

Financial
Report: First
Responder
Network
Authority

Fiscal Year
2013



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1.1 Mission, Organization, and Funding of FirstNet

1.1.1 Overview

On February 22, 2012, the President signed into law the *Middle Class Tax Relief and Job Creation Act of 2012*, Public Law No. 112-96 (the “Act”) which established the First Responder Network Authority (FirstNet) as an independent authority within the National Telecommunications and Information Administration (NTIA) of the Department of Commerce (the Department). FirstNet’s Board held its inaugural meeting in September 2012. FirstNet’s fiscal year (FY) runs from October 1 through September 30. FY 2013 was FirstNet’s initial year of operation as an independent authority.

FirstNet holds the single Public Safety Wireless Network License for use of the 700MHz D block spectrum and a pre-existing block of public safety broadband spectrum, with the mission of ensuring establishment of a nationwide, interoperable, wireless nationwide public safety broadband network (NPSBN) built in consultation with Federal, state, and local authorities. The NPSBN FirstNet establishes will enable police, firefighters, emergency medical technicians, and other first responders to effectively communicate with one another during emergencies and use new technologies to improve response time, keep communities safe, and save lives. Additional information on FirstNet is available at <http://firstnet.gov>.

1.1.2 Authority

The Act established the governance structure of FirstNet; created related advisory committees; set forth FirstNet’s powers, duties and responsibilities; authorized FirstNet’s initial funding and subsequent requirement for self-funding; and provided audit and reporting requirements.

On November 15, 2012, the Federal Communications Commission (FCC) granted FirstNet a license for use of the public safety broadband spectrum (763-768/793-798 MHz) and the spectrally adjacent D Block (758-763/788-793 MHz), a commercial spectrum block that the Act required the FCC to reallocate for public safety use, under the call sign WQQE234. In accordance with the Act, the license was granted to FirstNet at no cost from underlying spectrum of the U.S. government that is not carried at value in the U.S. government’s general ledger.

1.1.3 Relationship to the Department of Commerce

On September 17, 2012, the Department issued Department Organization Order (DOO) 25-7, which formally prescribes the organization of FirstNet and assignment of functions within NTIA including the establishment of FirstNet. While FirstNet is a component of NTIA and is a Federal entity, it is established that in carrying out the duties and responsibilities of the Act, FirstNet is not under the direct authority of the Administrator of NTIA and may plan and execute actions necessary to develop, build, and operate the network. Though independent, the Act does require coordination with NTIA regarding specific actions to be executed by NTIA to provide oversight and support of FirstNet, including but not limited to matters related to budgetary resources, approval of user fees, and the administration of grant programs.

1.1.4 Governance and Organization

Under the Act, FirstNet is headed by a 15-member Board consisting of:

- the Secretary of Homeland Security;
- the Attorney General of the United States;
- the Director of the Office of Management and Budget; and
- 12 non-permanent members appointed by the Secretary of Commerce.

All powers, duties, and responsibilities of FirstNet are exercised through actions of the Board.

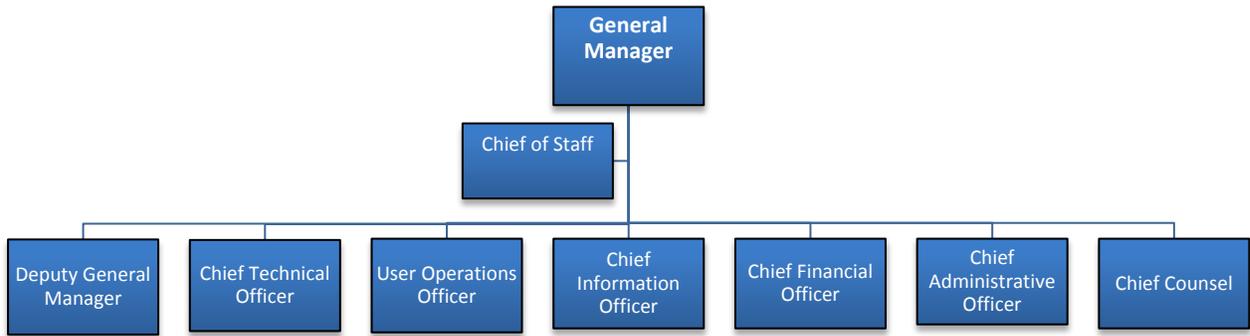
On August 20, 2012, the Secretary of Commerce announced the initial Board members for FirstNet. The Board members were sworn in, and the Board held its first Board meeting on September 25, 2012, at which time it adopted the Bylaws for the organization.

As of September 30, 2013¹, the current non-permanent Board members were:

Name	Background	Term Expires
Tim Bryan	Chief Executive Officer (CEO), National Rural Telecommunications Cooperative	August 2015
Charles Dowd	Assistant Chief, New York City Police Department	August 2014
F. Craig Farrill	Wireless telecommunications executive	August 2015
Paul Fitzgerald	Sheriff, Story County, Iowa	August 2014
Samuel Ginn, Chairman	Telecommunications executive	August 2014
Jeffrey Johnson	Fire Chief (retired); CEO, Western Fire Chiefs Association; former Chair, State Interoperability Council, State of Oregon;	August 2016
Kevin McGinnis	Chief/CEO, North East Mobile Health Services	August 2015
Ed Reynolds	Telecommunications executive (retired)	August 2014
Susan Swenson, Vice Chairman	Telecommunications/technology executive	August 2016
Teri Takai	Government information technology expert; former Chief Information Officer, States of Michigan and California	August 2016
Wellington Webb	Former Mayor of Denver, Colorado (retired); Founder, Webb Group International	August 2015

On April 23, 2013, the Board selected William D’Agostino, Jr. as General Manager of FirstNet. On June 4, 2013, the Board approved the organizational structure of FirstNet.

¹ Board member Barry Boniface was appointed to the FirstNet Board in November 2013 as a replacement for William Keever who served as an original Board member until August 2013. Sam Ginn stepped down from the Chairmanship in June 2014 and was replaced in this role by Susan Swenson, but remains on the Board as a member.



As of September 30, 2013, the senior management team² was comprised of:

- General Manager – William D’Agostino, Jr. (Senior Executive Service)
- Deputy General Manager – TJ Kennedy (Senior Executive Service)
- Chief Technical Officer – F. Craig Farrill (acting)
- User Operations Officer – vacant
- Chief Information Officer – vacant
- Chief Financial Officer – Randolph Lyon (Senior Executive Service)
- Chief Administrative Officer – vacant
- Chief Counsel – vacant

1.1.5 Funding

To build the NPSBN, the Act provides up to \$7 billion in funding to be derived from the proceeds of FCC auctions of spectrum licenses. The Act directs the use of proceeds in an order of priority. After certain priority uses, \$7 billion of proceeds from a series of upcoming auctions directed by the Act are dedicated to public safety.

This funding includes direct funding to FirstNet as well as for NTIA responsibilities under Subtitle B of the Act, including provision of grants to states that choose to opt out of FirstNet’s deployment of the nationwide network but have qualified to build their state’s portion of the nationwide network (opt-out states).

1.1.6 Initial Funding from NTIA – Authority for NTIA to Borrow up to \$2 Billion from the U.S. Department of the Treasury

Prior to the receipt of proceeds from the FCC auctions, the Act permits NTIA to borrow up to \$2 billion interest-free from the U.S. Department of the Treasury (Treasury) to implement Subtitle B of Title VI, including FirstNet. The amounts borrowed are to be repaid from the spectrum auction proceeds; no auction proceeds were received in FY 2013.

² Subsequent to September 30, 2013, Stuart Kupinsky, Frank Freeman, Jim Gwinn, and Alireza Afrashteh joined the FirstNet senior management team as the Chief Counsel, Chief Administrative Officer, Chief Information Officer, and Chief Technical Officer, respectively. On April 14, 2014, William D’Agostino resigned from FirstNet for personal and family reasons and TJ Kennedy was named Acting General Manager.

NTIA makes available to FirstNet a portion of the funds it borrows from the Treasury to pay expenses incurred by FirstNet. FirstNet has no authority to borrow funds independently and relies on NTIA to make funds available. All FirstNet expenses paid in FY 2013 were disbursed from funds borrowed by NTIA from the Treasury. Such amounts are recognized by FirstNet as capital contributions from NTIA for financial reporting purposes, instead of advances, because FirstNet is not required to repay such amounts.

1.1.7 Network Build-out Funding – The Public Safety Trust Fund and the Network Construction Fund

Designated proceeds from the FCC auctions of spectrum licenses will be deposited in a Public Safety Trust Fund (PSTF) created by the Act. Up to \$7 billion of these proceeds, less certain amounts borrowed before receipt of the auction proceeds, will be transferred to a Network Construction Fund for FirstNet to use to build out the nationwide network and for NTIA to make grants to opt-out states to build their own radio access networks, which will link to the FirstNet core infrastructure. No auction proceeds were received in FY 2013.

1.1.8 Permanent Self-Funding – Fee Income and Other Revenue

The Act authorizes FirstNet to obtain grants and funds from individuals, private companies, organizations, institutions, and governments; and to assess and collect various network user and lease fees to enable it to become a permanent, self-funded operation. No grants, funds, or user or lease fees were assessed or collected in FY 2013.

1.1.9 Limitation on Administration Expenses

The Act caps FirstNet’s administrative expenses at \$100 million in total over the first 10 years of operations. Costs attributed to certain oversight and audits are not included in the expense cap. In FY 2013, FirstNet incurred no expenses in excess of the limitation.

1.2 Programmatic Themes, Goals, and Accomplishments

Implementation of the Act can be divided into three programmatic themes:

- Theme 1: Establish FirstNet;
- Theme 2: Build and Deploy the National Public Safety Broadband Network; and
- Theme 3: Operate and Sustain the National Public Safety Broadband Network.

As FY 2013 was the first year of operations for FirstNet, the Board set forth a limited number of goals related to establishing FirstNet, articulated in numerous resolutions passed by the Board. No funds were spent on Themes 2 or 3 during FY 2013.

The FY 2013 goals fall into four primary activities under Theme 1, Establish FirstNet:

- Hire the management team, establish a budget and build FirstNet's foundation;
- Conduct comprehensive business planning;
- Establish and execute state, regional, local, and tribal consultations; and
- Negotiate spectrum lease agreements with Broadband Technology Opportunities Program (BTOP) grant recipients to develop and demonstrate operation of the NPSBN.

Below is a summary of accomplishments by activity:

Hire the Management Team, Establish a Budget, and Start Operations

As required by the Act, the Board established a Public Safety Advisory Committee with 41 member organizations representing a broad range of public safety interests.

On November 16, 2012, the FCC reallocated existing public safety broadband spectrum and granted FirstNet a single license for that spectrum and the 700 MHz D block of spectrum for an initial term of 10 years.

In addition to the General Manager, FirstNet hired core members of its senior management team including a Deputy General Manager and Chief Financial Officer, and ended the year with recruiting actions in place to hire a Chief Counsel, Chief Administrative Officer, Chief Information Officer, and Chief Technical Officer.

The Board authorized management to obligate up to \$50 million to fund business planning efforts, outreach, and start up activities. Of the \$50 million authorized, FirstNet's FY 2013 operating expenses incurred and advances on contracts extending beyond the fiscal year end totaled \$17.9 million.

Conduct Comprehensive Business Planning

FirstNet's technical team developed and issued to industry 11 Requests for Information (RFIs) as part of its market research effort to begin evaluating the most appropriate network design approach. These RFIs sought information on network partnering opportunities, radio access network design, core network design, network devices, satellite services, and other areas. Over 300 responses were received.

Establish and Execute State, Regional, Local, and Tribal Consultations

FirstNet outreach and consultation activities in FY 2013 included six regional workshops and more than 90 public safety related conferences, public discussions, and official meetings where FirstNet Board members, senior management, and staff spoke with target audiences. These activities included trips to Oklahoma to gain an understanding of the disaster sites of the 2013 Moore, OK tornado and the 1995 Federal building bombing; to New Jersey to observe relief efforts of first responders in the wake of Superstorm Sandy; and to almost a dozen other states where FirstNet met with public safety personnel and elected officials to discuss plans and goals for the NPSBN.

Negotiate Spectrum Lease Agreements with BTOP Grant Recipients to Develop and Demonstrate Operation of the NPSBN

In February 2013, FirstNet initiated negotiations with seven public safety BTOP grantees whose funding was partially suspended by NTIA following enactment of the Act. On July 1, 2013 and July 23, 2013,

FirstNet entered into Spectrum Manager Lease Agreements with the Los Angeles Regional Interoperable Communications System (LA-RICS) and the State of New Mexico, respectively.

FirstNet agreed to lease spectrum usage rights to operate on the 700 MHz public safety broadband spectrum to these entities in exchange for “Key Learning Conditions” or operational activities the lessees agreed to incorporate into their operations to assist FirstNet in the development, deployment, and management of the NPSBN. These agreements provide for information sharing only, and no funding or property was exchanged between the parties. Neither BTOP grantee provided any Key Learning Conditions in FY 2013 as the agreements were not established until late in the fiscal year and the grantees were not operating systems during the year.

1.3 FY 2013 Operating Results – Overview

In December 2012, the Board appointed certain Board members to serve as acting officers of FirstNet to manage start-up operations with an initial authorization to spend up to \$10 million to begin developing a business plan and support outreach activities and consultation with state, tribal, Federal, and local entities. In February 2013, the Board authorized the acting officers to hire up to ten FirstNet employees. In March, the Board authorized an additional \$1 million for outreach and user advocacy efforts. In April, the Board appointed William D’Agostino, Jr. as General Manager to direct day-to-day operations of the organization. On June 4, 2013, the Board approved an FY 2013 operating budget authorizing management to obligate up to \$50 million.

Operating costs for the year were \$17 million, primarily related to contractual services for technical experts to assist the Board with initial business and start-up planning activities in the absence of Federal staff.

FirstNet also entered into service agreements with other Federal offices for certain support services during the year. FirstNet advance funded some of these agreements which extend to a period beyond September 30 and are reflected in the year-end advances and prepayments balance of \$1 million.

Of the borrowing authority provided to NTIA under the Act, NTIA contributed \$18 million to FirstNet. Of this amount, \$13.9 million was recognized as cash and paid out to employees for salaries and benefits and to commercial and Federal vendors and suppliers for goods and services. An additional \$4.2 million is due as a receivable and will be available as the payables at year end become due. FirstNet had no cash balance at year end and relies on the NTIA receivable to fund any unpaid liabilities.

1.3.1 Management Controls and Legal Compliance

The FirstNet Board has established various policies and levels of control over the expenditure of funds by the organization. For example, only the FirstNet General Manager, Officers, the Chairman of the Board, and the Board have the authority to approve the purchase of goods and services; to engage the services of Federal contracting and financial management personnel on behalf of FirstNet; and to approve the hiring of new employees. In addition, during FY 2013 no obligation or expenditure of funds could be finalized until the funds were apportioned by OMB and certified as available by NTIA.

Section 6413 of the Act established in the Treasury the PSTF, which provides funding for NTIA oversight and FirstNet. FirstNet's transactions are all embedded within the Department's Commerce Business Systems (CBS) and can be identified by a subset of project codes within CBS. The instance of CBS utilized by FirstNet and NTIA is housed in the National Institute of Standards and Technology (NIST), a bureau of the Department. As such, in addition to the policies set by the Board, FirstNet complies with Department, NTIA, and NIST internal controls over the use of funds. Under the Federal Financial Management Improvement Act (FFMIA) of 1996, the Department is required to have financial management systems that comply with Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. In FY 2013, the Department remained in compliance with FFMIA.

In addition, management consultation for compliance with Federal rules and regulations is required with NTIA and the Department's counsel prior to the execution of procurements and interagency agreements.

During FY 2013, FirstNet utilized NTIA's internal control system and policies for essential administrative actions, including funds commitment, procurement, travel, time and attendance, and information technology security. The Department also provided oversight and briefings on ethics, procurement, personnel management, and security matters. The Department maintained responsibility for legal advice and authorities for procurement, ethics, conflicts of interest, and employment matters during FY 2013.

In response to potential issues identified by a Board member, the FirstNet Board appointed a special review committee to consider the openness and transparency of decision-making by the Board, the availability of records to members, and opportunities for Board input into the planning of FirstNet's network. In each of these cases, the committee found that the Board and FirstNet met their statutory responsibilities. The Board also referred other potential issues to the Department's Office of the Inspector General (OIG) for further review. The OIG has not completed its follow-up work.

Beginning with the appointment of the Board and continuing in FY 2013, FirstNet, NTIA, and the Department have provided compliance training on matters such as contracting, ethics, personnel management, travel, and similar policies for Board members, executives, and staff. Additionally, in FY 2014 FirstNet created a Compliance Committee, including the General Manager, Deputy General Manager, Chief Counsel, Chief Financial Officer, and Chief Administrative Officer to establish internal control policies and procedures; ensure an effective training program on these policies and procedures for Board members, executives and staff; and address any related matters.

1.3.2 Financial Statement Highlights

The financial statements presented in this report were prepared in accordance with the financial reporting framework established by the Financial Accounting Standards Board (FASB), which is the basis of U.S. generally accepted accounting principles (GAAP) for purposes of FirstNet's external reporting. The financial statements and accompanying notes appear in section 2.0 (Financial Section) of this document.

The financial statements have been prepared to report the financial position and results of operations of FirstNet in compliance with the audit and report requirements of the Act. While the statements have been prepared from the books and records of FirstNet and presented in accordance with the accounting framework established by FASB, the statements are in addition to financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. For additional details regarding the basis of accounting used to prepare the financial statements, please refer to Note 1. in section 2.4.

Balance Sheet as of September 30, 2013

FirstNet's assets were \$5.2 million as of September 30, 2013. FirstNet's largest asset, Capital Receivables, reflects the portion of NTIA borrowing due to FirstNet to pay FirstNet's unpaid expenses as of September 30, 2013.

Assets Summary (Dollars in thousands)

Capital Receivables	\$ 4,170
Advances and Prepayments	1,021
Total Assets	\$ 5,191

Liabilities were \$4.2 million as of September 30, 2013.

Liabilities Summary (Dollars in thousands)

Accounts Payable	\$ 3,931
Other Liabilities	239
Total Liabilities	\$ 4,170

For Accounts Payable, \$142 thousand is due to other U.S. Federal government departments and agencies. The remaining balance of Accounts Payable is due to non-governmental organizations.

Net Position as of September 30, 2013

During FY 2013, FirstNet received capital contributions from NTIA of \$13.9 million. Additionally, as of September 30, 2013, capital contributions due from NTIA amounted to \$4.2 million. FirstNet earned no revenue and incurred operating expenses of \$17 million during the reporting period.

2.0 Financial Section

2.1 Balance Sheet

**First Responder Network Authority
Balance Sheet
As of September 30, 2013
(Dollars in Thousands)**

	<u>FY 2013</u>
ASSETS	
Current Assets	
Cash	\$ -
Capital Receivables	4,170
Advances and Prepayments	1,021
Total Current Assets	<u>5,191</u>
Non-Current Assets	-
TOTAL ASSETS	<u><u>\$ 5,191</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	3,931
Accrued Payroll and Annual Leave	239
Total Current Liabilities	<u>4,170</u>
Non-Current Liabilities	-
TOTAL LIABILITIES	<u><u>\$ 4,170</u></u>
Commitments and Contingencies (Note 4)	
NET POSITION	
Contributed Capital	18,023
Cumulative Results of Operations	(17,002)
TOTAL NET POSITION (Note 2)	<u><u>\$ 1,021</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 5,191</u></u>

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

2.2 Statement of Operations

**First Responder Network Authority
Statement of Operations
For the Year Ended September 30, 2013
(Dollars in Thousands)**

	<u>FY 2013</u>
Operating Revenues	\$ -
Operating Expenses	
General and Administrative	17,002
Total Operating Expenses	<u>\$ 17,002</u>
NET (DEFICIT)	<u>\$ (17,002)</u>

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

2.3 Statement of Cash Flows

**First Responder Network Authority
Statement of Cash Flows
For the Year Ended September 30, 2013
(Dollars in Thousands)**

	<u>FY 2013</u>
Cash Flows from Operating Activities	
Net (Deficit)	\$ (17,002)
Adjustments to reconcile Net (Deficit) to net cash provided by operations:	
Increase in Advances and Prepayments	(1,021)
Increase in Accounts Payable	3,931
Increase in Accrued Payroll and Annual Leave	239
NET CASH USED IN OPERATING ACTIVITIES	\$ (13,853)
Cash Flows from Financing Activities	
Capital Contributions received	13,853
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 13,853
Net increase (decrease) in cash	-
Cash Balance at beginning of year	-
CASH AT END OF YEAR	\$ -

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

2.4 Notes to the Financial Statements

(All dollar amounts are presented in thousands)

Note 1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The First Responder Network Authority (FirstNet) was established by Title VI, Subtitle B, Section 6204(a) of the *Middle Class Tax Relief and Job Creation Act of 2012*, Public Law 112-96 (the Act) as an independent Federal authority within the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce (the Department). FirstNet is responsible for ensuring the establishment of a nationwide, interoperable public safety broadband network. FirstNet is managed 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).

These financial statements cover FirstNet's fiscal year ending September 30, 2013.

Basis of Presentation

These financial statements have been prepared from the accounting records of FirstNet in conformity with U.S. generally accepted accounting principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB). Under such standards, FirstNet prepares its financial statements using the full accrual basis of accounting under which revenues are recognized when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The Federal Accounting Standards Advisory Board (FASAB) has been designated by the American Institute of Certified Public Accountants as the standards-setting body for financial statements of Federal Government entities, with respect to the establishment of GAAP. The FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in conformity with GAAP for those Federal agencies, such as FirstNet, that clearly demonstrate that the needs of their primary users would best be met through the application of FASB standards.

Because FirstNet has been delegated the financial and operational authority to operate in a manner similar to private business enterprises; FirstNet's primary funding is derived from a source other than through annual Federal appropriations; and after an initial infusion of capital, FirstNet will finance its operations through fee income and other revenues earned from selling goods and and/or services to sources outside the U.S. government as its principal activity, FirstNet has determined that the financial reporting framework established by the FASB is the appropriate source of generally accepted accounting principles for external financial statement reporting purposes.

First Responder Network Authority
Notes to the Financial Statements
For the Year Ended September 30, 2013

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.

Cash

FirstNet records as Cash the aggregate amount of funds from all sources, including NTIA borrowing on deposit with the U.S. Department of the Treasury (Treasury) in the NTIA-managed Public Safety Trust Fund (PSTF), that are available to pay liabilities.

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.

Property, Plant, and Equipment, Net

FirstNet did not have any capitalized assets as of September 30, 2013. However, Property, Plant, and Equipment (PP&E) will include capital assets used in providing goods or services when the estimated useful life is two years or more. PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation.

Accrued Funded Payroll and Annual, Sick and Other Leave

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

Annual leave is accrued as a liability when earned and the accrual is reduced as leave is taken. The balance in this accrued liability account reflects current salary or wage rates of employees as of September 30, 2013.

Sick leave and other types of non-vested leave are not accrued but are expensed as the leave is taken.

Contributed Capital

Capital contributions represent funding transfers from the NTIA-managed PSTF to pay FirstNet expenses incurred. The transfers are derived from NTIA borrowings from the Treasury. The Capital Receivables balance as of September 30, 2013 represents additional capital contributions due from NTIA that are required to pay FirstNet payables. Capital contributions are recognized at such time as FirstNet incurs a liability as NTIA is responsible for funding all FirstNet obligations.

Employee Retirement Plans and Postretirement Benefits other than Pensions

FirstNet employees participate in the contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), to which FirstNet and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, FirstNet 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 Office of Personnel Management (OPM). Postretirement benefits for FirstNet employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. Government. FirstNet does not reimburse OPM for these payments. The FirstNet financial statements do not include the cost of employee postretirement benefits paid by OPM, or the actuarial liability for such benefits.

Intangible Assets and Goodwill

FirstNet has one class of intangible asset: a Federal Communications Commission (FCC) spectrum license. FirstNet holds the exclusive right to the single Public Safety Wireless Network License for use of the 700 megahertz (MHz) D block spectrum, specifically 22 megahertz of spectrum, including 2 MHz of guard bands and a pre-existing block of public safety broadband spectrum. FirstNet has not recognized in its financial statements any value related to the spectrum license granted by the FCC, because our charter requires that the amount of fees be sufficient but not exceed the amount necessary to recoup the total expenses necessary to operate the network.

Revenue Recognition

Under the Act, FirstNet primarily generates revenues through network user fees and leases related to network capacity. FirstNet revenues are not recognized until they are realized or realizable and earned, without regard to the receipt or payment of cash. Revenue generally is realized or realizable and earned when all of the following criteria are met: Persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured. FirstNet did not earn revenues during fiscal year 2013.

Tax Status

FirstNet is not subject to Federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded and reported in our statement of operations.

Fair Value Measurements

FASB ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of FirstNet's capital receivables, accounts payable, accrued liabilities, and advance payments approximate their carrying value as of September 30, 2013.

FirstNet holds no financial instruments that are required by ASC 820-10 to be valued, reported, or disclosed at fair value as of September 30, 2013.

Note 2. Net Position

The following table presents the change in Net Position for the year ended September 30, 2013.

	Cumulative Results of Operations	Contributed Capital	Total
Beginning Balance at October 1, 2012	\$ –	\$ –	\$ –
Net (Deficit) for the period ended September 30, 2013	(17,002)	–	(17,002)
Contributions for the period ended September 30, 2013	–	18,023	18,023
Ending Balance at September 30, 2013	\$ (17,002)	\$ 18,023	\$ 1,021

Note 3. Related-Party Transactions

FirstNet, as a Federal entity within NTIA, is subject to certain oversight and control from NTIA and the Department. NTIA assesses FirstNet a portion of the costs it incurs exercising its oversight functions and FirstNet’s share of certain centralized NTIA and Departmental costs. In addition, FirstNet 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 period ended September 30, 2013 is summarized in the table below:

Related Party	Purchases and Assessments	Capital Contributions, Received	Capital Contributions, Receivable	Payables	Advances
NTIA	\$3,254	\$13,853	\$4,170	\$47	\$ –
The Department	\$637	\$ –	\$ –	\$14	\$1,021

Note 4. Commitments and Contingencies

As of September 30, 2013, management was not aware of any actual or pending legal claims or contingencies affecting FirstNet. FirstNet did not have any long-term commitments in FY 2013.

Note 5. Subsequent Events

FirstNet has evaluated subsequent events through July 24, 2014, the date that the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.