

PAGE COUNTY BROADBAND AUTHORITY



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

PAGE COUNTY BROADBAND AUTHORITY
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

PAGE COUNTY BROADBAND AUTHORITY

BOARD MEMBERS

Bernie Miller, Chairman

William Shuler, Vice Chairman

Harry Louderback, Treasurer

Ron Keyser

Travis Clark

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
PAGE COUNTY BROADBAND AUTHORITY
LURAY, VIRGINIA**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the Page County 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 Page County 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 Page County Broadband Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 21, 2021

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FINANCIAL STATEMENTS

PAGE COUNTY BROADBAND AUTHORITY

Statement of Net Position
June 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 106,563
Prepaid items	2,821
Total current assets	<u>\$ 109,384</u>

Noncurrent Assets:

Long term certificate of deposit	\$ 74,554
Capital Assets:	
Buildings	30,746
Infrastructure	1,696,916
Accumulated depreciation	(518,129)
Net capital assets	<u>\$ 1,209,533</u>

Total noncurrent assets \$ 1,284,087

Total assets \$ 1,393,471

LIABILITIES

Current liabilities:

Accounts payable	\$ 5,914
Unearned revenue	<u>25,000</u>

Total liabilities \$ 30,914

NET POSITION

Investment in capital assets	\$ 1,209,533
Unrestricted	<u>153,024</u>
Total net position	<u><u>\$ 1,362,557</u></u>

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

PAGE COUNTY BROADBAND AUTHORITY

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

Operating Revenues:	
Corporate sponsorships	\$ <u>25,000</u>
Total operating revenues	\$ <u>25,000</u>
Operating Expenses:	
Professional services	\$ 12,000
Legal fees	657
Audit prep fees	2,600
Insurance	2,821
General administrative costs	654
Board stipends	1,000
Depreciation	<u>68,903</u>
Total operating expenses	\$ <u>88,635</u>
Operating income (loss)	\$ <u>(63,635)</u>
Nonoperating Revenues (Expenses):	
Interest income	\$ <u>1,569</u>
Total nonoperating revenues (expenses)	\$ <u>1,569</u>
Net income (loss)	\$ <u>(62,066)</u>
Change in net position	\$ (62,066)
Net position, beginning of year	<u>1,424,623</u>
Net position, end of year	\$ <u><u>1,362,557</u></u>

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

PAGE COUNTY BROADBAND AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from corporate sponsorships and others	\$ 25,000
Payments to suppliers	<u>(17,092)</u>
Net cash provided by (used for) operating activities	\$ <u>7,908</u>
Cash flows from investing activities:	
Interest income on general operating account	\$ <u>239</u>
Net cash provided by (used for) investing activities	\$ <u>239</u>
Increase (decrease) in cash and cash equivalents	\$ 8,147
Cash and cash equivalents, beginning of year	<u>98,416</u>
Cash and cash equivalents, end of year	<u><u>\$ 106,563</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (63,635)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	68,903
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable	<u>2,640</u>
Net cash provided by (used for) operating activities	\$ <u><u>7,908</u></u>

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

PAGE COUNTY BROADBAND AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1 - BASIS OF PRESENTATION:

Organization and Purpose

The Page County Broadband Authority ("Authority") was created in 2009 as a communications organization serving the Page County area. Operations began in July 2010. The Authority provides wireless and wired communication capabilities to businesses and residents of Page County. The Board consists of a chairman and five other board members. The Authority is not a component unit of Page County, since it is neither fiscally dependent on, nor governed by, the county.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

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

- Management's discussion and analysis (Management has elected not to prepare the MD&A in the current year.)
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

B. Basis of Accounting

The Authority's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of facility fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, and certificates of deposit, generally with an original maturity of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

PAGE COUNTY BROADBAND AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. 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.

E. Prepaid Items

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

F. Capital Assets

Capital assets, which include buildings and infrastructure, are reported in the financial statements. Capital assets are defined as items with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Fiber Optic Cable	25

Depreciation expense for the year ended June 30, 2020 totaled \$68,903.

G. Accounts Receivable

The Authority has not recorded an allowance for uncollectible amounts, as there are no outstanding receivables.

PAGE COUNTY BROADBAND AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

H. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond and 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.

I. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2020.

PAGE COUNTY BROADBAND AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 3 - DEPOSITS AND INVESTMENTS:

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.

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

The Authority had no such investments at year end.

NOTE 4 - CAPITAL ASSETS:

A summary of changes in capital assets for the year follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets being depreciated:				
Buildings	\$ 30,746	\$ -	\$ -	\$ 30,746
Infrastructure	1,696,916	-	-	1,696,916
Total capital assets being depreciated	\$ 1,727,662	\$ -	\$ -	\$ 1,727,662
Accumulated depreciation:				
Buildings	\$ (8,028)	\$ (1,025)	\$ -	\$ (9,053)
Infrastructure	(441,198)	(67,878)	-	(509,076)
Total accumulated depreciation	\$ (449,226)	\$ (68,903)	\$ -	\$ (518,129)
Total capital assets being depreciated, net	\$ 1,278,436	\$ (68,903)	\$ -	\$ 1,209,533

NOTE 5 - UNEARNED REVENUE:

Unearned revenue consists of amounts collected from Shentel that represent advance lease payments related to the Broadband network. As such, these amounts have been reported as unearned revenue until the earnings criteria has been met. The Authority had \$25,000 of unearned revenue at June 30, 2020.

PAGE COUNTY BROADBAND AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 6 - RISK MANAGEMENT:

The Authority purchases insurance coverage for exposure related to general liability, automobile, public officials, and crime from Virginia Association of Counties Group Self Insurance Risk Pool. The Authority's general liability and automobile coverage limits are both \$2,000,000, while the public officials are insured up to a limit of approximately \$1,000,000. Crime coverage is insured up to a limit of approximately \$250,000.

NOTE 7 - NETWORK OPERATING AGREEMENT:

On February 16, 2012, the Authority entered into an agreement with Shentel. This agreement stipulates that Shentel will manage, market, operate and administer PCBA's Network business, to include all related contracting, billing, collections, bookkeeping, accounting, and regulatory and compliance matters. The loss associated with the Network business will accumulate over the term of the agreement with Shentel, which is 10 years. If, at the end of that term, there continues to be an accumulated shortfall, Shentel will absorb the shortfall and the Authority will have no obligation to Shentel. At June 30, 2020, the accumulated loss associated with the Network business was \$330,952.

COMPLIANCE



**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 BOARD OF DIRECTORS
PAGE COUNTY BROADBAND AUTHORITY
LURAY, 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 Page County Broadband Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Page County Broadband Authority's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Page County 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 Page County Broadband Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Page County 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 Page County Broadband Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 21, 2020