



Regular Meeting of the Board of Directors of the Eastern Shore Broadband Authority

January 28th, 2020

2:00 p.m. virtually via Zoom

<https://zoom.us/j/93958252118?pwd=SHVhbjRXNDVavazZQWndFdIRSV0hNQTO9>

AGENDA

- 1. Call to Order**
- 2. Agenda Adoption**
- 3. Public Comment**
- 4. Approval of Minutes**
- 5. System Status & Build Report**
- 6. Old business**
 - a. Approve FY20 Final Audit**
 - b. Address contractor complaint**
- 7. New Business**
 - a. Circuit/Capacity Rehoming**
 - b. Member selection for compensation committee**
 - c. Captains Cove Buildout**
- 8. Treasurers Report**
- 9. Board Comments**
- 10. Closed Session**
 - a. Contracted Revenue (Section 2.2-3711 Paragraph 33)**
- 11. Adjournment**

Next Board Regular Meeting: March 25th, 2021

1 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; (A) Paragraph 1. Discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body.

2 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 5: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.

3 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 33: Discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act (§ 15.2-5431.1 et seq.) of confidential proprietary records and trade secrets excluded from this chapter pursuant to subdivision 19 of § 2.2-3705.6.

MINUTES

Regular Meeting of the Board of Directors of the Eastern Shore of Virginia Broadband Authority

December 3, 2020

Board members in attendance were: John Reiter, Mike Mason, Charles Kolakowski and Elaine Meil.

ESVBA management participating in the meeting who were in attendance: Robert Bridgham and Leah Hoopes (Secretary)

Members of the public attending were: Pat Coady, Paul Hoggard, Mark Tubbs, and Mike Zodun,

Ms. Meil called the meeting to order at 2:01 pm.

AGENDA ADOPTION

Mr. Reiter moved to adopt the agenda. Mr. Kolakowski seconded. Motion passed unopposed.

PUBLIC COMMENT

Mr. Zodun (Belle Haven) congratulated the Authority on reaching 1000 residential customers. He expressed his appreciation for the bandwidth increase during Covid and encourages the Authority to look for funds to finish the expansion of the Eastern Shore.

Mr. Hoggard (Coastal Contracting) asked to speak with the board privately to address some concerns.

Mr. Coady announced that the VA Broadband council meets on 12/4 and will be taken a vote on a request from the legislature for an opinion from the broadband council as to whether broadband authorities should be eligible for VATA funds without having a downstream private partner.

REVIEW OF MINUTES

Mr. Mason moved to approve the Meeting Minutes from September. Mr. Kolakowski seconded. Motion passed unopposed.

Mr. Kolakowski moved to approve the Work Session Meeting Minutes from October. Mr. Reiter seconded. Motion passed unopposed.

SYSTEM STATUS & BUILD REPORT

1. WiFi Hotspots- There are currently 16 hotspots in service. The Authority has 2 additional hotspots in Northampton County and 6 in Accomack.
Mr. Mason asked if any of the hotspots won't get done before 12/31.
Mr. Bridgham replied that Pine Street hotspot has underground and that's the only one that might not get done.
2. Residential Broadband- Mr. Bridgham reported the Authority broke the 1000 residential customer mark and currently have over 300 residents waiting to be installed. He stated that there are 57 customers in service in Harborton, 21 in Bobtown, 51 in Church Neck, 44 in Sanford, 2 on Cheapside, 3 on Cobbs Station, 76 in Accomac, 6 in Townsend, 16 in Greenbackville, 40 in Atlantic, 35 in Wattsville/Horntown, 50 in Oak Hall, 57 in Hallwood, 26 in Painter/Quinby, 43 in Eastville, 31 in Nassawadox, 6 in Oyster, 133 in Exmore, 39 in Belle Haven, 41 in Cheriton, 26 in Wachapreague, 222 in Onancock, 165 in Cape Charles, 67 in Parksley, 5 in Nocks Landing, 24 in Saxis, and 2 on Chincoteague.
3. WISP EVPL Program- Mr. Bridgham informed the BOD that 56 sites are in service, 8 new sites on-order and underway.
4. Microcommunity Program- There are 3 communities that are in service and 9 others that are in various stages of progress.
5. Audit- We received the draft final and are awaiting the final.

OLD BUSINESS

- a. **Discuss Service Extension Policy-** Mr. Bridgham presented the different scenario options.
Mr. Mason stated that he understands the fairness issue but by trying to solve one problem, it creates another and therefore does not support changing the current policy.
Mr. Reiter agrees with Mr. Mason.
Mr. Kolakowski would like to come up with a plan of future expansion.
Mr. Mason suggested waiting to see what comes from the Broadband Advisory meeting on Friday.

Ms. Meil asked what materials would be needed to have a productive discussion on future funds and plans.
Mr. Bridgham stated that he would look at additional factors from the ones that were used in the last metrics.

NEW BUSINESS.

- a. **2021 Board Schedule** - Mr. Bridgham presented the schedule and asked the board about adding Work Session Meetings.
Mr. Kolakowski asked when Mr. Bridgham would have the information for the Work Session.
Mr. Bridgham replied that February should be enough time.
Mr. Reiter motioned to approve the schedule with the November Meeting being rescheduled to December 2nd and adding a Work Session Meeting on February 25th. Mr. Mason seconded. Motion passed unopposed.
- b. **EDA & RUS Grant Applications** -
Mr. Reiter asked if there is any downside to applying to the grants.
Mr. Bridgham stated that they would possibly need to contract with PDC to help with the grant.
Mr. Mason motioned for the Authority take the necessary steps to start the application process including submission. Mr. Reiter seconded. Motion passed unopposed.
- c. **Approve staff year-end bonuses of \$24,200-**
Mr. Reiter motioned to approve the staff bonuses in the amount presented. Mr. Kolakowski seconded. Motion passed unopposed.
- d. **Resolution to update bank signature cards-**
Mr. Mason motioned to update the signature cards. Mr. Kolakowski seconded. Motion passed unopposed.

TREASURER'S REPORT

Mr. Mason presented the treasurers report.

BOARD COMMENT

Mr. Mason wanted to thank Mr. Bridgham and the staff for the assistance in providing the ACPS with WiFi hotspots in a timely manner.

CLOSED SESSION

Motion to enter into closed session according to Section 2.2-3711 of the Code of

Virginia of 1950, as amended;) Paragraph 33: Discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act (§ [15.2-5431.1](#) et seq.) of confidential proprietary information and trade secrets subject to the exclusion in subdivision 19 of § [2.2-3705.6](#), made by Mr. Kolakowski, seconded by Mr. Reiter. The following board members were present: Mr. Reiter, Mr. Mason, Mr. Kolakowski, and Ms. Meil and voted affirmative.

After closed session, the Chair reconvened the meeting. Motion was made by Mr. Reiter, seconded by Mr. Kolakowski that the Board had entered the closed session for that purpose as set out in Paragraph 33 of Section 2.2-3711 of the Code of Virginia of 1950, as amended. Roll call vote taken Vote was that no other business discussed than as advised in Paragraph 33. The following board members were present: Mr. Reiter, Mr. Mason, Mr. Kolakowski, and Ms. Meil.

Mr. Mason moved to schedule a Rate Hearing for 7-year pricing on 1, 2, 5 and 10 Gig bandwidth as well as 5-year pricing on 12, 14, 16, 18 and 20 Gig. Mr. Reiter seconded. Motion passed unopposed.

Mr. Kolakowski moved to schedule the Rate Hearing for February 25th, 2021 at 2pm. Mr. Mason seconded. Motion passed unopposed.

ADJOURNMENT

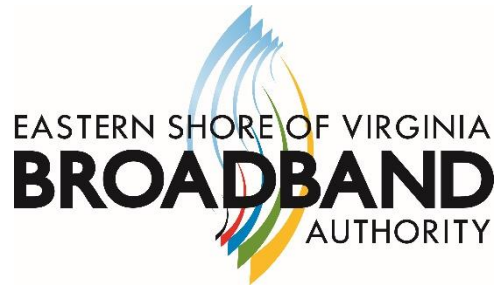
The meeting was adjourned at 3:49 pm.

These minutes were approved at the _____ meeting of the Board of Directors of ESVBA.

Presiding Officer

Copy teste:

Leah Hoopes, Secretary



Status Report January 2021

Status Report Topics

1. WiFi Hotspots
2. Residential Broadband
3. WISP EVPL Program
4. Microcommunity Program
5. CARES projects in Accomack & Northampton

WiFi Hotspots

- Increased from 15 → 24 WiFi Hotspots in service,
- Statistics for the Wifi hot spots have been provided.
- We have two new county-requested hotspots in Northampton County and both are operational:
 - Ebenezer AME – Up (we constructed ~400ft of fiber)
 - Bayview Heritage Gardens – Up (we constructed ~400ft of fiber)
- We have nine new county-requested hotspots in Accomack County and seven are operational:
 - Captains Cove Marina Clubhouse – Up (we constructed ~12,00ft of fiber passing 62 additional homes) ** The Captains Cove Golf & Yacht funded the second ½ of Captains Corridor which was another ~11,800ft of fiber passing another 127 additional homes.
 - Bailey Rd – Up (we constructed ~5,100ft of fiber passing 15 additional homes)
 - Seaside Village – Up (we constructed ~6,700ft of fiber passing 44 additional homes)
 - AS West – Up (we constructed ~400ft of fiber)
 - Petit Park – Up (we constructed ~2,000ft of fiber passing 20 additional homes)
 - Johnson Court – Up (we constructed ~400ft of fiber passing 10 additional homes)
 - Dreamland 2 – Up (we constructed ~8,900ft of fiber passing 43 additional homes)
 - Pine Street – Working on locating sewer lines and need underground
 - McComas Dr – Found alternative Path via Bailey Rd, working on field notes & access
- We have one new park that contacted us to ask for a hotspot which we are starting:
 - McMath Park in Onley

In total, we built approximately an additional 9 miles of network in response to the community need for hotspots and the cooperation of the two Counties as well as the Captains Cove Community.

Residential Broadband

- We have continued to double all residential services from their base rates to help subscribers during the COVID-19 emergency

Residential Report as of 1/21/2021

Area	Date Opened	# of Homes	Number of Active Customers	% Active Customers	Number of Signed customers pending construction	% Signed awaiting install	Combined Take Rate (active + signed)	Number of customers with contracts	% Awaiting cust signature
Harborton	Nov-16	142	56	39.44%	0	0.00%	39.44%	0	0.00%
Bobtown/Pungoteague/Keller	Mar-17	513	22	4.29%	2	0.39%	4.68%	2	0.39%
Church Neck	Mar-17	157	47	29.94%	14	8.92%	38.85%	0	0.00%
Sanford	Dec-17	306	47	15.36%	11	3.59%	18.95%	0	0.00%
Cheapside	Dec-17	197	2	1.02%	27	13.71%	14.72%	1	0.51%
Cobbs Station	Dec-17	105	3	2.86%	0	0.00%	2.86%	0	0.00%
Accomack	Dec-17	648	78	12.04%	3	0.46%	12.50%	3	0.46%
Townsend/Latimer Siding	Jan-18	80	6	7.50%	0	0.00%	7.50%	0	0.00%
Greenbackville	Jan-18	294	19	6.46%	38	12.93%	19.39%	2	0.68%
Atlantic	Mar-18	219	46	21.00%	26	11.87%	32.88%	0	0.00%
Wattsville-Horntown	Mar-18	262	37	14.12%	0	0.00%	14.12%	0	0.00%
Oak Hall	May-18	218	52	23.85%	18	8.26%	32.11%	1	0.46%
Hallwood	May-18	740	69	9.32%	6	0.81%	10.14%	1	0.14%
Quinby/Painter	Jun-18	354	29	8.19%	9	2.54%	10.73%	1	0.28%
Eastville	Jun-18	436	40	9.17%	4	0.92%	10.09%	0	0.00%
Nassawadox	Aug-18	455	31	6.81%	19	4.18%	10.99%	0	0.00%
Oyster	Aug-18	87	7	8.05%	0	0.00%	8.05%	0	0.00%
Exmore	Sep-18	740	132	17.84%	28	3.78%	21.62%	11	1.49%
Belle Haven	Sep-18	478	49	10.25%	8	1.67%	11.92%	0	0.00%
Cheriton	Oct-18	236	41	17.37%	0	0.00%	17.37%	2	0.85%
Wachapreague	Oct-18	300	28	9.33%	1	0.33%	9.67%	0	0.00%
Onancock	Nov-18	1907	232	12.17%	32	1.68%	13.84%	4	0.21%
Cape Charles	Nov-18	910	169	18.57%	36	3.96%	22.53%	6	0.66%
Parksley	Jan-19	896	76	8.48%	36	4.02%	12.50%	5	0.56%
Nocks Landing	Jan-19	88	5	5.68%	0	0.00%	5.68%	0	0.00%
Chincoteague	Jan-19	1345	2	0.15%	3	0.22%	0.37%	0	0.00%
Saxis	May-20	248	27	10.89%	2	0.81%	11.69%	0	0.00%

Totals: 1352

323

39

WISP EVPL Program

- Fifty-six (56) sites in service, eight (8) new sites on-order and underway (one has been on hold for quite some time).
- Bandwidth upgrades have been provisioned for several towers and sites continue to be added.
- We are also still processing several migrations from the WISPs on the Eastern Shore

Microcommunity Program

- There are 8 microcommunities in-service and operational
- We have 11 approved microcommunities representing 95-homes that have been approved and are in-progress of being constructed.

CARES projects in Accomack & Northampton

Both Accomack & Northampton Counties have additional CARES Act funding that was supposed to expire on 12/30/2020 but has been extended until 12/31/2021. This has created an opportunity for the Counties to consider funding additional broadband projects in the two counties and have asked the ESVBA to provide some projects that would fit the needs of the CARES funding. I have provided each county a simple presentation of failed microcommunities, network extensions,

and target areas outlining the fiber length, the construction costs and the number of homes that the extension would enable. I have also proposed that the Counties consider using some of the funding to help offset customers that have cost-prohibitive installation fees due to construction costs. The Counties could also consider offering a discount off of the ESVBA installation to households that meet certain income thresholds to help increase the availability for low-income families.

Residential Report as of 1/21/2021

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323

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Overview



Total APs

21

Rx 36.53 GB, 86.5 Kbps

Tx 955.2 GB, 2.209 Mbps

Total Traffic

991.7 GB

Avg Rate

2.293 Mbps

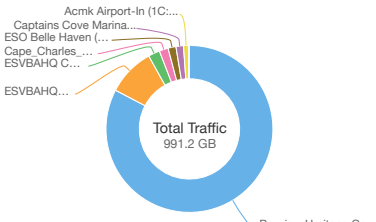
Total Clients

75

Traffic Distribution

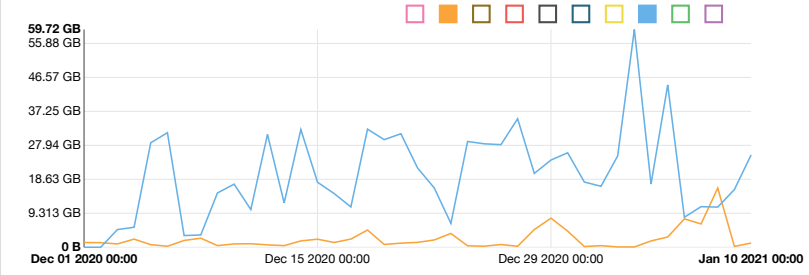


Top 10 APs by Traffic Volume

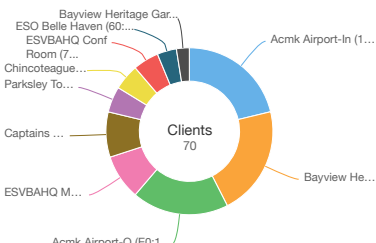


Total Traffic

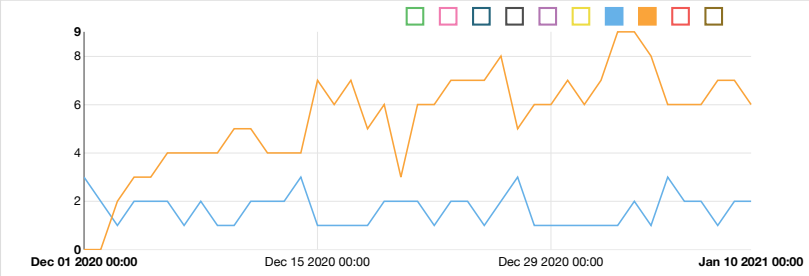
1 day



Top 10 APs by Client Count



1 day



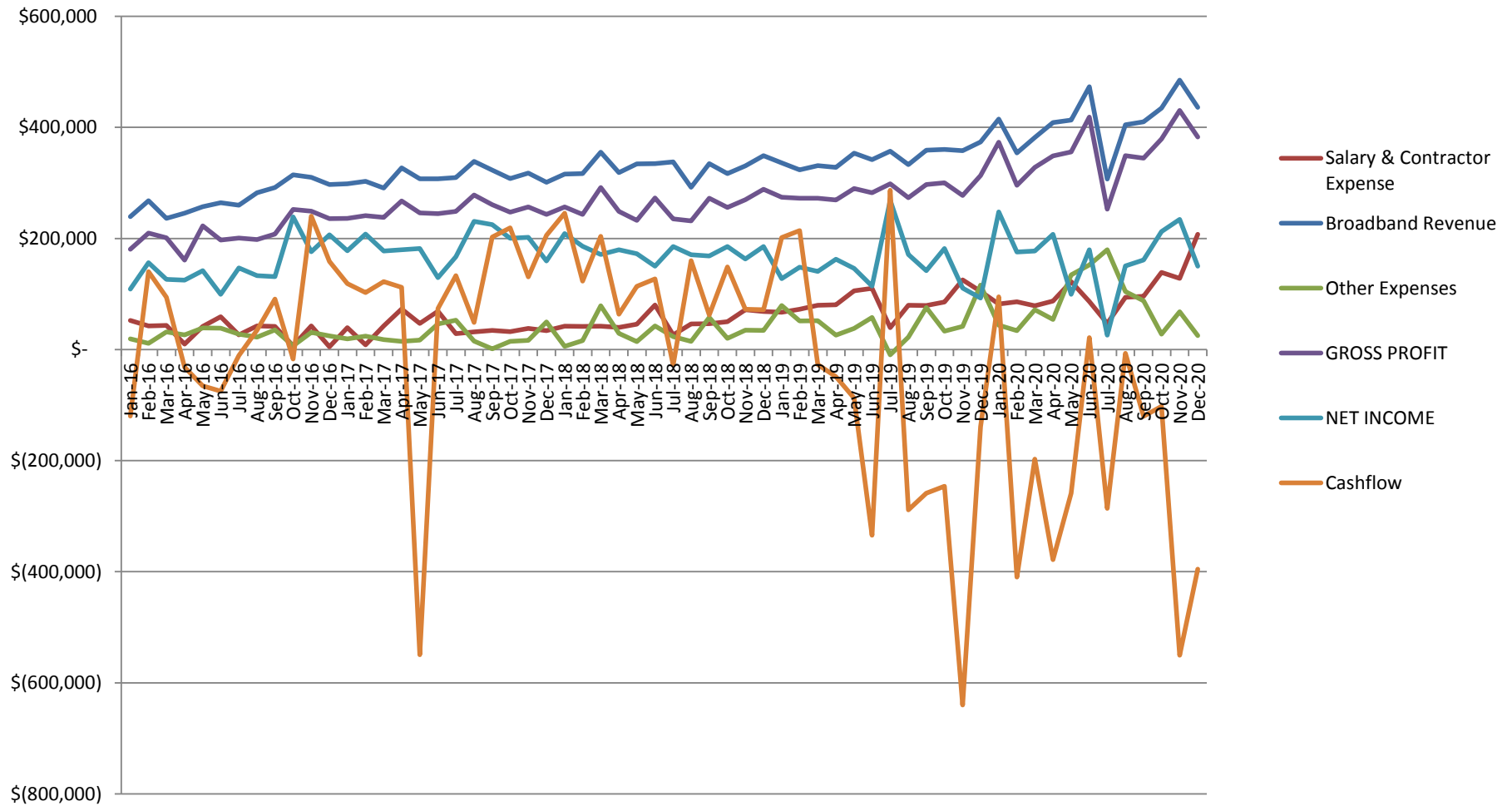
Top APs by Traffic

These APs consume 99.95 % (991.2 GB) of the total traffic (991.7 GB).

Top 10 APs

Index	AP Name	AP IP Address	Controller Name	Rx Total	Tx Total	Total Traffic	Clients
1	Bayview Heritage G...	10.32.18.66	EXMRRZD12	18.9 GB	800.6 GB	819.5 GB	17
2	ESVBAHQ Main Off	10.32.18.50	EXMRRZD12	9.935 GB	81.62 GB	91.56 GB	7
3	ESVBAHQ Conf Ro...	10.32.18.51	EXMRRZD12	1003 MB	21.26 GB	22.24 GB	4
4	Cape_Charles_Mus...	10.32.18.100, 10.32...	EXMRRZD12	1.809 GB	15.44 GB	17.25 GB	2
5	ESO Belle Haven	10.32.18.90	EXMRRZD12	2.454 GB	12.67 GB	15.12 GB	3
6	Captains Cove Mari...	10.32.18.28	EXMRRZD12	1.169 GB	13.23 GB	14.4 GB	7
7	Acmk Airport-In	10.32.18.17	EXMRRZD12	1.18 GB	8.222 GB	9.402 GB	17
8	Parksley Town Pavil...	10.32.18.45	EXMRRZD12	44.09 MB	1.044 GB	1.087 GB	4
9	Chincoteague Libra...	10.32.18.25	EXMRRZD12	22.76 MB	474.8 MB	497.6 MB	4
10	Bailey Rd Apartments	10.32.18.46	EXMRRZD12	8.566 MB	232.1 MB	240.6 MB	1

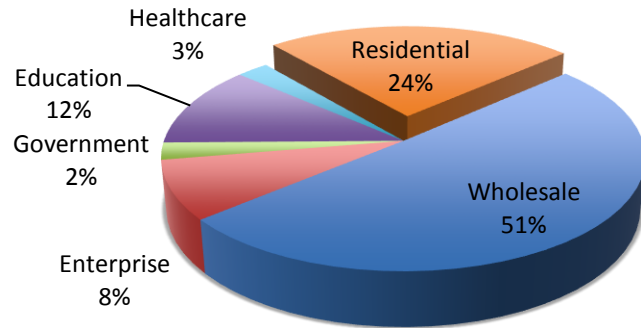
Jan '16 to Dec '20 Financials



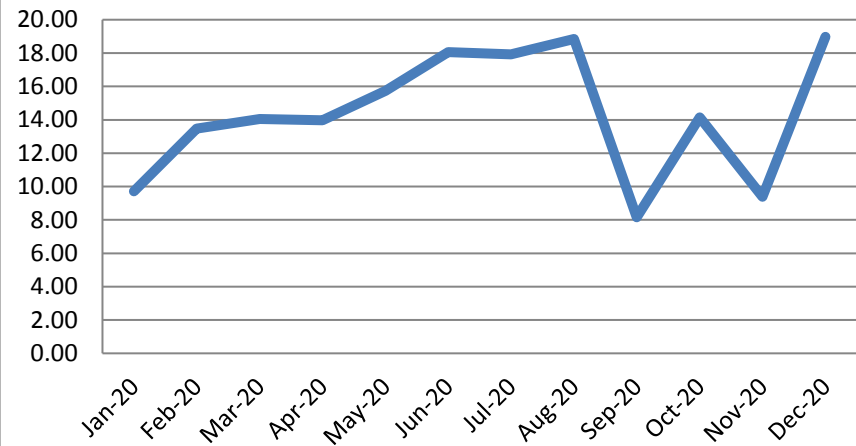
ESVBA Dashboard - January 2021

Financial Data

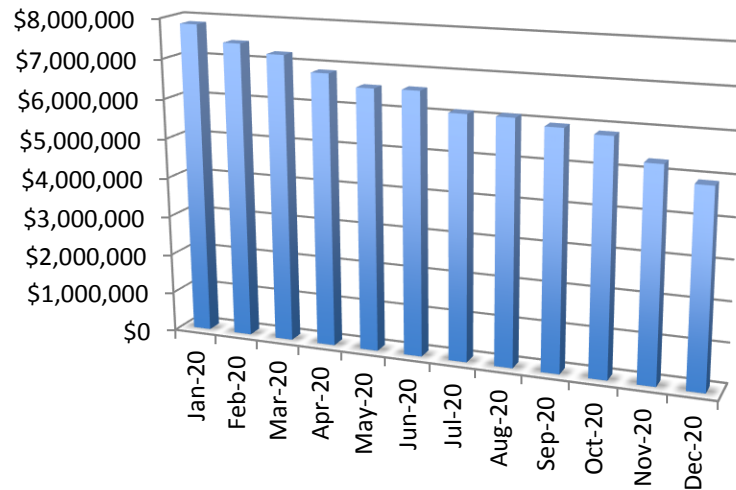
Revenue by Sector as of December 2020



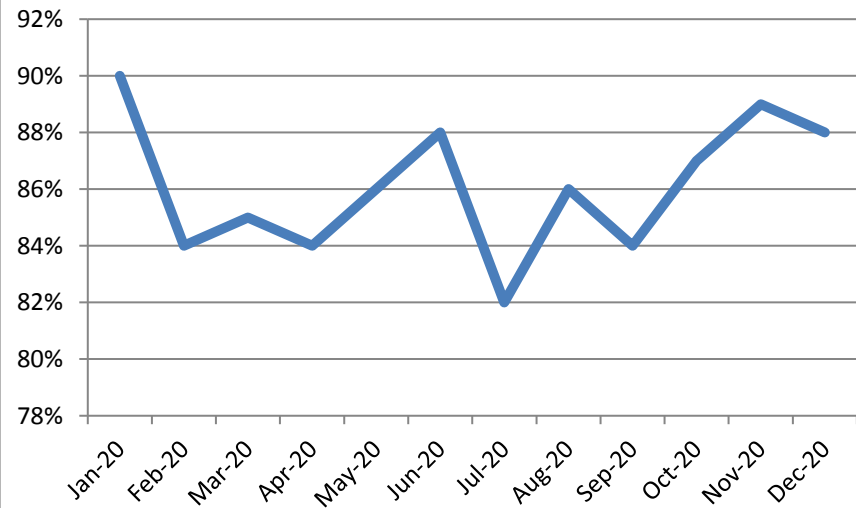
Quick Ratio



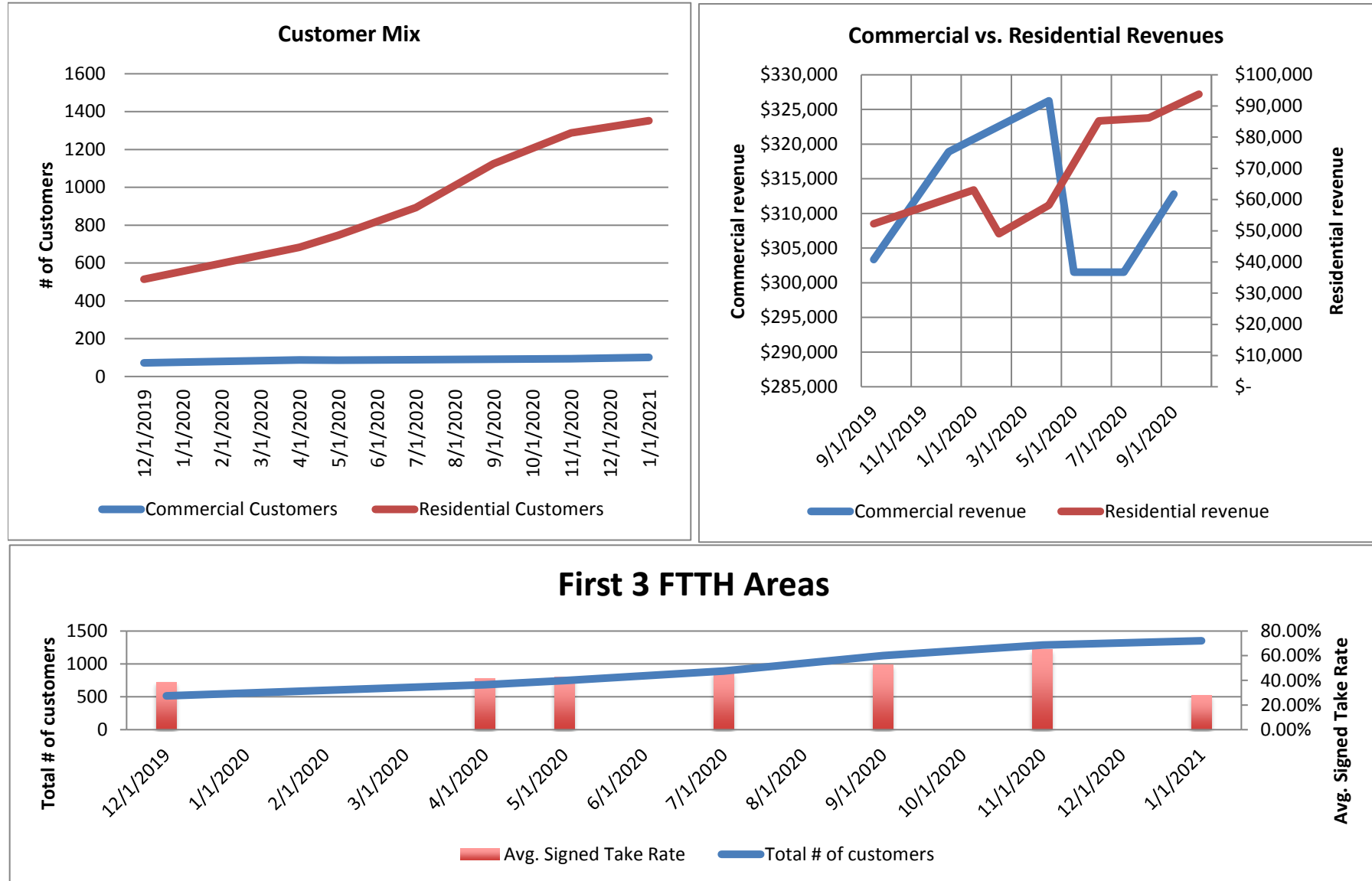
Cash & Cash Equivalents



GROSS PROFIT MARGIN



ESVBA Dashboard - January 2021



Buildout Summary

Extensions							
Name	Total Length (miles)	Miles Engineered	% engineered	Date Eng Complete	Miles Built	% Built	Date Const Complete
Accomac to Centerville	2.11	2.14	101%	11/7/19	2.14	102%	6/10/20
Craddockville	3.69	0.61	16%	9/18/19	0.61	17%	4/18/20
Craddockville to Boston	7.12	11.84	166%	9/4/19	11.84	166%	4/18/20
Boston							
Boston to Pungoteague							
Bobtown Rd to Savageville Rd	2.79	2.86	103%	8/16/19	2.86	102%	6/15/20
Capeville	8.23	8.43	102%	8/1/19	8.23	100%	10/1/20
Capeville pt2							
Seaview to Capeville							
Seaview							
Assawoman	2.83	3.00	106%	11/7/19	2.70	95%	
Cats Bridge	1.57	2.25	144%	10/29/19	2.25	144%	4/21/20
Birdsnest	1.72	1.83	107%	6/21/19	1.83	100%	4/1/20
Centerville to Gargatha	4.08	2.68	66%	9/11/19	2.68	66%	6/21/20
Nelsonia to Gargatha							
Deep Creek	12.17	12.54	103%	9/24/19	12.17	100%	10/23/20
Plantation							
Chesconessex North							
New Branch to Deep Creek							
Silver Beach	10.30	11.18	109%	6/20/19	11.18	109%	10/19/20
Silver Beach Tower Site	0.88	1.51	172%	9/10/19	1.51	172%	10/19/20
Big Pine Rd	2.00	3.09	154%	8/15/19	3.09	154%	5/1/20
Cashville	4.80	4.10	85%	8/16/19	4.78	117%	9/20/19
Nassawadox to Hare Valley	1.37	0.87	63%	2/26/19	0.87	100%	3/15/19
Smith Beach	4.39	4.39	100%	6/3/19	4.39	100%	3/20/20
Smith Beach pt2							
Cheriton Exmore	17.48	0.00	0%	5/1/20	6.00	34%	
Hopkins to Parksley	3.65	5.00	137%	8/16/19	5.00	137%	2/15/20
Pungoteague Rd	2.61	2.76	105%	9/11/19	2.76	106%	7/29/20
Bloxom East	4.07	3.94	97%	6/27/19	3.94	97%	3/15/20
Bloxom to Guilford							
Franktown	0.99	1.18	119%	4/26/19	1.80	153%	5/30/19
Wilsonia Neck	3.41	4.54	133%	4/26/19	5.46	120%	7/1/19
Mill Dam Rd	0.63	0.91	146%	11/5/19	0.91	146%	6/29/20
Saxis	4.92	4.92	100%	5/15/19	4.92	100%	5/16/20
Country Club Rd	1.78	2.66	149%	12/11/19	1.10	62%	

Buildout Summary

Towns							
Name	Total Length (miles)	Miles Engineered	% engineered	Date Eng Complete	Miles Built	% Built	Date Const Complete
Belle Haven	1.23	1.06	87%	10/24/19	1.00	82%	
Cape Charles	4.51	4.51	100%	6/5/19	6.23	138%	8/30/19
Cheriton	3.64	3.87	106%	12/4/20	3.60	93%	
Eastville	3.10	3.42	110%	7/10/19	4.69	137%	9/10/19
Exmore	7.14	6.47	91%	10/10/19	6.47	91%	9/25/20
Nasswadox	2.03	1.65	81%	5/2/19	1.65	100%	4/1/20
Accomac	1.67	1.09	65%	8/22/19	1.09	100%	2/1/20
Bloxom	5.09	4.92	97%	6/27/19	4.80	98%	
Hallwood	1.15	1.39	121%	6/3/19	1.39	100%	2/1/20
Keller	1.80	1.77	98%	5/21/19	1.85	105%	7/22/19
Onancock	7.48	6.76	90%	7/10/19	9.26	137%	12/1/19
Onley	2.57	2.81	109%	5/23/19	4.78	170%	7/31/19
Painter	2.87	3.99	139%	5/16/19	3.95	99%	5/13/20
Saxis	1.91	1.69	88%	5/15/19	1.69	100%	5/16/20
Tangier	2.06	2.42	118%	9/25/19	0.00	0%	
Wachapreague	3.34	2.21	66%	6/14/19	3.01	136%	7/15/19
Melfa	3.37	4.10	121%	7/2/19	4.10	100%	5/13/20
Parksley	7.43	5.52	74%	10/11/19	5.52	100%	12/15/19
Chincoteague	32.03	24.88	78%	1/7/20	4.00	12%	

Statistics

Total Miles Planed in AC:	<u>143.45</u>
Total Miles Engineered in AC:	<u>121.59</u>
Total Miles Built in AC:	<u>108.54</u>

Total Miles Planed in NHC:	<u>60.56</u>
Total Miles Engineered in NHC:	<u>62.16</u>
Total Miles Built in NHC:	<u>65.56</u>

Total Miles Planed:	<u>204.01</u>
Total Miles Engineered:	<u>183.75</u>
Total Miles Built:	<u>174.10</u>

Eastern Shore of Virginia Broadband Authority
Board Balance Sheet
End of Dec 2020

Financial Row	Amount
ASSETS	
Current Assets	
Bank	
10010 - General Operating Account - BB&T (0720)	\$1,291,668.87
10020 - Capital Expansion Account - BB&T (0747)	\$579,508.57
10030 - Equipment Accrual - BB&T (0739)	\$635,020.31
10160 - Annual Accrual - BB&T (7622) Savings Acct	\$1,130,027.17
10165 - Expansion Proceeds BB&T Savings Acct (0070)	\$1,194,329.26
10180 - Merchant Services - BB&T (8016)	\$62,545.75
10990 - Petty Cash	\$150.00
Total Bank	\$4,893,249.93
Accounts Receivable	
11000 - Accounts Receivable	\$428,542.57
Total Accounts Receivable	\$428,542.57
Other Current Asset	
11900 - Undeposited Funds	\$3,567.25
13100 - Inventory Asset	\$1,223,775.14
15000 - Plant in Service	\$1,416.00
Total Other Current Asset	\$1,228,758.39
Total Current Assets	\$6,550,550.89
Fixed Assets	
14100 - General Furniture Fixtures	\$42,727.66
14199 - Accumulated Depreciation - Furniture	(\$14,967.05)
14200 - Equipment:Computers, Printers, Equip, Software	\$81,329.55
14299 - Accumulated Depreciation - Equipment	(\$81,364.76)
15010 - Physical Plant Structure	\$16,226,462.71
15020 - Physical Plant Electronics	\$4,014,911.21
15040 - Physical Plant Towers	\$150,840.58
15050 - Physical Plant Mobile - (Mobile Carriers & Generators)	\$101,446.32
15060 - Physical Plant Huts	\$187,197.91
15070 - Physical Plant Tools & Equipment	\$22,918.39
15098 - Accumulated Depreciation - Plant In Service	(\$6,104,261.48)
15100 - Physical Plant Network & Software	\$21,885.09
15199 - Accumulated Depreciation - Software	(\$43,215.85)
15200 - Vehicles & Equipment	\$715,150.22
15299 - Accumulated Depreciation - Vehicles	(\$258,233.00)
16000 - Railway Easement	\$250,000.00
17000 - Land	\$10,000.00
Total Fixed Assets	\$15,322,827.50
Total ASSETS	\$21,873,378.39
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	
20000 - Accounts Payable	\$267,343.10
Total Accounts Payable	\$267,343.10
Credit Card	
21010 - BB&T Visa 5701 LH	\$2,417.10
21030 - BB&T Visa 5340 RB	\$9,935.08
21040 - BB&T Visa 7215 TE	\$1,453.79
21050 - BB&T Visa 9028 JW	\$151.06
Total Credit Card	\$13,957.03
Other Current Liability	
20010 - Accrued Purchases	(\$3,805.94)
26100 - USAC Tax Payable	\$3,591.13

26200 - Va Communications Tax	\$3.19
Total Other Current Liability	(\$211.62)
Total Current Liabilities	\$281,088.51
Long Term Liabilities	
27500 - BB&T Loan for Expansion	\$4,594,000.00
28000 - Deferred Income	\$199,644.40
Total Long Term Liabilities	\$4,793,644.40
Equity	
Retained Earnings	\$16,028,775.95
Net Income	\$769,869.53
Total Equity	\$16,798,645.48
Total LIABILITIES & EQUITY	\$21,873,378.39

Eastern Shore of Virginia Broadband Authority
Board Income Statement
Nov 2020, Dec 2020

Financial Row	Nov 2020 Amount	Dec 2020 Amount	Total Amount
Income			
40000 - Broadband Income			
Education Income	\$48,257	\$48,257	\$96,514
Enterprise Income	\$64,234	\$34,985	\$99,219
Government Income	\$8,825	\$10,084	\$18,909
Medical Income	\$10,373	\$10,204	\$20,577
Residential Income	\$97,071	\$100,936	\$198,007
Wholesale Income	\$202,008	\$208,753	\$410,761
Total - 40000 - Broadband Income	\$430,768	\$413,218	\$843,986
40900 - Installation Income			
Education Income	\$0	\$875	\$875
Enterprise Income	\$36,660	\$500	\$37,160
Installation Income	-\$50	\$0	-\$50
Residential Income	\$16,650	\$20,615	\$37,265
Wholesale Income	\$1,051	\$1,051	\$2,102
Total - 40900 - Installation Income	\$54,310	\$23,041	\$77,351
46400 - Other Income			
Other Income	\$0	\$0	\$0
Wholesale Income	\$150	\$150	\$300
Total - 46400 - Other Income	\$150	\$150	\$300
46460 - Interest Income			
Other Income	\$206	\$210	\$416
Total - 46460 - Interest Income	\$206	\$210	\$416
46470 - Other Income- USAC			
Other Income	\$1,570	\$0	\$1,570
Total - 46470 - Other Income- USAC	\$1,570	\$0	\$1,570
Total - Income	\$487,005	\$436,619	\$923,624
Cost Of Sales			
50100 - Cost of Goods Sold:Internet Access	\$11,128	\$11,128	\$22,257
50300 - Cost of Goods Sold:3rd Party Dark service	\$27,314	\$27,314	\$54,628
50400 - Cost of Goods Sold:Utility Locates	\$155	\$156	\$312
50600 - Cost of Goods Sold:3rd Party Transport	\$12,399	\$12,399	\$24,798
51010 - Cost of Goods Sold:Collocation/Hut Expense:Utilities	\$3,365	\$1,886	\$5,250
51020 - Cost of Goods Sold:Collocation/Hut Expense:Phone, Communic.	\$138	\$138	\$275
51030 - Cost of Goods Sold:Collocation/Hut Expense:Fuel	\$86	\$48	\$134
51090 - Cost of Goods Sold:Collocation/Hut Expense:Maintenance	\$0	\$480	\$480
Total - Cost Of Sales	\$54,585	\$53,548	\$108,133
Gross Profit	\$432,420	\$383,071	\$815,491
Expense			
61200 - Payroll Expenses:Wages & Benefits	\$127,999	\$207,528	\$335,526
62100 - Sales and Marketing:Sales Commissions	\$434	\$455	\$889
62300 - Sales and Marketing:Marketing Materials	\$0	\$572	\$572
63100 - Travel and Meetings:Conference, Convention, Meeting	\$0	\$252	\$252
63200 - Travel and Meetings:Mileage/Tolls Reimbursement	\$423	\$303	\$726
64200 - Bank Charges & Fees	\$564	\$817	\$1,380
64320 - Dumpster/Trash Removal	\$186	\$186	\$371
64370 - Janitorial Services	\$300	\$420	\$720
64400 - Office Supplies & Expense	\$964	\$837	\$1,801
64420 - Printing and Copying	\$60	\$314	\$374
64450 - Postage, Mailing & Shipping	\$213	\$108	\$321
64460 - Office IT Hardware/Software	\$34,643	\$2,480	\$37,123
64480 - Rent or Lease Payments	\$650	\$650	\$1,300
64630 - Staff Development	\$363	\$375	\$738
64700 - Taxes	\$2,382	\$0	\$2,382

64750 - Telephone & Telecommunications	\$495	\$488	\$983
64760 - Mobile Phones	\$280	\$280	\$560
65100 - Professional Services:Accounting & Administration	\$0	\$700	\$700
65200 - Professional Services:Legal Fees	\$2,154	\$225	\$2,379
67000 - Vehicle & Equipment Expenses	\$852	\$0	\$852
67300 - Vehicle Fuel	\$1,856	\$2,130	\$3,986
67400 - Vehicle & Equip Maintenance & Repair Expenses	\$3,135	\$4,671	\$7,806
68100 - Physical Plant Maintenance/Agreements/Warranties/Software	\$7,195	\$0	\$7,195
68200 - Physical Plant Permits & Fees	\$0	\$3,740	\$3,740
68300 - Physical Plant Repairs	\$2,411	\$0	\$2,411
68400 - Physical Plant Tools & Safety Equipment	\$9,230	\$6,424	\$15,654
68500 - Physical Plant Shipping Freight & Delivery	\$3,993	\$1,045	\$5,038
Total - Expense	\$200,780	\$235,000	\$435,779
Net Income	\$231,641	\$148,071	\$379,711

Eastern Shore of Virginia Broadband Authority
Board Cash Flow Statement
Nov 2020, Dec 2020

Financial Row	Amount
Operating Activities	
Net Income	\$379,711.37
Adjustments to Net Income	
Accounts Receivable	(\$237,335.12)
Inventory Asset	(\$144,629.55)
Accounts Payable	(\$622,734.78)
Sales Tax Payable	\$3,590.79
Other Current Liabilities	\$32,309.67
Total Adjustments to Net Income	(\$968,798.99)
Total Operating Activities	(\$589,087.62)
Investing Activities	
Fixed Asset	(\$354,507.80)
Total Investing Activities	(\$354,507.80)
Financing Activities	
Long Term Liabilities	(\$2,101.52)
Total Financing Activities	(\$2,101.52)
Net Change in Cash for Period	(\$945,696.94)
Cash at Beginning of Period	\$5,842,514.12
Cash at End of Period	\$4,896,817.18

EASTERN SHORE OF VIRGINIA
BROADBAND AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY

Board Members

Elaine Meil, Chairperson
Charles Kolakowski, Vice Chairperson
Mike Mason, Treasurer
John Reiter
Kelvin Pettit

Management

Robert Bridgham, Executive Director
Jennifer Marble, Office Manager
Leah Hoopes, Board Secretary

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
Eastern Shore of Virginia Broadband Authority
Exmore, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eastern Shore of Virginia Broadband Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Eastern Shore of Virginia Broadband 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 Eastern Shore of Virginia 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 on pages 3-7 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 October 28, 2020, on our consideration of Eastern Shore of Virginia 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 Eastern Shore of Virginia 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 Eastern Shore of Virginia Broadband Authority's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Eastern Shore of Virginia Broadband Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Richmond, Virginia
October 28, 2020

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2020

The following Management's Discussion and Analysis (MD&A) of the Eastern Shore of Virginia Broadband Authority financial performance provides the reader with an overview of the Authority financial statements for the fiscal year ended June 30, 2020.

Following this MD&A are the basic financial statements of the Authority. These financial statements should be read in conjunction with the notes to the financial statements, as the notes are an integral part of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority presents three basic financial statements: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

The Authority's financial position is measured in terms of assets owned, liabilities owed on the reporting date, and deferred inflows of revenue. This information is reported on the Statement of Net Position and reflects assets in relation to what was owed to suppliers, employees and other creditors. The excess of assets over our liabilities and deferred inflows of resources represents net position.

The financial results of the Authority's operating activities are reported in the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Cash Flows describes the flow of cash resources into the Authority from operating activities, capital grants and reimbursements and interest income and the out flows of cash to pay operating expenses, purchase capital equipment and to repay debt.

FINANCIAL SUMMARY

Financial Position: A summary of Authority's Statement of Net Position for the years ended June 30, 2020 and 2019 are presented below:

Statement of Financial Position

	2020	2019
Current assets	\$ 7,629,787	\$ 10,036,723
Capital assets less accumulated depreciation	12,637,538	9,485,318
Total assets	\$ 20,267,325	\$ 19,522,041
Current liabilities	\$ 760,431	\$ 685,438
Long-term liabilities	4,169,000	4,594,000
Total liabilities	\$ 4,929,431	\$ 5,279,438
Deferred inflows of resources	\$ 205,949	\$ 218,558
Net investment in capital assets	\$ 8,043,538	\$ 4,866,318
Unrestricted	7,088,407	9,157,727
Total net position	\$ 15,131,945	\$ 14,024,045

The net position of the Authority increased \$1,107,900 in 2020 compared to 2019.

Change in Net Position: A summary of the Authority's Statement of Revenues, Expenses and Net Position for the years ended June 30, 2020 and 2019 are presented below:

Statement of Revenues, Expenses, and Changes in Net Position		
	2020	2019
	<hr/>	<hr/>
Operating revenues	\$ 4,353,294	\$ 3,916,541
Operating expenses	<u>3,326,755</u>	<u>2,753,221</u>
Operating income (loss)	\$ 1,026,539	\$ 1,163,320
Nonoperating revenues (expenses)	<u>81,361</u>	<u>10,642</u>
Change in net position	<u><u>\$ 1,107,900</u></u>	<u><u>\$ 1,173,962</u></u>

Operating revenues represent the revenue received by the Authority by providing broadband services. Fee revenue increased in fiscal year 2020 as compared to fiscal year 2019 resulting from an increase in contracted services. While the Authority's grant funded initial build-out is complete, network expansion continues utilizing operating revenue generated and the \$5,000,000 taxable revenue bond issued in 2019.

Increased service revenue led to increased operating expenses over the same two year period. The largest factors were increased pole attachment costs, third party services for resale, and payroll.

Nonoperating revenues (expenses) consists of connections, sale of supplies, interest income and interest expenses. The smaller increase in nonoperating revenues in fiscal year 2020 when compared to fiscal year 2019 is due to an increase in interest expenses as the first taxable revenue bond interest payment was made in fiscal year 2020.

Cash Flows: A summary of the Authority's Statement of Cash Flows for 2020 and 2019 are presented below:

Statement of Cash Flows

	2020	2019
Cash flows from operating activities	\$ 1,840,790	\$ 1,793,718
Cash flows from capital and related financing activities	(4,449,817)	3,513,278
Cash flows from investing activities	43,336	44,556
Net increase (decrease) in cash and cash equivalents	\$ (2,565,691)	\$ 5,351,552
Cash and cash equivalents, beginning of year	9,032,274	3,680,722
Cash and cash equivalents, end of year	<u>\$ 6,466,583</u>	<u>\$ 9,032,274</u>

Cash flows from operating activities increased by \$47,072 in 2020 over 2019. This is primarily the result of an increase in broadband service charges and corresponding increase in payroll expenses for expansion and depreciation on new plant in service.

Cash flows used for capital and related financing activities decreased by \$7,963,095 in 2020 over 2019. This is primarily the result of principal payments made in 2020 for taxable revenue bond in the amount of \$5,000,000 issued in 2019.

Cash flows used for investing activities decreased by \$1,220 in 2020 over 2019. This is primarily the result of a slight decrease in interest received from the bank for the deposit of the \$5,000,000 taxable revenue bond.

Capital Assets and Debt Administration

Capital Assets

The Authority had \$12,637,538 in net capital assets at June 30, 2020 as compared to \$9,485,318 at June 30, 2019. Additions to capital assets in the amount of \$4,056,842 in fiscal 2020 were more than depreciation in the amount of \$904,622 for the same period, thus having a \$3,152,220 on change in net position.

Long-term Obligations

The Authority had one bond outstanding at June 30, 2020. A taxable revenue bond was issued in fiscal year 2019 for \$5,000,000. \$4,594,000 was outstanding as of June 30, 2020.

Request for Information

This financial report is designed to provide the citizen, clients and taxpayers a general overview of the financial operations of the Authority. Questions concerning this report or requests for additional financial information should addressed in writing to the Executive Director, Eastern Shore of Virginia Broadband Authority, 4174 Lankford Highway, Exmore, Virginia 23350.

Eastern Shore of Virginia Broadband Authority

Statement of Net Position

At June 30, 2020

(with Comparative Totals at June 30, 2019)

	ASSETS	2020	2019
Current Assets:			
Cash and cash equivalents	\$	6,466,583	\$ 9,032,274
Accounts receivable (net of allowance for uncollectible accounts of \$123,225)		185,987	204,917
Inventory		977,217	799,532
Total current assets	\$	7,629,787	\$ 10,036,723
Capital Assets:			
Land and land rights	\$	260,000	\$ 260,000
Other capital assets, less accumulated depreciation		12,377,538	9,225,318
Total capital assets, net	\$	12,637,538	\$ 9,485,318
Total assets	\$	20,267,325	\$ 19,522,041
	LIABILITIES		
Current Liabilities:			
Accounts payable	\$	297,091	\$ 213,624
Interest payable		33,996	37,000
USAC payable		-	2,806
Other accrued current liabilities		4,344	1,008
ANEC note payable, current portion		-	25,000
Notes payable, current portion		425,000	406,000
Total current liabilities	\$	760,431	\$ 685,438
Long-term Liabilities:			
Notes payable, less current portion	\$	4,169,000	\$ 4,594,000
Total liabilities	\$	4,929,431	\$ 5,279,438
	DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - fiber construction	\$	205,949	\$ 218,558
	NET POSITION		
Net investment in capital assets	\$	8,043,538	\$ 4,866,318
Unrestricted		7,088,407	9,157,727
Total net position	\$	15,131,945	\$ 14,024,045

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

Eastern Shore of Virginia Broadband Authority

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charge for broadband service	\$ 4,337,267	\$ 3,861,041
Miscellaneous	<u>16,027</u>	<u>55,500</u>
Total operating revenues	\$ <u>4,353,294</u>	\$ <u>3,916,541</u>
Operating expenses:		
Payroll	\$ 1,062,500	\$ 772,250
Professional fees	36,266	252,717
Sales and marketing	20,470	20,003
Advertising	104	217
Postage	1,633	834
Lease	7,800	8,050
Telephone	8,656	8,460
Hut maintenance and operations	49,683	39,073
Internet and third party charges for resale	652,048	687,820
Travel, conference, convention, meetings and staff development	10,629	17,552
Equipment and tools	27,766	21,088
Dues and subscriptions	2,325	3,533
Office	86,250	65,506
Vehicle	40,988	63,457
Insurance	600	11,811
Maintenance and repairs	13,166	12,455
Noncapital construction related charges	258,485	185,298
Bank fees	19,539	6,745
Bad debt	123,225	-
Depreciation	<u>904,622</u>	<u>576,352</u>
Total operating expenses	\$ <u>3,326,755</u>	\$ <u>2,753,221</u>
Operating income (loss)	\$ <u>1,026,539</u>	\$ <u>1,163,320</u>
Nonoperating revenues (expenses):		
Interest income	\$ 43,336	\$ 44,556
Installations and sale of supplies	251,337	115,319
Interest expense	<u>(213,312)</u>	<u>(149,233)</u>
Total nonoperating revenues (expenses)	\$ <u>81,361</u>	\$ <u>10,642</u>
Change in net position	\$ 1,107,900	\$ 1,173,962
Net position at beginning of year	<u>14,024,045</u>	<u>12,850,083</u>
Net position at end of year	\$ <u><u>15,131,945</u></u>	\$ <u><u>14,024,045</u></u>

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

Eastern Shore of Virginia Broadband Authority

Statement of Cash Flows
For the Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from operations	\$ 4,359,615	\$ 3,833,945
Cash payments to suppliers	(1,159,192)	(772,250)
Cash payments to and for employees	(1,359,633)	(1,267,977)
Net cash provided by (used for) operating activities	<u>\$ 1,840,790</u>	<u>\$ 1,793,718</u>
Cash flows from capital and related financing activities:		
Installations and sale of supplies	\$ 251,337	\$ 115,319
Principal paid on ANEC note	(25,000)	(25,000)
Principal paid on bond	(406,000)	-
Proceeds from indebtedness	-	5,000,000
Interest expense	(213,312)	(149,233)
Acquisition of capital assets	(4,056,842)	(1,427,808)
Net cash provided by (used for) capital and related financing activities	<u>\$ (4,449,817)</u>	<u>\$ 3,513,278</u>
Cash flows from investing activities:		
Interest income	\$ 43,336	\$ 44,556
Net increase (decrease) in cash and cash equivalents	\$ (2,565,691)	\$ 5,351,552
Cash and cash equivalents, beginning of year	<u>9,032,274</u>	<u>3,680,722</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,466,583</u></u>	<u><u>\$ 9,032,274</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,026,539	\$ 1,163,320
Adjustments to reconcile net cash provided by (used for) operating activities:		
Depreciation	904,622	576,352
Changes in assets, liabilities and deferred inflows:		
Accounts receivable	18,930	(69,987)
Inventory	(177,685)	45,234
Prepaid items	-	500
Interest payable	(3,004)	37,000
Accounts payable	83,467	56,688
Deferred inflows of resources	(12,609)	(12,609)
USAC payable	(2,806)	(3,224)
Other accrued liabilities	3,336	444
Net cash provided by (used for) operating activities	<u><u>\$ 1,840,790</u></u>	<u><u>\$ 1,793,718</u></u>

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

Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements As of June 30, 2020

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency

Eastern Shore of Virginia Broadband Authority is a public body politic and corporate of the Commonwealth of Virginia formed under the Virginia Wireless Service Authorities Act, Chapter 54.1 §15.2-543.1.1 et seq. and by joint resolution of the counties of Accomack and Northampton. It is charged with providing the citizens and businesses of the Eastern Shore with a more efficient broadband telecommunications infrastructure.

The Authority constructed a fiber optic network running from Virginia Beach to the NASA Wallops location by installing a backbone fiber optic cable along the Eastern Shore. In addition, the Authority has also constructed distribution routes for communities on the Eastern Shore. The Authority network is open to qualified service providers of wireless, ISP, and telephone services.

B. Financial Reporting Entity

The Authority has determined that it is a related organization to the Counties of Accomack and Northampton. The Authority is a legally separate organization whose members are appointed by the Board of Supervisors of both localities. Since the Board of Supervisors of either locality cannot impose its will on the Authority and since there is no potential financial benefit or burden in the relationship, neither locality is financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of either County.

C. Individual Component Unit Disclosures

Blended Component Units - The Authority has no blended component units.

Discretely Presented Component Units - The Authority has no discretely presented component units.

D. Basis of Accounting

Eastern Shore of Virginia Broadband 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 accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Basis of Accounting (Continued)

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating expenses include professional services, administrative expenses and internet access for resale. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of demand deposits.

F. Capital Assets

Capital assets are defined by the Authority as land, equipment, vehicles, furniture, software, and plant in service with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Capital assets acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 20 years and is computed using the straight-line method. Donated capital assets are recorded at the acquisition value at the time of the gift.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest attributed to capitalized assets as of June 30, 2020.

G. 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.

H. Inventory

Inventory is valued at the lower of cost (first in, first out) or market. Inventory consists of electronics and cable typically used in a broadband system. Costs are recorded as an expense at the time the inventory items are consumed.

I. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Net Position Flow Assumption

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.

K. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2020.

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 Authority has \$205,949 of deferred inflows of resources as of June 30, 2020 related to fiber network construction for Charter Communications.

L. Comparative Totals

Comparative totals are presented in the combined financial statements for informational purposes only. Certain amounts from prior year have been reclassified to be comparative to the current presentation.

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Eastern Shore of Virginia Broadband Authority

Notes to 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 that 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 the Authority 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).

The Authority had no investments at June 30, 2020.

NOTE 3-CONTINGENT LIABILITIES:

The grant agreement the Authority entered into with the Economic Development Administration (EDA) for construction of the fiber optic backbone provides for repayment of federal grant funds to the EDA should the network ever be disposed of, encumbered or alienated in any manner, or is no longer used for the authorized purpose of the award during the project's estimated useful life without written approval of the EDA.

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Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued) As of June 30, 2020

NOTE 4-CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land and land rights	\$ 260,000	\$ -	\$ -	\$ 260,000
Total capital assets not subject to depreciation	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets subject to depreciation:				
Office furniture	\$ 42,728	\$ -	\$ -	\$ 42,728
Software	64,303	-	-	64,303
Equipment	74,874	-	-	74,874
Vehicles	452,472	-	-	452,472
Plant in service	15,092,984	4,056,842	-	19,149,826
Total capital assets subject to depreciation	\$ 15,727,361	\$ 4,056,842	\$ -	\$ 19,784,203
Accumulated depreciation:				
Office furniture and equipment	\$ 14,968	\$ 3,965	\$ -	\$ 18,933
Software	43,216	10,543	-	53,759
Other equipment	81,364	21,536	-	102,900
Vehicles	258,234	50,097	-	308,331
Plant in service	6,104,261	818,481	-	6,922,742
Total accumulated depreciation	\$ 6,502,043	\$ 904,622	\$ -	\$ 7,406,665
Total capital assets subject to depreciation, net	\$ 9,225,318	\$ 3,152,220	\$ -	\$ 12,377,538
Net capital assets	\$ 9,485,318	\$ 3,152,220	\$ -	\$ 12,637,538

NOTE 5-LINE OF CREDIT:

The Authority has a line of credit with BB&T in the amount of \$750,000. As of June 30, 2020, amount of unused line of credit was \$750,000. The line of credit expires on May 5, 2022 and accrues interest at the bank's prime rate minus 0.25%.

NOTE 6-LITIGATION:

There were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued) As of June 30, 2020

NOTE 7-LONG-TERM OBLIGATIONS:

A summary of long-term obligation transactions for the year ended June 30, 2020 is as follows:

Long-term obligations:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Note payable from direct borrowing	\$ 5,025,000	\$ -	\$ 431,000	\$ 4,594,000	\$ 425,000
Total	<u>\$ 5,025,000</u>	<u>\$ -</u>	<u>\$ 431,000</u>	<u>\$ 4,594,000</u>	<u>\$ 425,000</u>

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

Year Ending June 30,	Note Payable from Direct Borrowing	
	Principal	Interest
2021	\$ 425,000	\$ 194,539
2022	444,000	175,247
2023	464,000	155,089
2024	485,000	134,021
2025	507,000	111,999
2026 - 2029	2,269,000	207,104
Total	<u>\$ 4,594,000</u>	<u>\$ 977,999</u>

	Total Amount Due	Amount Due Within One Year
Details of long-term obligations:		
Note payable from direct borrowing:		
\$5,000,000 taxable revenue bond, Series 2018, issued October 29, 2018 due on varying installments of principal plus interest through November 1, 2028, interest at 4.44%.	\$ 4,594,000	\$ 425,000
Total long-term obligations	<u>\$ 4,594,000</u>	<u>\$ 425,000</u>

NOTE 8-RISK MANAGEMENT:

The Authority participates in the Virginia Association of Counties Group Self Insurance for public official's general liability, property, crime insurance coverage and workers' compensation. Coverage for these items varies from \$5,000 to \$5,000,000.

NOTE 9—UPCOMING PRONOUNCEMENTS:

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.

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.

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

NOTE 10—SUBSEQUENT EVENTS:

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19’s effect on the Authority’s operational and financial performance will depend on the future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Authority’s business. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Authority’s business, results of operations, financial condition and cash flows.



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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 Honorable Members of the Board of Directors
Eastern Shore of Virginia Broadband Authority
Exmore, 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 Eastern Shore of Virginia Broadband Authority as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Eastern Shore of Virginia Broadband Authority's basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Shore of Virginia 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 Eastern Shore of Virginia Broadband Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Shore of Virginia 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 Eastern Shore of Virginia 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.



Richmond, Virginia
October 28, 2020

Northampton County

Potential 2021 Broadband Projects

Broadband Opportunities

- Unpassed Microcommunities
- Strategic Segments
- Targeted Communities
- Supportive funding for individuals with extensive installation costs

Unpassed Microcommunities

Micro	# of homes in community	Cost of network extension	Remainder not funded by subs	Total incremental passings
Butlers Bluff	16	\$ 39,305	\$ (27,383)	48
Holly Dale Cape Charles	7	\$ 45,751		11
Johnson Point	8	\$ 34,381	\$ (29,068)	46
Kiptopeke Condos	3	\$ 7,177	\$ (5,320)	19
Locust Lawn Dr	4	\$ 10,869	\$ (8,767)	12
Occohannock Blvd	5	\$ 12,466	\$ (9,371)	19
Saltworks	21	\$ 50,813	\$ (39,079)	61
Sunset Way	4	\$ 3,243	\$ (767)	4
Yarmouth Dr	2	\$ 8,945	\$ (7,246)	8
TOTALS	70	\$ 213,130	\$127,001	228

Strategic Segments

Name	Distance (ft)	Build Cost	# of passings
Battle Point	4,092	\$ 10,352.39	24
Brickhouse Dr	3,342	\$ 8,507.32	40
Cherrystone Inlet/Wilkins Dr	12,499	\$ 29,664.89	55
Hungars Beach	14,878	\$ 39,120.96	34
Pine Meadows Way	2,941	\$ 18,051.85	25
TB Road	6,948	\$ 16,547.98	26
Trehernerville	9,513	\$ 24,570.47	103
Wellington Neck	15,890	\$ 37,904.20	34
TOTALS:	70,103	\$ 184,720.06	341

Targeted Communities

Name	Distance (ft)	Build Cost	# of passings
Arlington Chase	5,499	\$ 30,762.50	23
Vaucluse (Heron Dr)	7,331	\$ 57,843.89	38
TOTALS:	12,830	88,606	61

Supportive Funding

The County could consider supporting projects where the installation costs are prohibitive to the individual.

The ESVBA will continue to entertain requests as they are presented and can coordinate with the County for individuals/groups where assistance is needed.

Accomack County

Potential 2021 Broadband Projects

Broadband Opportunities

- Unpassed Microcommunities
- Strategic Segments
- Targeted Communities
- Supportive funding for individuals with extensive installation costs

Unpassed Microcommunities

Micro	# of homes in community	Cost of network extension	Remainder not funded by subs	Total incremental passings
Big Rd	5	\$ 17,673	\$ (14,953)	33
Bogues Bay Dr	10	\$ 30,590	\$ (24,400)	10
Creek Bluff	18	\$ 40,734	\$ (29,590)	77
Dix Farm Dr	6	\$ 17,635	\$ (13,187)	6
Doe Crossing	16	\$ 20,242	\$ (11,517)	42
Evergreen Ln	3	\$ 7,767	\$ (5,449)	5
Locust Grove 2	14	\$ 36,935	\$ (28,268)	34
Ox Hearth-Bethel Church	11	\$ 33,240	\$ (28,043)	42
Hillsborough	7	\$ 21,674	\$ (17,629)	19
Metompinkinview	12	\$ 33,813	\$ (27,838)	33
TOTALS	102	\$260,303	\$200,874	301

Strategic Segments

Name	Distance (ft)	Build Cost	# of passings
Bayside Rd (Deep Creek to Lee Mont)	20,203	\$ 49,704	119
Chincoteague Rd	11,498	\$ 27,744	65
Coal Kiln Rd	10,668	\$ 26,515	75
Daugherty Rd	10,458	\$ 30,218	51
Dogwood Dr	9,899	\$ 23,256	65
Greta Rd	5,173	\$ 12,843	34
Hacksneck rd	15,901	\$ 37,316	55
Matthews Rd	20,758	\$ 48,277	93
Nandua Shores	19,817	\$ 46,992	105
Nelsonia Rd	7,416	\$ 18,322	65

Strategic Segments Cont'

Name	Distance (ft)	Build Cost	# of passings
North Metompink	18,157	\$ 42,970	40
Red Hill Rd/Seaside	31,669	\$ 78,856	105
Redwood Rd	5,973	\$ 13,774	62
Shell Bridge Rd	11,265	\$ 27,258	54
Upshurs Neck Rd	14,113	\$ 33,242	109
Wisharts Point Rd	7,406	\$ 20,103	71
TOTALS:	220,374	\$537,391	1,168

Targeted Communities

Name	Distance (ft)	Build Cost	# of passings
Captains Cove*	73,772	\$850k - \$1.2M	1,002
Red Bank	7,990	\$ 52,266	22
TOTALS:	81,762		1,024

* The build costs drop substantially if CC provides the labor for the underground

Supportive Funding

The County could consider supporting projects where the installation costs are prohibitive to the individual.

The ESVBA will continue to entertain requests as they are presented and can coordinate with the County for individuals/groups where assistance is needed.

