Roanoke Valley Broadband Authority

FINANCIAL REPORT

Year Ended June 30, 2022

ROANOKE VALLEY BROADBAND AUTHORITY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

Roanoke Valley Broadband Authority
Financial Report
Year Ended June 30, 2022

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

RFC CPAs | CONSULTANTS

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Qualified Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Roanoke Valley Broadband Authority's basic financial statements as listed in the table of contents.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Roanoke Valley Broadband Authority, as of June 30, 2022, 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.

Basis for Qualified Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Roanoke Valley Broadband Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to Qualified Opinion

We were unable to verify the inventory balance reported in the accompanying financial statements and it was impractical to expand audit procedures to verify same. The amount by which an adjustment to the inventory balance in the accompanying financial statements would affect assets, expenditures and net position has not been determined.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Roanoke Valley Broadband Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Roanoke Valley Broadband Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension funding, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, 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 the 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
October 25, 2022

Basic Financial Statements

Roanoke Valley Broadband Authority **Exhibit 1**

Statement of Net Position
As of June 30, 2022

Assets:		
Current Assets:		
Cash and cash equivalents	$	1,645,476
Accounts receivable (net of allowance for uncollectibles)		141,360
Inventory		262,462
Prepaid items		71,259
Leases receivable - current portion		97,099
Total current assets	$	2,217,656
Noncurrent Assets:		
Restricted cash and cash equivalents	$	1,067,615
Leases receivable - net of current portion		411,940
Net pension asset		40,872
Capital Assets:		
Purchased easements		92,019
Machinery and equipment		74,115
Leasehold improvements		6,416
Infrastructure		11,819,416
Intellectual properties		107,700
Right-to-use leased assets:		
Infrastructure		66,118
Buildings and improvements		193,958
Equipment		21,182
Accumulated depreciation/amortization		(2,267,999)
Total net capital assets	$	10,112,925
Total noncurrent assets	$	11,633,352
Total assets	$	13,851,008
Deferred Outflows of Resources:		
Pension related items	$	21,966
Total deferred outflows of resources	$	21,966
Liabilities:		
Current Liabilities:		
Accounts payable	$	334,636
Accrued interest payable		31,724
Compensated absences - current portion		32,738
Revenue bonds - current portion		940,000
Leases payable - current portion		68,887
Total current liabilities	$	1,407,985
Noncurrent Liabilities:		
Compensated absences - net of current portion	$	10,912
Revenue bonds - net of current portion		3,370,000
Leases payable - net of current portion		149,069
Total noncurrent liabilities	$	3,529,981
Total liabilities	$	4,937,966
Deferred Inflows of Resources:		
Pension related items	$	42,908
Items related to leases receivable		754,271
Total deferred inflows of resources		797,179
Net Position:		
Net investment in capital assets	$	6,870,540
Unrestricted		1,267,289
Total net position	$	8,137,829

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

Roanoke Valley Broadband Authority **Exhibit 2**

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues:		
Charges for services	$	867,933
Miscellaneous charges		10,661
Total operating revenues	$	878,594
Operating expenses:		
Wages and benefits	$	560,914
Professional fees		170,645
Carrier service		238,060
811 locates		64,563
Brand management		102,013
Repairs and maintenance		134,785
NOC Services		42,507
Rent		12,661
Supplies - office		6,812
Supplies - network		2,795
Billing expense		24,000
Miscellaneous		30,188
Travel		9,448
Telephone		5,892
Advertising		231
Computer expenses		10,965
Insurance		7,344
Utilities		2,994
Postage		2,591
Dues and publications		16,444
Depreciation/amortization		514,020
Total operating expenses	$	1,959,872
Operating income (loss)	$	(1,081,278)
Nonoperating revenues (expenses):		
Interest income	$	9,692
Interest expense		(143,415)
Connection/installation fees		63,906
Contributions - operating		1,990,447
Lease revenue		104,231
Total nonoperating revenues (expenses)	$	2,024,861
Contributions in aid of construction	$	123,630
Change in net position	$	1,067,213
Net position, beginning of year		7,070,616
Net position, end of year	$	8,137,829

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

Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:		
Receipts from customers and users	$	823,670
Payments to suppliers		(1,015,023)
Payments to employees		(579,575)
Net cash provided by (used for) operating activities	$	(770,928)
Cash flows from noncapital financing activities:		
Intergovernmental revenues/contributions	$	1,683,446
Net cash provided by (used for) noncapital financing activities	$	1,683,446
Cash flows from capital and related financing activities:		
Purchase of capital assets	$	(403,044)
Contributions/installation fees		187,536
Receipts from leases		349,463
Principal payments on revenue bonds		(915,000)
Principal payments on leases payable		(64,650)
Interest payments		(149,101)
Net cash provided by (used for) capital and related financing activities	$	(994,796)
Cash flows from investing activities:		
Interest received	$	9,692
Net cash provided by (used for) investing activities	$	9,692
Increase (decrease) in cash and cash equivalents	$	(72,586)
Cash and cash equivalents, including restricted cash and cash equivalents, at beginning of year		2,785,677
Cash and cash equivalents, including restricted cash and cash equivalents, at end of year	$	2,713,091
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(1,081,278)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		514,020
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable		(54,924)
Inventory		(134,721)
Prepaid expenses		(11,220)
Deferred outflows of resources - pension related items		(6,174)
Net pension asset		(40,872)
Operating payables		15,856
Compensated absences		(9,129)
Net pension liability		(3,396)
Deferred inflows of resources - pension related items		40,910
Net cash provided by (used for) operating activities	$	(770,928)

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

Note 1–Summary of Significant Accounting Policies:

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).

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

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 includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Roanoke Valley Broadband Authority has two items that qualify for reporting in this category. They are comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Roanoke Valley Broadband Authority has two types items that qualify for reporting in this category. They are comprised of certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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 $1,067,615 were comprised of debt service reserves of $1,057,584 and escrow funds totaling $10,031 held pursuant to an escrow agreement with American Electric Power, Inc.

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

G. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets, 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.

As the Authority constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset	Years
Infrastructure	10-30
Easements	30
Leasehold improvements	term of lease
Equipment	5
Right-to-use leased assets:	
Infrastructure	5
Equipment	5-15
Buildings and improvements	5-15

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.

Note 1–Summary of Significant Accounting Policies: (Continued)

I. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

J. Other Significant Accounting Policies

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

K. 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.

L. 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.

M. 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.

N. 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.

Note 1–Summary of Significant Accounting Policies: (Continued)

N. Net Position (Continued)

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

O. Leases

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee
The Authority recognizes lease liabilities and intangible right-to-use lease assets (lease asset) with an initial value of $5,000, individually or in the aggregate in the financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor
The Authority recognizes leases receivable and deferred inflows of resources in the financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments
Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

Note 1–Summary of Significant Accounting Policies: (Continued)

O. Leases (Continued)

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

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, 2022, 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	$ 1,057,584

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Note 2-Deposits and Investments: (Continued)

Interest Rate Risk

The Organization has not adopted an investment policy for interest rate risk.

Concentration of Credit Risk

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

Note 3-Fair Value Measurement:

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, 2022:

	Fair Value Measurement Using
	Quoted Prices in Active Markets for Identical Assets
	Level 1
First American Government Obligations Fund	$ 1,057,584

Note 4–Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2022 follows:

	Beginning Balance	Adjustments[1]	Beginning Balance, as adjusted	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:						
Intellectual properties	$ 107,700	$ -	$ 107,700	$ -	$ -	$ 107,700
Construction in progress	1,652,210	-	1,652,210	101,165	(1,753,375)	-
Total capital assets not being depreciated, net	$ 1,759,910	$ -	$ 1,759,910	$ 101,165	$ (1,753,375)	$ 107,700
Capital assets, being depreciated:						
Purchased easements	$ 78,718	$ -	$ 78,718	$ 13,301	$ -	$ 92,019
Leasehold improvements	6,416	-	6,416	-	-	6,416
Equipment	68,489	-	68,489	5,626	-	74,115
Infrastructure	9,783,089	-	9,783,089	2,036,327	-	11,819,416
Total capital assets being depreciated	$ 9,936,712	$ -	$ 9,936,712	$ 2,055,254	$ -	$ 11,991,966
Accumulated depreciation:						
Purchased easements	$ (13,112)	$ -	$ (13,112)	$ (2,912)	$ -	$ (16,024)
Leasehold improvements	(6,416)	-	(6,416)	-	-	(6,416)
Equipment	(22,699)	-	(22,699)	(14,448)	-	(37,147)
Infrastructure	(1,713,100)	-	(1,713,100)	(428,545)	-	(2,141,645)
Total accumulated depreciation	$ (1,755,327)	$ -	$ (1,755,327)	$ (445,905)	$ -	$ (2,201,232)
Total capital assets being depreciated, net	$ 8,181,385	$ -	$ 8,181,385	$ 1,609,349	$ -	$ 9,790,734
Right-to-use leased assets:						
Infrastructure	$ -	$ 66,118	$ 66,118	$ -	$ -	$ 66,118
Buildings and improvements	-	193,958	193,958	-	-	193,958
Equipment	-	22,530	22,530	-	(1,348)	21,182
Right-to-use leased assets being amortized	$ -	$ 282,606	$ 282,606	$ -	$ (1,348)	$ 281,258
Accumulated amortization						
Infrastructure	$ -	$ -	$ -	$ (19,775)	$ -	$ (19,775)
Buildings and improvements	-	-	-	(44,756)	-	(44,756)
Equipment	-	-	-	(3,584)	1,348	(2,236)
Total accumulated amortization	$ -	$ -	$ -	$ (68,115)	$ 1,348	$ (66,767)
Net right-to-use leased assets	$ -	$ 282,606	$ 282,606	$ (68,115)	$ -	$ 214,491
Capital assets, net	$ 9,941,295	$ 282,606	$ 10,223,901	$ 1,642,399	$ (1,753,375)	$ 10,112,925

[1] *Beginning balance was adjusted due to the implementation of GASB Statement No. 87.*

Note 5-Long-term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2022:

	Balance July 1, 2021	Adjustments[1]	Balance July 1, 2021	Issuances	Retirements	Balance June 30, 2022
Revenue bonds	$5,225,000	$ -	$5,225,000	$ -	$ (915,000)	$ 4,310,000
Leases payable	-	282,606	282,606	-	(64,650)	217,956
Compensated absences	52,779	-	52,779	30,455	(39,584)	43,650
Net pension liability[2]	3,396	-	3,396	50,464	(53,860)	-
Total	$5,281,175	$ 282,606	$5,563,781	$80,919	$(1,073,094)	$ 4,571,606

[1] *Beginning balance was adjusted due to the implementation of GASB Statement No. 87.*

[2] *Beginning balance was a net pension liability; however, the ending balance is a net pension asset.*

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

Year Ending	Revenue bonds		Leases payable	
June 30,	Principal	Interest	Principal	Interest
2023	$ 940,000	$ 114,171	$ 68,887	$ 5,736
2024	970,000	87,188	30,632	2,392
2025	995,000	57,633	23,275	2,002
2026	1,025,000	26,150	15,846	1,688
2027	380,000	4,983	16,421	1,379
2028-2032	-	-	62,895	2,259
Totals	$ 4,310,000	$ 290,125	$ 217,956	$ 15,456

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Note 5–Long-term Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Total Amount Due	Amount Due Within One Year
Revenue bonds:						
Revenue bond	0.899%-3.516%	2015	2026	$ 5,780,000	$ 2,500,000	$ 595,000
Revenue bond	1.141%-2.622%	2017	2027	3,450,000	1,810,000	345,000
Subtotal					$ 4,310,000	$ 940,000
Leases payable:						
Dark fiber lease	0.73%	2020	2025	78,621	39,645	15,771
Office space lease	14.80%	2018	2023	109,468	33,273	33,273
Office space lease	2.00%	2016	2031	78,745	50,211	5,075
Office space lease	2.00%	2016	2031	85,850	54,333	5,495
Office space lease	2.00%	2017	2033	22,850	15,809	1,498
Fiber utilization lease	4.00%	2019	2024	25,000	5,624	5,624
Office space lease	1.38%	2016	2031	32,539	19,061	2,151
Subtotal					$ 217,956	$ 68,887
Other Long-Term Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	$ 43,650	$ 32,738
Total long-term obligations					$ 4,571,606	$ 1,041,625

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

Note 6–Pension Plan:

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.

Note 6–Pension Plan: (Continued)

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 with a membership date 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 with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 with a membership date 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.

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.

Note 6–Pension Plan: (Continued)

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, 2022 was 4.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 $7,414 and $4,583 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Asset

At June 30, 2022, the Authority reported an asset of $40,872 for its proportionate share of the net pension asset. The Authority's net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021. The Authority's proportionate share of the same was calculated using contributions as of June 30, 2022 and 2021 as a basis for allocation. At June 30, 2021 and 2020, the Authority's proportion was 1.5941% and 1.0200%, 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, 2020, 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, 2021.

Note 6–Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

Mortality rates:

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvements:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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Note 6-Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 6-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, 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, 2021 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:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
Authority's proportionate share of the Authority Retirement Plan Net Pension Liability (Asset)	$ 7,712	$ (40,872)	$ (80,151)

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

For the year ended June 30, 2022, the Authority recognized pension expense of $452. 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.

Note 6-Pension Plan: (Continued)

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

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,369	$ 81
Change in assumptions	6,660	-
Net difference between projected and actual earnings on pension plan investments	-	42,827
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,523	-
Employer contributions subsequent to the measurement date	7,414	-
Total	$ 21,966	$ 42,908

$7,414 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2023	$ (2,779)
2024	(5,076)
2025	(8,516)
2026	(11,985)
2027	-
Thereafter	-

Note 6-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 7-Leases Receivable:

The following is a summary of leases receivable transactions of the Authority for the year ended June 30, 2022:

	Beginning Balance	Adjustments[1]	Beginning Balance, as adjusted	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	$ -	$ 496,866	$ 496,866	$ 96,953	$ (84,780)	$ 509,039	$ 9,255

[1] *Beginning balance was adjusted due to the implementation of GASB Statement No. 87.*

Details of leases receivable:

Lease Description	Lease Origination Date*	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Dark fiber	2022	2028	Monthly	2.55%	$ 55,396	$ 10,712
Dark fiber	2022	2029	Monthly	0.79	34,348	6,231
Dark fiber	2019	2024	Monthly	0.79	9,382	5,345
Dark fiber	2019	2024	Monthly	0.79	13,402	8,445
Rackspace	2020	2026	Monthly	0.79	26,595	7,015
Rackspace	2018	2023	Monthly	0.79	2,739	2,739
Dark fiber	2020	2025	Monthly	0.79	35,143	11,958
Dark fiber	2021	2026	Monthly	0.79	12,106	4,119
Conduit	2018	2024	Semi-annual	0.79	2,377	1,184
Telecommunications equipment	2020	2030	Monthly	2.00	317,551	39,351
Totals					$ 509,039	$ 97,099

There are no variable payments for any of the lease receivables above

*Date shown is the original lease commencement date. GASB Statement No. 87 was implemented as of July 1, 2021.

Note 7-Leases Receivable: (Continued)

Future minimum lease payments is as follows:

Year Ending June 30,	Leases Receivable Principal	Leases Receivable Interest
2023	$ 97,099	$ 8,188
2024	91,793	6,752
2025	82,521	5,364
2026	67,967	4,035
2027	63,806	2,759
2028-2030	105,853	2,272
Totals	$ 509,039	$ 29,370

Deferred inflows related to leases total $754,271, which is comprised of lease receivables of $503,001 and prepaid lease revenue of $251,270.

Note 8-Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 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 9-Concentration of Funding:

The Authority received approximately 63% of its revenue, excluding construction contributions, 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 10-Adoption of Accounting Principle:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement requires leases to be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. There was no net impact on beginning net position as a result of the implementation.

Note 11-Upcoming Pronouncements:

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. 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 fiscal years beginning after June 15, 2022.

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 fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Note 11-Upcoming Pronouncements: (Continued)

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

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, 2021

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)
2021	1.5941%	$ (40,872)	$ 284,655	-14.36%	112.45%
2020	1.0200%	3,396	256,000	1.33%	98.17%
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, 2022

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)
2022	$ 7,414	$ 7,414	$ -	$ 191,484	3.87%
2021	4,583	4,583	-	284,655	1.61%
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, 2022

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

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

To the 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, 2022, 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 October 25, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on 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*.

Roanoke Valley Broadband Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Roanoke Valley Broadband Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Roanoke Valley Broadband Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 25, 2022

Roanoke Valley Broadband Authority

Schedule of Findings and Responses
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified ?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

Finding 2022-001
Material Weakness

Criteria:	A process should be in place to track and validate inventory balances at year end.
Condition:	The Authority's inventory balance at year end was material to the financial statements and there was no validation of the inventory balance at year end. (inventory count)
Cause:	The Authority had several projects underway during the fiscal year causing inventory balances at year end to be higher then normal.
Effect	Without verification of inventory balances at year end, there is a reasonable possibility that the Authority's inventory balance will be materially misstated.
Recommendation:	The Authority should develop a process to track and verify balances of inventory at year end.
Management's Response:	Management agrees with the recommendation.

Section III - Status of Prior Audit Findings

Condition:	Botetourt County and the Botetourt County Economic Development Authority (EDA) contracted with the Authority to construct broadband infrastructure in Botetourt County; however, we were unable to locate contract documents that detailed the scope, costs, or specifications for the project(s).
Recommendation:	Understanding this was likely a very limited instance due to COVID-19 pandemic; we recommend the Authority refrain from moving forward on projects without proper contracting documents in the future.
Current Status:	Finding 2021-001 was corrected during the 2022 fiscal year.
Corrective Action:	During the 2022 fiscal year, the Authority obtained proper contract documents prior to starting any projects.