

**Regular Meeting of the Board of Directors of the
Eastern Shore Broadband Authority
March 23th, 2023
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. VATI FY22 Report
 - b. LOC Increase
7. New Business
 - a. Approve FY22 Audit
8. Treasurers Report
9. Board Comments
10. Closed Session
 - a. **Personnel Discussion** (Section 2.2-3711 Paragraph 1) ⁽¹⁾
 - b. **Contracted Revenue** (Section 2.2-3711 Paragraph 33) ⁽²⁾
11. Adjournment

Next Board Regular Meeting: May 25th, 2023

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

January 26, 2023

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

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

Members of the public attending were: Rick Willis, Justin Nick

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

AGENDA ADOPTION

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

PUBLIC COMMENT

Sergio Francavilla (Custis Neck Micro) – Asked the Board what percentage of the shore is being serviced by ESVBA and when do they expect to reach 80%. He wanted to know what will preclude a residence from being part of the 80%. Lastly, he questioned if the BOD was aware that the broadband initiative is experiencing serious competition, particularly satellite.

REVIEW OF MINUTES

Mr. Mason moved to approve the Regular Board Meeting Minutes from December. Mr. Pettit seconded. Motion passed unopposed.

SYSTEM STATUS & BUILD REPORT

1. WiFi Hotspots- There are currently 26 of the 28 hotspots in

service. Ebenezer Church is still offline. Dreamland 2 cradle point is down and being repaired.

2. Residential Broadband- Mr. Bridgham reported that the Authority has 2,841 active residential customers. He stated that there are 66 customers in service in Harborton, 34 in Bobtown, 131 in Church Neck, 68 in Sanford, 41 on Cheapside, 4 on Cobbs Station, 108 in Accomac, 7 in Townsend, 209 in Greenbackville, 67 in Atlantic, 87 in Wattsville/Horntown, 84 in Oak Hall, 113 in Hallwood, 79 in Painter/Quinby, 109 in Eastville, 107 in Nassawadox, 8 in Oyster, 279 in Exmore, 93 in Belle Haven, 42 in Cheriton, 44 in Wachapreague, 423 in Onancock, 276 in Cape Charles, 183 in Parksley, 4 in Nocks Landing, 43 in Saxis, 17 on Chincoteague, and 115 on Tangier.
3. WISP EVPL Program- Mr. Bridgham informed the BOD that 59 sites are in service.
4. Microcommunity Program- There are 39 communities that are in service and 6 others that are in various stages of progress.
5. ACP Program- The program had 103 subscribers in the month of January.
6. Assistance Programs- Mr. Bridgham presented a report showing details for all of the assistance programs.
7. Vaocluse- The construction for the subdivision of Vaocluse has been completed. There are currently 50 active subscribers and 36 awaiting installation.

Mr. Kolakowski asked what the current population is.

Mr. Bridgham replied that there's about 210 homes but around 290 parcels.

Ms. Meil asked when the construction is scheduled to be complete for VATI 2022.

Mr. Bridgham stated that ESVBA is on schedule to complete the extension in May, 2024.

OLD BUSINESS

- a. VATI FY22 Report – Mr. Bridgham presented a list of the 14 areas and the status of each.

Mr. Mason asked when construction started.

Mr. Bridgham replied that it started in June, 2022. The total cost of the

project is \$12M and no money has been received from the state yet.

- b. RATE HEARING – A Rate Hearing was held to add 100Gbps dedicated internet pricing for 60 months.
ESVBA received no public comment regarding the publication of the new pricing.
Mr. Kolakowski motioned to adopt the rate as published. Ms. Meil seconded. Motion passed unopposed.

NEW BUSINESS

- a. CONSIDER INCREASING LINE OF CREDIT-
Mr. Bridgham explained that there is a cash flow concern due to all of the materials that have been funded by ESVBA for the VATI project.
Mr. Kolakowski asked if buying equipment and materials now can be matched and utilized in future VATI projects.
Mr. Bridgham stated that it can be.
Mr. Mason motioned to increase the Line of Credit to \$2M. Mr. Kolakowski seconded. After discussion, Motion passed unopposed.

TREASURER'S REPORT

Mr. Mason gave an overview of the financials.

BOARD COMMENTS

Ms. Meil commented that the contract terms may not be doable for low income families.

Mr. Reiter reminded the board of the Work Session in February.

Mr. Bridgham explained that the Audit is expected to be completed by the next regular meeting in March.

Mr. Pettit asked if the mailers have increased interest from the public.

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 Mr. Kolakowski, seconded by Ms. Meil. The following board members were present: Mr. Reiter, Mr. Pettit, Ms. Meil, Mr. Mason, and Mr. Kolakowski, 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. Reiter, Ms. Meil, Mr. Mason, and Mr. Kolakowski, and voted affirmative.

ADJOURNMENT

The meeting was adjourned at 2:54pm.

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

Presiding Officer

Copy teste:

Leah Hoopes, Secretary

MINUTES

Work Session Meeting of the Board of Directors of the Eastern Shore of Virginia Broadband Authority

February 23, 2023

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

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

Mr. Reiter called the meeting to order at 2:02 pm.

AGENDA ADOPTION

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

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. Pettit, seconded by Ms. Meil. 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. Pettit, seconded by Ms. Meil 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. Mason, Mr. Reiter, Mr. Pettit, Mr. Kolakowski, and Ms. Meil and voted affirmative.

BOARD COMMENTS

None

ADJOURNMENT

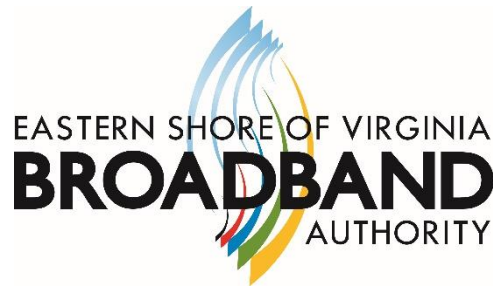
The meeting was adjourned at 4:15 pm.

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

Presiding Officer

Copy teste:

Leah Hoopes, Secretary



Status Report

March 2023

Status Report Topics

1. WiFi Hotspots
2. Residential Broadband
3. WISP EVPL Program
4. Microcommunity Program
5. Assistance Programs

WiFi Hotspots

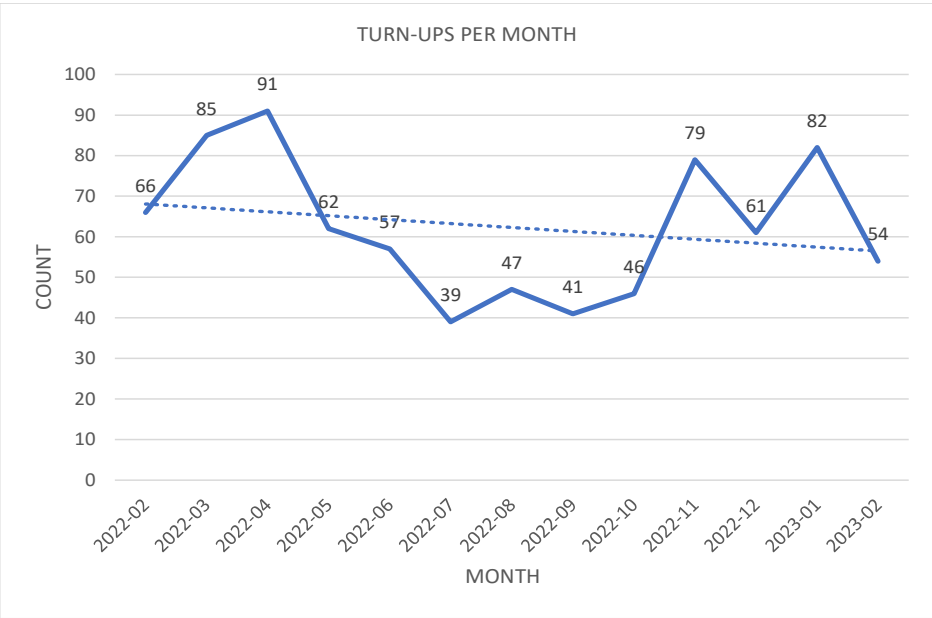
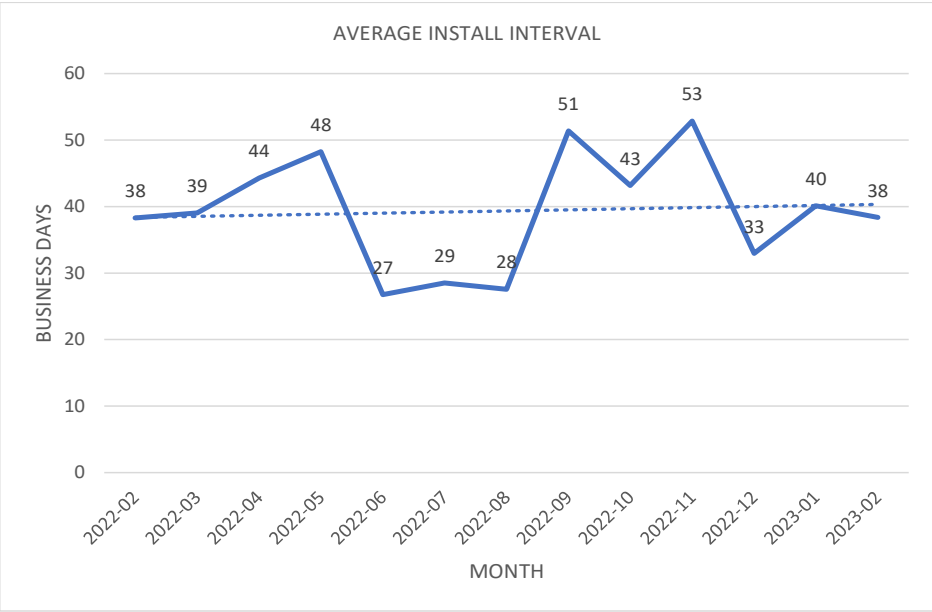
- 27 of 28 WiFi Hotspots online. Ebenezer Church is still offline without any point of contact to repair the downed node.

Residential Broadband

Residential Report as of 3/19/2023

Area	Date Opened	# of Homes	Number of Active Circuits	% 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	69	48.59%	1	0.70%	49.30%	1	0.70%
Bobtown/Pungoteague/Keller	Mar-17	513	35	6.82%	2	0.39%	7.21%	0	0.00%
Church Neck	Mar-17	302	154	50.99%	13	4.30%	55.30%	6	1.99%
Sanford	Dec-17	306	68	22.22%	2	0.65%	22.88%	2	0.65%
Cheapside	Dec-17	197	43	21.83%	0	0.00%	21.83%	0	0.00%
Cobbs Station	Dec-17	105	4	3.81%	0	0.00%	3.81%	0	0.00%
Accomac	Dec-17	648	107	16.51%	0	0.00%	16.51%	1	0.15%
Townsend/Latimer Siding	Jan-18	80	7	8.75%	0	0.00%	8.75%	2	2.50%
Greenbackville	Jan-18	294	231	78.57%	41	13.95%	92.52%	6	2.04%
Atlantic	Mar-18	219	69	31.51%	1	0.46%	31.96%	1	0.46%
Wattsville-Horntown	Mar-18	262	88	33.59%	1	0.38%	33.97%	0	0.00%
Oak Hall	May-18	218	87	39.91%	3	1.38%	41.28%	2	0.92%
Hallwood	May-18	740	112	15.14%	2	0.27%	15.41%	1	0.14%
Quinby/Painter	Jun-18	354	80	22.60%	1	0.28%	22.88%	0	0.00%
Eastville	Jun-18	436	107	24.54%	1	0.23%	24.77%	0	0.00%
Nassawadox	Aug-18	455	123	27.03%	6	1.32%	28.35%	0	0.00%
Oyster	Aug-18	87	8	9.20%	0	0.00%	9.20%	0	0.00%
Exmore	Sep-18	740	286	38.65%	5	0.68%	39.32%	4	0.54%
Belle Haven	Sep-18	478	96	20.08%	7	1.46%	21.55%	0	0.00%
Cheriton	Oct-18	236	41	17.37%	0	0.00%	17.37%	0	0.00%
Wachapreague	Oct-18	300	43	14.33%	0	0.00%	14.33%	0	0.00%
Onancock	Nov-18	1907	423	22.18%	4	0.21%	22.39%	4	0.21%
Cape Charles	Nov-18	910	278	30.55%	36	3.96%	34.51%	5	0.55%
Parksley	Jan-19	896	178	19.87%	2	0.22%	20.09%	1	0.11%
Nocks Landing	Jan-19	88	4	4.55%	0	0.00%	4.55%	0	0.00%
Chincoteague	Jan-19	1345	21	1.56%	2	0.15%	1.71%	0	0.00%
Saxis	May-20	248	42	16.94%	1	0.40%	17.34%	0	0.00%
Tangier	May-21	342	118	34.50%	1	0.29%	34.80%	3	0.88%

Totals: 12,848 2,922 132 39



WISP EVPL Program

- Fifty-nine (59) sites in service and operational!

Microcommunity Program

- There now 40 microcommunities in-service and operational, two (2) being constructed currently that are 5-homes to come online both in Northampton County.

Assistance Programs

ESVBA Assistance Programs Report

March-23

ESVBA Installation Assistance Program (IAP)

Active in 2021 and funded with \$189k

Number of subs enrolled:	61
Total funding from program:	\$ 20,365
Average Assistance / Sub:	\$ 333.85

Accomack Installation Assistance Program (IAP)

Active in 2021 and funded with \$50k

Number of subs enrolled:	0
Total funding from program:	\$ -
Average Assistance / Sub:	\$ -

DHCD Line Extension Cust Assistance Program (LECAP)

Active as of: June 2022

Number of subs enrolled:	1
Total funding from program:	\$ 9,301
Average Assistance / Sub:	\$ 9,301

ESVBA VATI FY22 Special Assistance

Active as of: June 2022 and funded with \$2.44M

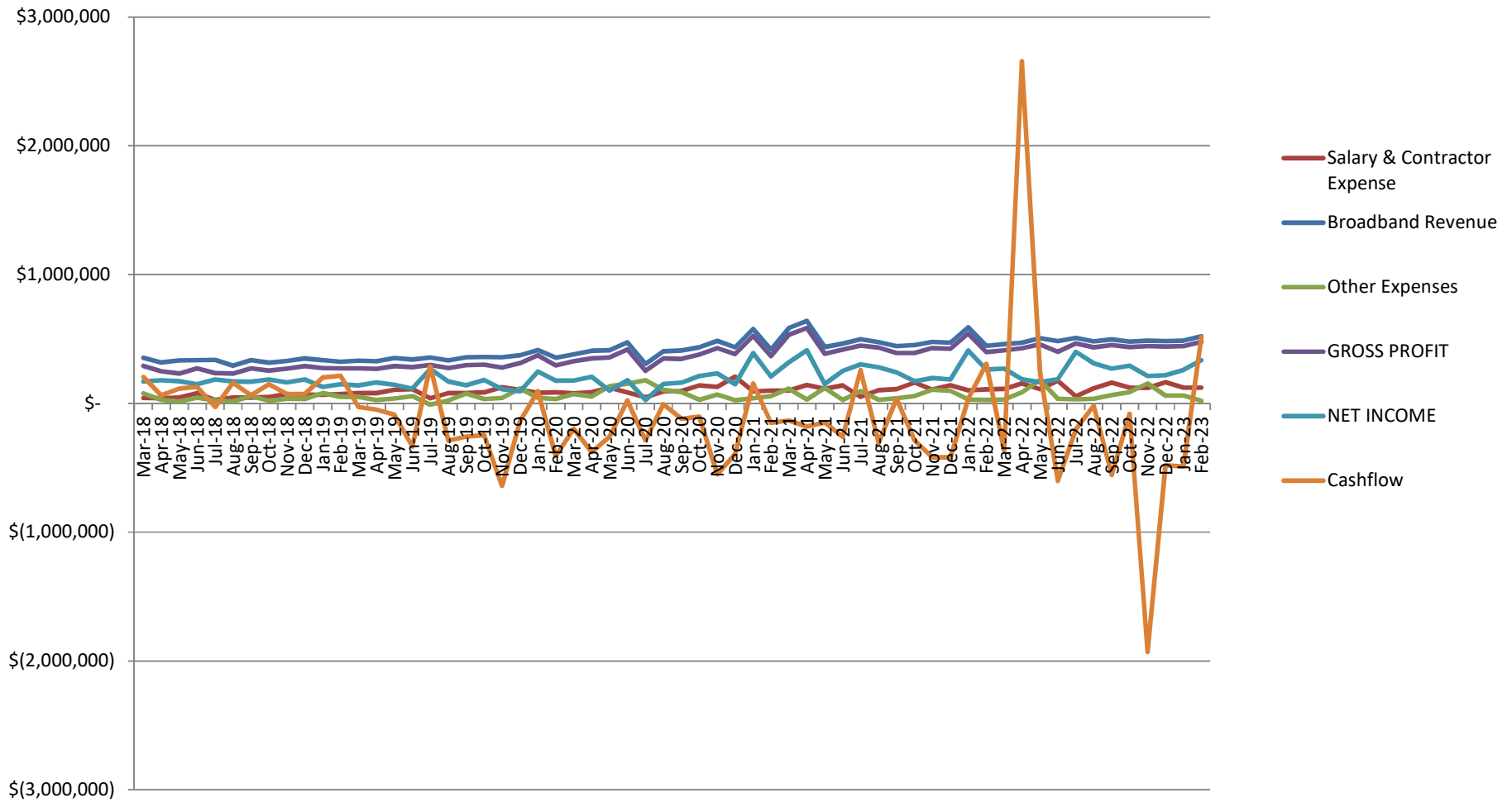
Number of subs enrolled:	22
Total funding from program:	\$ 78,350
Average Assistance / Sub:	\$ 3,561

FCC ACP Program

Number of subs enrolled:	105
Previous month's savings	\$ 3,146

Total # of ESVBA Subscribers Assisted:	189
Total Assistive Funding Rendered:	\$ 108,016

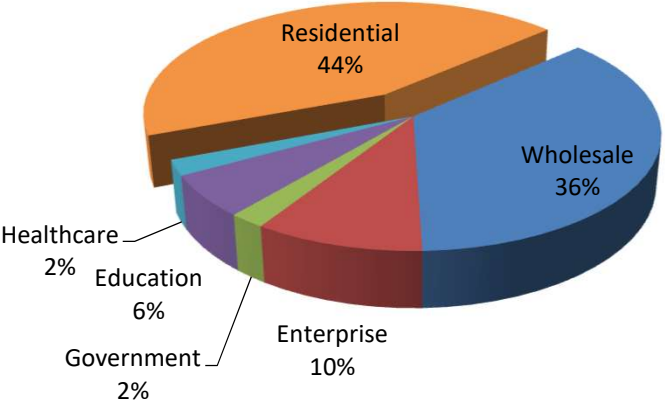
Mar '18 to Feb '23 Financials



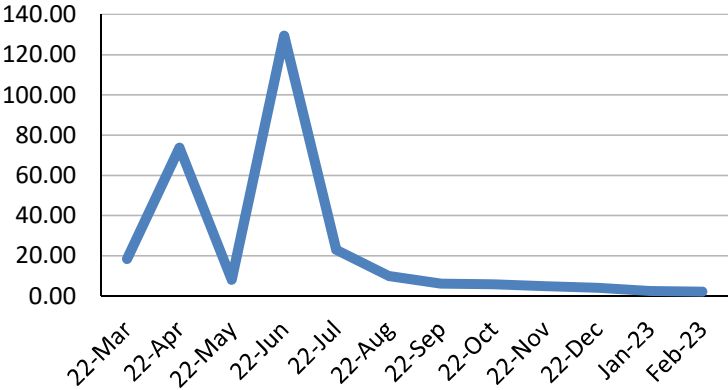
ESVBA Dashboard - March 2023

Financial Data

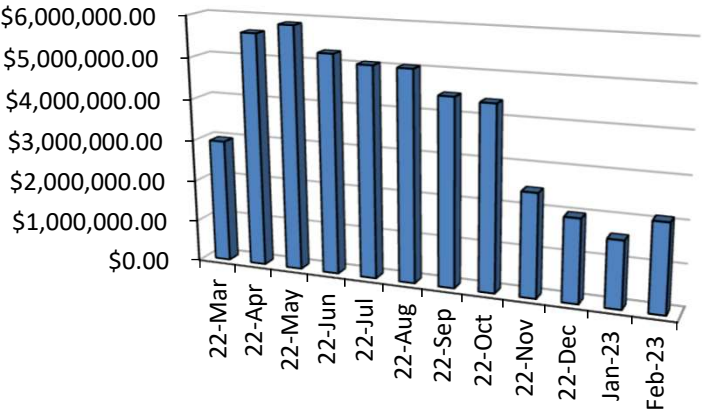
Revenue by Sector as of February 2023



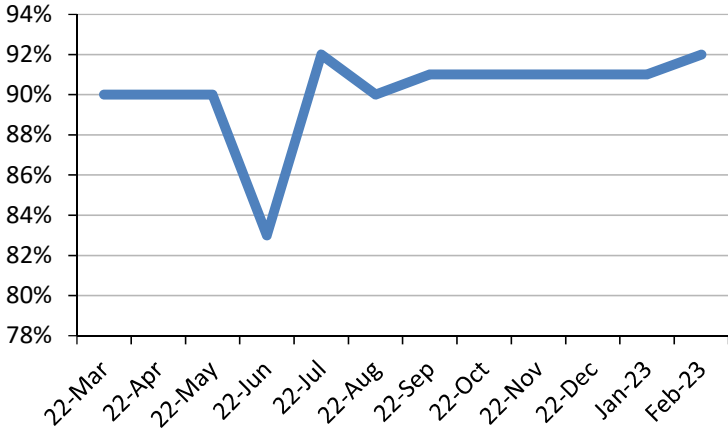
Quick Ratio



Cash & Cash Equivalents

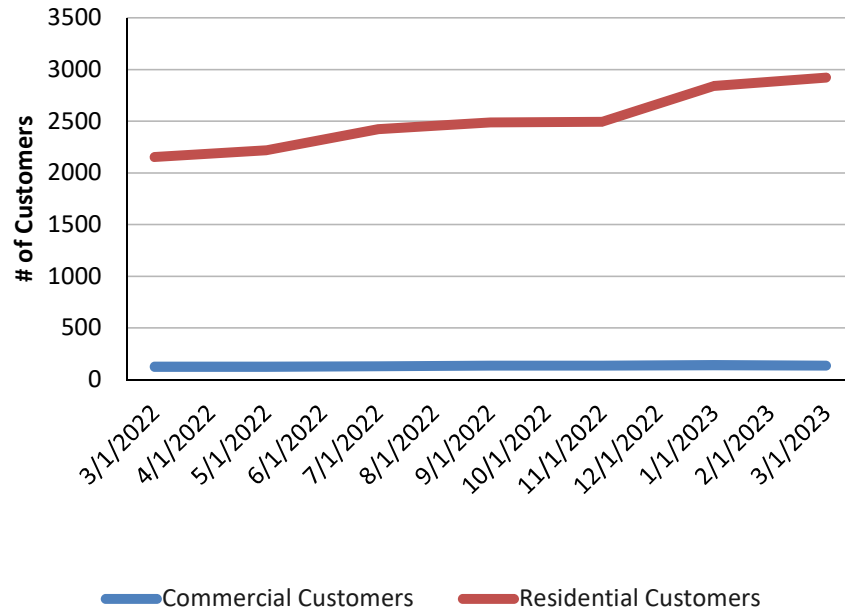


GROSS PROFIT MARGIN

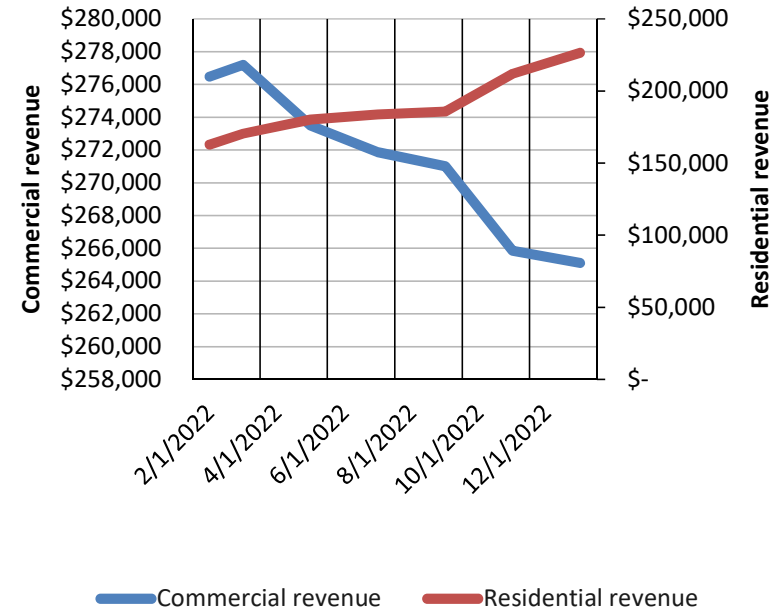


Customer Base

Customer Mix



Commercial vs. Residential Revenues



EASTERN SHORE OF VIRGINIA
BROADBAND AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

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Performed in Accordance with *Government Auditing Standards* 20-21

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the 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, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastern Shore of Virginia Broadband Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, 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.

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

Richmond, Virginia
January 17, 2023

EASTERN SHORE OF VIRGINIA BROADBAND AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2022

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, 2022.

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, 2022 and 2021 are presented below:

Statement of Financial Position

	2022	2021
Current assets	\$ 7,301,825	\$ 5,770,342
Capital assets less accumulated depreciation	18,663,481	15,417,191
Total assets	\$ 25,965,306	\$ 21,187,533
Current liabilities	\$ 3,288,676	\$ 823,051
Long-term liabilities	3,623,066	3,725,000
Total liabilities	\$ 6,911,742	\$ 4,548,051
Deferred inflows of resources	\$ 180,731	\$ 193,340
Net investment in capital assets	\$ 14,519,103	\$ 11,248,191
Unrestricted	4,353,730	5,197,951
Total net position	\$ 18,872,833	\$ 16,446,142

The net position of the Authority increased \$1,314,197 in 2022 compared to 2021.

Change in Net Position: A summary of the Authority's Statement of Revenues, Expenses and Net Position for the years ended June 30, 2022 and 2021 are presented below:

**Statement of Revenues,
Expenses, and Changes in Net Position**

	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 6,308,686	\$4,798,470
Operating expenses	<u>4,029,050</u>	<u>3,805,267</u>
Operating income (loss)	\$ 2,279,636	\$ 993,203
Nonoperating revenues (expenses)	<u>147,055</u>	<u>320,994</u>
Change in net position	<u><u>\$ 2,426,691</u></u>	<u><u>\$1,314,197</u></u>

Operating revenues represent the revenue received by the Authority by providing broadband services. Fee revenue increased in fiscal year 2022 as compared to fiscal year 2021 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 payroll and depreciation.

Nonoperating revenues (expenses) consists of connections, sale of supplies, interest income and interest expenses. The decrease in nonoperating revenues in fiscal year 2022 when compared to fiscal year 2021 is due to a decrease in customer installations in fiscal year 2022.

Cash Flows: A summary of the Authority's Statement of Cash Flows for 2022 and 2021 are presented below:

Statement of Cash Flows

	2022	2021
Cash flows from operating activities	\$ 5,765,702	\$ 1,578,408
Cash flows from capital and related financing activities	(4,485,640)	(3,972,559)
Cash flows from investing activities	1,430	2,461
Net increase (decrease) in cash and cash equivalents	\$ 1,281,492	\$ (2,391,690)
Cash and cash equivalents, beginning of year	4,074,893	6,466,583
Cash and cash equivalents, end of year	<u>\$ 5,356,385</u>	<u>\$ 4,074,893</u>

Cash flows from operating activities increased by \$4,187,294 in 2022 over 2021. This is primarily the result of increased fee revenue and local match grant funds 2022.

Cash flows used for capital and related financing activities decreased by \$513,081 in 2022 over 2021. This is primarily the result of an increase in customer installations.

Cash flows used for investing activities decreased by \$1,031 in 2022 over 2021.

Capital Assets and Debt Administration

Capital Assets

The Authority had \$18,663,481 in net capital assets at June 30, 2022 as compared to \$15,417,191 at June 30, 2021. Additions and adjustments to capital assets in the amount of \$4,699,186 in fiscal 2022 were more than depreciation in the amount of \$1,360,353 for the same period, thus having a \$3,338,833 on change in net position.

Long-term Obligations

The Authority issued a \$5,000,000 taxable revenue bond in 2018. \$3,725,000 was outstanding at June 30, 2022.

The Authority had two infrastructure leases outstanding at June 30, 2022. \$419,378 was outstanding as of June 30, 2022.

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 be addressed in writing to the Executive Director, Eastern Shore of Virginia Broadband Authority, 4174 Lankford Highway, Exmore, Virginia 23350.

BASIC FINANCIAL STATEMENTS

Eastern Shore of Virginia Broadband Authority

Statement of Net Position
At June 30, 2022

ASSETS	<u>2022</u>
Current Assets:	
Cash and cash equivalents	\$ 5,356,385
Accounts receivable (net of allowance for uncollectible accounts of \$81,035)	267,360
Inventory	1,591,213
Prepaid Items	86,867
Total current assets	<u>\$ 7,301,825</u>
Capital Assets:	
Land and land rights	\$ 260,000
Other capital assets, less accumulated depreciation	18,403,481
Total capital assets, net	<u>\$ 18,663,481</u>
Total assets	<u>\$ 25,965,306</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 252,030
Interest payable	27,835
Customer overpayments	117,140
Other accrued current liabilities	33,306
Unearned revenue	2,337,053
Notes payable, current portion	464,000
Leases payable, current portion	57,312
Total current liabilities	<u>\$ 3,288,676</u>
Long-term Liabilities:	
Notes payable, less current portion	\$ 3,261,000
Leases payable, less current portion	362,066
Total long-term liabilities	<u>\$ 3,623,066</u>
Total liabilities	<u>\$ 6,911,742</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - fiber construction	<u>\$ 180,731</u>
NET POSITION	
Net investment in capital assets	\$ 14,519,103
Unrestricted	4,353,730
Total net position	<u><u>\$ 18,872,833</u></u>

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, 2022

	<u>2022</u>
Operating revenues:	
Charge for broadband service	\$ 6,305,680
Miscellaneous	3,006
	<hr/>
Total operating revenues	\$ 6,308,686
	<hr/>
Operating expenses:	
Payroll	\$ 1,407,585
Professional fees	34,048
Sales and marketing	25,033
Advertising	3,953
Postage	4,539
Lease	30,600
Telephone	9,783
Hut maintenance and operations	67,517
Internet and third party charges for resale	564,480
Travel, conference, convention, meetings and staff development	27,583
Equipment and tools	54,357
Dues and subscriptions	768
Office	140,154
Vehicle	66,669
Insurance	14,599
Maintenance and repairs	21,861
Noncapital construction related charges	161,264
Bank fees	33,904
Depreciation	1,360,353
	<hr/>
Total operating expenses	\$ 4,029,050
	<hr/>
Operating income (loss)	\$ 2,279,636
	<hr/>
Nonoperating revenues (expenses):	
Interest income	\$ 1,430
Installations and sale of supplies	332,932
Interest expense	(187,307)
	<hr/>
Total nonoperating revenues (expenses)	\$ 147,055
	<hr/>
Change in net position	\$ 2,426,691
	<hr/>
Net position at beginning of year	16,446,142
	<hr/>
Net position at end of year	\$ 18,872,833
	<hr/> <hr/>

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, 2022

	<u>2022</u>
Cash flows from operating activities:	
Cash received from operations	\$ 8,796,156
Cash payments to suppliers	(1,585,508)
Cash payments to and for employees	(1,444,946)
	<u>5,765,702</u>
Net cash provided by (used for) operating activities	\$ 5,765,702
Cash flows from capital and related financing activities:	
Installations and sale of supplies	\$ 332,932
Principal paid on note payable	(444,000)
Principal paid on lease liability	(54,570)
Interest expense	(187,307)
Acquisition of capital assets	(4,132,695)
	<u>(4,485,640)</u>
Net cash provided by (used for) capital and related financing activities	\$ (4,485,640)
Cash flows from investing activities:	
Interest income	\$ 1,430
	<u>1,430</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,281,492
Cash and cash equivalents, beginning of year	<u>4,074,893</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,356,385</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 2,279,636
Adjustments to reconcile net cash provided by (used for) operating activities:	
Depreciation	1,360,353
Changes in assets, liabilities and deferred inflows:	
Accounts receivable	90,316
Inventory	(302,946)
Prepaid items	(37,361)
Interest payable	(3,016)
Accounts payable	(44,639)
Customer overpayments	72,710
Deferred inflows of resources	(12,609)
Unearned revenue	2,337,053
Other accrued liabilities	26,205
Net cash provided by (used for) operating activities	<u><u>\$ 5,765,702</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, 2022

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.

Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued) As of June 30, 2022

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 tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the financial statements. Capital assets, except for infrastructure assets, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

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

<u>Assets</u>	<u>Years</u>
Office furniture	7
Software	3-5
Equipment	5
Vehicles	5
Leased infrastructure	5-9
Plant in service	5-20

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

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.

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 includes a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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, 2022.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has \$180,731 of deferred inflows of resources as of June 30, 2022 related to fiber network construction for Charter Communications.

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

L. Leases

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.

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

Lessee

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

Key Estimates and Judgments

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

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

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

Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued) As of June 30, 2022

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 & 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, 2022.

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, 2022

NOTE 4-CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	GASB 87 Adjustments	Adjusted Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not subject to depreciation:						
Land and land rights	\$ 260,000	\$ -	\$ 260,000	\$ -	\$ -	\$ 260,000
Total capital assets not subject to depreciation	\$ 260,000	\$ -	\$ 260,000	\$ -	\$ -	\$ 260,000
Capital assets subject to depreciation:						
Office furniture	\$ 42,728	\$ -	\$ 42,728	\$ -	\$ -	\$ 42,728
Software	64,303	-	64,303	-	-	64,303
Equipment	292,113	-	292,113	15,608	-	307,721
Vehicles	489,200	-	489,200	32,324	-	521,524
Lease infrastructure	-	473,948	473,948	-	-	473,948
Plant in service	22,761,951	-	22,761,951	4,084,763	-	26,846,714
Total capital assets subject to depreciation	\$ 23,650,295	\$ 473,948	\$ 24,124,243	\$ 4,132,695	\$ -	\$ 28,256,938
Accumulated depreciation:						
Office furniture and equipment	\$ 22,899	\$ -	\$ 22,899	\$ 3,966	\$ -	\$ 26,865
Software	64,303	-	64,303	-	-	64,303
Other equipment	109,458	-	109,458	56,154	-	165,612
Vehicles	358,429	-	358,429	22,708	-	381,137
Lease infrastructure	-	-	-	55,440	-	55,440
Plant in service	7,938,015	-	7,938,015	1,222,085	-	9,160,100
Total accumulated depreciation	\$ 8,493,104	\$ -	\$ 8,493,104	\$ 1,360,353	\$ -	\$ 9,853,457
Total capital assets subject to depreciation, net	\$ 15,157,191	\$ 473,948	\$ 15,631,139	\$ 2,772,342	\$ -	\$ 18,403,481
Net capital assets	\$ 15,417,191	\$ 473,948	\$ 15,891,139	\$ 2,772,342	\$ -	\$ 18,663,481

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, 2022, amount of unused line of credit was \$750,000. The line of credit expires on May 5, 2024 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, 2022

NOTE 7-LONG-TERM OBLIGATIONS:

A summary of long-term obligation transactions for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021	GASB 87 Adjustments	Adjusted Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Amounts Due Within One Year
Note payable from direct borrowing	\$ 4,169,000	\$ -	\$ 4,169,000	\$ -	\$ 444,000	\$ 3,725,000	\$ 464,000
Lease liabilities	-	473,948	473,948	-	54,570	419,378	57,312
Total	<u>\$ 4,169,000</u>	<u>\$ 473,948</u>	<u>\$ 4,642,948</u>	<u>\$ -</u>	<u>\$ 498,570</u>	<u>\$ 4,144,378</u>	<u>\$ 521,312</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%.	\$ 3,725,000	\$ 464,000
Lease liabilities:		
\$442,685 CBBT infrastructure lease, due in annual installments of \$62,400 through April 2029, interest at 2.75%.	\$ 392,459	\$ 51,607
\$31,263 warehouse infrastructure lease, due in variable monthly installments through January 2026, interest at 3.25%.	26,919	5,705
Total lease liabilities	419,378	57,312
Total long-term obligations	<u>\$ 4,144,378</u>	<u>\$ 521,312</u>

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

Year Ending June 30,	Note Payable from Direct Borrowing		Lease Liabilities	
	Principal	Interest	Principal	Interest
2023	\$ 464,000	\$ 155,089	\$ 57,312	\$ 11,588
2024	485,000	134,021	60,138	9,962
2025	507,000	111,999	63,049	8,251
2026	530,000	88,978	61,523	6,477
2027	554,000	64,913	57,523	4,877
2028	579,000	39,760	59,105	3,295
2029	606,000	13,453	60,728	1,670
Total	<u>\$ 3,725,000</u>	<u>\$ 608,213</u>	<u>\$ 419,378</u>	<u>\$ 46,120</u>

Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued)

As of June 30, 2022

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. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

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

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

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Eastern Shore of Virginia Broadband Authority

Notes to Financial Statements (Continued)

As of June 30, 2022

NOTE 10—SUBSEQUENT EVENTS:

The COVID-19 pandemic and its impact on operations continues to evolve. Management believes the Authority is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

NOTE 11 - ADOPTION OF ACCOUNTING PRINCIPLES

The Authority implemented provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. 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. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

	<u>Amount</u>
Lessee activity:	
Lease assets	\$ 473,948
Lease liabilities	\$ <u>473,948</u>

NOTE 12 - UNEARNED REVENUE

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. This represents a liability incurred by the Authority for monies accepted from a grantor using the advance method for payments. The liability is reduced and revenue recorded when expenses are made in accordance with the grantor's requirements. If expenses are not made, the funds may revert to the grantor.

Unearned revenue consisted of the following:

VATI local match funds	\$ 2,227,760
Accomack build out funds	<u>109,293</u>
	\$ <u>2,337,053</u>

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COMPLIANCE SECTION



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, 2022 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 January 17, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
January 17, 2023

Eastern Shore of Virginia Broadband Authority
Board Balance Sheet
End of Feb 2023

Financial Row	Amount
ASSETS	
Current Assets	
Bank	
10010 - General Operating Account - BB&T (0720)	\$518,138.22
10020 - Capital Expansion Account - BB&T (0747)	\$640,645.37
10030 - Equipment Accrual - BB&T (0739)	\$726,159.30
10160 - Annual Accrual - BB&T (7622) Savings Acct	\$78,566.35
10165 - Expansion Proceeds BB&T Savings Acct (0070)	\$15,513.40
10180 - Merchant Services - BB&T (8016)	\$72,644.29
10990 - Petty Cash	\$150.00
Total Bank	\$2,051,816.93
Accounts Receivable	
11000 - Accounts Receivable	\$314,240.80
11010 - Reserve for Bad Debt	(\$81,035.34)
Total Accounts Receivable	\$233,205.46
Other Current Asset	
11800 - Prepaid Items	\$62,400.00
11900 - Undeposited Funds	\$58,381.70
11920 - Customer overpayments	(\$117,140.43)
13100 - Inventory Asset	\$2,971,170.31
15000 - Plant in Service	\$20,592.56
Total Other Current Asset	\$2,995,404.14
Total Current Assets	\$5,280,426.53
Fixed Assets	
14100 - General Furniture Fixtures	\$60,828.40
14199 - Accumulated Depreciation - Furniture	(\$26,864.45)
14200 - Equipment:Computers, Printers, Equip, Software	\$91,386.30
14299 - Accumulated Depreciation - Equipment	(\$165,613.11)
15010 - Physical Plant Structure	\$26,470,405.65
15020 - Physical Plant Electronics	\$4,592,572.73
15040 - Physical Plant Towers	\$178,656.12
15050 - Physical Plant Mobile - (Mobile Carriers & Generators)	\$100,546.32
15060 - Physical Plant Huts	\$187,497.91
15070 - Physical Plant Tools & Equipment	\$31,008.62
15098 - Accumulated Depreciation - Plant In Service	(\$9,160,100.36)
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	(\$381,136.04)
16000 - Railway Easement	\$250,000.00
17000 - Land	\$10,000.00
Total Fixed Assets	\$22,995,657.63
Other Assets	
15001 - GASB 87 leased assets	\$473,948.00
15002 - Accumulated Depreciation-GASB 87 leased assets	(\$55,439.86)
Total Other Assets	\$418,508.14
Total ASSETS	\$28,694,592.30
Liabilities & Equity	
Current Liabilities	
Accounts Payable	
20000 - Accounts Payable	\$888,978.14
20050 - Accrued Interest Payable	\$270.00
Total Accounts Payable	\$889,248.14
Credit Card	

21010 - BB&T Visa 5701 LH	\$1,465.87
21030 - BB&T Visa 5340 RB	\$342.54
21040 - BB&T Visa 7215 TE	\$600.99
21060 - BB&T Visa 5625 KB	\$1,290.32
Total Credit Card	\$3,699.72
Other Current Liability	
20010 - Accrued Purchases	(\$67,250.41)
23000 - Truist LOC	\$400,000.00
24010 - Direct Deposit Liabilities:USAC Reimbursements Deposits	\$15,086.87
24050 - USAC Prepaid	(\$39,072.30)
25000 - ESVBA Installation Assistance Program	(\$20,215.00)
26100 - USAC Tax Payable	\$70,882.58
26200 - Va Communications Tax	(\$15,265.61)
Total Other Current Liability	\$344,166.13
Total Current Liabilities	\$1,237,113.99
Long Term Liabilities	
27500 - BB&T Loan for Expansion	\$3,261,000.00
27600 - Grant Match Funds	\$2,227,760.00
27700 - GASB 87 lease liability	\$419,378.29
28000 - Deferred Income	\$281,617.16
Total Long Term Liabilities	\$6,189,755.45
Equity	
Retained Earnings	\$18,888,326.72
Net Income	\$2,379,396.14
Total Equity	\$21,267,722.86
Total Liabilities & Equity	\$28,694,592.30

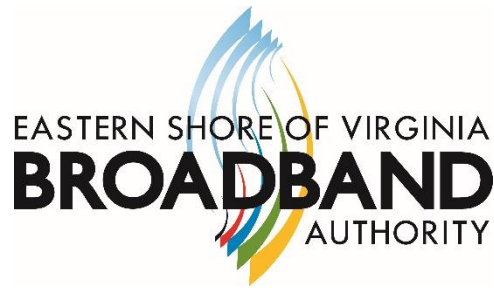
Eastern Shore of Virginia Broadband Authority
Board Cash Flow Statement
Jan 2023, Feb 2023

Financial Row	Jan 2023 Amount	Feb 2023 Amount
Operating Activities		
Net Income	\$256,082.14	\$333,335.77
Adjustments to Net Income		
Accounts Receivable	(\$40,358.32)	\$212,631.61
Inventory Asset	(\$57,237.89)	\$66,696.91
Accounts Payable	\$118,189.65	(\$25,165.37)
Sales Tax Payable	\$2,123.92	\$5,405.10
Other Current Liabilities	\$220.54	\$417,341.36
Total Adjustments to Net Income	\$22,937.90	\$676,909.61
Total Operating Activities	\$279,020.04	\$1,010,245.38
Investing Activities		
Fixed Asset	(\$767,968.26)	(\$494,886.09)
Total Investing Activities	(\$767,968.26)	(\$494,886.09)
Financing Activities		
Long Term Liabilities	(\$1,050.76)	(\$1,050.76)
Total Financing Activities	(\$1,050.76)	(\$1,050.76)
Net Change in Cash for Period	(\$489,998.98)	\$514,308.53
Cash at Beginning of Period	\$2,085,889.08	\$1,595,890.10
Cash at End of Period	\$1,595,890.10	\$2,110,198.63

Eastern Shore of Virginia Broadband Authority
Board Income Statement
Jan 2023, Feb 2023

Financial Row	Jan 2023 Amount	Feb 2023 Amount	Total Amount
Income			
40000 - Broadband Income			
Education Income	\$27,670	\$27,670	\$55,340
Enterprise Income	\$45,366	\$45,690	\$91,056
Government Income	\$9,727	\$9,797	\$19,524
Medical Income	\$10,294	\$10,294	\$20,588
Other Income	\$4,655	\$3,964	\$8,619
Residential Income	\$204,319	\$210,556	\$414,875
Wholesale Income	\$172,250	\$172,250	\$344,500
Total - 40000 - Broadband Income	\$474,281	\$480,221	\$954,502
40900 - Installation Income			
Enterprise Income	\$700	\$475	\$1,175
Installation Income	\$150	-\$775	-\$625
Residential Income	\$16,650	\$43,235	\$59,885
Wholesale Income	\$1,051	\$1,051	\$2,102
Total - 40900 - Installation Income	\$18,551	\$43,986	\$62,537
46400 - Other Income			
Other Income	\$0	\$16,957	\$16,957
Wholesale Income	\$150	\$150	\$300
Total - 46400 - Other Income	\$150	\$17,107	\$17,257
46460 - Interest Income			
Other Income	\$79	\$805	\$884
Total - 46460 - Interest Income	\$79	\$805	\$884
Total - Income	\$493,061	\$542,118	\$1,035,179
Cost Of Sales			
50100 - Cost of Goods Sold:Internet Access	\$6,678	\$6,678	\$13,357
50300 - Cost of Goods Sold:3rd Party Dark service	\$27,641	\$27,502	\$55,144
50400 - Cost of Goods Sold:Utility Locates	\$287	\$239	\$526
50600 - Cost of Goods Sold:3rd Party Transport	\$3,899	\$3,899	\$7,798
51010 - Cost of Goods Sold:Collocation/Hut Expense:Utilities	\$3,603	\$3,277	\$6,880
51020 - Cost of Goods Sold:Collocation/Hut Expense:Phone, Comn	\$142	\$142	\$283
51030 - Cost of Goods Sold:Collocation/Hut Expense:Fuel	\$182	\$103	\$285
51090 - Cost of Goods Sold:Collocation/Hut Expense:Maintenance	\$345	\$144	\$489
Total - Cost Of Sales	\$42,777	\$41,984	\$84,761
Gross Profit	\$450,284	\$500,134	\$950,418
Expense			
61200 - Payroll Expenses:Wages & Benefits	\$123,152	\$121,718	\$244,870
62300 - Sales and Marketing:Marketing Materials	\$3,688	\$0	\$3,688
63200 - Travel and Meetings:Mileage/Tolls Reimbursement	\$82	\$0	\$82
63400 - Travel and Meetings:Meals & Entertainment	\$0	\$45	\$45
63500 - Travel and Meetings:Other Travel	\$674	\$169	\$842
64200 - Bank Charges & Fees	\$3,988	\$4,940	\$8,928
64280 - VATI Grant FY22 Special Construction	\$8,850	\$24,300	\$33,150
64300 - Dues, Subscriptions, Books	\$324	\$0	\$324
64320 - Dumpster/Trash Removal	\$226	\$226	\$452
64370 - Janitorial Services	\$640	\$600	\$1,240
64400 - Office Supplies & Expense	\$1,083	\$357	\$1,440
64420 - Printing and Copying	\$198	\$798	\$995
64450 - Postage, Mailing & Shipping	\$2,170	\$308	\$2,479
64460 - Office IT Hardware/Software	\$456	-\$7,900	-\$7,445
64480 - Rent or Lease Payments	\$2,550	\$2,550	\$5,100
64630 - Staff Development	\$209	\$0	\$209
64700 - Taxes	\$213	\$216	\$429
64750 - Telephone & Telecommunications	\$580	\$580	\$1,160
64760 - Mobile Phones	\$240	\$40	\$280

65200 - Professional Services:Legal Fees	\$944	\$0	\$944
67300 - Vehicle Fuel	\$4,448	\$2,970	\$7,418
67400 - Vehicle & Equip Maintenance & Repair Expenses	\$2,470	\$3,885	\$6,354
68000 - Physical Plant & Electrical Maintenance	\$0	-\$10,495	-\$10,495
68100 - Physical Plant Maintenance/Agreements/Warranties/Software	\$30,632	\$18,519	\$49,150
68200 - Physical Plant Permits & Fees	\$3,430	\$1,950	\$5,380
68300 - Physical Plant Repairs	\$948	\$0	\$948
68400 - Physical Plant Tools & Safety Equipment	\$96	\$124	\$221
68500 - Physical Plant Shipping Freight & Delivery	\$1,912	\$899	\$2,811
Total - Expense	\$194,202	\$166,798	\$361,000
Net Income	\$256,082	\$333,336	\$589,418



VATI FY22 Status Mar '23

Construction Update

AREA 1- Greenbackville/ Capt Cove

- Section 3 backbone is complete
- Section 4 is 80% placing complete and working on Splicing. We did have to hold off on a few streets and did have a conversation with Aqua and the Captains Cove leadership on-site to discuss finishing Section 4. We anticipate going back to finish the last few streets in a few weeks.
- Section 5 has had ~3,000ft of conduit placed in approximately 2-weeks. We are making good progress in that area of the community.

Area 3- Sanford/Saxis

- Currently working on underground on Bullbeggar Rd, Holland Rd, Pitts creek Rd.
- Miles Rd underground complete and aerial is 90% complete in the full area.

Area 5- Hacksneck/Harborton

- Approximately 50% of Area 5 aerial and underground construction is completed and spliced. (8miles)
- Linemen working on Craddock Neck Rd and Scarboroughs neck rd. Awaiting one major path across a planted field awaiting pick, but almost complete. Underground pathways delayed due to standing water (Mason's Beach).

Area 11- Seaview

- Underground completed. Just received VDOT permit last Friday to start the aerial construction.

Area 12- Capeville

- Underground has done the conduit pathways on Edwins Farm Rd (needs bore across 13). Underground conduit on Jacobia Ln, Holly Dale Dr, Old Plantation Farm Rd, Plantation Rd, Plantation Creek In, and Cape Drive awaiting Handholes and fiber pulls.

Area 13- Arlington, Sandhill, Cheapside

- All placing of aerial and underground is complete, splicing in progress.

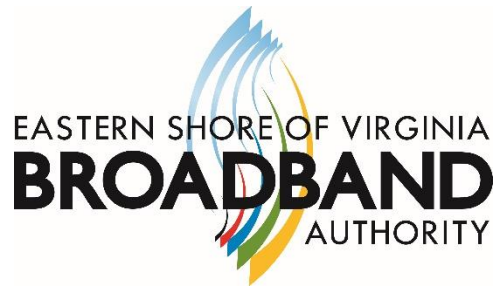
Area 14- Kiptopeke

- 100% complete

Subscriber Update

The ESVBA had constructed 532,718ft (~100miles) of usable fiber in the VATI FY22 area. This footage has provided for coverage of 3,536 (2,053 in Accomack and 1,483 in Northampton) homes that now currently have broadband coverage. In this same area, we currently have 408 active subscribers (256 in Accomack and 152 in Northampton) that are in-service and using the network.

Financial Update



As of March 14, the ESVBA had expended \$1,740,293 in funds that have been remitted to the state. Of that, we have received \$1,566,263 due to a 10% retainage that the state requires for the project (accumulating \$174,029 in retainage). We have incurred an additional \$847,041 in costs since the last remittance to the state and will be filing with additional costs in April. Cumulatively, we are carrying \$1,021,070 in costs with our current cash assets.

The ESVBA has cumulatively expended \$3,754,009 of funds on construction between construction match and new build costs.

As referenced in the Status Report, the ESVBA has helped 22 subscribers get enrolled for service under the VATI Special Assistance program where we saved subscribers \$78,350 using the Special Assistance funding.