



**Regular Meeting of the Board of Directors of the  
Eastern Shore Broadband Authority  
March 24<sup>th</sup>, 2022  
2:00 p.m. at 4174 Lankford Hwy, Exmore, VA 23350**

**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 FY21 Audit**
- 7. New business**
  - a. Bank resolution**
  - b. Allocation of funding for Pole Survey**
- 8. Treasurers Report**
- 9. Board Comments**
- 10. Closed Session**
  - a. Personnel Discussion** (Section 2.2-3711 Paragraph 1) <sup>(1)</sup>
  - b. Contracted Revenue** (Section 2.2-3711 Paragraph 33) <sup>(2)</sup>
- 11. Adjournment**

*Next Board Regular Meeting: May 19<sup>th</sup>, 2022*

**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 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**

**February 15, 2022**

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

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

Members of the public attending were: Larry Breech, Sue Mastyl, Pat Coady

Mr. Reiter called the meeting to order at 2:00 pm.

### **AGENDA ADOPTION**

*Ms. Meil moved to adopt the agenda. Mr. Kolakowski seconded. Motion passed unopposed.*

### **PUBLIC COMMENT**

Larry Breech (Doe Crossing) asked if residents were allowed to sign up with a Micro Community after it's been approved.

Sue Mastyl reported that Verizon will be turning off non 4G towers around the world. Ms. Mastyl encouraged the Authority to try and lower the installation costs to customers.

Pat Coady spoke about the need for middle mile funding and installation costs being included in capital costs of future funding. Mr. Coady suggested a survey for the Eastern Shore residents to provide accurate information about coverage in order to succeed in getting funding.

### **REVIEW OF MINUTES**

*Ms. Meil moved to approve the Regular Board Meeting Minutes from December. Mr. Kolakowski seconded. Motion passed unopposed.*

### **SYSTEM STATUS & BUILD REPORT**

1. WiFi Hotspots- There are currently 27 hotspots in service.
2. Residential Broadband- Mr. Bridgham reported that the Authority has 2,059 active residential customers. He stated that there are 54 customers in service in Harborton, 22 in Bobtown, 73 in Church Neck, 69 in Sanford, 41 on Cheapside, 4 on Cobbs Station, 89 in Accomac, 7 in Townsend, 113 in Greenbackville, 64 in Atlantic, 70 in Wattsville/Horntown, 61 in Oak Hall, 77 in Hallwood, 62 in Painter/Quinby, 56 in Eastville, 74 in Nassawadox, 8 in Oyster, 218 in Exmore, 51 in Belle Haven, 45 in Cheriton, 34 in Wachapreague, 285 in Onancock, 213 in Cape Charles, 139 in Parksley, 5 in Nocks Landing, 37 in Saxis, 6 on Chincoteague, and 82 on Tangier. Mr. Bridgham presented a new report showing the number of turn-ups per month and the average install per month.
3. WISP EVPL Program- Mr. Bridgham informed the BOD that 56 sites are in service, 2 new sites on-order and underway.
4. Microcommunity Program- There are 30 communities that are in service and 4 others that are in various stages of progress. Mr. Mason asked about the criteria for the VATI grant. Mr. Bridgham explained that the Authority came up with an average cost for construction for any resident that exceeded a 300-foot buffer. Also, only a 30% take rate was calculated for the funding. Mr. Mason asked for an update on marketing. Mr. Bridgham reported that the website is constantly being updated, mailers are going out, and there is an interview scheduled with a radio station next week.
5. EBB Program- The program had 68 subscribers in the month of January.
6. CARES projects in Accomack and Northampton-

### **OLD BUSINESS**

- a. **VATI Grant** - Mr. Bridgham reported that the Authority does not have to rescope the network. They are now working on getting together all the necessary documents to present to the state. Mr. Koala presented the board with information on the grant application process.
- b. **Review FY22 Objectives**- Mr. Bridgham reported that the Authority has had 2 previous interns and they have been

working with Eastern Shore Community College to possibly form an internship program.

Mr. Bridgham explained that the Authority has not been able to ramp up customers as much as expected but we are starting to put more effort into advertising to raise the number of signups. The third objective was to come up with a plan to buildout the shore by 2026, which has been done.

The last objective was to reduce lead times, which has been reduced by nearly 50% since July.

- c. **Staff Compensation Study-** Mr. Bridgham reviewed the study with the board. He stated that if the plan was implemented, there would be an incremental change in payroll of \$47,501 annually.

### **TREASURER'S REPORT**

Mr. Mason presented the Treasurer's Report. He reported that most of the bond proceeds have been spent and the Authority continues to effectively spend more cash than it's taking in due to construction costs.

Mr. Reiter reported that compared to a year ago, the Authority is doing well with revenue and expenditures. The cash projection in the budget is almost exactly equal to the cash at the end of 2021.

Mr. Bridgham stated that the Authority has had to expand inventory and expenditures in order to stay ahead of the curve.

### **BOARD COMMENTS**

Ms. Meil asked if there is a particular quarter when cash dips and is then recovered.

Mr. Bridgham explained that the \$500k Bond payment is due in November each year.

### **CLOSED SESSION**

Motion to enter into closed session according to Section 2.2-3711 of the Code of Virginia of 1950, as amended;) 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; and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will necessarily involve discussion of the performance of specific individuals. Any teacher shall be permitted to be present during a closed meeting in which there is a discussion or consideration of a disciplinary matter that involves the teacher and some student and the student involved in the matter is present, provided the teacher makes a written request to be present to the presiding officer of the appropriate board. Nothing in this subdivision, however, shall be construed to authorize a closed meeting by a local governing body or an elected school board to discuss compensation matters that affect the membership of such body or board collectively. 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 Ms. Meil, seconded by Mr. Pettit. The following board members were present: Mr. Mason, Mr. Reiter, Mr. Pettit, Mr. Kolakowski, and Ms. Meil and voted affirmative.

After closed session, the Chair reconvened the meeting. Motion was made by Mr. Kolakowski, seconded by Ms. Meil that the Board had entered the closed session for that purpose as set out in Paragraph 1 and 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 1 and 33. The following board members were present: Mr. Mason, Mr. Reiter, Mr. Pettit, Mr. Kolakowski, and Ms. Meil and voted affirmative.

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### **ADJOURNMENT**

The meeting was adjourned at 3:13pm.

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

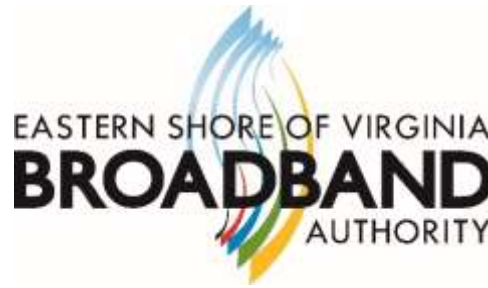
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Presiding Officer

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Leah Hoopes, Secretary



## Status Report

March 2022

### Status Report Topics

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

## WiFi Hotspots

- 27 WiFi Hotspots online and the report is attached.

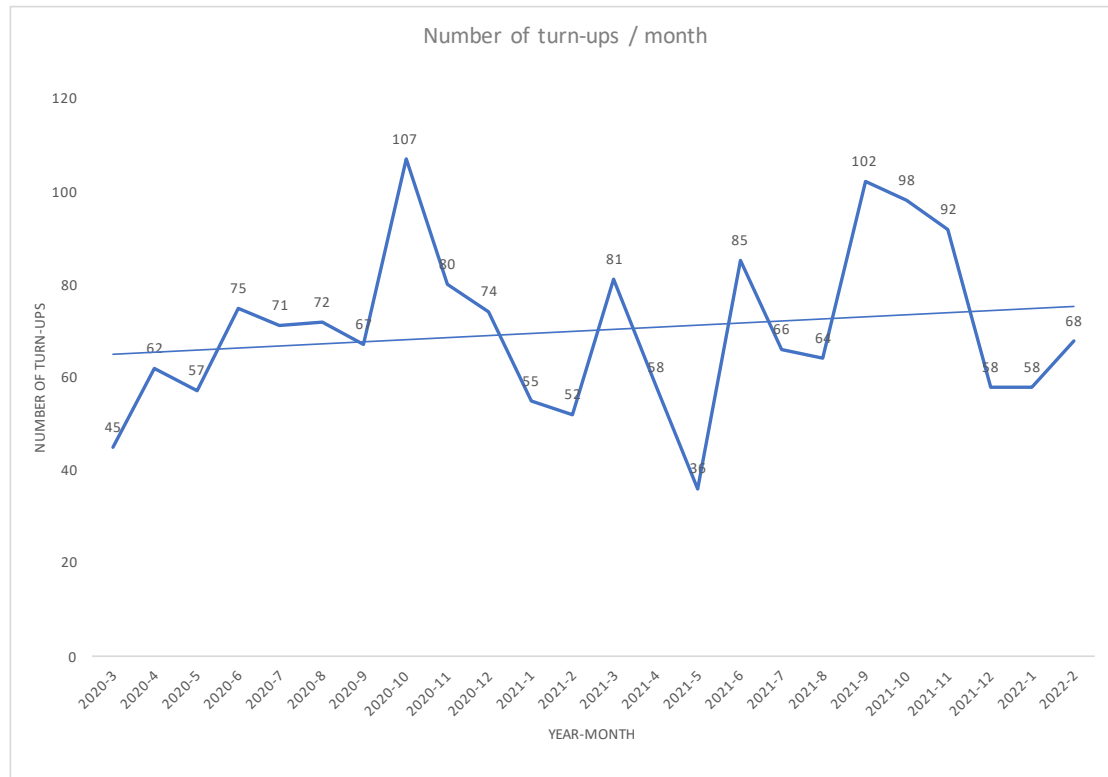
## Residential Broadband

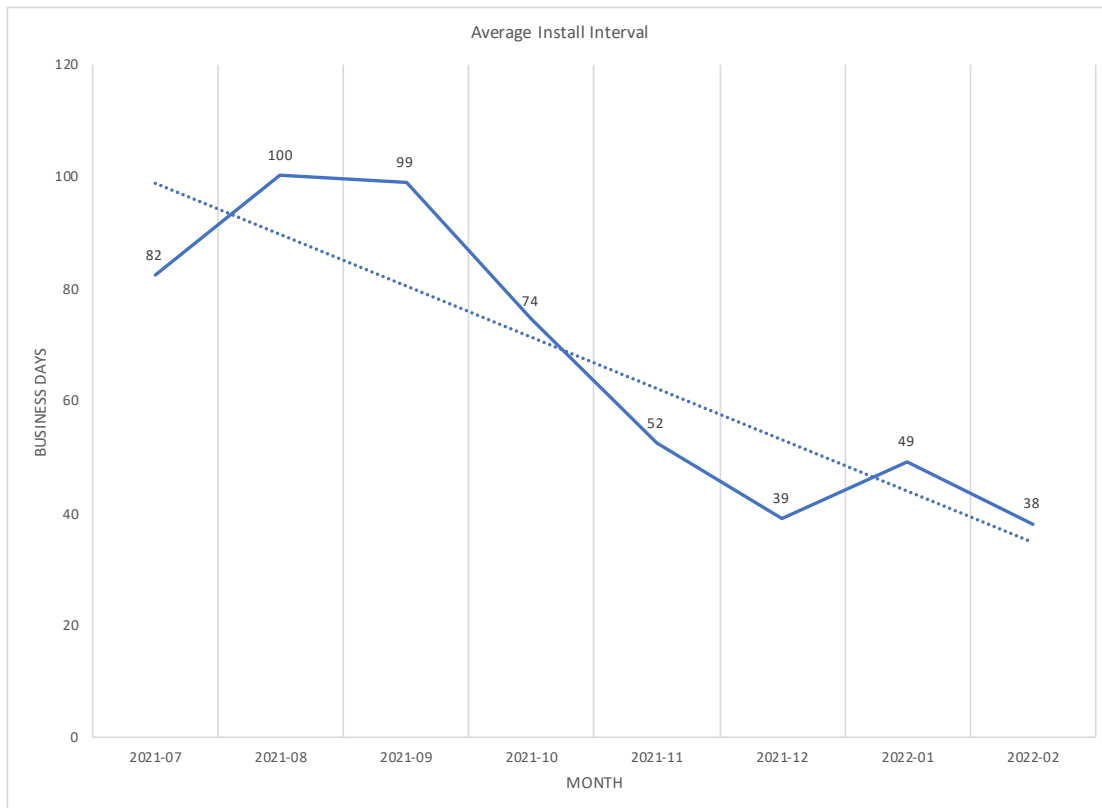
### Residential Report as of 3/18/2022

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	53	37.32%	0	0.00%	37.32%	1	0.70%
Bobtown/Pungoteague/Keller	Mar-17	513	26	5.07%	2	0.39%	5.46%	3	0.58%
Church Neck	Mar-17	157	74	47.13%	4	2.55%	49.68%	0	0.00%
Sanford	Dec-17	306	70	22.88%	1	0.33%	23.20%	2	0.65%
Cheapside	Dec-17	197	41	20.81%	1	0.51%	21.32%	0	0.00%
Cobbs Station	Dec-17	105	4	3.81%	0	0.00%	3.81%	0	0.00%
Accomac	Dec-17	648	99	15.28%	0	0.00%	15.28%	1	0.15%
Townsend/Latimer Siding	Jan-18	80	7	8.75%	0	0.00%	8.75%	0	0.00%
Greenbackville	Jan-18	294	113	38.44%	6	2.04%	40.48%	2	0.68%
Atlantic	Mar-18	219	62	28.31%	1	0.46%	28.77%	0	0.00%
Wattsville-Horntown	Mar-18	262	74	28.24%	25	9.54%	37.79%	0	0.00%
Oak Hall	May-18	218	61	27.98%	5	2.29%	30.28%	2	0.92%
Hallwood	May-18	740	82	11.08%	10	1.35%	12.43%	1	0.14%
Quinby/Painter	Jun-18	354	65	18.36%	0	0.00%	18.36%	1	0.28%
Eastville	Jun-18	436	58	13.30%	1	0.23%	13.53%	1	0.23%
Nassawadox	Aug-18	455	76	16.70%	8	1.76%	18.46%	4	0.88%
Oyster	Aug-18	87	8	9.20%	0	0.00%	9.20%	0	0.00%
Exmore	Sep-18	740	235	31.76%	7	0.95%	32.70%	3	0.41%
Belle Haven	Sep-18	478	53	11.09%	21	4.39%	15.48%	5	1.05%
Cheriton	Oct-18	236	44	18.64%	0	0.00%	18.64%	0	0.00%
Wachapreague	Oct-18	300	36	12.00%	0	0.00%	12.00%	1	0.33%
Onancock	Nov-18	1907	310	16.26%	18	0.94%	17.20%	5	0.26%
Cape Charles	Nov-18	910	219	24.07%	10	1.10%	25.16%	3	0.33%
Parksley	Jan-19	896	145	16.18%	4	0.45%	16.63%	2	0.22%
Nocks Landing	Jan-19	88	5	5.68%	0	0.00%	5.68%	0	0.00%
Chincoteague	Jan-19	1345	6	0.45%	1	0.07%	0.52%	1	0.07%
Saxis	May-20	248	37	14.92%	0	0.00%	14.92%	0	0.00%
Tangier	May-21	342	89	26.02%	3	0.88%	26.90%	1	0.29%

Totals: 12,703    2,152    128    39







### **WISP EVPL Program**

- Fifty-six (56) sites in service, two (2) 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.

### **Microcommunity Program**

- There now 32 microcommunities in-service and operational, two that are partially in-service awaiting the remaining few turn-ups, 4 additionally being constructed currently that are 55-sites to come online.

### **EBB Program**

- As of January, we have 68 residents enrolled in the EBB program and have claimed and saved \$3,225 for those 68 people. The EBB program has been sunset and replaced with the Affordable Connectivity Program (ACP). This new program changes the supportive funding from \$50/month to \$30/month

## CARES projects in Accomack & Northampton

CARES Project Report

### Cares Act Buildout Summary

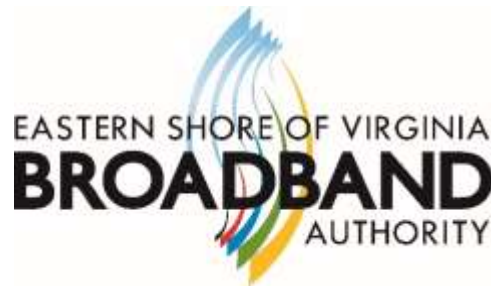
County	Name	Extensions						
		Total Length (miles)	Miles Engineered	% engineered	Date Eng Complete	Miles Built	% Built	Date Const Complete
ACK	Bayside Deep Creek to Lee Mont	3.83	3.85	100%	8/29/21	3.85	100%	2/25/22
ACK	Matthews Rd	3.93	5.04	100%	8/19/21	5.04	100%	1/17/22
ACK	Nandua Rd	1.26	1.64	100%	4/29/21	1.64	100%	12/22/21
ACK	North Metompin	3.44	4.59	100%	5/4/21	4.59	100%	9/1/21
ACK	Red Hill/Seaside	6.00	4.45	100%	6/8/21	4.45	100%	10/8/21
ACK	Upshurs Neck	2.67	2.64	100%	7/22/21	2.64	100%	12/20/22
ACK	Wisharts Point	1.40	1.73	100%	8/19/21	1.73	100%	11/19/21
ACK	Shell Bridge Rd	2.13	2.39	100%	9/1/21	2.39	100%	12/6/21
ACK	McComas Park	1.71	1.71	100%	3/16/21	1.71	100%	10/15/21
ACK	Chincoteague Rd				Rejected, currently served			
ACK	Coal Kiln rd				Rejected, currently served			
ACK	Daugherty Rd				Rejected, currently served			
ACK	Dogwood Dr				Rejected, currently served			
ACK	Greta Rd				Rejected, currently served			
ACK	Hacksneck Rd				Rejected, currently served			
ACK	Nelsonia Rd				Rejected, currently served			
ACK	Redbank	1.57	1.57	100%	8/21/21	1.57	100%	1/3/22
ACK	Stump Town Rd	2.56	2.96	100%	11/5/21	2.96	100%	2/18/22
ACK	Justiceville Rd	2.85	2.39	100%	11/5/21	2.39	100%	2/17/22
ACK	Parks Rd	0.88	0.80	100%	11/5/21	0.80	100%	12/17/21
ACK	Hornstown Rd	4.06	4.11	100%	11/5/21	4.11	100%	2/11/22
ACK	Bloxom Rd	1.34	1.57	100%	11/6/21	1.57	100%	12/17/21
ACK	Holland Rd	3.09	3.05	100%	11/11/21	3.05	100%	1/5/22
NHC	Cherrystone Inlet	2.37	2.07	100%	4/27/21	2.07	100%	6/15/21
NHC	Hungars Beach	2.82	2.37	100%	4/23/21	2.37	100%	10/15/21
NHC	Pine Meadows Way				Rejected, currently served			
NHC	TB Road	1.32	1.37	100%	4/23/21	1.37	100%	8/15/21
NHC	Wellington Neck	3.01	3.91	100%	4/27/21	3.91	100%	10/15/21
NHC	Brickhouse				Rejected, currently served			
NHC	Battle Point				Rejected, currently served			
NHC	Trehernville				Rejected, currently served			
NHC	Heron Drive Proposed	1.39			Awaiting county approval			

ESVBA CARES Buildout Status

## Cares Act Buildout Summary

County	Name	MicroCommunities						
		Total Length (miles)	Miles Engineered	% engineered	Date Eng Complete	Miles Built	% Built	Date Const Complete
ACK	Big Rd	Part of Matthews Rd Build						
ACK	Bogues Bay	0.64	0.64	100%	7/26/21	0.50	78%	11/19/21
ACK	Creek Bluff	2.41	2.41	100%	12/30/21	1.60	66%	
ACK	Dix Farm	0.58	0.58	100%	9/3/21	0.58	100%	10/21/21
ACK	Doe Crossing	1.67	1.67	100%	11/4/21	1.67	100%	3/11/22
ACK	Evergreen Ln	0.30	0.30	100%	10/27/21	0.30	100%	11/18/21
ACK	Locust Grove							
ACK	Ox Heart-Bethel Church							
ACK	Metompinkinview	2.43	2.43	100%	9/8/21	2.43	100%	11/8/21
ACK	Hillsborough	Rejected, currently served						
NHC	Holly Dale							
NHC	Johnson Point	1.06	1.06	100%	8/16/21	1.06	100%	10/30/21
NHC	Kiptopeke Condos							
NHC	Locust Lawn	0.75	0.75	100%	10/21/21	0.75	100%	11/11/21
NHC	Saltworks *	2.26	2.26	100%	4/23/21	2.26	100%	10/25/21
NHC	Sunset Way	0.69	0.69	100%	11/18/21	0.00		
NHC	Yarmouth	0.52	0.52	100%	7/20/21	0.52	100%	11/23/21
NHC	Butlers Bluff	Rejected, currently served						
NHC	Occohannock Blvd	Rejected, currently served						

ESVBA CARES Buildout Status



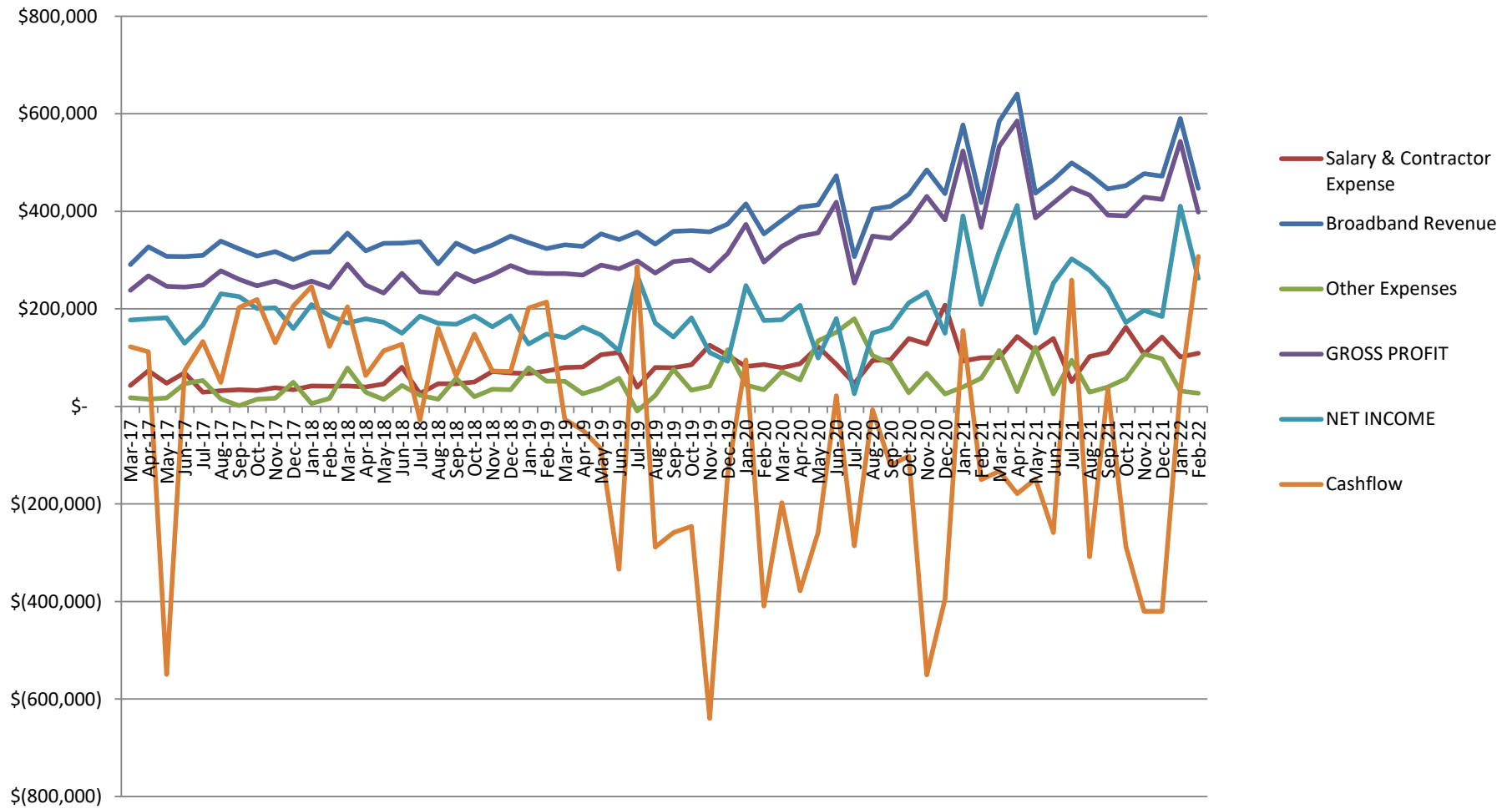
### **March VATI Grant Status**

The staff has been working prepare for the VATI kickoff.

- We have been working on areas we will need easements with to ensure the project can start expeditiously.
- We have been working on procurements for materials and ensuring we have labor that can comply with Davis Bacon requirements.
- We have been working on procurements for materials and ensuring we have labor that can comply with Davis Bacon requirements.
- We have provided an initial draft to both Counties of an agreement to handle the local match that was committed by each county. We are working to get to a final draft.
- We have requested a wage determination from Department of Labor and to then request affirmations from our vendors to ensure prevailing wages are being met to comply with ARPA requirements.
- We working through the final requirements for DHCD which pertains to the project plan for the build which we have completed 65% of and expect to finish in the next two weeks.

DHCD still has been unable to provide the ESVBA a draft copy of the contract that will need to be executed to start the project build. We requested an update on 3/16 and they were still awaiting DHCD authorizations to approve their internal draft.

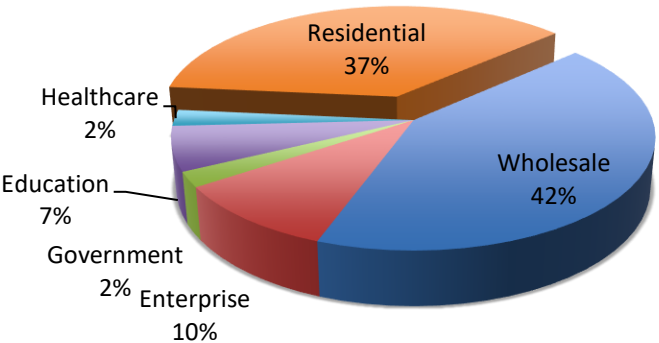
## Mar '17 to Feb '22 Financials



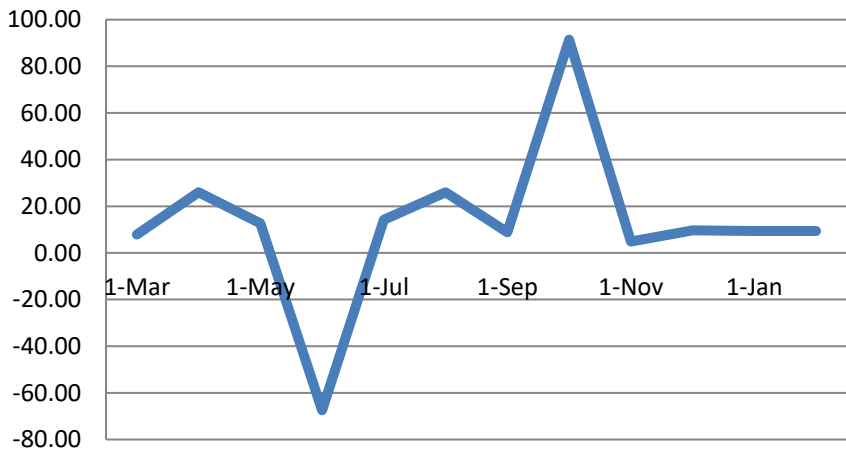
# ESVBA Dashboard - March 2022

## Financial Data

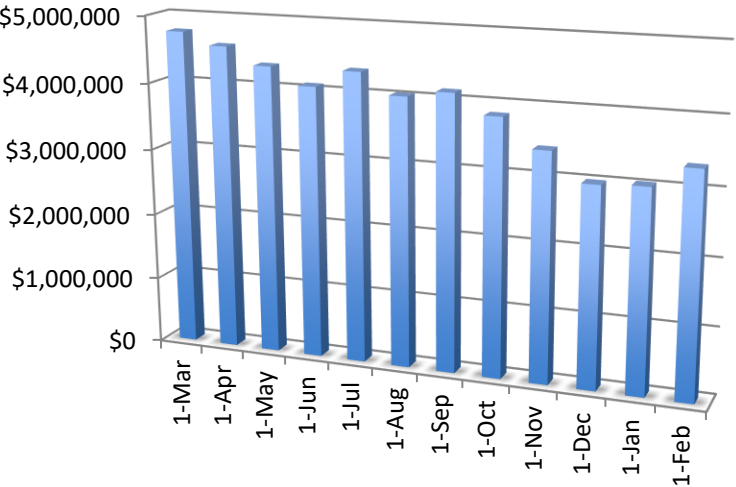
Revenue by Sector as of February 2022



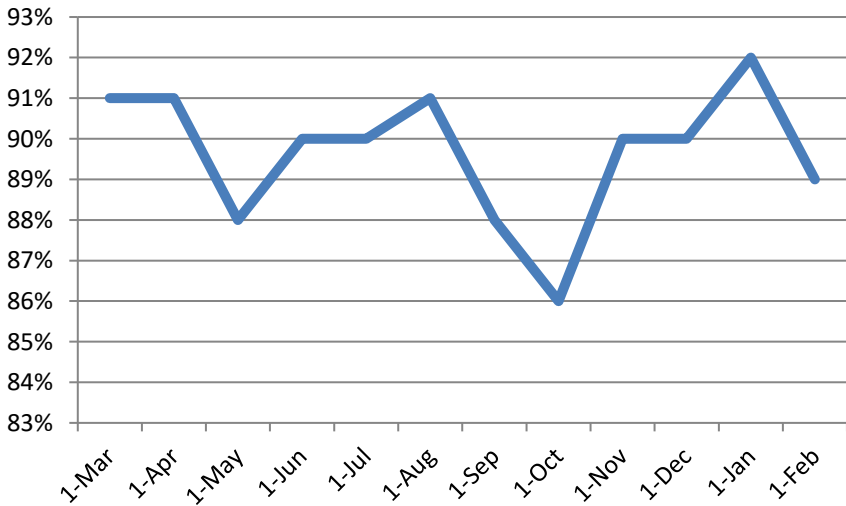
Quick Ratio



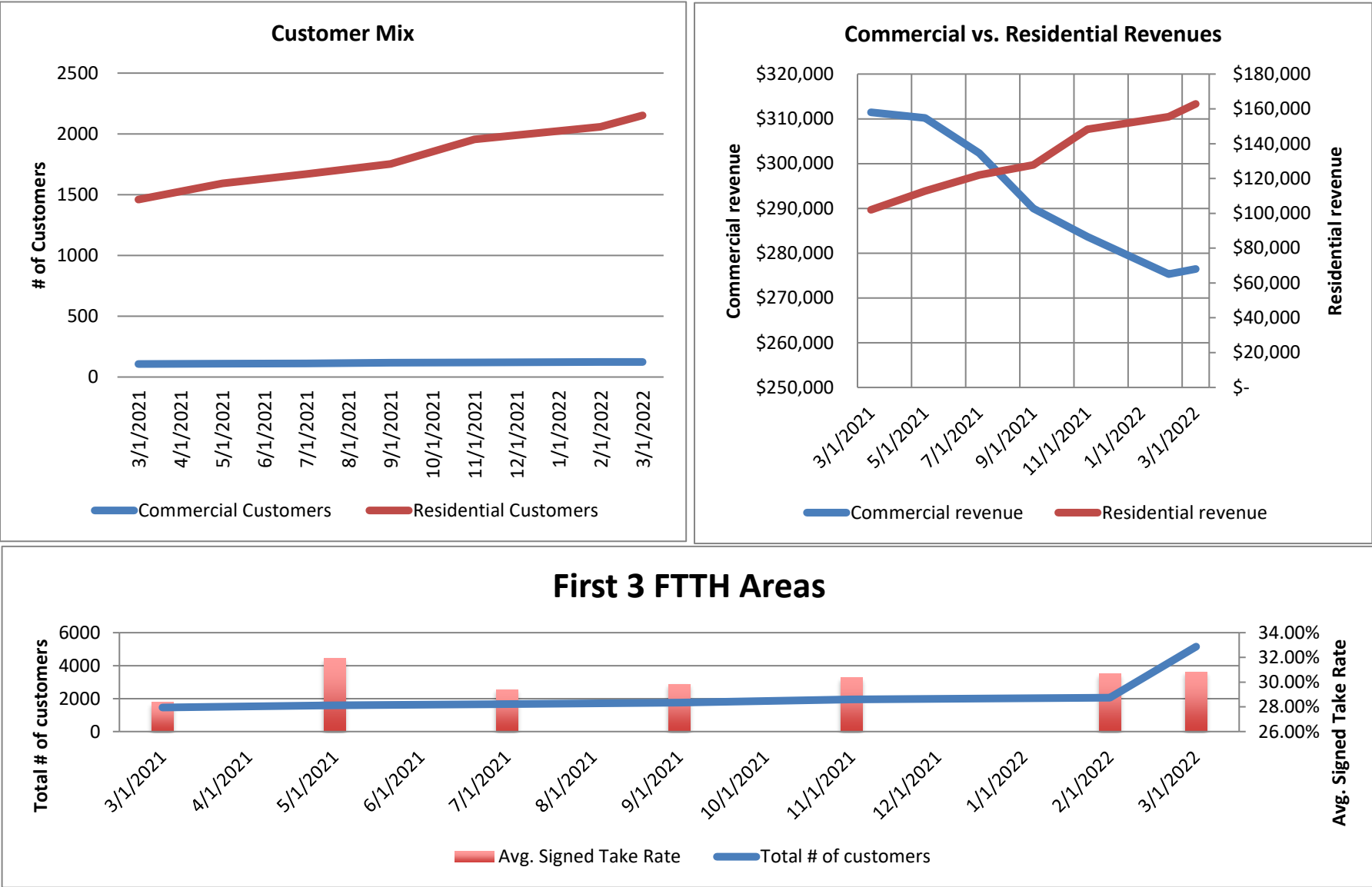
Cash & Cash Equivalents



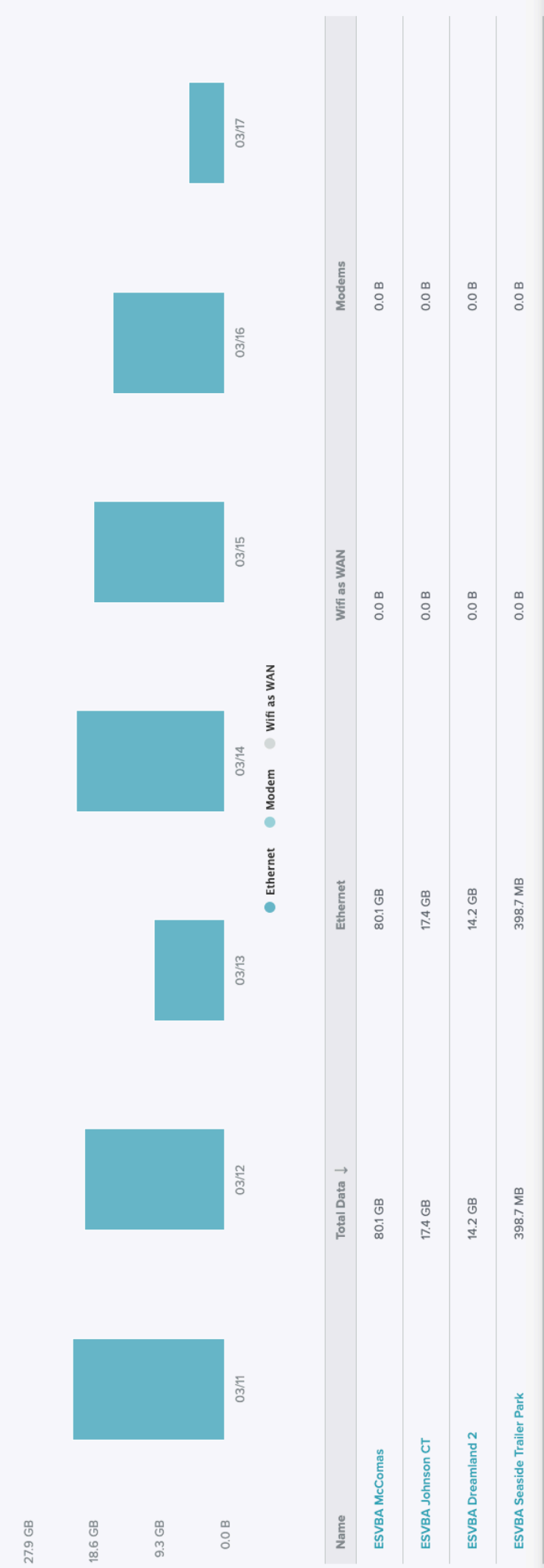
GROSS PROFIT MARGIN



# ESVBA Dashboard - March 2022







Overview



Rx 89.92 GB, 311.8 Kbps

Tx 1.257 TB, 4.358 Mbps



Total APs

15

Total Traffic

1.345 TB

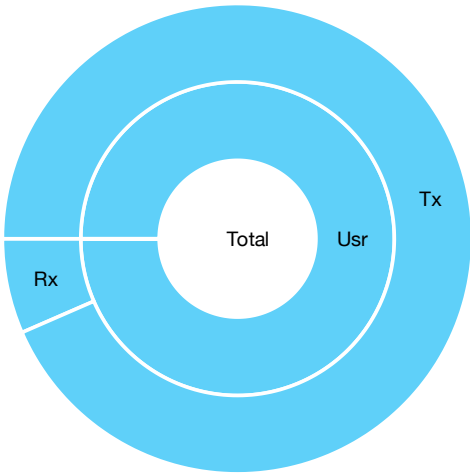
Avg Rate

4.663 Mbps

Total Clients

93

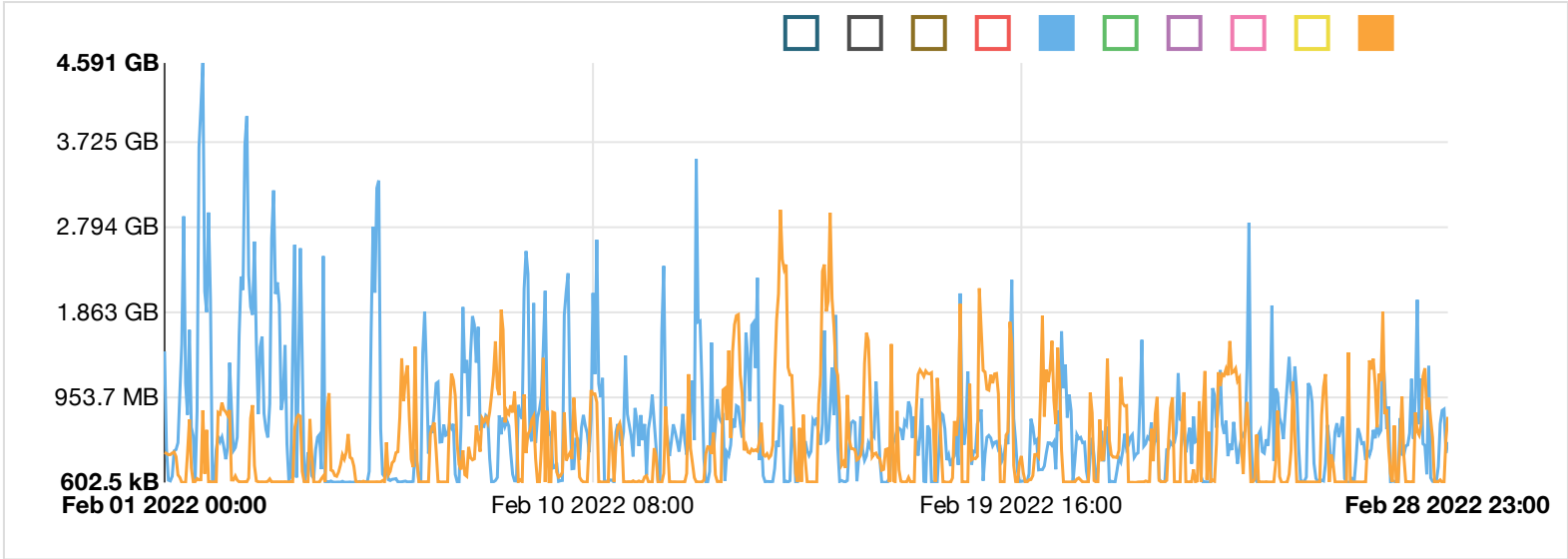
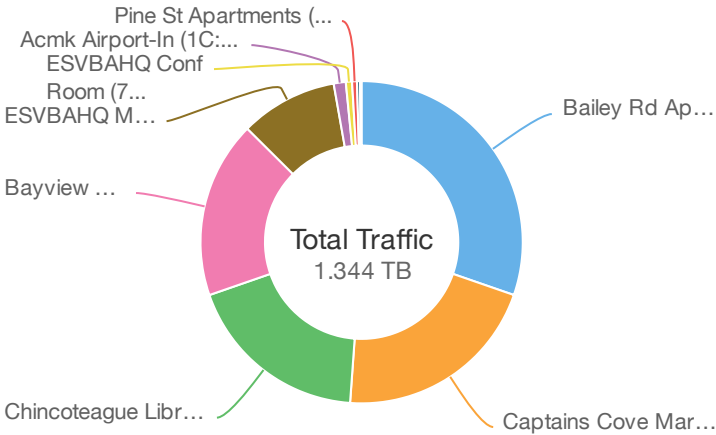
Traffic Distribution



Top APs by Traffic

Total Traffic

1 hour



Top APs by Traffic

These APs consume 99.96 % ( 1.344 TB ) of the total traffic ( 1.345 TB ).

Top 10 APs

Index	AP Name	AP IP Address	Rx	Tx	Total Traffic	Clients
1	Bailey Rd Apartments	10.32.18.46	8.451 GB	408.9 GB	417.3 GB	11
2	Captains Cove Marina ...	10.32.18.28	16.32 GB	270.5 GB	286.8 GB	4
3	Chincoteague Library ...	10.32.18.25	45.6 GB	209.5 GB	255.1 GB	1
4	Bayview Heritage Gar...	10.32.18.66	5.701 GB	238.8 GB	244.5 GB	16
5	ESVBAHQ Main Off	10.32.18.50	8.104 GB	126.5 GB	134.6 GB	19
6	Acme Airport-In	10.32.18.17	662.7 MB	15.98 GB	16.63 GB	8
7	ESVBAHQ Conf Room	10.32.18.51	598 MB	7.961 GB	8.545 GB	3
8	Pine St Apartments	10.32.18.101	2.211 GB	4.573 GB	6.784 GB	16
9	Cape Charles Museum	10.32.18.69	2.014 GB	2.194 GB	4.208 GB	2
10	BloxomTowerAP01	10.32.18.35	209.3 MB	1.778 GB	1.982 GB	2

**Eastern Shore of Virginia Broadband Authority**  
**Board Balance Sheet**  
**End of Feb 2022**

Financial Row	Amount
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank</b>	
10010 - General Operating Account - BB&T (0720)	\$434,788.85
10020 - Capital Expansion Account - BB&T (0747)	\$630,001.24
10030 - Equipment Accrual - BB&T (0739)	\$715,428.60
10160 - Annual Accrual - BB&T (7622) Savings Acct	\$1,234,318.69
10165 - Expansion Proceeds BB&T Savings Acct (0070)	\$125,770.07
10180 - Merchant Services - BB&T (8016)	\$105,994.03
10990 - Petty Cash	\$150.00
<b>Total Bank</b>	<b>\$3,246,451.48</b>
<b>Accounts Receivable</b>	
11000 - Accounts Receivable	\$158,996.11
11010 - Reserve for Bad Debt	(\$81,035.34)
<b>Total Accounts Receivable</b>	<b>\$77,960.77</b>
<b>Other Current Asset</b>	
11900 - Undeposited Funds	\$87,367.40
13100 - Inventory Asset	\$1,644,725.95
15000 - Plant in Service	\$17,328.56
<b>Total Other Current Asset</b>	<b>\$1,749,421.91</b>
<b>Total Current Assets</b>	<b>\$5,073,834.16</b>
<b>Fixed Assets</b>	
14100 - General Furniture Fixtures	\$42,727.66
14199 - Accumulated Depreciation - Furniture	(\$22,898.65)
14200 - Equipment:Computers, Printers, Equip, Software	\$90,472.05
14299 - Accumulated Depreciation - Equipment	(\$109,458.40)
15010 - Physical Plant Structure	\$20,834,110.15
15020 - Physical Plant Electronics	\$4,263,420.59
15040 - Physical Plant Towers	\$178,840.58
15050 - Physical Plant Mobile - (Mobile Carriers & Generators)	\$101,446.32
15060 - Physical Plant Huts	\$187,497.91
15070 - Physical Plant Tools & Equipment	\$31,008.62
15098 - Accumulated Depreciation - Plant In Service	(\$7,938,015.15)
15100 - Physical Plant Network & Software	\$22,281.96
15199 - Accumulated Depreciation - Software	(\$64,303.09)
15200 - Vehicles & Equipment	\$798,490.67
15299 - Accumulated Depreciation - Vehicles	(\$358,428.36)
16000 - Railway Easement	\$250,000.00
17000 - Land	\$10,000.00
<b>Total Fixed Assets</b>	<b>\$18,317,192.86</b>
<b>Total ASSETS</b>	<b>\$23,391,027.02</b>
<b>Liabilities &amp; Equity</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 - Accounts Payable	\$355,211.85
20050 - Accrued Interest Payable	\$270.00
<b>Total Accounts Payable</b>	<b>\$355,481.85</b>
<b>Credit Card</b>	
21010 - BB&T Visa 5701 LH	\$2,328.91
21030 - BB&T Visa 5340 RB	\$4,726.10
21040 - BB&T Visa 7215 TE	\$651.10
<b>Total Credit Card</b>	<b>\$7,706.11</b>
<b>Other Current Liability</b>	
20010 - Accrued Purchases	\$47,719.84

24010 - Direct Deposit Liabilities:USAC Reimbursements Deposits	(\$4,879.17)
24050 - USAC Prepaid	(\$39,072.30)
25000 - ESVBA Installation Assistance Program	(\$13,175.00)
26100 - USAC Tax Payable	\$46,390.63
26200 - Va Communications Tax	\$1,228.03
<b>Total Other Current Liability</b>	<b>\$38,212.03</b>
<b>Total Current Liabilities</b>	<b>\$401,399.99</b>
<b>Long Term Liabilities</b>	
27500 - BB&T Loan for Expansion	\$3,725,000.00
28000 - Deferred Income	\$184,933.76
<b>Total Long Term Liabilities</b>	<b>\$3,909,933.76</b>
<b>Equity</b>	
Retained Earnings	\$16,446,143.19
Net Income	\$2,633,550.08
<b>Total Equity</b>	<b>\$19,079,693.27</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$23,391,027.02</b>

**Eastern Shore of Virginia Broadband Authority**  
**Board Income Statement**  
**Jan 2022, Feb 2022**

Financial Row	Jan 2022 Amount	Feb 2022 Amount	Total Amount
<b>Income</b>			
<b>40000 - Broadband Income</b>			
Education Income	\$27,670	\$27,670	\$55,340
Enterprise Income	\$43,608	\$43,603	\$87,211
Government Income	\$9,639	\$9,532	\$19,171
Medical Income	\$10,064	\$10,064	\$20,128
Other Income	\$5,727	\$3,145	\$8,872
Residential Income	\$162,000	\$160,119	\$322,119
Wholesale Income	\$290,039	\$183,731	\$473,770
<b>Total - 40000 - Broadband Income</b>	<b>\$548,747</b>	<b>\$437,864</b>	<b>\$986,611</b>
<b>40900 - Installation Income</b>			
Government Income	\$250	\$0	\$250
Installation Income	\$30,196	\$0	\$30,196
Residential Income	\$16,160	\$11,140	\$27,300
Wholesale Income	\$1,051	\$1,051	\$2,102
<b>Total - 40900 - Installation Income</b>	<b>\$47,657</b>	<b>\$12,191</b>	<b>\$59,848</b>
<b>46400 - Other Income</b>			
- No Vertical -	\$0	\$0	\$0
Wholesale Income	\$150	\$150	\$300
<b>Total - 46400 - Other Income</b>	<b>\$150</b>	<b>\$150</b>	<b>\$300</b>
<b>46460 - Interest Income</b>			
Other Income	\$116	\$104	\$219
<b>Total - 46460 - Interest Income</b>	<b>\$116</b>	<b>\$104</b>	<b>\$219</b>
<b>Total - Income</b>	<b>\$596,669</b>	<b>\$450,309</b>	<b>\$1,046,978</b>
<b>Cost Of Sales</b>			
50100 - Cost of Goods Sold:Internet Access	\$6,678	\$6,678	\$13,357
50300 - Cost of Goods Sold:3rd Party Dark service	\$27,398	\$27,398	\$54,796
50400 - Cost of Goods Sold:Utility Locates	\$191	\$185	\$376
50500 - Cost of Goods Sold:Pole Attachments	\$0	\$100	\$100
50600 - Cost of Goods Sold:3rd Party Transport	\$9,849	\$9,849	\$19,698
51010 - Cost of Goods Sold:Collocation/Hut Expense:Utilities	\$2,870	\$2,997	\$5,867
51020 - Cost of Goods Sold:Collocation/Hut Expense:Phone, Communic.	\$142	\$142	\$283
51030 - Cost of Goods Sold:Collocation/Hut Expense:Fuel	\$0	\$1,090	\$1,090
<b>Total - Cost Of Sales</b>	<b>\$47,128</b>	<b>\$48,439</b>	<b>\$95,567</b>
<b>Gross Profit</b>	<b>\$549,541</b>	<b>\$401,870</b>	<b>\$951,411</b>
<b>Expense</b>			
61200 - Payroll Expenses:Wages & Benefits	\$101,520	\$108,764	\$210,284
62300 - Sales and Marketing:Marketing Materials	\$0	\$754	\$754
63200 - Travel and Meetings:Mileage/Tolls Reimbursement	\$75	\$522	\$597
63400 - Travel and Meetings:Meals & Entertainment	\$0	\$22	\$22
64100 - Advertising Expenses	\$44	\$638	\$682
64200 - Bank Charges & Fees	\$2,867	\$2,668	\$5,535
64300 - Dues, Subscriptions, Books	\$306	\$0	\$306
64320 - Dumpster/Trash Removal	\$186	\$186	\$371
64350 - Interest Expense	\$32	\$0	\$32
64370 - Janitorial Services	\$600	\$580	\$1,180
64400 - Office Supplies & Expense	\$2,276	\$332	\$2,608
64420 - Printing and Copying	\$136	\$73	\$209
64450 - Postage, Mailing & Shipping	\$139	\$1,533	\$1,672
64460 - Office IT Hardware/Software	\$4,198	\$2,912	\$7,111
64470 - Office Maintenance & Repair	\$0	\$1,068	\$1,068
64480 - Rent or Lease Payments	\$2,550	\$2,550	\$5,100
64490 - Office Utilities	\$724	\$326	\$1,049
64630 - Staff Development	\$4,000	\$2,736	\$6,736
64750 - Telephone & Telecommunications	\$569	\$564	\$1,133

64760 - Mobile Phones	\$80	\$500	\$580
65200 - Professional Services:Legal Fees	\$1,822	\$1,073	\$2,894
67300 - Vehicle Fuel	\$2,394	\$2,911	\$5,304
67400 - Vehicle & Equip Maintenance & Repair Expenses	\$1,945	\$2,037	\$3,981
68200 - Physical Plant Permits & Fees	\$630	\$400	\$1,030
68300 - Physical Plant Repairs	-\$1,714	\$0	-\$1,714
68330 - Physical Plant/Inventory Disposed Items	\$1,782	\$793	\$2,575
68400 - Physical Plant Tools & Safety Equipment	\$1,972	\$1,778	\$3,751
68500 - Physical Plant Shipping Freight & Delivery	\$3,783	\$214	\$3,997
<b>Total - Expense</b>	<b>\$132,914</b>	<b>\$135,934</b>	<b>\$268,848</b>
<b>Net Income</b>	<b>\$416,627</b>	<b>\$265,936</b>	<b>\$682,563</b>

**Eastern Shore of Virginia Broadband Authority**  
**Board Cash Flow Statement**  
**Jan 2022, Feb 2022**

Financial Row	Jan 2022 Amount	Feb 2022 Amount
<b>Operating Activities</b>		
Net Income	\$416,626.85	\$374,699.76
<b>Adjustments to Net Income</b>		
Accounts Receivable	(\$21,433.71)	\$100,386.88
Inventory Asset	(\$198,075.33)	\$36,705.36
Accounts Payable	(\$74,569.08)	\$32,024.51
Sales Tax Payable	\$2,389.54	\$2,389.54
Other Current Liabilities	\$91,291.32	(\$16,548.92)
<b>Total Adjustments to Net Income</b>	<b>(\$200,397.26)</b>	<b>\$154,957.37</b>
<b>Total Operating Activities</b>	<b>\$216,229.59</b>	<b>\$529,657.13</b>
<b>Investing Activities</b>		
Fixed Asset	(\$181,678.96)	(\$221,031.64)
<b>Total Investing Activities</b>	<b>(\$181,678.96)</b>	<b>(\$221,031.64)</b>
<b>Financing Activities</b>		
Long Term Liabilities	(\$1,050.76)	(\$1,050.76)
<b>Total Financing Activities</b>	<b>(\$1,050.76)</b>	<b>(\$1,050.76)</b>
<b>Net Change in Cash for Period</b>	<b>\$33,499.87</b>	<b>\$307,574.73</b>
<b>Cash at Beginning of Period</b>	<b>\$2,992,744.28</b>	<b>\$3,026,244.15</b>
<b>Cash at End of Period</b>	<b>\$3,026,244.15</b>	<b>\$3,333,818.88</b>

EASTERN SHORE OF VIRGINIA  
BROADBAND AUTHORITY

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021



**EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

# **EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY**

## **Board Members**

John Reiter, Chairperson  
Elaine Meil, Vice Chairperson  
Mike Mason, Treasurer  
Charles Kolakowski  
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, 2021

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**INDEPENDENT AUDITORS' REPORT**

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**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, 2021, 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, 2021, 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 February 11, 2022, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Richmond, Virginia  
February 11, 2022

**EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY**  
Management's Discussion and Analysis  
Year Ended June 30, 2021

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, 2021.

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, 2021 and 2020 are presented below:

### Statement of Financial Position

	2021	2020
Current assets	\$ 5,770,342	\$ 7,629,787
Capital assets less accumulated depreciation	15,417,191	12,637,538
Total assets	\$ 21,187,533	\$ 20,267,325
Current liabilities	\$ 823,051	\$ 760,431
Long-term liabilities	3,725,000	4,169,000
Total liabilities	\$ 4,548,051	\$ 4,929,431
Deferred inflows of resources	\$ 193,340	\$ 205,949
Net investment in capital assets	\$ 11,248,191	\$ 8,043,538
Unrestricted	5,197,951	7,088,407
Total net position	\$ 16,446,142	\$ 15,131,945

The net position of the Authority increased \$1,314,197 in 2021 compared to 2020.

**Change in Net Position:** A summary of the Authority's Statement of Revenues, Expenses and Net Position for the years ended June 30, 2021 and 2020 are presented below:

<b>Statement of Revenues, Expenses, and Changes in Net Position</b>		
	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 4,798,470	\$ 4,353,294
Operating expenses	<u>3,805,267</u>	<u>3,326,755</u>
Operating income (loss)	\$ 993,203	\$ 1,026,539
Nonoperating revenues (expenses)	<u>320,994</u>	<u>81,361</u>
Change in net position	<u><u>\$ 1,314,197</u></u>	<u><u>\$ 1,107,900</u></u>

Operating revenues represent the revenue received by the Authority by providing broadband services. Fee revenue increased in fiscal year 2021 as compared to fiscal year 2020 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 2018.

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 increase in nonoperating revenues in fiscal year 2021 when compared to fiscal year 2020 is due to an increase in customer installations in fiscal year 2021.



**Cash Flows:** A summary of the Authority's Statement of Cash Flows for 2021 and 2020 are presented below:

**Statement of Cash Flows**

	2021	2020
Cash flows from operating activities	\$ 1,578,408	\$ 1,840,790
Cash flows from capital and related financing activities	(3,972,559)	(4,449,817)
Cash flows from investing activities	2,461	43,336
Net increase (decrease) in cash and cash equivalents	\$ (2,391,690)	\$ (2,565,691)
Cash and cash equivalents, beginning of year	6,466,583	9,032,274
Cash and cash equivalents, end of year	<u>\$ 4,074,893</u>	<u>\$ 6,466,583</u>

Cash flows from operating activities decreased by \$262,382 in 2021 over 2020. This is primarily the result of an increase in inventory costs, accounts receivable, and depreciation in 2021.

Cash flows used for capital and related financing activities increased by \$477,258 in 2021 over 2020. This is primarily the result of an increase in customer installations.

Cash flows used for investing activities decreased by \$40,875 in 2021 over 2020. This is primarily the result of a decrease in interest received from the bank for the deposit of the \$5,000,000 taxable revenue bond due to a decreasing balance as the funds are spent on expansion.

**Capital Assets and Debt Administration**

**Capital Assets**

The Authority had \$15,417,191 in net capital assets at June 30, 2021 as compared to \$12,637,538 at June 30, 2020. Additions to capital assets in the amount of \$3,866,092 in fiscal 2021 were more than depreciation in the amount of \$1,086,439 for the same period, thus having a \$2,779,653 on change in net position.

**Long-term Obligations**

The Authority had one bond outstanding at June 30, 2021. A taxable revenue bond was issued in fiscal year 2019 for \$5,000,000. \$4,169,000 was outstanding as of June 30, 2021.

### **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, 2021

(with Comparative Totals at June 30, 2020)

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 4,074,893	\$ 6,466,583
Accounts receivable (net of allowance for uncollectible accounts of \$81,035)	357,676	185,987
Inventory	1,288,267	977,217
Prepaid Items	49,506	-
Total current assets	\$ 5,770,342	\$ 7,629,787
Capital Assets:		
Land and land rights	\$ 260,000	\$ 260,000
Other capital assets, less accumulated depreciation	15,157,191	12,377,538
Total capital assets, net	\$ 15,417,191	\$ 12,637,538
Total assets	\$ 21,187,533	\$ 20,267,325
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 296,669	\$ 297,091
Interest payable	30,851	33,996
Customer overpayments	44,430	-
Other accrued current liabilities	7,101	4,344
Notes payable, current portion	444,000	425,000
Total current liabilities	\$ 823,051	\$ 760,431
Long-term Liabilities:		
Notes payable, less current portion	\$ 3,725,000	\$ 4,169,000
Total liabilities	\$ 4,548,051	\$ 4,929,431
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - fiber construction	\$ 193,340	\$ 205,949
<b>NET POSITION</b>		
Net investment in capital assets	\$ 11,248,191	\$ 8,043,538
Unrestricted	5,197,951	7,088,407
Total net position	\$ 16,446,142	\$ 15,131,945

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, 2021  
(with Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Charge for broadband service	\$ 4,788,324	\$ 4,337,267
Miscellaneous	<u>10,146</u>	<u>16,027</u>
Total operating revenues	\$ <u>4,798,470</u>	\$ <u>4,353,294</u>
Operating expenses:		
Payroll	\$ 1,219,142	\$ 1,062,500
Professional fees	27,039	36,266
Sales and marketing	13,467	20,470
Advertising	178	104
Postage	2,434	1,633
Lease	70,200	7,800
Telephone	8,874	8,656
Hut maintenance and operations	48,259	49,683
Internet and third party charges for resale	584,353	652,048
Travel, conference, convention, meetings and staff development	17,662	10,629
Equipment and tools	77,892	27,766
Dues and subscriptions	3,361	2,325
Office	94,209	86,250
Vehicle	64,707	40,988
Insurance	22,946	600
Maintenance and repairs	16,614	13,166
Noncapital construction related charges	420,798	258,485
Bank fees	26,693	19,539
Bad debt	-	123,225
Depreciation	<u>1,086,439</u>	<u>904,622</u>
Total operating expenses	\$ <u>3,805,267</u>	\$ <u>3,326,755</u>
Operating income (loss)	\$ <u>993,203</u>	\$ <u>1,026,539</u>
Nonoperating revenues (expenses):		
Interest income	\$ 2,461	\$ 43,336
Installations and sale of supplies	506,929	251,337
Interest expense	<u>(188,396)</u>	<u>(213,312)</u>
Total nonoperating revenues (expenses)	\$ <u>320,994</u>	\$ <u>81,361</u>
Change in net position	\$ 1,314,197	\$ 1,107,900
Net position at beginning of year	<u>15,131,945</u>	<u>14,024,045</u>
Net position at end of year	\$ <u><u>16,446,142</u></u>	\$ <u><u>15,131,945</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, 2021  
(with Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from operations	\$ 4,658,602	\$ 4,359,615
Cash payments to suppliers	(1,531,002)	(1,159,192)
Cash payments to and for employees	(1,549,192)	(1,359,633)
Net cash provided by (used for) operating activities	\$ <u>1,578,408</u>	\$ <u>1,840,790</u>
Cash flows from capital and related financing activities:		
Installations and sale of supplies	\$ 506,929	\$ 251,337
Principal paid on ANEC note	-	(25,000)
Principal paid on note payable	(425,000)	(406,000)
Interest expense	(188,396)	(213,312)
Acquisition of capital assets	(3,866,092)	(4,056,842)
Net cash provided by (used for) capital and related financing activities	\$ <u>(3,972,559)</u>	\$ <u>(4,449,817)</u>
Cash flows from investing activities:		
Interest income	\$ <u>2,461</u>	\$ <u>43,336</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,391,690)	\$ (2,565,691)
Cash and cash equivalents, beginning of year	<u>6,466,583</u>	<u>9,032,274</u>
Cash and cash equivalents, end of year	\$ <u><u>4,074,893</u></u>	\$ <u><u>6,466,583</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 993,203	\$ 1,026,539
Adjustments to reconcile net cash provided by (used for) operating activities:		
Depreciation	1,086,439	904,622
Changes in assets, liabilities and deferred inflows:		
Accounts receivable	(171,689)	18,930
Inventory	(311,050)	(177,685)
Prepaid items	(49,506)	-
Interest payable	(3,145)	(3,004)
Accounts payable	(422)	83,467
Customer overpayments	44,430	-
Deferred inflows of resources	(12,609)	(12,609)
USAC payable	-	(2,806)
Other accrued liabilities	2,757	3,336
Net cash provided by (used for) operating activities	\$ <u><u>1,578,408</u></u>	\$ <u><u>1,840,790</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, 2021

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#### NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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##### 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):**

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**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, 2021.

**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):**

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**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, 2021.

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 \$193,340 of deferred inflows of resources as of June 30, 2021 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, 2021

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#### NOTE 2-DEPOSITS AND INVESTMENTS:

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##### 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, 2021.

#### NOTE 3-CONTINGENT LIABILITIES:

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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, 2021

### NOTE 4-CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
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	217,239	-	292,113
Vehicles	452,472	36,728	-	489,200
Plant in service	19,149,826	3,612,125	-	22,761,951
Total capital assets subject to depreciation	\$ 19,784,203	\$ 3,866,092	\$ -	\$ 23,650,295
Accumulated depreciation:				
Office furniture and equipment	\$ 18,933	\$ 3,966	\$ -	\$ 22,899
Software	53,759	10,544	-	64,303
Other equipment	102,900	6,558	-	109,458
Vehicles	308,331	50,098	-	358,429
Plant in service	6,922,742	1,015,273	-	7,938,015
Total accumulated depreciation	\$ 7,406,665	\$ 1,086,439	\$ -	\$ 8,493,104
Total capital assets subject to depreciation, net	\$ 12,377,538	\$ 2,779,653	\$ -	\$ 15,157,191
Net capital assets	\$ 12,637,538	\$ 2,779,653	\$ -	\$ 15,417,191

### 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, 2021, 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, 2021

### NOTE 7-LONG-TERM OBLIGATIONS:

A summary of long-term obligation transactions for the year ended June 30, 2021 is as follows:

Long-term obligations:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Note payable from direct borrowing	\$ 4,594,000	\$ -	\$ 425,000	\$ 4,169,000	\$ 444,000
Total	<u>\$ 4,594,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ 4,169,000</u>	<u>\$ 444,000</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
2022	\$ 444,000	\$ 175,247
2023	464,000	155,089
2024	485,000	134,021
2025	507,000	111,999
2026	530,000	88,978
2027 - 2029	1,739,000	118,126
Total	<u>\$ 4,169,000</u>	<u>\$ 783,460</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%.	\$ 4,169,000	\$ 444,000
Total long-term obligations	<u>\$ 4,169,000</u>	<u>\$ 444,000</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:**

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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:**

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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 financial 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***

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**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, 2021 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 February 11, 2022.

**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.

A handwritten signature in black ink, appearing to read "D. Frick", followed by a long horizontal line.

Richmond, Virginia  
February 11, 2022



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Communication with Those Charged with Governance**

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**To the Board of Directors  
Eastern Shore of Virginia Broadband Authority**

We have audited the financial statements of the business-type activities of Eastern Shore of Virginia Broadband Authority for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 9, 2021. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Eastern Shore of Virginia Broadband Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets, depreciation expense and accumulated depreciation are based on prior year experience as well as other sources regarding the estimated useful lives of capital assets and depreciation methods. Management's estimate for allowance for uncollectible accounts receivable is based on prior year experience as well as management's policies for calculating the allowance. We evaluated the key factors and assumptions used to develop the above estimates in determining that those items are reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 11, 2022.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

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

A handwritten signature in black ink, appearing to read "D. Frick", followed by a long horizontal line.

Richmond, Virginia  
February 11, 2022





ROBINSON, FARMER, COX ASSOCIATES, PLLC  
*Certified Public Accountants*

**DATE:** February 11, 2021

**MEMORANDUM TO:** Governing Body  
Eastern Shore of Virginia Broadband Authority

**FROM:** Robinson, Farmer, Cox Associates (RFC)

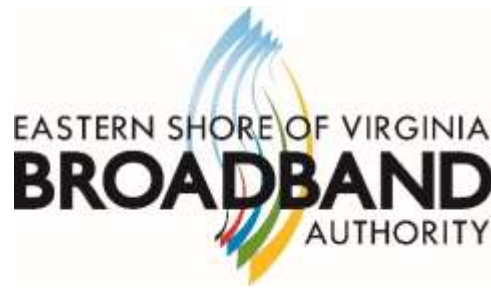
**REGARDING:** FY2021 Audit

In planning and performing our audit of the financial statements of Eastern Shore of Virginia Broadband Authority for the year ended June 30, 2021, we considered the Authority's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls. This letter does not affect our report dated February 11, 2022, on the financial statements of Eastern Shore of Virginia Broadband Authority. We will review the status of these comments during our next audit engagement. We have already discussed these comments with appropriate members of management and will be pleased to discuss these matters in further detail at your convenience.

**BANK RECONCILIATIONS**

Authority staff experienced difficulties reconciling the bank balance to the amount of cash in bank per the general ledger for two accounts. For both accounts, the issues resulted from transactions not being properly marked as cleared and reconciled in NetSuite. The bank reconciliation process is a key procedure in determining the validity of the amounts reported in the interim and year-end financial statements. We recommend the bank reconciliations be thoroughly reviewed, including a detailed review of the uncleared or unreconciled items, and reconciled balances be compared to the bank balances and general ledger balances before being approved by the Executive Director.



**Date:** March 2022

**New Business:** Allocation of funding for Pole Survey

**Summary:** Every 5-6 years, ANEC commissions a pole audit/inspection of the power system here on the shore to verify network assurance of the power cable plant. As per the pole attachment agreement with ANEC, the ESVBA, being an attacher to the poles, would provide our pro rata share of the cost of the audit. As per the letter from ANEC dated March 14, 2022, ANEC has informed us that our cost estimate would be \$93,032.

**Action Requested:** The ESVBA staff is requesting the board to authorize the staff to allocate \$93,032 out of our existing Annual Accrual account which currently has a balance of \$1.2M to fund this project with ANEC.