level 2	Level 3
	\$	\$	\$
First American Government Obligations Fund	1,057,332	-	-

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

**Note 4-Capital Assets:**

A summary of changes in capital assets for the year ended June 30, 2020 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 264,832	\$ 29,349	\$ (264,832)	\$ 29,349
Total capital assets not being depreciated, net	<u>\$ 264,832</u>	<u>\$ 29,349</u>	<u>\$ (264,832)</u>	<u>\$ 29,349</u>
Capital assets, being depreciated:				
Purchased easements	\$ 76,693	\$ 1,690	\$ -	\$ 78,383
Leasehold improvements	6,416	-	-	6,416
Equipment	14,344	40,445	-	54,789
Infrastructure	9,196,421	481,849	-	9,678,270
Total capital assets being depreciated	<u>\$ 9,293,874</u>	<u>\$ 523,984</u>	<u>\$ -</u>	<u>\$ 9,817,858</u>
Accumulated depreciation:				
Purchased easements	\$ (7,892)	\$ (2,604)	\$ -	\$ (10,496)
Leasehold improvements	(4,634)	(1,782)	-	(6,416)
Equipment	(2,327)	(8,936)	-	(11,263)
Infrastructure	(958,248)	(373,600)	-	(1,331,848)
Total accumulated depreciation	<u>\$ (973,101)</u>	<u>\$ (386,922)</u>	<u>\$ -</u>	<u>\$ (1,360,023)</u>
Total capital assets being depreciated, net	<u>\$ 8,320,773</u>	<u>\$ 137,062</u>	<u>\$ -</u>	<u>\$ 8,457,835</u>
Capital assets, net	<u>\$ 8,585,605</u>	<u>\$ 166,411</u>	<u>\$ (264,832)</u>	<u>\$ 8,487,184</u>

At year end, accounts and retainage payable related to construction projects totaled \$0.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 5-Long-term Obligations:**

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

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
Revenue bonds	\$ 6,990,000	\$ -	\$ (875,000)	\$ 6,115,000
Compensated absences	31,531	31,799	(23,648)	39,682
<b>Total</b>	<b>\$ 7,021,531</b>	<b>\$ 31,799</b>	<b>\$ (898,648)</b>	<b>\$ 6,154,682</b>

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

Year Ending June 30,	Revenue bonds	
	Principal	Interest
2021	\$ 890,000	\$ 159,216
2022	915,000	138,268
2023	940,000	114,171
2024	970,000	87,188
2025	995,000	57,633
2026-2027	1,405,000	31,133
<b>Totals</b>	<b>\$ 6,115,000</b>	<b>\$ 587,609</b>

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 5-Long-term Obligations: (Continued)**

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Details of long-term obligations:

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds</u>		
<p>\$5,780,000 in taxable revenue bonds issued on May 28, 2015. The bonds bear interest at rates ranging from 0.899% to 3.516% depending on maturity date. The bonds mature annually in amounts ranging from \$525,000 to \$655,000 on October 1, 2016 through October 1, 2025. Interest payments are due semi-annually on April 1st and October 1st.</p>	\$ 3,635,000	\$ 560,000
<p>\$3,450,000 in taxable revenue bonds issued on July 27, 2016. The bonds bear interest at rates ranging from 1.141% to 2.622% depending on maturity date. The bonds mature annually in amounts ranging from \$320,000 to \$380,000 on October 1, 2017 through October 1, 2026. Interest payments are due semi-annually on April 1st and October 1st.</p>	<u>2,480,000</u>	<u>330,000</u>
Subtotal	<u>\$ 6,115,000</u>	<u>\$ 890,000</u>
<u>Other Long-Term Obligations</u>		
Compensated absences	<u>\$ 39,682</u>	<u>\$ 29,761</u>
Total long-term obligations	<u>\$ 6,154,682</u>	<u>\$ 919,761</u>

Note: Support agreements for revenue bonds have been issued by Roanoke County and the Cities of Roanoke and Salem.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan:**

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***Plan Description***

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

***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan: (Continued)**

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

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

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

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

***Contributions***

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2020 was 4.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$3,195 and \$5,555 for the years ended June 30, 2020 and June 30, 2019, respectively.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan: (Continued)**

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***Net Pension Liability (Asset)***

At June 30, 2020, the Authority reported an asset of \$3,485 for its proportionate share of the net pension asset. The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability (asset) determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Authority's net pension asset was measured as of June 30, 2019. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2019 and 2018 as a basis for allocation. At June 30, 2019 and 2018, the Authority's proportion was .7712% and 1.3286%, respectively.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**Mortality rates:**

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan: (Continued)**

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***Actuarial Assumptions - General Employees (Continued)***

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

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

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

**Note 6-Pension Plan: (Continued)**

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

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

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

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan: (Continued)**

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***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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the Authority's proportionate share of the net pension liability (asset) using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension liability (asset) 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:

	<b>Rate</b>		
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
Authority's proportionate share of the Authority Retirement Plan Net Pension Liability (Asset)	\$ 15,696	\$ (3,485)	\$ (18,569)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$3,324. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

**Note 6-Pension Plan: (Continued)**

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

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,672	\$ 1,896
Change in assumptions	3,414	2,469
Net difference between projected and actual earnings on pension plan investments	-	2,337
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,456	-
Employer contributions subsequent to the measurement date	3,195	-
Total	\$ 13,737	\$ 6,702

\$3,195 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year ended June 30</b>	
2021	\$ 516
2022	(450)
2023	3,035
2024	739
2025	-
Thereafter	-

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 6-Pension Plan: (Continued)**

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***Pension Plan Data***

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

**Note 7-Risk Management:**

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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. The Authority participates with other government entities in a public entity risk pool for their coverage of liability insurance through the Virginia Municipal League (VML). Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority makes contributions to a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from the aforementioned risks have not exceeded coverage in any of the past three years.

**Note 8-Concentration of Funding:**

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The Authority received approximately 70% of its revenue in the current year from participant contributions and expects additional contributions will be necessary until a customer base sufficient to cover projected operating and capital costs is established.

**Note 9-Subsequent Event:**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**Note 10-Upcoming Pronouncements:**

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Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 10-Upcoming Pronouncements: (Continued)**

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Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (Note to Auditor: Early application is encouraged so you may consider discussing this with the client for implementation now if there are construction projects underway. If early implemented, modify the opinion and governance letter to reflect early implementation.)

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

**Roanoke Valley Broadband Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2020**

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**Note 10-Upcoming Pronouncements: (Continued)**

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Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset) - Pension Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Proportionate Share of the NPLA (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
2019	0.7712%	\$ (3,485)	\$ 295,231	-1.18%	102.69%
2018	1.3286%	(15,757)	261,170	-6.03%	108.13%
2017	1.4056%	(13,615)	209,362	-6.50%	107.42%
2016	1.2736%	4,837	101,538	4.76%	96.87%

Schedule is intended to show information for 10 years. The Authority did not participate in VRS until the 2016 fiscal year. As such, data is shown for all applicable periods.

Schedule of Employer Retirement Contributions - Pension Plan  
 Years Ended June 30, 2016 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 3,195	\$ 3,195	-	\$ 256,000	1.25%
2019	5,555	5,555	-	295,231	1.88%
2018	7,960	7,960	-	261,170	3.05%
2017	6,873	6,873	-	209,362	3.28%
2016	4,020	4,020	-	101,538	3.96%

Schedule is intended to show information for 10 years; however the Authority did not participate in the retirement plan until the fiscal year ending June 30, 2016.

Notes to Required Supplementary Information - Pension Plan  
 Year Ended June 30, 2020

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy,	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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## COMPLIANCE SECTION

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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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**To the Members of the Board of Directors  
Roanoke Valley Broadband Authority  
Roanoke, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Roanoke Valley Broadband Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Roanoke Valley Broadband Authority's basic financial statements, and have issued our report thereon dated September 8, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Roanoke Valley Broadband Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roanoke Valley Broadband Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roanoke Valley Broadband 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

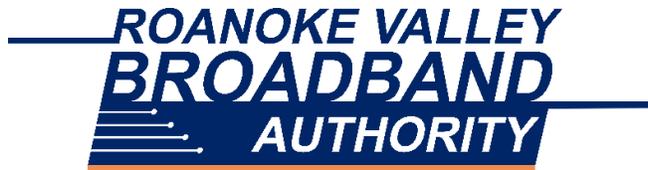
As part of obtaining reasonable assurance about whether the Roanoke Valley Broadband Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
September 8, 2020



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**BOARD MEMBERS:**  
*Bob Cowell, City of Roanoke*  
*Gary Larrowe, Botetourt County*  
*Mike McEvoy, Citizen*  
*Daniel R. O'Donnell, Roanoke County*  
*James E. Taliaferro, II, City of Salem*  
*Dr. Scott Midkiff, Virginia Tech*

## **Staff Report**

### **Election of Officers**

Election of Officers should take place in June of even numbered years. In 2020, the June meeting was cancelled. As a result, the election of officers needs to take place. New terms will expire on June 30, 2022.

Current officers (Terms ending June 30, 2020) are:

**Chair:** Mike McEvoy

**Vice Chair:** Dan O'Donnell

**Secretary:** Wayne Strickland

**Assistant Secretary:** Matt Miller

**Treasurer:** Olivia Dooley

#### **Relevant References in By-Laws:**

##### **Section 6.1 Designation and Duties of Officers**

The principal Officers of the Authority shall be the Chair, the Vice Chair, the Secretary and the Treasurer, all of whom shall be elected by the Board. The Chair and Vice Chair shall be Individual Members. The Secretary and the Treasurer need not be Individual Members. The offices of Secretary and Treasurer may be combined. The Board may also appoint an assistant treasurer, an assistant secretary, and such other positions as in its judgment may be necessary. The holders of such other positions shall not be Members.

##### **Section 6.2 Election of Officers and Term**

The Officers of the Authority are elected for two-year terms in even numbered years by the Board. The term shall run from July 1 of the first year through June 30 of the second year after initial incorporation terms. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Board.