

FINANCIAL REPORT

Fiscal Year 2023

Table of Contents

Message from the Chief Financial and Administrative Officer	i
Introduction and Background	iii
1.0 Financial Statements	1
1.1 Balance Sheets	1
1.2 Statements of Operations	2
1.3 Statements of Cash Flows	3
2.0 Notes to the Financial Statements.....	4
3.0 Independent Auditors' Report	17

Message from the Chief Financial and Administrative Officer



Chief Financial and Administrative Officer Kim Farington

I am pleased to present the financial condition and operating results of the First Responder Network Authority (FirstNet Authority) for fiscal year (FY) 2023, along with the report of the independent auditors, Harper, Rains, Knight & Company, P.A. This fulfills the statutory requirements established by Section 6209 of Public Law No. 112-96, Title VI, 126 Statute 156, which created the FirstNet Authority as an independent authority within the National Telecommunications and Information Administration of the U.S. Department of Commerce.

For the eleven consecutive year, the FirstNet Authority's auditors have provided an unmodified opinion on the FirstNet Authority's FY 2023 Financial Statements. The auditors perform procedures to obtain audit evidence about the amounts and disclosures in the financial statements to provide reasonable assurance that the financial statements are free from material misstatement.

FY 2023 overview. Throughout FY 2023, the FirstNet Authority continued achieving its mission of overseeing the deployment and operation of the nationwide public safety broadband network (NPSBN or FirstNet network). The FirstNet Authority exercised sound stewardship over its financial resources. The FirstNet Authority's resources were utilized to support its ongoing operations and execution of the mandates of the FirstNet Authority's enabling legislation.

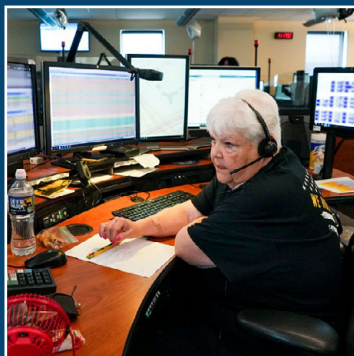
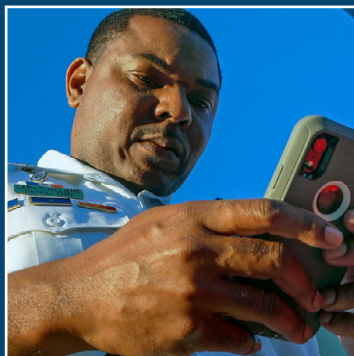
Annual fees from NPSBN contractor. The FirstNet Authority is required by its enabling statute to be a self-sustaining entity, which does not receive annual congressional funding. The FirstNet Authority has ensured its financial sustainability through its contractual relationship with AT&T. In September 2023, AT&T submitted the annual fees payment for its exclusive use of the FirstNet Authority's licensed 20 MHz of telecommunications spectrum (Band 14) pursuant to the terms of the NPSBN contract. This fees collection was recorded as both contract revenue and a contract liability on the respective FirstNet Authority Statements of Operations and Balance Sheets.

Success-based payments to advance the NPSBN. In FY 2023, the FirstNet Authority made success-based payments to AT&T for completed milestones of the NPSBN contract. As of September 30, 2023, the FirstNet Authority has recognized \$6.6 billion in assets, at cost, related to the NPSBN. The network buildout will continue through 2027 based on the timelines contained in the NPSBN contract. As of September 30, 2023, more than 26,000 public safety agencies were using 5 million service connections on the network.

Reinvestment into the Network. In FY 2023, the FirstNet Authority approved a \$451 million budget package to fund operations in Fiscal FY24 and to explore opportunities for network enhancements. The bulk of the budget — specifically, \$261 million — is allocated for investments in network coverage and emerging technologies. As we look to the future, we remain dedicated to delivering a broadband communications network that supports our public safety community in fulfilling their life-saving mission.

Kim Farington

Kim Farington
Chief Financial and Administrative Officer
First Responder Network Authority



Introduction and Background

Introduction and Background

History, Purpose and Mission

In 2012, the Middle Class Tax Relief and Job Creation Act was signed into law, establishing the FirstNet Responder Network Authority (FirstNet Authority) as an independent agency within the U.S. Department of Commerce's National Telecommunications and Information Administration. The agency was created following recommendations from the 9/11 Commission and years of advocacy by the first responder community for a broadband network of their own.

The FirstNet Authority is tasked with ensuring the buildout, deployment, and operation of the nationwide public safety broadband network called FirstNet. The legislation allocated \$7.0 billion and 20 megahertz of broadband spectrum to establish the network. It also established the FirstNet Authority's authorities, duties, and responsibilities; created advisory committees for the FirstNet Authority; established the FirstNet Authority's governance structure; and provided audit and report requirements. The legislation also authorized subsequent requirements for self-funding and network investments to ensure the continued evolution of the network and public safety communications ecosystem.

Five years after the founding legislation, the FirstNet Authority entered into an innovative public-private partnership with AT&T, awarding a 25-year network contract in March 2017. The network build-out began in 2018, and today the FirstNet network is in place with more than 99% of the initial build-out complete. The nation's first responders benefit from FirstNet's prioritized, reliable communications on a daily basis.

The FirstNet Authority continues to collaborate with the public safety community to ensure FirstNet delivers what public safety needs. We strive to create a dedicated, differentiated broadband experience for first responders and to be a catalyst for advancing our nation's public safety communications.

Fiscal Year 2023 Overview

The FirstNet Authority's fiscal year (FY) begins October 1 and ends September 30. FY 2023 was the FirstNet Authority's eleventh consecutive year of operations and a year of growth for both the agency and the FirstNet network. In FY 2023, the FirstNet Authority continued to oversee the network contract, ensure the continued operation of the network through spectrum license renewal, and set a path for network evolution — all based on public safety's input.

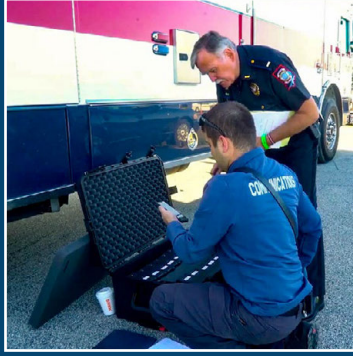
Specifically, in FY 2023, public safety and the nation have seen:

- **FirstNet Network Build-Out:** In FY 2023, AT&T stated it had completed FirstNet's initial five-year buildout plan in the 50 states, 5 territories, and the District of Columbia. First responders across the nation rely on FirstNet for everyday operations, response to natural disasters such as wildfires and hurricanes, and operations at large-scale planned events like the Super Bowl. The FirstNet Authority continues to validate the network buildout and deployment of Band 14 coverage.

- **Federal Communications Commission (FCC) License Renewal:** In May 2023, the FCC renewed the FirstNet Authority's license to operate Band 14 spectrum following an extensive review. The FCC determined that the FirstNet Authority has met its duties and obligations in building, deploying, and operating the nationwide public safety broadband network. This license renewal ensures public safety has uninterrupted access to advanced broadband services, capabilities, and features to better serve communities nationwide. The granting of the renewal application by the FCC will continue the Station WQQE234 license until November 15, 2032, or for the remaining period of its authorization from Congress, whichever is sooner.
- **Roadmap Update:** The FirstNet Authority released an update to its FirstNet Authority Roadmap with the goal of providing first responders with a differentiated network experience. The 2023 Roadmap focuses on three key areas: ensuring the network remains dependable, connecting responders to each other and the critical information they need, and enhancing the network to enable public safety to harness advanced technologies effectively.
- **Public Safety Aviation and Maritime Case Study:** The FirstNet Authority released a case study that reflects the operational needs and challenges faced by public safety agencies operating in aviation and maritime environments. This comprehensive study was developed through six months of research and extensive interviews with public safety agencies. The case study provides an overview of the findings and outlines future applications for broadband in the air and on the water.
- **Collaboration and Continued Outreach:** In the past year, the FirstNet Authority team hosted over 1,300 engagements with more than 34,000 public safety stakeholders, spanning various disciplines, states/territories, and levels of government. These engagements have yielded critical insights into the network's impact on public safety operations, which have helped guide ongoing improvements and the evolution of FirstNet.
- **5x5: The Public Safety Innovation Summit:** The FirstNet Authority co-hosted the inaugural 5x5 summit with the National Institute of Standards and Technology's Public Safety Communications Research Division. This landmark event brought together hundreds of leaders in public safety, industry, and academia, fostering discussions about the future of public safety communications.
- **Investing in the future of public safety:** In August 2023, the FirstNet Authority Board approved \$261 million for investments to enhance the FirstNet network. Throughout FY 2023, the FirstNet Authority made good on its investment to expand in-building coverage through small-cell technology. During the year, 3,500 small cells were deployed to public safety agencies, strengthening in-building coverage across the country.

Keeping Promises, Meeting Challenges, and Committing to Innovation

Providing first responders with the tools and technology they need remains at the forefront of the FirstNet Authority's mission. In FY 2024 and beyond, we will continue to build a dedicated broadband network that first responders can rely on through a robust foundation of public safety advocacy, alignment with our Roadmap, strategic intent, and strong financial stewardship.



1.0 Financial Statements

1.0 Financial Statements

1.1 Balance Sheets

First Responder Network Authority
Balance Sheets
As of September 30, 2023 and 2022
(In Thousands)

ASSETS	FY 2023		FY 2022	
Current Assets				
Cash (Note 3)	\$	882,519	\$	915,855
Restricted Cash (Note 3)		547		536
Accounts Receivable (Note 4)		57		23
Advances and Prepayments (Note 5)		95		94
Total Current Assets		883,218		916,508
Property, Plant, and Equipment, Net (Note 6)		3,630		4,008
Nationwide Public Safety Broadband Network (NPSBN), Net (Note 7)		5,616,721		5,438,104
Other Assets, Net (Note 8)		4,375		2,654
Operating Lease Right-Of-Use Assets (Note 11)		3,697		-
TOTAL ASSETS	\$	6,511,641	\$	6,361,274
LIABILITIES				
Current Liabilities				
Accounts Payable (Note 9)	\$	349,262	\$	7,107
Accrued Payroll and Leave (Note 10)		6,602		5,975
Contract Liability (Note 12)		195,000		195,000
Operating Lease Liabilities (Note 11)		1,114		-
Total Current Liabilities		551,978		208,082
Non-Current Liabilities				
Operating Lease Liabilities (Note 11)		2,755		-
TOTAL LIABILITIES	\$	554,733	\$	208,802
EQUITY (Note 14)				
Contributed Capital	\$	6,962,927	\$	6,962,927
Retained Deficit		(1,006,019)		(809,735)
TOTAL EQUITY	\$	5,956,908	\$	6,153,192
TOTAL LIABILITIES AND TOTAL EQUITY	\$	6,511,641	\$	6,361,274

The accompanying notes are an integral part of these financial statements.

1.2 Statements of Operations

First Responder Network Authority
Statements of Operations
For the Years Ending September 30, 2023 and 2022
(In Thousands)

Operating Revenues	FY 2023	FY 2022
Nationwide Public Safety Broadband Network Contract Revenue	\$ 195,000	\$ 120,000
Total Operating Revenues (Note 12)	195,000	120,000
Operating Expenses		
Personnel Compensation and Benefits (Note 2 & Note 16)	46,410	43,091
Contractual Services (Note 2 & Note 17)	54,054	31,230
Other General and Administrative (Note 2 & Note 11)	6,353	6,044
Depreciation and Amortization Expense (Note 6, Note 7, & Note 8)	284,390	271,629
Total Operating Expenses	391,207	351,994
Operating Deficit	(196,207)	(231,994)
Loss on Disposition of Assets	(58)	(12)
Loss on Financing Sources	(19)	-
NET DEFICIT	\$ (196,284)	\$ (232,006)

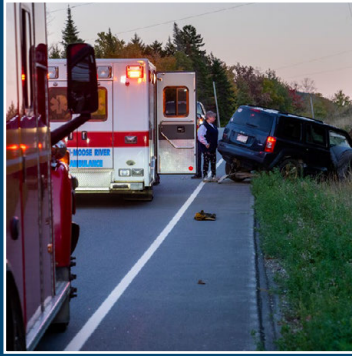
The accompanying notes are an integral part of these financial statements.

1.3 Statements of Cash Flows

First Responder Network Authority
Statements of Cash Flows
For the Years Ending September 30, 2023 and 2022
(In Thousands)

Cash Flows from Operating Activities	FY 2023		FY 2022	
Net Deficit	\$	(196,284)	\$	(232,006)
Adjustments to reconcile Net Deficit to Net Cash Used in Operating Activities:				
Depreciation and Amortization Expense		284,390		271,629
Right of Use (ROU) Asset Amortization		994		-
Bad Debt Expense		20		-
(Increase)/Decrease in Accounts Receivable		(34)		24
(Increase)/Decrease in Advances and Prepayments		(1)		93
Increase in Accounts Payable		14,713		3,086
Increase in Accrued Payroll and Leave		627		226
(Decrease) in Operating Lease Liabilities		(1,056)		-
Increase in Contract Liability		-		75,000
Loss on Disposition of Assets		58		12
NET CASH PROVIDED BY OPERATING ACTIVITIES		103,427		118,064
Cash Flows from Investing Activities				
Purchases of Capitalized NPSBN		(133,848)		(1,072,115)
Purchases of Property, Plant, and Equipment		(729)		(843)
Purchases of Other Assets		(2,175)		(2,345)
NET CASH USED IN INVESTING ACTIVITIES		(136,752)		(1,075,303)
Cash Flows from Financing Activities				
Capital Contributions Received (Note 14)		-		5,500
NET CASH PROVIDED BY FINANCING ACTIVITIES		-		5,500
Net Decrease in Cash and Restricted Cash		(33,325)		(951,739)
Cash and Restricted Cash, Beginning of Year		916,391		1,868,130
CASH AND RESTRICTED CASH, END OF YEAR (Note 3)	\$	883,066	\$	916,391
Non-Monetary Transactions				
Loss on Disposition of Assets	\$	(58)	\$	(12)
Deferred Rent (included in Accounts Payable on the Balance Sheets)		234		-
Non-Cash Purchases of Capitalized NPSBN (included in Accounts Payable on the Balance Sheets)		328,140		483
NON-MONETARY TRANSACTIONS	\$	328,316	\$	471

The accompanying notes are an integral part of these financial statements.



2.0 Notes to the Financial Statements

2.0 Notes to the Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

1. A – Description of Reporting Entity

The First Responder Network Authority (FirstNet Authority) was established by the Public Law No. 112-96, *Title VI, 126 Stat. 156, Middle Class Tax Relief and Job Creation act of 2012* (Public Law 112-96 or the Act) as an independent authority within the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce (the Department). The FirstNet Authority is headed by a Board of 15 individuals (12 appointed by the Secretary of Commerce, along with the Secretary of Homeland Security, the Attorney General of the United States, and the Director of the Office of Management and Budget (OMB)). The FirstNet Authority's statutory mandate is to ensure the establishment of an interoperable Nationwide Public Safety Broadband Network (NPSBN or FirstNet Network).

In 2017, the FirstNet Authority awarded a contract to AT&T to design, build, deploy, operate, and maintain the NPSBN. In exchange for AT&T's commitments to establish the network, the FirstNet Authority provides access to spectrum capacity on 20 megahertz (MHz) of spectrum in the 700 MHz band, commonly known as Band 14, for the 25-year contract term. Additionally, the FirstNet Authority is contributing success-based payments to support network buildout and reinvestment. As of September 30, 2023, more than 26,000 public safety agencies and organizations were using over 5 million service connections on the network.

These financial statements cover the FirstNet Authority's fiscal years (FYs) ended September 30, 2023 and 2022.

1. B – Basis of Presentation

The FirstNet Authority prepares its financial statements using the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The accompanying financial statements of the FirstNet Authority have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) has been designated as the standards-setting body for federal financial reporting entities, with respect to the establishment of GAAP. However, the FASAB allows certain federal reporting entities, such as the FirstNet Authority, to utilize FASB standards for financial statement presentations where the entity can demonstrate that the needs of their primary users would best be met through the application of FASB standards.

The FirstNet Authority has been delegated the financial and operational authority to operate in a manner similar to private business enterprises by Public Law 112-96. The FirstNet Authority's primary funding is derived from a source other than through annual Federal appropriations and, after an initial infusion of capital, the FirstNet Authority finances its operations through fee income and other revenues earned from selling goods and/or services to sources outside the U.S. government as its principal activity.

In compliance with the Act, the FirstNet Authority is to be audited annually by an independent auditor, in accordance with GAAP and procedures applicable to commercial corporate transactions. The FirstNet Authority, accordingly, has determined that the financial reporting framework

established by the FASB is the appropriate source of GAAP for external financial statement reporting purposes.

1. C – Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in these financial statements. Actual results may differ from those estimates. Significant estimates used in preparing the financial statements included those assumed in determining the useful lives of intangible assets, NPSBN assets and other property, plant, and equipment.

1. D – Cash

As of September 30, 2023 and 2022, the FirstNet Authority has recorded as Cash the aggregate amount of funds from all sources, including proceeds from the auction of Federal Communications Commission (FCC) spectrum licenses specified by the Act, to implement requirements to build NPSBN consistent with Section 6206 (b), *Duty and Responsibility to Deploy and Operate A Nationwide Public Safety Broadband Network* of the Act. This Cash is held at the U.S. Department of the Treasury in the NTIA Network Construction Fund, First Responder Network Authority Fund, and the NTIA Public Safety Trust Fund.

1. E – Restricted Cash

Restricted Cash represents FirstNet Authority cash that is not available for general use. The FirstNet Authority treats funds sequestered by the Budget Control Act of 2011 as Restricted Cash until such time as the sequestered funds are made available. See *Note 3 – Cash and Restricted Cash* for further details.

1. F – Accounts Receivable

Accounts Receivable typically consist of amounts owed to the FirstNet Authority by NTIA, other Federal agencies and the public. Amounts due from Federal agencies are considered fully collectable. Accounts receivable from the public include reimbursements from employees. An allowance for doubtful accounts from the public is established when, based upon a review of outstanding accounts, failure of all collection efforts, and debtor's ability to pay, management determines that collection is unlikely to occur in full or in part. See *Note 4 – Accounts Receivable* for further details.

1. G – Advances and Prepayments

Advances and Prepayments are advance payments for the cost of goods or services to be acquired. Prepaid goods and services are expensed as the goods and services are delivered. See *Note 5 – Advances and Prepayments* for further details.

1. H – Property, Plant, and Equipment, Net

Property, Plant, and Equipment (PP&E), Net includes capital assets used in providing goods or services when the estimated useful life is two years or more. PP&E, Net is stated at original cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation and amortization. The FirstNet Authority calculates depreciation and amortization expense using the straight-line method over the asset's estimated useful life. The estimated useful lives of the FirstNet Authority's PP&E range from three to ten years.

The FirstNet Authority's single asset capitalization threshold is \$25 thousand, and the personal property bulk capitalization threshold is \$150 thousand. See *Note 6 – Property, Plant, and Equipment, Net* for further details.

1. I – Other Assets, Net

Other Assets, Net represent Geographical Mapping Data and Drive test Data collections to measure the coverage and performance of the NPSBN. Other Assets, Net are stated at original cost, including all costs related to acquisition, delivery, and installation, less accumulated amortization. The FirstNet Authority calculates amortization expense using the straight-line method over the asset's estimated useful life. See *Note 8 – Other Assets, Net* for further details.

1. J – Operating Leases

Lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases that do not qualify as short-term leases are included within Operating lease right-of-use assets in the accompanying Balance Sheets and corresponding lease liabilities are recorded. Rent expense paid by the FirstNet Authority related to short-term operating leases is included in operating expenses in the accompanying Statements of Operations. See *Note 1. T- Recently Issued Accounting Standards* and *Note 11 – Leases* for further details.

1. K – Impaired Assets

Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying value of the asset is written down to fair value. There were no impairment charges for the years ended September 30, 2023 and 2022.

1. L – Accrued Payroll and Leave

These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30, 2023 and 2022. Annual leave and compensatory time earned leave are accrued as liabilities when earned and the accruals are reduced as leave is taken. The balances in these accrued liability accounts reflect salary or wage rates of employees as of the Balance Sheet date. Accrued leave is recorded net of advances.

Sick leave and other types of non-vested leave are not accrued but are expensed as the leave is taken. See *Note 10 – Accrued Payroll and Leave* for further details.

1. M – Contract Liability

As payments are received from AT&T under the NPSBN contract, they are initially recognized as a contract liability and are subsequently amortized on a straight-line basis over the applicable fiscal year. See *Note 12 – Revenue Recognition* for further details.

1. N – Contributed Capital

Contributed Capital represents NTIA transfers and additional proceeds from the auction of FCC spectrum licenses specified by the Act to carry out the FirstNet Authority's responsibilities in deploying the NPSBN. See *Note 14 – Equity* for further details.

1. O – Employee Retirement Plans and Postretirement Benefits other than Pensions

The FirstNet Authority employees participate in the U.S. government contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), in which the FirstNet Authority and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the FirstNet Authority does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the U.S. Office of Personnel Management (OPM). Postretirement benefits for FirstNet Authority employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. government. The FirstNet Authority does not reimburse OPM for these payments. The FirstNet Authority financial statements do not include the costs of employee retirement plans and employee postretirement benefits paid or to be paid by OPM, or the actuarial liabilities for such benefits.

1. P – Intangible Asset - Spectrum License

Intangible assets at the FirstNet Authority include an FCC spectrum license. The FCC granted the FirstNet Authority exclusive rights to the single nationwide Public Safety Wireless Network License, Station WQQE234, for use of 20 MHz of spectrum in the 700 MHz band at no cost. The Station WQQE234 license is renewable every ten years following an application to the FCC. See *Note 12 – Revenue Recognition* for further details. Under FASB Accounting Standards Codification (ASC) subtopic 350-30-25, *Intangibles Other than Goodwill*, the spectrum license would be recognized at fair value. Because this spectrum has been allocated for public safety use consistent with the mission of the FirstNet Authority, a fair value cannot be determined. Under current law, the spectrum license is not tradeable or exchangeable in any market, and any measure based on potential cash flow would be purely speculative. Therefore, the FirstNet Authority has not recognized in its financial statements any value related to the spectrum license granted by the FCC.

1. Q – Revenue Recognition

Pursuant to the Act, the FirstNet Authority generates revenues through network user fees and leases related to network capacity¹. The FirstNet Authority records revenue over time as it meets its performance obligations, based on the transaction price noted in the contract with the customer (or AT&T). In FY 2018, the FirstNet Authority began to receive payments from AT&T for access to 20MHz of spectrum and its capacity for the 25-year contract term. This contract is the FirstNet Authority's sole source of revenue. As payments are received from AT&T, they are initially recognized as a contract liability and are subsequently amortized on a straight-line basis over the applicable fiscal year. See *Note 12 – Revenue Recognition* for further details.

1. R – Tax Status

The FirstNet Authority is not subject to Federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded and reported in the FirstNet Authority's Statements of Operations, nor does the FirstNet Authority recognize any associated income tax interest and penalties.

The FirstNet Authority has no uncertain tax positions and, accordingly, it has no unrecognized tax benefits for which liabilities have been established.

¹ See 47 U.S.C. § 1428(a).

1. S – Fair Value Measurements

The FirstNet Authority held no financial instruments that were required by ASC Topic 820, *Fair Value Measurements and Disclosures*, to be valued, reported, or disclosed at fair value as of September 30, 2023 and 2022.

1. T – Recently Issued Accounting Standards

In February 2016, FASB issued Accounting Standards Update 2016-02 *Leases*, which is codified in ASC 842, *Leases* (“ASC 842”). The standard requires an entity to record most leases in its balance sheets and continue to recognize expenses in its statements of operations. The new standard requires when capitalization criteria for a right-of-use asset has been met that a lessee is to recognize a lease liability for the obligation to make lease payments and a right-of-use (“ROU”) asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The FirstNet Authority expenses associated with operating leases are included within Operating expenses in the Statements of Operations.

FirstNet Authority adopted the standard effective October 1, 2022. In connection with the adoption of the standard, FirstNet Authority made necessary changes to relevant policies, processes, and internal controls. For transition purposes, FirstNet Authority elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of October 1, 2022, or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with ASC 840, *Leases* (“ASC 840”), with related ASC 840 disclosures provided in Note 11 - Leases. In implementing the standard, FirstNet Authority elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2022. FirstNet Authority also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The implementation of ASC 842 resulted in opening Balance Sheet adjustment, as of October 1, 2022, to recognize \$4.9 million in right-of-use assets and lease liabilities relating to operating leases as follows:

Supplemental balance sheets <i>(in thousands)</i>	As reported on September 30, 2022	Adjustments	As of October 1, 2022
Operating lease right-of-use assets	\$ -	\$ 4,925	\$ 4,925
Total assets	\$ 6,361,274	\$ 4,925	\$ 6,366,199
Operating lease liabilities – current	\$ -	1,067	\$ 1,067
Operating lease liabilities – non-current	-	3,858	3,858
Total liabilities and total equity	\$ 6,361,274	\$ 4,925	\$ 6,366,199

The implementation of ASC 842 did not have a material impact on FirstNet Authority's Statement of Operations or Cash Flows. See Note 11 - Leases for additional disclosures pertaining to ASC 842.

Note 2. Limitation on Administrative Expenses

Administrative expenses for the FirstNet Authority may not exceed \$100.0 million during the 10-year period beginning on February 22, 2012². Costs attributed to certain oversight and audits were not included under the administrative expenses limitation. Non-programmatic costs incurred in the course of carrying out activities that directly support the FirstNet Authority organization as a whole were recognized as administrative expenses subject to the limitation.

For the year ended September 30, 2022, the FirstNet Authority incurred \$9.3 million in administrative expenses under the limitation. The administrative expense total as of September 30, 2022 was \$74.8 million. The administrative expenses limitation that FirstNet Authority was subjected to ended on September 30, 2022.

Note 3. Cash and Restricted Cash

Restricted Cash represents FirstNet Authority cash that is not available for general use. As of September 30, 2023 and 2022, \$547 thousand and \$536 thousand, respectively, was temporarily restricted from use by the FirstNet Authority due to a temporary reduction in direct spending authority as calculated by OMB and imposed under the Budget Control Act of 2011.

The following table shows the reconciliation of total Cash and Restricted Cash reported on the Balance Sheets to the amounts presented on the Statements of Cash Flows as of September 30, 2023 and 2022:

<i>In Thousands</i>	FY 2023		FY 2022	
Cash	\$	882,519	\$	915,855
Restricted Cash		547		536
Total Cash and Restricted Cash shown in the Statements of Cash Flows	\$	883,066	\$	916,391

Note 4. Accounts Receivable

Receivables – Intragovernmental and With the Public represent sums due to the FirstNet Authority for services rendered by the FirstNet Authority as of September 30, 2023 and 2022. Intragovernmental Accounts Receivable includes amounts under reimbursable service agreements between the FirstNet Authority and NTIA.

² See 47 U.S.C. § 1427(b).

Accounts Receivable as of September 30, 2023 and 2022 consist of the following:

<i>In Thousands</i>	FY 2023	FY 2022
Receivables – Intragovernmental	\$ 57	\$ 2
Receivables - With the Public	-	21
Total Accounts Receivable	57	23
Less: Allowance for doubtful accounts	-	-
Accounts Receivable	\$ 57	\$ 23

Note 5. Advances and Prepayments

Advances and Prepayments represent payments made pursuant to intragovernmental agreements for services to be performed by contactors in future periods to support FirstNet Authority's mission, strategic, programmatic, and administrative objectives. As of September 30, 2023 and 2022, Advances and Prepayments amounted to \$95 thousand and \$94 thousand, respectively.

Note 6. Property, Plant, and Equipment, Net

The following table summarizes Property, Plant, and Equipment, Net as of September 30, 2023 and 2022:

<i>In Thousands</i>	<u>Estimated Useful Life in Years</u>	FY 2023	FY 2022
Equipment	3 - 10	\$ 7,462	\$ 7,960
Leasehold Improvements	3 - 4	3,416	3,417
Internal Use Software	3 - 7	627	657
Other Property, Plant, and Equipment	3 - 4	1,662	1,662
Construction In Progress - Real Property		-	-
Property, Plant, and Equipment, at cost		13,167	13,696
Less: Accumulated depreciation and amortization		9,537	9,688
Property, Plant, and Equipment, Net		\$ 3,630	\$ 4,008

For the years ended September 30, 2023 and 2022, depreciation and amortization expense on Property, Plant, and Equipment was \$1.0 million, respectively, and is included in *Depreciation and Amortization Expense* in the accompanying *Statements of Operations*.

Note 7. Nationwide Public Safety Broadband Network, Net

As noted in Note 1. A, the FirstNet Authority awarded in 2017 a 25-year contract to AT&T to design, build, deploy, operate, and maintain the NPSBN. As the FirstNet Authority's exclusive contractor in the delivery of the NPSBN, AT&T has use of the FirstNet Authority's spectrum and can allow commercial subscribers to secondarily utilize network capacity, when it is not in use by public safety subscribers.

The contract with AT&T is a firm-fixed-price contract with specific milestone deliverables. Consistent with accrual accounting under GAAP, the FirstNet Authority accrues a contract milestone upon AT&T's delivery of core network and radio access network initial operating capabilities to the FirstNet Authority. The delivered milestone is capitalized or expensed after inspection and acceptance by the FirstNet Authority and amortized over the remaining life of the contract.

As of September 30, 2023, the FirstNet Authority has capitalized NPSBN, at cost, of \$6.6 billion, and recorded amortization expense of \$282.9 million. For the year ended September 30, 2023, the FirstNet Authority disbursed \$133.8 million for NPSBN services received, and \$328.1 million remained unpaid as September 30, 2023 and is included in *Accounts Payable* on the *Balance Sheets*.

As of September 30, 2022, the FirstNet Authority had capitalized NPSBN, at cost, of \$6.2 billion, and recorded amortization expense of \$270.5 million. For the year ended September 30, 2022, the FirstNet Authority disbursed \$170.9 million for NPSBN services received, and \$483 thousand remained unpaid as of September 30, 2022, and is included in *Accounts Payable* on the *Balance Sheets*.

The following table summarizes Nationwide Public Safety Broadband Network, Net as of September 30, 2023 and 2022:

<i>In Thousands</i>	<u>Estimated Useful Life in Years</u>	FY 2023	FY 2022
Nationwide Public Safety Broadband Network (Task Orders 6 and 9)	4 - 7	\$ 328,149	\$ 8,381
Nationwide Public Safety Broadband Network (All Other Task Orders)	19 - 25	6,296,346	6,154,610
Nationwide Public Safety Broadband Network, at cost		6,624,495	6,162,991
Less: Accumulated amortization		1,007,774	724,887
Nationwide Public Safety Broadband Network, Net		\$ 5,616,721	\$ 5,438,104

As of September 30, 2023, future minimum estimated NPSBN amortization expense for each of the next five fiscal years are as follows:

<i>In Thousands</i>	Total	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>Amortization Expense</i>	\$ 1,588,269	\$ 304,765	\$ 320,876	\$ 320,876	\$ 320,876	\$ 320,876
Total	\$ 1,588,269	\$ 304,765	\$ 320,876	\$ 320,876	\$ 320,876	\$ 320,876

Note 8. Other Assets, Net

The following table summarizes Other Assets, Net as of September 30, 2023 and 2022:

<i>In Thousands</i>	<u>Estimated Useful Life in Years</u>	FY 2023	FY 2022
Geographical Mapping Data and Drive test Data	3 - 10	\$ 6,462	\$ 4,287
Other Assets, at cost		6,462	4,287
Less: Accumulated amortization		2,087	1,633
Other Assets, Net		\$ 4,375	\$ 2,654

For the years ended September 30, 2023 and 2022, amortization expense for Other Assets was \$453 thousand and \$218 thousand, respectively, and is included within *Depreciation and Amortization Expense* on the *Statements of Operations*.

Note 9. Accounts Payable

Accounts Payable as of September 30, 2023 and 2022 was \$349.3 million and \$7.1 million, respectively. The balance as of September 30, 2023 and 2022 was primarily comprised of accrued NPSBN milestone deliverables and contractual services payable to AT&T and any accrued NPSBN capitalized milestone deliverables are included in *Non-Cash Purchases of Capitalized NPSBN* in the accompanying *Statements of Cash Flows*.

Note 10. Accrued Payroll and Leave

Accrued Payroll and Leave as of September 30, 2023 and 2022, was \$6.6 million and \$6.0 million, respectively. These accruals include compensation and annual leave balances that continue to accrue for both tenured and new personnel.

Note 11. Leases

The FirstNet Authority leases office facilities under operating leases in Reston, Virginia, and Boulder, Colorado. The non-cancelable portion of these leases generally ranges from four to 16 months. The FirstNet Authority may relinquish space upon four months' notice at any point after the first twelve months of occupancy. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the Consumer Price Index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most FirstNet Authority leases includes the initial non-cancelable term plus at least one renewal period, as the exercise of the related renewal option or options is considered reasonably certain.

As described in Note 1. T – Recently Issued Accounting Standards, FirstNet Authority elected the modified retrospective method of adoption for the new lease accounting standard effective October 1, 2022. Under the modified retrospective method of adoption, prior year reported results are not restated. FirstNet Authority recorded \$4.9 million of lease assets and lease liabilities, respectively, for operating leases in effect at the adoption date. These Operating Leases represent office space for use by FirstNet Authority in Reston, VA and Boulder, CO. The Reston, VA facility is under lease through March 2029 and the Boulder, CO facility is under lease through March 2026. As of September 30, 2023, Operating Lease Right-of-use assets included in the Balance Sheet were \$3.7 million, net of accumulated amortization of \$994 thousand.

Lease Accounting Policy for Year Ended September 30, 2023

Rent expense for short-term operating leases is included in Other General and Administrative expenses in the accompanying Statements of Operations. Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability. Operating lease expenses related to right-of-use assets, including but not limited to amortization expense on the right-of-use assets and interest expense on the lease liabilities, are included in operating expenses in the accompanying Statements of Operations.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the

FirstNet Authority is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by FirstNet Authority.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

The following table provides additional information regarding the presentation of operating leases as of and for the year ended September 30, 2023:

<i>Weighted Average Remaining Lease Term</i>	FY 2023
Operating leases (months)	47
<i>Weighted Average Discount Rate</i>	
Operating leases - based on lease liability	3.67%
Operating leases - based on future lease payments	3.67%
<i>Supplemental cash flow information (in thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flow from operating leases	\$ 1,215
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	\$ 4,691

The table below shows the undiscounted scheduled cash flows for the first five years and thereafter and the total remaining operating lease liabilities after discounting recorded in the accompanying Balance Sheet as of September 30, 2023:

<i>Maturities of lease liabilities (in thousands) Operating</i>	<i>Total</i>
FY 2024	\$ 1,225
FY 2025	1,236
FY 2026	776
FY 2027	364
FY 2028	364
Thereafter	182
Total undiscounted lease payments	4,147
Less: interest	(278)
Present value of future lease payments	3,869
Less: current portion of lease liabilities	1,114
Non-current portion of lease liabilities	\$ 2,755

For the years ended September 30, 2023 and 2022, rental expense was \$1.2 million.

Note 12. Revenue Recognition

The FirstNet Authority has one contract, with AT&T, under which it earns revenue.

The FCC, an independent third-party agency, granted the FirstNet Authority an initial 10-year license for exclusive rights to the Band 14 spectrum allocated by Congress for the NPSBN and established a process for the FirstNet Authority to seek renewal of that license prior to its expiration. The FirstNet Authority filed an application for renewal prior to expiration of the original license term. On May 26, 2023, the FCC issued an order granting renewal of the FirstNet Authority's Band 14 license. The granting of the renewal application by the FCC will continue the Station WQQE234 license until November 15, 2032, or for the remaining period of its authorization from Congress, whichever is sooner.

The FirstNet Authority has concluded that the promise to make the spectrum capacity available for use by AT&T is a single performance obligation that includes a series of distinct services that have the same pattern of transfer to the customer. The customer is granted continuous access to the spectrum during the contractual period, and the FirstNet Authority satisfies its performance obligation as these access services are rendered. A time-elapsed output method is used to measure progress because the FirstNet Authority transfers control evenly over the contractual period. Accordingly, the fixed consideration of \$600.0 million 1st five years batch and \$780 million for the 2nd four years batch of payments due from AT&T of the NPSBN contract related to the Band 14 spectrum network capacity services is recognized on a straight-line basis over the initial five-year period during which enforceable rights and obligations exist, beginning on the date that such service is made available to the customer. For the years ended September 30, 2023 and 2022, the FirstNet Authority has recognized \$195.0 million and \$120.0 million, respectively, in revenue.

With the exception of the initial payment, subsequent payments by AT&T will be received, in advance, two weeks prior to the end of each fiscal year over the performance period of the NPSBN contract. As of September 30, 2023 and 2022, the FirstNet Authority recorded a contract liability of \$195.0 million, for payments received from AT&T for the subsequent fiscal year.

Note 13. Commitments and Contingencies

Commitments are preliminary actions that will ultimately result in an obligation to the FirstNet Authority if carried through. A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to a possible gain or loss. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition were not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable.

As of April 24, 2024, management was not aware of any actual or potential commitments affecting the FirstNet Authority.

Litigation, Claims and Assessments

For pending or threatened litigation and unasserted claims, a contingency liability and expense are recognized when a future confirming event or events are likely to occur.

As of April 24, 2024, management was not aware of any threatened or pending legal claims or contingencies affecting the FirstNet Authority.

Note 14. Equity

During FY 2022, NTIA transferred \$5.5 million to FirstNet's Network Construction Fund for use in FirstNet's programmatic operations. The \$5.5 million had previously been held by NTIA to administer a potential State opt-out grant program related to the FirstNet Network. As all of the States and Territories opted into the FirstNet Network by early FY 2018, NTIA was not required to grant any awards, and was able to transfer the unutilized funds to FirstNet.

The following table summarizes Equity as of and for the years ended September 30, 2023 and 2022:

FY 2023

<i>In Thousands</i>	Contributed Capital	Retained Deficit	Total
Beginning Balance, October 1, 2022	\$ 6,962,927	\$ (809,735)	\$ 6,153,192
Net (Deficit)	-	(196,284)	(196,284)
Contributions	-	-	-
Ending Balance, September 30, 2023	\$ 6,962,927	\$ (1,006,019)	\$ 5,956,908

FY 2022

<i>In Thousands</i>	Contributed Capital	Retained Deficit	Total
Beginning Balance, October 1, 2021	\$ 6,957,427	\$ (577,729)	\$ 6,379,698
Net (Deficit)	-	(232,006)	(232,006)
Contributions	5,500	-	5,500
Ending Balance, September 30, 2022	\$ 6,962,927	\$ (809,735)	\$ 6,153,192

Note 15. Related Party Transactions

The FirstNet Authority considers NTIA, as well as the Department, comprised of the Office of the Secretary (OS) and OS Working Capital Fund, to be related parties.

The FirstNet Authority, as a Federal entity within NTIA, is subject to certain nexus and control from NTIA and the Department. NTIA assesses the FirstNet Authority a portion of the costs it incurs, exercising its oversight functions and the FirstNet Authority's share of certain centralized NTIA and Departmental costs.

In addition, the FirstNet Authority has entered into service agreements with NTIA and the Department to provide certain services, such as human resources management, legal advice and representation, and acquisition services that cannot be acquired more efficiently from another source.

Related party activities as of and for the years ended September 30, 2023 and 2022 are summarized in the tables below:

FY 2023

In Thousands

Related Party	Purchases and Assessments	Reimbursed Expenses	Accounts Receivable	Accounts Payable
NTIA	\$ 1,162	\$ 144	\$ 57	\$ -
The Department	\$ 668	\$ -	\$ -	\$ 11

FY 2022

In Thousands

Related Party	Purchases and Assessments	Reimbursed Expenses	Accounts Receivable	Accounts Payable
NTIA	\$ 2,117	\$ 148	\$ 2	\$ -
The Department	\$ 811	\$ 55	\$ -	\$ -

Note 16. Personnel Compensation and Benefits

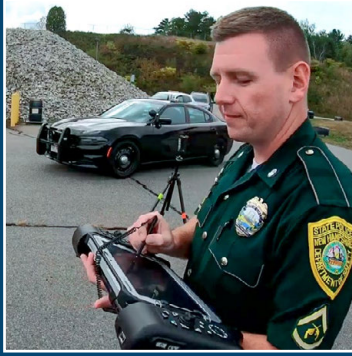
For the years ended September 30, 2023 and 2022, Personnel Compensation and Benefits expense was \$46.4 million and \$43.1 million, respectively. These expenses include salaries, wages, and other compensation earned by employees such as tuition reimbursement and student loan forgiveness payments to qualifying employees.

Note 17. Contractual Services

For the years ended September 30, 2023 and 2022, Contractual Services expense was \$54.1 million and \$31.2 million, respectively. Contractual Services include expenses incurred on contracts with vendors to assist the FirstNet Authority with strategic and programmatic support, including external consulting and advisory services that were primarily contracted in support of the deployment, launch, and sustainment of the NPSBN. The \$22.9 million increase is due to contractual services to support overall program management, strategy, and analytics services to provide oversight to the NPSBN contract.

Note 18. Subsequent Events

Subsequent events were evaluated by the FirstNet Authority through April 24, 2024, which is the date the financial statements were available to be issued.



3.0 Independent Auditors' Report

3.0 Independent Auditors' Report



Independent Auditors' Report

Secretary, U. S. Department of Commerce
FirstNet Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the First Responder Network Authority ("FirstNet Authority") which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations and cash flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Responder Network Authority as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FirstNet Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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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 the FirstNet Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FirstNet 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 FirstNet 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the Message from the Chief Financial and Administrative Officer and Introduction and Background sections of this report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FirstNet Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FirstNet Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the FirstNet Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Exhibit I, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in Exhibit I to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FirstNet 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 determination of financial statement amounts. 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*.

Secretary, U. S. Department of Commerce
FirstNet Board

Management's Response to Finding

Management's response to the findings identified in our audit is described in the accompanying Exhibit I. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 FirstNet Authority'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.

Harper, Raines, Knight & Company, P.A.

April 24, 2024
Washington, DC

I: Financial Reporting

Condition:

During its financial reporting compilation process, FirstNet Authority recorded its September 2023 depreciation and amortization expense twice and recorded its operating lease expenditures for the fiscal year a second time in recognizing the requirements of ASC 842, Leases.

Criteria:

FirstNet Financial Management Regulation Volume 6A, Chapter 1, *FirstNet Financial Accounting and Reporting Procedures*, 6A.1.6.6, Compilation Process states:

"The Compilation Team's Manager and Partner review the trial balance, financial statements, and footnotes, consistent with the Compilation Team's quality assurance review process. The Compilation Team verifies that numbers balance, agree to supporting documentation provided by management, and that all required disclosures are made."

The Office of Management and Budget Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Section III.B.B1 states:

"Agencies are ultimately responsible for the services and processes provided by third party service organizations as they relate to the Agency's ability to maintain internal control over operations, reporting, and compliance with laws and regulations."

"If the processes provided by the third party service organization is significant to an Agency's internal control objectives, then the Agency is responsible for establishing user Agency controls that complement the service organization's controls. Management still retains the overall responsibility and accountability for all controls related to the processes provided by the third party, and must monitor the processes as a whole to make sure it is effective. Examples of user Agency controls include:

- **Input/Output Controls:** In most third party provider situations, the Agency must have access to the information processed by a service organization. In some cases, this information enables the Agency to compare the service organization's results with the results of an independent source. For example, an Agency using a payroll service organization compares the data submitted to the service organization with reports or information received from the service organization after the data has been processed."

Cause:

FirstNet Authority presents its financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), and its operational accounting system is designed for a federal entity reporting under the Federal Accounting Standards Advisory Board (FASAB) standards. FirstNet Authority utilizes its accounting service provider, the National Institute of Standards and Technology

Material Weakness

Exhibit I

(NIST) Financial Service Group (FSG), to process and record its FASAB transactional data during the year. FirstNet Authority manually adjusts this FASAB data to FASB financial statements through a compilation process.

FirstNet Authority's control procedures over the compilation process utilized in prior years have operated effectively in preparing the FASB financial statements. However, the current year's process was initiated earlier than normal, utilizing the unadjusted FASAB data file provided by NIST through the Commerce Business Systems (CBS) system as of September 30. The change to the unadjusted FASAB data required FirstNet Authority to record the FASAB closing adjustments in its compilation process prior to recording the necessary FASB adjustments.

The transactional data file utilized as its unadjusted FASAB data file had one adjustment booked in October 2023 to record the September 2023 depreciation and amortization. As a result, when FirstNet Authority recorded the FASAB closing entries, this September 2023 entry was recorded for a second time, resulting in an overstatement of depreciation and amortization and its corresponding accumulated amortization and depreciation accounts.

FirstNet Authority required a manual adjustment to apply the effects of FASB's ASC 842, *Leases* in its September 30, 2023, financial statements. The adjustment included the entire year's transactions that were affected by the new standard in order to establish FirstNet Authority's right-of-use assets and operating lease liabilities. However, the FASAB activity for the year included the cash outlays and expenditures as part of the lease transactions. As a result, FirstNet Authority's adjustment to its cash and expense balances understated its cash balances and overstated its expenses.

Effect:

Failure to appropriately review the data provided by FirstNet Authority's service provider resulted in an understatement of approximately \$25 million of total assets on its balance sheet and an overstatement of gross costs by that same amount. Additionally, FirstNet Authority's cash balance was understated by approximately \$1.2 million and net costs were overstated by that same amount.

Recommendation:

FirstNet Authority should ensure that final balances calculated during its FASAB to FASB transition tie directly to subsidiary ledger balances for the corresponding accounts. FirstNet Authority prepares a complete recalculation of its NPSBN asset and amortization schedule throughout the year. FirstNet Authority's cash balances are reconciled against activity obtained from specific funds (FRNA, NCF, and PSTF) as reported on their SF 133. Schedules such as these should be compared to its final statement balances to ensure that presented balances agree to its calculated balances. In addition, data from its service providers should be evaluated and reviewed to ensure that it meets the expectations for which it will be utilized by FirstNet Authority personnel in its financial reporting process.

Material Weakness
Exhibit I

Management's Response

FirstNet has taken immediate corrective action by implementing reconciliation procedures to ensure that final balances calculated during the FASAB to FASB transition tie directly to subsidiary ledger balances for the corresponding accounts. FirstNet Authority prepares a complete recalculation of its NPSBN asset and amortization schedule throughout the year. FirstNet Authority's cash balances are reconciled against activity obtained from specific funds as reported on the certified SF-133 received from NIST. The SF-133 balances and schedules are compared to our calculated final statement balances to ensure that the presented balances agree to the calculated balances. FirstNet will utilize the Adjusted Trial Balance from NIST as the authoritative source to draft the statement balances used in the reconciliation reviews. We have requested that our service provider, NIST, confirm they have reviewed and reconciled all unadjusted and adjusted trial balance reports before sending to us.