



FirstNet®



Financial Report

Fiscal Year 2019

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Message from the Chief Financial Officer



CFO Kim Farington

I am pleased to present the financial condition and operating results of the First Responder Network Authority for fiscal year (FY) 2019, 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 First Responder Network Authority (FirstNet Authority or the Authority) as an independent authority within the National Telecommunications and Information Administration (NTIA) of the Department of Commerce.

For the seventh consecutive year, the FirstNet Authority's auditors have provided an unmodified opinion on the FirstNet Authority's FY 2019 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 2019 overview. Throughout FY 2019 the FirstNet Responder Network Authority continued achieving our mission and transforming the Nationwide Public Safety Broadband Network (NPSBN) promise into reality. The FirstNet Authority continued to exercise sound stewardship over our financial resources. The Authority's resources were utilized to support our ongoing operations and execution of the mandates of FirstNet's enabling legislation. During FY 2019, the FirstNet Authority funded contractual commitments yielding network expansion of the NPSBN. Additionally, the FirstNet Authority used fees received from the leasing of the FirstNet Authority's spectrum to ensure the NPSBN was enhanced to meet public safety's short-term and long-term communications needs.

The FirstNet Authority has maintained a strong financial position and as of the end of FY 2019, had a cash balance of \$4.7 billion. Cash resources were utilized during the year to support our ongoing day-to-day operations, finance enhancements to the FirstNet Network and fund payments for services received under the AT&T NPSBN contract, and other contractual services agreements. The FirstNet Authority had \$8.1 billion in total assets as of September 30, 2019, offset by total liabilities of \$1.5 billion. As a result, our net position remained consistent with the prior year at \$6.6 billion.

FirstNet Authority created a Roadmap. During FY 2019, based upon significant input from the public safety stakeholders across the nation, the FirstNet Authority developed and published the FirstNet Authority Roadmap to guide the evolution and technological advancement of the FirstNet broadband network dedicated to public safety. The Roadmap documents the FirstNet Authority focus and priorities, which are our programs, activities, and investments.

Received annual fees from our Nationwide Public Safety Broadband Network technology provider. The FirstNet Authority is required by our enabling public law to be a self-sustaining entity, which does not receive annual congressional funding. In September 2019, AT&T submitted the annual fees payment for its exclusive use of the FirstNet Authority's 20 MHz of telecommunications spectrum as part of our collaborative technology and innovation partnership agreement. This fees collection was recorded as contract revenue, and a contract liability, on the respective FirstNet Authority Statements of Operations and Balance Sheets.

Made success-based payments to advance the NPSBN. In FY 2019, FirstNet made success-based payments to AT&T for completed milestones of the NPSBN contract. As of September 30, 2019, FirstNet has recognized \$3.5 billion in assets related to the NPSBN network. The network buildout will continue through 2023 based on the timelines contained in the NPSBN contract. If contract milestones are met earlier than scheduled, this timeline may be moved forward to deliver the network ahead of schedule for the exclusive use of our public safety stakeholders. As of September 30, 2019, more than 9,000 public safety agencies were using over 750,000 service connections on the network.

Reinvestment into the Network. The process of evaluating proposed network investments in compliance with the governing legislation has continued in FY 2019. Following a rigorous evaluation process incorporating multiple check point reviews in full compliance with procurement laws and regulations, two investments are being vetted.

Enterprise Risk Management (ERM) program. The FirstNet Authority has continued to mature the capabilities and value of its ERM program to the organization over the past fiscal year. The ERM program successfully achieved an “Intermediate” level rating based on the Department of Commerce ERM maturity assessment tool. The Authority developed a risk appetite statement to inform the desired level of risk and guide the organization’s efforts on the achievement of strategic objectives. The FirstNet Authority’s Policy and Internal Control Division was also honored with a bronze medal award by the Department of Commerce for the Authority’s efforts in successfully integrating internal controls and ERM capabilities.

In FY 2019, the First Responder Network Authority continued fulfilling the promise and mission to our nation and the U.S. public safety community. The FirstNet Authority expanded the Nationwide Public Safety Broadband Network and delivered enhanced public safety communications to the ever-growing public safety entities’ subscribers. We never forget that our mission is in service to the many thousands of public safety entities across the United States of America, Washington, D.C. and the U. S. territories.



Kim Farington
Chief Financial Officer
First Responder Network Authority



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Introduction and Background



Introduction and Background

History, Purpose and Mission

The creation of the First Responder Network Authority (FirstNet Authority) was a key recommendation of the 9/11 Commission in the aftermath of the 9/11 attacks on our nation. Through strong advocacy by the public safety community, the FirstNet Authority was established in 2012 by Public Law 112-96 (the Act) as an independent authority within the Department of Commerce's National Telecommunications and Information Administration. The Act established the FirstNet Authority's governance structure; created related advisory committees; set forth its powers, duties, and responsibilities; authorized its initial funding and subsequent requirement for self-funding; and provided audit and reporting requirements.

The FirstNet Authority's mission is to develop, build, and operate a nationwide public safety broadband network called FirstNet. To build the network, the FirstNet Authority entered into an innovative public-private partnership with AT&T after a rigorous and transparent procurement process. Inclusive of the 25-year contract with AT&T, FirstNet is delivering the National Public Safety Broadband Network, built on 4G Long-Term Evolution (LTE) technology, with up to \$7 billion in funding from Federal Communications Commission (FCC) spectrum auctions and a nationwide license of 20 MHz radio-frequency spectrum.

Since the contract was established in March 2017, the FirstNet Authority has worked to create a dedicated, differentiated broadband experience for first responders, and to be a catalyst for advancing our nation's public safety communications. With the FirstNet network deployment growing, the nation is benefiting from: a broadband network prioritized for and tailored to the needs of first responders; the economies of scale provided by a national, standards-based network; and the innovations in technology designed and specialized for public safety's use.

Fiscal Year 2019 Overview

The FirstNet Authority fiscal year mirrors the federal fiscal year calendar, starting October 1 and ending September 30. Fiscal Year (FY) 2019 was the FirstNet Authority's seventh consecutive year of operations and a banner year for FirstNet. In FY 2019, we made significant progress in ensuring the contract-compliant build-out of the network and laying the groundwork for future innovation and investment in the network.

Specifically, in FY 2019, FirstNet provided public safety and the nation:

- **Band 14 deployment:** Band 14 is nationwide, high-quality spectrum set aside by the government specifically for FirstNet. When Band 14 is fully deployed, it will cover 95 percent or more of the U.S. population, helping close rural coverage gaps where responses to emergencies have been previously challenged by a lack of connectivity. FirstNet Band 14 deployment remains ahead of schedule, and as of the end of FY 2019, Band 14 was operational in 650 markets across the country.
- **A deployables "lending library":** A set of 72 FirstNet-dedicated deployable network assets, plus three flying Cells on Wings (tethered drones) is now available to FirstNet subscribers. These mobile cell sites can be deployed at the request of subscribing first responder agencies. They help

boost first responders' connectivity, so they can more efficiently and effectively coordinate their public safety response during large events and emergencies.

- **An expanding ecosystem of approved apps and devices:** FY 2019 was a year of tremendous growth for the FirstNet application (app) and device ecosystems. The number of apps identified for first responders use via the FirstNet App Catalog grew to over 100, providing support for cloud solutions, cybersecurity, device security, public safety communications, secure connections, situational awareness, and video surveillance. The FirstNet and AT&T teams also worked to approve devices, such as off-the-shelf smartphones and tablets, for public safety's use on FirstNet. As of September 2019, 90 FirstNet Ready™ devices were vetted and published on the National Institute of Standards and Technology's (NIST) Public Safety Communications Research Division (PSCR) list of user devices approved for the FirstNet network.
- **Public safety outreach and advocacy:** FY 2019 saw continued deep engagement and collaboration with public safety stakeholders at the federal, tribal, state, and local levels. The FirstNet Authority worked with jurisdictions and agencies across the nation to educate first responders about the benefits of broadband and the ways it changes public safety communications. The FirstNet Authority also gathered insights from these engagements to ensure the FirstNet network is meeting public safety's communications needs now and in the future. In total, the FirstNet Authority held more than 1,100 engagements, reaching nearly 33,000 public safety stakeholders in FY 2019.
- **Public Safety Entity User Adoption:** In FY 2019, public safety continued to adopt the FirstNet NPSBN and use FirstNet for communications during all types of daily operations, special events, disasters and emergencies. At the end of FY 2019, more than 9,000 public safety agencies were subscribed to FirstNet with more than 750,000 FirstNet connections in the hands of public safety. FirstNet helped public safety protect communities and save lives during planned events such as Super Bowl LIII and the Boston Marathon, emergencies like Hurricanes Michael and Dorian, mudslides in Tennessee, and in countless other incidents, as well as every-day operations across the country.

Building Beyond FY 2019

To guide the next steps of the FirstNet Authority, in FY 2019, we developed the FirstNet Authority Roadmap (Roadmap) and released our first set of reinvestment recommendations. The FirstNet Authority Roadmap is designed to guide the growth, evolution, and advancement of FirstNet. Developed with input from public safety, industry, government, and our network contractor, AT&T, the Roadmap provides a view of public safety's operational needs and technology trends for mobile broadband communications over the next five years. Released in August 2019, the Roadmap will help prioritize the FirstNet Authority's programs, activities, and investments in network improvements to ensure first responders have the communications tools they need to save lives and protect communities.

Building on the Roadmap, the FirstNet Authority took steps in FY 2019 to reinvest resources to advance the FirstNet network in a way that helps public safety better perform their missions. As part of these efforts, the FirstNet Authority developed and executed a structured, transparent, and rigorous investment process to drive reinvestments into the network. To ensure the FirstNet Authority is a responsible steward of its investment resources and that public safety remains the key beneficiary of our investments, the FirstNet Authority Board adopted four investment principles. Investments must:

- Be derived from and benefit public safety
- Maintain and advance the foundation of the Network
- Consider a balanced approach and provide value to public safety
- Be fiscally responsible and reflect strong financial management

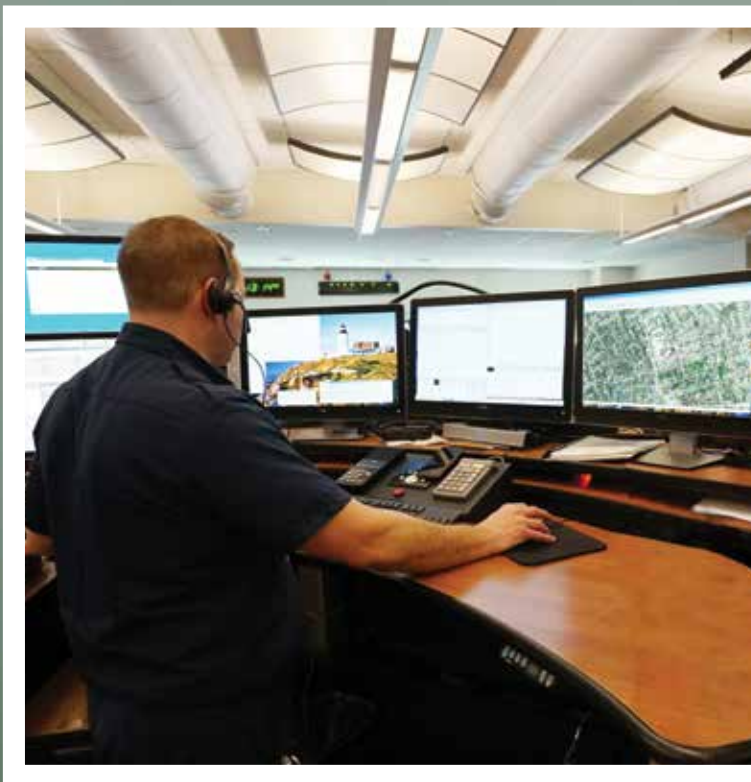
Using these principles and the Roadmap as guides, in September 2019, the FirstNet Authority Board announced its first set of investment recommendations. The first will expand network coverage by growing the FirstNet Authority's fleet of dedicated deployable network assets. The second will upgrade the FirstNet Core network to prepare for 5G upgrades. The FirstNet Authority continues to pursue these opportunities and identify other areas for investment.

In FY 2019 the FirstNet Authority has met milestone after milestone, delivering on our promise to public safety and our nation. In FY 2020 and beyond, we will continue — through unstinting public safety advocacy, alignment with our Roadmap and strategic intent, and strong financial stewardship — to provide a network public safety can depend on every day and in every emergency.



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1.0 Financial Statements



1.0 Financial Statements

1.1 Balance Sheets

First Responder Network Authority
Balance Sheets
As of September 30, 2019 and 2018
(In Thousands)

| | FY 2019 | FY 2018 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash (Note 3) | \$ 4,721,995 | \$ 6,105,449 |
| Restricted Cash (Note 3) | 217 | 231 |
| Accounts Receivable (Note 4) | 35 | 82 |
| Advances and Prepayments | 1,161 | 2,457 |
| Total Current Assets | 4,723,408 | 6,108,219 |
| Property, Plant, and Equipment, Net (Note 5) | 3,551 | 4,657 |
| Nationwide Public Safety Broadband Network, Net (Note 6) | 3,360,729 | 1,942,641 |
| Other Assets, Net (Note 7) | 792 | 924 |
| TOTAL ASSETS | \$ 8,088,480 | \$ 8,056,441 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable (Note 8) | \$ 1,368,353 | \$ 1,336,341 |
| Accrued Payroll and Leave | 4,359 | 4,000 |
| Grants Accrual Payable | - | 957 |
| Contract Liability (Note 10) | 120,000 | 120,000 |
| Total Current Liabilities | 1,492,712 | 1,461,298 |
| TOTAL LIABILITIES | \$ 1,492,712 | \$ 1,461,298 |
| EQUITY (Note 12) | | |
| Contributed Capital | \$ 6,909,890 | \$ 6,877,490 |
| Retained Deficit | (314,122) | (282,347) |
| TOTAL EQUITY | \$ 6,595,768 | \$ 6,595,143 |
| TOTAL LIABILITIES AND TOTAL EQUITY | \$ 8,088,480 | \$ 8,056,441 |

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 Ended September 30, 2019 and 2018
(In Thousands)

| | FY 2019 | FY 2018 |
|--|--------------------|------------------|
| Operating Revenues | | |
| Nationwide Public Safety Broadband Network Contract Revenue | \$ 120,000 | \$ 120,000 |
| Total Operating Revenues (Note 10) | 120,000 | 120,000 |
| Operating Expenses | | |
| Personnel Compensation and Benefits (Note 2 & Note 14) | 40,672 | 41,996 |
| Contractual Services (Note 15) | 20,813 | 15,537 |
| Spectrum Relocation Grants (Note 16) | (802) | 10,322 |
| Other General and Administrative (Note 2) | 7,439 | 7,757 |
| Depreciation and Amortization Expense | 83,653 | 18,317 |
| Total Operating Expenses | 151,775 | 93,929 |
| Operating (Deficit) / Income | (31,775) | 26,071 |
| Loss on Disposition of Assets | - | (17) |
| NET (DEFICIT) / INCOME | \$ (31,775) | \$ 26,054 |

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 Ended September 30, 2019 and 2018
(In Thousands)

| | FY 2019 | FY 2018 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Net (Deficit) / Income | \$ (31,775) | \$ 26,054 |
| Adjustments to reconcile Net (Deficit)/Income to Net Cash Provided By Operating Activities: | | |
| Depreciation and Amortization Expense | 83,653 | 18,317 |
| Decrease / (Increase) in Accounts Receivable | 47 | (48) |
| Decrease in Advances and Prepayments | 1,296 | 676,518 |
| Increase / (Decrease) in Accounts Payable | 412 | (2,417) |
| Increase in Accrued Payroll and Leave | 359 | 270 |
| Decrease in Grants Accrual Payable | (957) | (3,243) |
| Increase in Contract Liability | - | 120,000 |
| Loss on Disposition of Assets | - | 17 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 53,035 | 835,468 |
| Cash Flows from Investing Activities | | |
| Purchases of NPSBN | (1,468,400) | (336,000) |
| Purchases of Property, Plant, and Equipment | (503) | (1,886) |
| NET CASH USED IN INVESTING ACTIVITIES | (1,468,903) | (337,886) |
| Cash Flows from Financing Activities | | |
| Capital Contributions Received (Note 12) | 32,400 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 32,400 | - |
| Net (Decrease) / Increase in Cash and Restricted Cash | (1,383,468) | 497,582 |
| Cash Balance, Beginning of Year | 6,105,680 | 5,608,098 |
| CASH AND RESTRICTED CASH, END OF YEAR (Note 3) | \$ 4,722,212 | \$ 6,105,680 |
| Non-Monetary Transactions | | |
| Loss on Disposition of Assets | \$ - | \$ (17) |
| Non-Cash Purchases of NPSBN Assets (included in Accounts Payable on the Balance Sheets) | 1,365,600 | 1,334,000 |
| NON-MONETARY TRANSACTIONS | \$ 1,365,600 | \$ 1,333,983 |

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



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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* (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). The FirstNet Authority's statutory mandate is to ensure the establishment of an interoperable Nationwide Public Safety Broadband Network (NPSBN or 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 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. As of September 30, 2019, more than 9,000 public safety agencies were using over 750,000 service connections on the network.

These financial statements cover the FirstNet Authority's fiscal years (FY) ended September 30, 2019 and 2018.

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 will finance 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.

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2019 and 2018

In compliance with the Act, the FirstNet Authority is to be audited annually by an independent auditor, in accordance with generally accepted accounting principles 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.

The accompanying audited financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the FirstNet Authority's financial position as of September 30, 2019 and 2018, the results of its operations for the years ended September 30, 2019 and 2018, and cash flows for the years ended September 30, 2019 and 2018.

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, 2019 and 2018, 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 (e) 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 consist of amounts owed to the FirstNet Authority by 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.

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 fixed assets range from three to ten years.

The FirstNet Authority's single asset capitalization threshold is \$25 thousand and the established personal property bulk capitalization threshold is \$150 thousand. See *Note 5 – Property, Plant & Equipment, Net* for further details.

1. I – Other Assets, Net

Other Assets, net represent Geographical Mapping Data used in the general course of business. 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 7 – 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. Rent expense paid by the FirstNet Authority related to operating leases is included in operating expenses in the accompanying Statements of Operations on a straight-line basis over the term of the lease. See *Note 9 – 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 values of the assets are written down to fair value. There were no impairment charges for the years ended September 30, 2019 and 2018, respectively.

1. L – Accrued Payroll and Leave

These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30, 2019. Annual 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.

1. M – Contract Liability

As payments are received from AT&T under the NPSBN contract, they are recognized as a contract liability and amortized on a straight-line basis over the applicable fiscal year. See *Note 10 – 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 implement the FirstNet Authority's responsibilities in deploying the NPSBN. See *Note 12 – 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, beyond the required contributions of the FirstNet Authority.

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 Public Safety Wireless Network License for use of the 700 megahertz (MHz) D block spectrum, specifically 22 megahertz (MHz) of spectrum, including 2 MHz of guard bands and a pre-existing block of public safety broadband spectrum at no cost. 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

¹ See 47 U.S.C. § 1428(a).

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2019 and 2018

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, making this the FirstNet Authority's primary source of revenue. As payments are received from AT&T, they are recognized as a contract liability and amortized on a straight-line basis over the applicable fiscal year. See *Note 10 – 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. 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, 2019, and 2018.

1. T – Recently Issued Accounting Standards

Accounting Standards Update 2014-09, Revenue from Contracts with Customers:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most previous revenue recognition guidance. The standard requires that a five-step model be utilized to determine revenue recognition: (1) identify the customer contract, (2) identify the contract's performance obligation, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation and (5) recognize revenue when or as a performance obligation is satisfied. The new standard may be either applied retrospectively to each prior reporting presented (full retrospective approach) or retrospectively to new and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings or net deficiency at the effective date for existing contracts with remaining performance obligations (modified retrospective approach). The standard became effective for non-public entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning one year after the annual period in which the new standard is applied. Early adoption is permitted. The FirstNet Authority elected early adoption of this standard in fiscal year 2018 using the full retrospective approach effective October 1, 2016. See *Note 10 – Revenue Recognition* for further details.

Accounting Standards Update 2016-02, Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires an entity to record most leases on its balance sheet but continue to recognize expenses in the statement of operations similarly to current accounting practices. The new standard will require lessees to recognize a lease

liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Expenses related to leases will continue to be recognized on the income statement similar to current practices. The standard becomes effective for non-public entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The FirstNet Authority is currently evaluating the impact and timing of adopting this standard.

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 limitation³. 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.

In FY 2019, the FirstNet Authority incurred \$9.0 million in administrative expenses under the limitation. In FY 2018, the FirstNet Authority incurred \$6.3 million in administrative expenses under the limitation. The \$2.7 million increase in administrative expenses was primarily the result of a one-time \$2.5 million cost allocation credit adjustment to recorded accrued leave liabilities during FY 2018. After an internal review of life to date administrative expenses, conducted by the FirstNet Authority Policy and Internal Control Division, a cumulative reduction of \$103 thousand was applied to FY 2018 administrative expenses. The 0.3 percent decrement was to revise and correct the bases of FY 2015 through FY 2017 allocation percentages to utilize full time equivalents instead of headcount. For the years ended September 30, 2019 and 2018, the corrected total amount of administrative expense limitation available in future periods was \$52.8 million and \$61.8 million, respectively.

Note 3. Cash and Restricted Cash

Restricted Cash represents FirstNet Authority cash that is not available for general use. As of September 30, 2019 and 2018, \$217 thousand and \$231 thousand, respectively, was temporarily restricted from use by the FirstNet Authority due to a temporary reduction in direct spending authority as calculated by the Office of Management and Budget 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, 2019 and 2018:

| <i>In Thousands</i> | FY 2019 | FY 2018 |
|---|---------------------|---------------------|
| Cash | \$ 4,721,995 | \$ 6,105,449 |
| Restricted Cash | 217 | 231 |
| Total cash and restricted cash shown in the statements of cash flows | \$ 4,722,212 | \$ 6,105,680 |

² See 47 U.S.C. § 1427(b).

³ Id.

Note 4. Accounts Receivable

Receivables – Intragovernmental represent sums due to the FirstNet Authority for services rendered by the FirstNet Authority as of September 30, 2019 and 2018 under reimbursable service agreements between the FirstNet Authority and NTIA.

Accounts Receivable as of September 30, 2019 and 2018 consist of the following:

| <i>In Thousands</i> | FY 2019 | FY 2018 |
|---------------------------------------|----------------|----------------|
| Receivables - Intragovernmental | \$ 1 | \$ 31 |
| Receivables - Public | 34 | 51 |
| Total Accounts Receivable | 35 | 82 |
| Less: Allowance for doubtful accounts | - | - |
| Accounts Receivable | \$ 35 | \$ 82 |

Note 5. Property, Plant and Equipment, Net

The following table summarizes Property, Plant, and Equipment, Net as of September 30, 2019 and 2018:

| <i>In Thousands</i> | | FY 2019 | FY 2018 |
|---|--------------------------------|-----------------|-----------------|
| | <u>Estimated Useful</u> | | |
| | <u>Life in Years</u> | | |
| Equipment | 3 - 10 | \$ 6,630 | \$ 6,127 |
| Leasehold Improvements | 3 - 4 | 3,269 | 3,269 |
| Perpetual Software Licenses | 3 - 7 | - | 251 |
| Internal Use Software | 3 - 7 | 436 | 235 |
| Other Property, Plant, and Equipment | 3 - 4 | 1,983 | 1,983 |
| Property, Plant, and Equipment, at cost | | 12,318 | 11,865 |
| Less: Accumulated depreciation and amortization | | 8,767 | 7,208 |
| Property, Plant, and Equipment, Net | | \$ 3,551 | \$ 4,657 |

For the years ended September 30, 2019 and 2018, depreciation and amortization expense on Property, Plant, and Equipment was \$1.6 million and \$2.8 million, respectively, and are included in *Depreciation and Amortization Expense* in the accompanying *Statements of Operations*.

Note 6. 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 partner in the delivery of the NPSBN network, AT&T will have 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 for a contract milestone upon AT&T's delivery of core network and radio access network initial operating capabilities to the FirstNet Authority. The delivered asset is capitalized after inspection and acceptance by the FirstNet Authority, and amortized over the remaining life of the contract.

As of September 30, 2019, the FirstNet Authority has capitalized NPSBN assets, at cost, of \$3.5 billion, and in FY 2019 recorded amortization expense of \$81.9 million. During FY 2019, the FirstNet Authority purchased \$1.5 billion of NPSBN assets, of which \$1.4 billion remained unpaid as of September 30, 2019, and is included in Accounts Payable on the Balance Sheets.

As of September 30, 2018, the FirstNet Authority had capitalized NPSBN assets, at cost, of \$2.0 billion and in FY 2018 recorded amortization expense of \$15.4 million. During FY 2018, the FirstNet Authority purchased \$1.7 billion of NPSBN assets, of which \$1.3 billion remained unpaid as of September 30, 2018, and is included in Accounts Payable on the Balance Sheets.

The following table summarizes Nationwide Public Safety Broadband Network, Net as of September 30, 2019 and 2018:

| <i>In Thousands</i> | | FY 2019 | FY 2018 |
|--|--------------------------------|---------------------|---------------------|
| | <u>Estimated Useful</u> | | |
| | <u>Life in Years</u> | | |
| Nationwide Public Safety Broadband Network | 19 - 25 | \$ 3,458,000 | \$ 1,958,000 |
| Nationwide Public Safety Broadband Network, at cost | | 3,458,000 | 1,958,000 |
| Less: Accumulated amortization | | 97,271 | 15,359 |
| Nationwide Public Safety Broadband Network, Net | | \$ 3,360,729 | \$ 1,942,641 |

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2019 and 2018

Future minimum estimated NPSBN amortization amounts for each of the next five years as of September 30, 2019 are as follows:

| <i>In Thousands</i> | Total | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Amortization | | | | | | |
| Expense | \$ 710,998 | \$ 137,710 | \$ 143,322 | \$ 143,322 | \$ 143,322 | \$ 143,322 |
| Total | \$710,998 | \$137,710 | \$143,322 | \$143,322 | \$143,322 | \$143,322 |

Note 7. Other Assets, Net

The following table summarizes Other Assets, Net as of September 30, 2019 and 2018:

| <i>In Thousands</i> | FY 2019 | FY 2018 |
|--------------------------------|--------------------------------|----------------|
| | <u>Estimated Useful</u> | |
| | <u>Life in Years</u> | |
| Geographical Mapping Data | 3 - 10 | |
| | \$ 1,942 | \$ 1,942 |
| Other Assets, at cost | 1,942 | 1,942 |
| Less: Accumulated amortization | 1,150 | 1,018 |
| Other Assets, Net | \$ 792 | \$ 924 |

For the years ended September 30, 2019 and 2018, amortization expense on Other Assets was \$132 thousand and \$138 thousand, respectively, and is included within Depreciation and Amortization Expense on the Statements of Operations.

Note 8. Accounts Payable

Accounts Payable as of September 30, 2019 and 2018, was \$1.4 billion and \$1.3 billion, respectively. The balance as of September 30, 2019 and 2018 was primarily comprised of accrued NPSBN milestone deliverables of \$1.4 billion and \$1.3 billion, respectively, which were payable to AT&T and included in *Non-Cash Purchases of Nationwide Public Safety Broadband Network Assets* in the accompanying *Statements of Cash Flows*.

Note 9. Leases

Operating Leases

The FirstNet Authority leases office facilities under operating leases in Reston, Virginia, and Boulder, Colorado. The non-cancelable portion of these leases generally range 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 assured.

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2019 and 2018

As of September 30, 2019, the minimum estimated rental amounts due under operating leases for the periods shown are as follows:

| <i>In Thousands</i> | | | | | | | FY 2025 and thereafter |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------------|
| | Total | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | |
| Operating | | | | | | | |
| Leases | \$ 8,868 | \$ 1,116 | \$ 1,160 | \$ 1,204 | \$ 1,215 | \$ 1,225 | \$ 2,948 |
| Total | \$ 8,868 | \$ 1,116 | \$ 1,160 | \$ 1,204 | \$ 1,215 | \$ 1,225 | \$ 2,948 |

Note 10. Revenue Recognition

In FY 2018, the FirstNet Authority elected early adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) effective October 1, 2016 using the full retrospective method. The full retrospective method did not have any effect on the financial position or results of operations for periods prior to the fiscal year ending September 30, 2018 as no revenue was recognized prior to FY 2018. The FirstNet Authority only has one contract, with AT&T, under which it earns revenue, and has applied the standard to that contract.

The FCC, an independent third-party agency, has granted exclusive rights to the FirstNet Authority for the use of the spectrum through 2022. Beyond 2022, the FCC must re-authorize the license of the exclusive right of the spectrum to the FirstNet Authority. As the license renewal is a factor outside of the FirstNet Authority's control, the FirstNet Authority has determined that the period over which this contract has enforceable rights to the use of the spectrum and obligation to AT&T is five years.

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 million 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, 2019 and 2018, the FirstNet Authority has recognized \$120 million 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, 2019, and 2018, the FirstNet Authority recorded a contract liability of \$120 million for the advance payment received from AT&T during September 2019 and 2018, respectively, for the subsequent fiscal year.

Note 11. 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 February 28, 2020, 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 February 28, 2020, management was not aware of any threatened or pending legal claims or contingencies affecting the FirstNet Authority.

Note 12. Equity

During the first quarter of FY 2019, NTIA transferred \$32.4 million to FirstNet's Network Construction Fund for use in FirstNet's programmatic operations. The \$32.4 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, 2019 and 2018:

| <i>In Thousands</i> | Contributed Capital | Retained Deficit | Total |
|---|--------------------------------|-----------------------------|---------------------|
| Beginning Balance, October 1, 2018 | \$ 6,877,490 | \$ (282,347) | \$ 6,595,143 |
| Net (Deficit) | - | (31,775) | (31,775) |
| Contributions | 32,400 | - | 32,400 |
| Ending Balance, September 30, 2019 | \$ 6,909,890 | \$ (314,122) | \$ 6,595,768 |
| | Contributed Capital | Retained Deficit | Total |
| Beginning Balance, October 1, 2017 | \$ 6,877,490 | \$ (308,401) | \$ 6,569,089 |
| Net Income | - | 26,054 | 26,054 |
| Ending Balance, September 30, 2018 | \$ 6,877,490 | \$ (282,347) | \$ 6,595,143 |

Note 13. Related Party Transactions

The FirstNet Authority considers NTIA, as well as the Department, comprised of the Office of the Secretary (OS) and the 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.

All related party activity as of and for the years ended September 30, 2019 and 2018 is summarized in the tables below:

In Thousands

| As of and for the Year Ended September 30, 2019 | | | | | |
|---|---------------------------------|------------------------|------------------------|---------------------|--------------------------------|
| Related Party | Purchases and Assessments | Reimbursed Expenses | Accounts Receivable | Accounts Payable | Advances and Prepayments |
| NTIA | \$ 1,537 | \$ 10 | \$ 1 | \$ 58 | \$ - |
| The Department | 1,219 | - | - | 381 | - |

| As of and for the Year Ended September 30, 2018 | | | | | |
|---|---------------------------------|------------------------|------------------------|---------------------|--------------------------------|
| Related Party | Purchases and Assessments | Reimbursed Expenses | Accounts Receivable | Accounts Payable | Advances and Prepayments |
| NTIA | \$ 1,646 | \$ 147 | \$ 31 | \$ 37 | \$ - |
| The Department | 1,432 | - | - | 48 | 2 |

Note 14. Personnel Compensation and Benefits

For the years ended September 30, 2019 and 2018, Personnel Compensation and Benefits expense was \$40.7 million and \$42.0 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. The 3.1 percent decrease is due to the attrition of 10% of the FirstNet Authority's Federal employees during FY 2019.

Note 15. Contractual Services

For the years ended September 30, 2019 and 2018, Contractual Services expense was \$20.8 million and \$15.5 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 during FY 2019. The \$5.3 million increase is primarily comprised of contractual services to support the development of the FirstNet Authority Roadmap and deployment of critical services for public safety.

Note 16. Spectrum Relocation Grants

The FirstNet Authority spectrum relocation grants program awarded \$23.8 million in grants to incumbent public safety spectrum licensees to relocate the grantees away from Band 14 spectrum, in order to clear the spectrum for use by the NPSBN. For the years ended September 30, 2019 and 2018, Spectrum Relocation Grants expense was (\$0.8) million and \$10.3 million, respectively. The \$11.1 million decrease is reflective of the fact that the spectrum relocation grants program, which began during the fourth quarter of FY 2016, ended August 31, 2018. The final grant close-out period was completed as of the first quarter of FY 2019.

The credit expense as of September 30, 2019 is the result of the reversal of an over estimate of the fourth quarter FY 2018 close out expense, offset by actual close-out expenses recorded during the first quarter of FY 2019. In February 2019, the unutilized grant funds became available for future use by the FirstNet Authority in support of other programmatic initiatives.

Note 17. Subsequent Events

Subsequent events were evaluated by the FirstNet Authority through February 28, 2020 which is the date the financial statements were available to be issued. As of that date, there were no events which required disclosure.



FirstNet[®]

3.0 Independent Auditors' Report



3.0 Independent Auditors' Report



Independent Auditors' Report

Secretary, U. S. Department of Commerce
FirstNet Authority Board

Report on the Financial Statements

We have audited the accompanying financial statements of the First Responder Network Authority ("FirstNet Authority"), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of operations and cash flows for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility

The FirstNet Authority's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 of financial statements 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 auditors consider internal

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Auditors' Responsibility (continued)

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 of financial statements also involves 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 First Responder Network Authority as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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

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.

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

Internal Control over Financial Reporting (continued)

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the FirstNet Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*.

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.

Hopper, Raino, Knight & Company, P.A.

February 28, 2020