

Financial Report

Fiscal Year 2021

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Message from the Chief Financial and Administrative Officer



Chief Financial and Administrative Officer Kim Farington

I am pleased to present the financial condition and operating results of the First Responder Network Authority (FirstNet Authority or the Authority) for fiscal year (FY) 2021, along with the report of the independent auditors, Harper, Rains, Knight & Company, P.A. This fulfills the statutory requirements established by Section 6209 of Public Law No. 112-96, Title VI, 126 Statute 156, which created the FirstNet Authority as an independent authority within the National Telecommunications and Information Administration (NTIA) of the Department of Commerce.

For the ninth consecutive year, the FirstNet Authority's auditors have provided an unmodified opinion on the FirstNet Authority's FY 2021 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 2021 overview. Throughout FY 2021, the FirstNet Authority continued achieving its mission of overseeing the deployment and operation of the Nationwide Public Safety Broadband Network (NPSBN or FirstNet Network) while exercising sound stewardship over its financial resources. The Authority's resources were utilized to support its ongoing operations and execution of the mandates of the FirstNet Authority's enabling legislation. During FY 2021, the FirstNet Authority funded contractual commitments yielding network expansion of the NPSBN and the buildout of the Band 14 public safety spectrum. FY 2021 had a cash balance of \$1.9 billion and \$7.4 billion in total assets as of September 30, 2021, offset by total liabilities of \$1.0 billion. Additionally, the FirstNet Authority used fees received from the leasing of the FirstNet Authority's licensed spectrum for its operations and delivered on its first investments for network enhancements.

Annual fees from NPSBN contractor. The FirstNet Authority is required by its enabling statute to be a self-sustaining entity, which does not receive annual congressional funding. The FirstNet Authority has ensured its financial sustainability through its contractual relationship with AT&T in which AT&T has exclusive access to FirstNet Authority's licensed 20 MHz of telecommunications spectrum (Band 14) for a 25-year contract term in exchange for annual fee payments and AT&T's commitment to build, deploy, and operate the NPSBN. In September 2021, AT&T submitted this year's the annual fee payment to the FirstNet Authority. The September 2021 fees collection was recorded as a contract liability on the FirstNet Authority Balance Sheet, as the payment will be recognized as revenue in FY 2022.

Success-based payments to advance the NPSBN. Buildout of the network will continue through 2023 based on the timelines contained in the NPSBN contract. In FY 2021, the FirstNet Authority made success-based payments to AT&T for completed milestones of the NPSBN contract. As of September 30, 2021, the FirstNet Authority has recognized \$6.0 billion in assets, at cost, related to the NPSBN. If contract milestones are met earlier than scheduled, this timeline may be moved

forward to deliver the FirstNet Network ahead of schedule for the exclusive use of public safety. As of September 30, 2021, more than 18,500 public safety agencies were using over 2.8 million service connections on the network.

FirstNet Authority updated Roadmap. During FY 2021, based upon significant input from public safety stakeholders across the nation, the FirstNet Authority implemented the FirstNet Authority Roadmap to guide the evolution and technological advancement of the FirstNet Network. The Roadmap documents the FirstNet Authority's focus and priorities to ensure the network continues to meet the specific and evolving communications needs of the public safety community.

Reinvestment into the Network. In FY 2021, the FirstNet Authority advanced its investments to improve the network, consistent with its enabling statute. Following a rigorous evaluation process incorporating multiple check-point reviews in compliance with procurement laws and regulations, the FirstNet Authority delivered network investments worth \$218.0 million. Specifically, in June, the FirstNet Authority announced the completion of network upgrades to set the FirstNet Network on the path to 5G and the delivery of deployable network assets used to support public safety response.

This year also marked the 20th anniversary of the 9/11 attacks. That day forever changed our nation – and set a new course for the way public safety communicates. At the FirstNet Authority, our story is linked to September 11, 2001. Our mission is to oversee a communications network — FirstNet — that was created in light of the events of 9/11 to give American first responders a reliable nationwide broadband network.

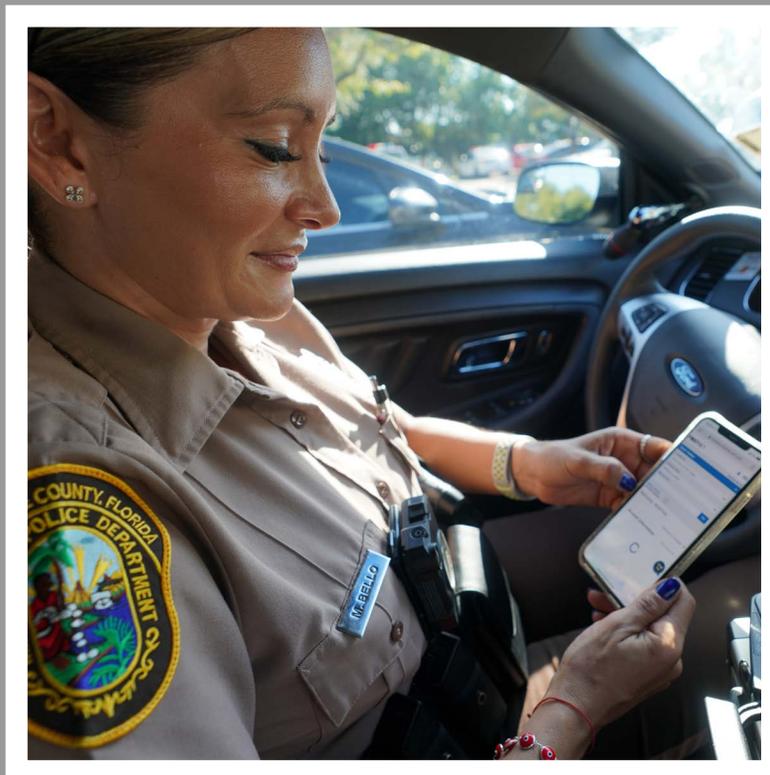
We never forget that our mission is in service to the many thousands of public safety entities across the nation that work diligently to keep our communities safe.



Kim Farington
Chief Financial and Administrative Officer
First Responder Network Authority



Introduction and Background



Introduction and Background

History, Purpose and Mission

The First Responder Network Authority (FirstNet Authority) was created in the aftermath of the 9/11 attacks as the result of strong advocacy by the public safety community and on the recommendation of the 9/11 Commission. The Middle Class Tax Relief and Job Creation Act was signed into law in 2012 and allocated \$7.0 billion and 20 megahertz of broadband spectrum to establish a network for first responders. The legislation established the FirstNet Authority as an independent agency within the U.S. Department of Commerce's National Telecommunications and Information Administration.

The FirstNet Authority's mission, as mandated by the legislation, is to oversee the buildout, deployment, and operation of the nationwide public safety broadband network called FirstNet. The legislation also:

- Established the FirstNet Authority's governance structure
- Set forth its authorities, duties, and responsibilities
- Created advisory committees for the FirstNet Authority
- Authorized initial funding and subsequent requirements for self-funding and network investments
- Provided audit and reporting requirements

To fulfill its mission, the FirstNet Authority launched a full and open competitive procurement process to secure a partner in the buildout and deployment of the network. The FirstNet Authority awarded an innovative 25-year contract to AT&T in March 2017 in a first-of-its-kind public-private partnership.

The network's initial five-year buildout was launched in 2018. Today, the FirstNet network is in place and growing, and the nation is benefiting from prioritized, dedicated communications for first responders. Whole communities, such as San José, California, and rural Mason County, West Virginia, use FirstNet to keep public officials communicating and connected.

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

Fiscal Year 2021 Overview

FY 2021 was the FirstNet Authority's ninth consecutive year of operations and a year of progress for both the agency and the FirstNet network. The FirstNet Authority fiscal year follows the federal fiscal year calendar, starting October 1 and ending September 30. In FY 2021, the FirstNet Authority continued to oversee the contract-compliant buildout, advanced innovation, and investment into the network – all based on public safety's input.

Specifically, in FY 2021, public safety and the nation have seen:

- **Network buildout and Band 14 deployment:** Band 14 is high-quality spectrum licensed to the FirstNet Authority. Band 14 is being deployed throughout the nation to provide first responders with bandwidth and mission-critical connectivity. With Band 14, first responders never have to compete for bandwidth with non-public safety users. The FirstNet Authority is prioritizing coverage in hard-to-reach or remote locations like rural areas and tribal lands. AT&T reports that Band 14 deployment is ahead of schedule, surpassing 95 percent of the nationwide coverage target.
- **Delivery of the first strategic investments into network advancements:** During the past year, the FirstNet Authority delivered on the first two investments to enhance the network: upgrades to the network core for 5G capabilities and expansion of FirstNet’s deployables fleet. FirstNet users now have access to AT&T’s 5G spectrum in a growing number of markets, and 15 new assets are helping to meet public safety’s increasing demand for deployables. These investments are the first to advance the FirstNet network beyond its contractual baseline and are in response to first responders’ evolving communication needs. The FirstNet Authority’s investments are made possible through a sustainable business model that enables the organization to continually improve the network. Investments align with the FirstNet Authority’s enabling legislation and our Roadmap, which outlines the key priorities for advancing FirstNet.
- **Innovations in mission-ready tools designed for public safety:** FirstNet is designed and built for the unique demands of public safety operations. FirstNet is transforming the marketplace for public safety, as is evidenced by new mission-ready solutions now available for public safety:
 - **High-power user equipment**, called FirstNet MegaRange, boosts signal strength up to six times the normal cellular power to increase range and coverage for public safety. FirstNet is the only network authorized for high-power user equipment because of public safety’s lifesaving mission. With FirstNet MegaRange, responders in rural, remote, and maritime environments benefit from improved connectivity at the edge of network coverage. In urban environments it helps with difficult coverage spots like building shadows, parking garages, and basements.
 - **Compact rapid deployables** are mobile units that provide FirstNet cellular and Wi-Fi coverage via satellite. Compact rapid deployables are customer-owned and maintained and can be deployed by a single person within a matter of minutes. During FY 2021, Rhode Island was the first state in the country to receive compact rapid deployables, and officials plan to use them for immediate connectivity in response and recovery operations.
 - **Z-axis capability** gives a 3D location for public safety personnel, so first responders can be pinpointed to a floor in multi-story buildings. Z-axis capability goes beyond what has been traditionally offered by GPS to give public safety altitude coordinates in addition to latitude and longitude. Z-axis uses the barometric sensor built into most smartphones to measure height above terrain to provide the vertical location of a responder. It’s available in 105 markets across the country.
 - **FirstNet Push-To-Talk** is the first-ever nationwide mission-critical standards-based push-to-talk solution to launch in the United States. FirstNet Push-to-Talk has all the public safety features unique to FirstNet, including: control of network resources, interoperability, end-to-end encryption, and devices certified for public safety use. In addition to these benefits, FirstNet Push-to-Talk users can communicate seamlessly with land-mobile radio users, allowing agencies to increase the number of people on and extend the reach of their communications network.

Rising to the Challenge in FY 2021 and Beyond

Our nation's first responders continued to face significant challenges in FY 2021, including the pandemic and severe natural disasters. The year also offered promising advancements for the future of public safety communications.

At FY 2021's end, more first responders were using FirstNet than ever before. More than 18,500 public safety agencies had subscribed to FirstNet with 2.8 million devices connected to the network. The number of connections almost doubled since FY 2020, showing increased use and interest in the network from public safety. During another year of unprecedented events, FirstNet has proven itself in real-life stress tests. Through natural disasters, the return of large gatherings, and the ongoing pandemic, FirstNet supported the work of public safety officials across the country.

The COVID-19 pandemic continues to present challenges for public safety. Circumstances of the pandemic necessitate flexible, mobile, and coordinated public safety operations. FirstNet is the network built for these challenges. Healthcare workers and first responders are using FirstNet to communicate and coordinate operations at COVID-19 testing centers, field hospitals, and vaccination clinics. The network allows them to maintain reliable communications when and where they need it most: during surge situations when commercial networks get congested, for remote operations when responders cannot be on site, and when multiple agencies need to coordinate response. FirstNet's dedicated, mobile, interoperable broadband capabilities have become even more important for public safety during the COVID-19 pandemic.

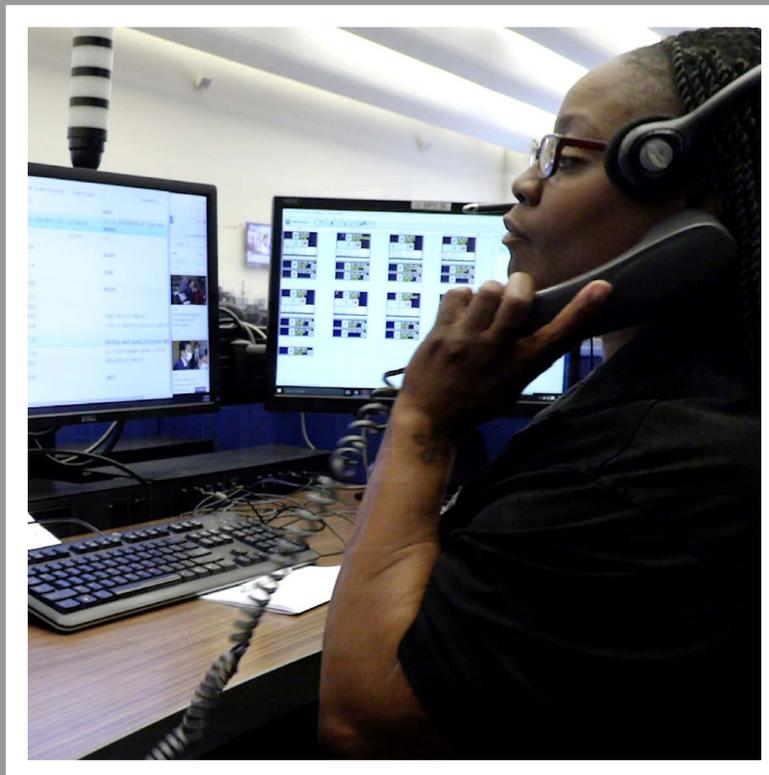
FirstNet is transforming the marketplace for public safety communications. Economies of scale provided by a nationwide, standards-based network are advancing capabilities available to first responders. Technology innovations are being used to design and certify solutions that fit public safety's needs. There are now 315+ FirstNet Ready™ devices and more than 180 apps in the FirstNet App Catalog.

In August 2021, the FirstNet Authority Board approved \$94.0 million for investments to enhance the FirstNet network. FirstNet is the only network with a dedicated government organization providing oversight and ensuring public safety drives future enhancements. The FirstNet Authority plans for the next generation of FirstNet's capabilities and services based on public safety's input. This input is captured in the Roadmap, which prioritizes the FirstNet Authority's programs, activities, and investments in network improvements.

During FY 2021, the FirstNet Authority continued to deliver on our promise to public safety and the nation. During another historic year, we have helped maintain and expand FirstNet, a critical national resource, to support first responders and their lifesaving mission. In FY 2022 and beyond, we will continue—through public safety advocacy, alignment with our Roadmap, strategic intent, and strong financial stewardship—to provide a network public safety can depend on every day and in every emergency.



1.0 Financial Statements



1.0 Financial Statements

1.1 Balance Sheets

First Responder Network Authority
Balance Sheets
As of September 30, 2021 and 2020
(In Thousands)

	<u>FY 2021</u>	<u>FY 2020</u>
ASSETS		
Current Assets		
Cash (Note 3)	\$ 1,867,596	\$ 3,352,312
Restricted Cash (Note 3)	534	545
Accounts Receivable (Note 4)	47	40
Advances and Prepayments (Note 5)	187	505
Total Current Assets	1,868,364	3,353,402
Property, Plant, and Equipment, Net (Note 6)	4,134	3,489
Nationwide Public Safety Broadband Network (NPSBN), Net (Note 7)	5,537,123	4,722,874
Other Assets, Net (Note 8)	527	659
TOTAL ASSETS	\$ 7,410,148	\$ 8,080,424
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 9)	\$ 904,701	\$ 1,411,750
Accrued Payroll and Leave (Note 10)	5,749	5,628
Contract Liability (Note 12)	120,000	120,000
Total Current Liabilities	1,030,450	1,537,378
TOTAL LIABILITIES	\$ 1,030,450	\$ 1,537,378
EQUITY (Note 14)		
Contributed Capital	\$ 6,957,427	\$ 6,955,890
Retained Deficit	(577,729)	(412,844)
TOTAL EQUITY	\$ 6,379,698	\$ 6,543,046
TOTAL LIABILITIES AND TOTAL EQUITY	\$ 7,410,148	\$ 8,080,424

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

1.2 Statements of Operations

First Responder Network Authority
Statements of Operations
For the Years Ending September 30, 2021 and 2020
(In Thousands)

	<u>FY 2021</u>	<u>FY 2020</u>
Operating Revenues		
Nationwide Public Safety Broadband		
Network Contract Revenue	\$ 120,000	\$ 120,000
Total Operating Revenues (Note 12)	120,000	120,000
Operating Expenses		
Personnel Compensation and Benefits (Note 2 & Note 16)	42,495	43,082
Contractual Services (Note 2 & Note 17)	21,149	26,174
Other General and Administrative (Note 2 & Note 11)	5,014	6,129
Depreciation and Amortization Expense (Note 2, Note 6, Note 7, & Note 8)	216,224	143,324
Total Operating Expenses	284,882	218,709
Operating Deficit	(164,882)	(98,709)
Loss on Disposition of Assets	(3)	(13)
NET DEFICIT	\$ (164,885)	\$ (98,722)

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

1.3 Statements of Cash Flows

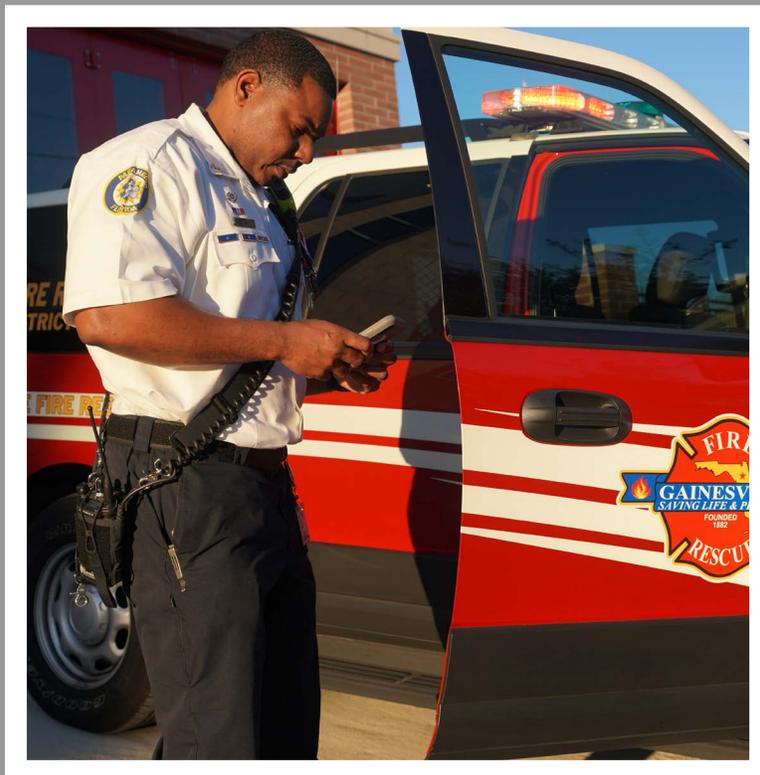
First Responder Network Authority
Statements of Cash Flows
For the Years Ending September 30, 2021 and 2020
(In Thousands)

	FY 2021	FY 2020
Cash Flows from Operating Activities		
Net Deficit	\$ (164,885)	\$ (98,722)
Adjustments to reconcile Net Deficit to Net Cash Provided By Operating Activities:		
Depreciation and Amortization Expense	216,224	143,324
Increase in Accounts Receivable	(7)	(5)
Decrease in Advances and Prepayments	318	656
Increase in Accounts Payable	33	751
Increase in Accrued Payroll and Leave	121	1,269
Loss on Disposition of Assets	3	13
NET CASH PROVIDED BY OPERATING ACTIVITIES	51,807	47,286
Cash Flows from Investing Activities		
Purchases of NPSBN	(1,536,393)	(1,461,600)
Purchases of Property, Plant, and Equipment	(1,678)	(1,041)
NET CASH USED IN INVESTING ACTIVITIES	(1,538,071)	(1,462,641)
Cash Flows from Financing Activities		
Capital Contributions Received (Note 14)	1,537	46,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,537	46,000
Net Decrease in Cash and Restricted Cash	(1,484,727)	(1,369,355)
Cash Balance, Beginning of Year	3,352,857	4,722,212
CASH AND RESTRICTED CASH, END OF PERIOD (Note 3)	\$ 1,868,130	\$ 3,352,857
Non-Monetary Transactions		
Loss on Disposition of Assets	\$ (3)	\$ (13)
Non-Cash Purchases of NPSBN Assets (included in Accounts Payable on the Balance Sheets)	901,163	1,408,246
NON-MONETARY TRANSACTIONS	\$ 901,160	\$ 1,408,233

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



2.0 Notes to the Financial Statements



2.0 Notes to the Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

1. A – Description of Reporting Entity

The First Responder Network Authority (FirstNet Authority) was established by the Public Law No. 112-96, *Title VI, 126 Stat. 156* (Public Law 112-96 or the Act) as an independent authority within the 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 megahertz (MHz) of spectrum in the 700 MHz band, commonly known as Band 14, for the 25-year contract term. Additionally, the FirstNet Authority is contributing success-based payments to support network buildout. As of September 30, 2021, more than 18,500 public safety agencies were using over 2.8 million service connections on the network.

These financial statements cover the FirstNet Authority's FY ended September 30, 2021 and 2020.

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.

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

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

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, 2021 and 2020, and the results of its operations and cash flows for the years ended September 30, 2021 and 2020.

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, 2021 and 2020, the FirstNet Authority has recorded as Cash the aggregate amount of funds from all sources, including proceeds from the auction of Federal Communications Commission (FCC) spectrum licenses specified by the Act, to implement requirements to build NPSBN consistent with Section 6206 (b) 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. See *Note 5 – Advances and Prepayments* for further details.

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

Property, Plant, and Equipment (PP&E), Net includes capital assets used in providing goods or services when the estimated useful life is two years or more. PP&E, Net is stated at original cost,

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

including all costs related to acquisition, delivery, and installation, less accumulated depreciation and amortization. The FirstNet Authority calculates depreciation and amortization expense using the straight-line method over the asset's estimated useful life. The estimated useful lives of the FirstNet Authority's PP&E range from three to ten years.

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

1. I – Other Assets, Net

Other Assets, Net represent Geographical Mapping Data 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 8 – Other Assets, Net* for further details.

1. J – Operating Leases

Lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. 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 11 – Leases* for further details.

1. K – Impaired Assets

Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. There were no impairment charges for the years ended September 30, 2021 and 2020, 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, 2021 and 2020. Annual leave and compensatory time earned leave are accrued as liabilities when earned and the accruals are reduced as leave is taken. The balances in these accrued liability accounts reflect salary or wage rates of employees as of the Balance Sheet date. Accrued leave is recorded net of advances.

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

1. M – Contract Liability

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

1. N – Contributed Capital

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

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

The FirstNet Authority employees participate in the U.S. government contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), in which the FirstNet Authority and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the FirstNet Authority does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the U.S. Office of Personnel Management (OPM). Postretirement benefits for FirstNet Authority employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. government. The FirstNet Authority does not reimburse OPM for these payments. The FirstNet Authority financial statements do not include the costs of employee retirement plans and employee postretirement benefits paid or to be paid by OPM, or the actuarial liabilities for such benefits, 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 nationwide Public Safety Wireless Network License, Station WQQE234, for use of 20 MHz of spectrum in the 700 MHz band at no cost. The Station WQQE234 license is generally renewable every ten years following an application to the FCC. See *Note 12 – Revenue Recognition* for further details. Under FASB Accounting Standards Codification (ASC) subtopic 350-30-25, *Intangibles Other than Goodwill*, the spectrum license would be recognized at fair value. Because this spectrum has been allocated for public safety use consistent with the mission of the FirstNet Authority, a fair value cannot be determined. Under current law, the spectrum license is not tradeable or exchangeable in any market, and any measure based on potential cash flow would be purely speculative. Therefore, the FirstNet Authority has not recognized in its financial statements any value related to the spectrum license granted by the FCC.

1. Q – Revenue Recognition

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

¹ See 47 U.S.C. § 1428(a).

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, 2021 and 2020.

1. T – Recently Issued Accounting Standards

Accounting Standards Update 2020-05, Leases:

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), 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, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The FirstNet Authority is currently evaluating the impact 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 limitation. Non-programmatic costs incurred in the course of carrying out activities that directly support the FirstNet Authority organization as a whole were recognized as administrative expenses subject to the limitation.

For the years ended September 30, 2021 and 2020, the FirstNet Authority incurred \$9.0 million and \$9.3 million in administrative expenses under the limitation, respectively. As of September 30, 2021 and 2020, the total amount of administrative expense limitation available in future periods was \$34.5 million and \$43.5 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, 2021 and 2020, \$534 thousand and \$545 thousand, respectively, was temporarily restricted from use by the FirstNet Authority due to a temporary reduction in direct spending

² See 47 U.S.C. § 1427(b).

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

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, 2021 and 2020:

<i>In Thousands</i>	FY 2021		FY 2020	
Cash	\$	1,867,596	\$	3,352,312
Restricted Cash		534		545
Total Cash and Restricted Cash shown in the Statements of Cash Flows	\$	1,868,130	\$	3,352,857

Note 4. Accounts Receivable

Receivables – Intragovernmental represent sums due to the FirstNet Authority for services rendered by the FirstNet Authority as of September 30, 2021 and 2020 under reimbursable service agreements between the FirstNet Authority and NTIA.

Accounts Receivable as of September 30, 2021 and 2020 consist of the following:

<i>In Thousands</i>	FY 2021		FY 2020	
Receivables - Intragovernmental	\$	22	\$	14
Receivables - With the Public		25		26
Total Accounts Receivable		47		40
Less: Allowance for doubtful accounts		-		-
Accounts Receivable	\$	47	\$	40

Note 5. Advances and Prepayments

Advances and Prepayments represent payments made pursuant to intragovernmental agreements for services to be performed by contactors in future periods to support FirstNet Authority’s mission, strategic, programmatic, and administrative objectives. As of September 30, 2021 and 2020, Advances and Prepayments amounted to \$187 thousand and \$505 thousand, respectively. The decrease is primarily due to a reduction in advances paid to Naval Information Warfare Center Pacific.

Note 6. Property, Plant, and Equipment, Net

The following table summarizes Property, Plant, and Equipment, Net as of September 30, 2021 and 2020:

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

<i>In Thousands</i>		FY 2021	FY 2020
	<u>Estimated Useful</u>		
	<u>Life in Years</u>		
Equipment	3 - 10	\$ 7,835	\$ 6,409
Leasehold Improvements	3 - 4	3,015	3,269
Internal Use Software	3 - 7	436	436
Other Property, Plant, and Equipment	3 - 4	1,662	1,983
Construction In Progress - Real Property		70	-
Property, Plant, and Equipment, at cost		13,018	12,097
Less: Accumulated depreciation and amortization		8,884	8,608
Property, Plant, and Equipment, Net		\$ 4,134	\$ 3,489

For the years ended September 30, 2021 and 2020, depreciation and amortization expense on Property, Plant, and Equipment was \$1.0 million and \$1.1 million respectively, which is included in *Depreciation and Amortization Expense* in the accompanying *Statements of Operations*.

Note 7. Nationwide Public Safety Broadband Network, Net

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

The contract with AT&T is a firm-fixed-price contract with specific milestone deliverables. Consistent with accrual accounting under GAAP, the FirstNet Authority accrues 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, 2021, the FirstNet Authority has capitalized NPSBN assets, at cost, of \$6.0 billion, and recorded amortization expense of \$215.1 million. For the year ended September 30, 2021, the FirstNet Authority disbursed \$1.0 billion for NPSBN services received, of which \$901.2 million remained unpaid as of September 30, 2021, and is included in *Accounts Payable* on the *Balance Sheet*.

As of September 30, 2020, the FirstNet Authority had capitalized NPSBN assets, at cost, of 5.0 billion, and recorded amortization expense of \$142.1 million. For the year ended September 30, 2020, the FirstNet Authority disbursed \$1.5 billion for NPSBN services received, of which \$1.4 billion remained unpaid as of September 30, 2020, and is included in *Accounts Payable* on the *Balance Sheets*.

The following table summarizes Nationwide Public Safety Broadband Network, Net as of September 30, 2021 and September 30, 2020:

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

<i>In Thousands</i>		FY 2021	FY 2020
	<u>Estimated Useful Life in Years</u>		
Nationwide Public Safety Broadband Network (Task Order 6)	4 - 7	\$ 7,898	\$ -
Nationwide Public Safety Broadband Network (All Other Task Orders)	19 - 25	5,983,658	4,962,246
Nationwide Public Safety Broadband Network, at cost		5,991,556	4,962,246
Less: Accumulated amortization		454,433	239,372
Nationwide Public Safety Broadband Network, Net		\$ 5,537,123	\$ 4,722,874

As of September 30, 2021, future minimum estimated NPSBN amortization amounts for each of the next five fiscal years are as follows:

<i>In Thousands</i>	Total	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Amortization Expense	\$ 1,426,863	\$ 281,019	\$ 286,461	\$ 286,461	\$ 286,461	\$ 286,461
Total	\$ 1,426,863	\$ 281,019	\$ 286,461	\$ 286,461	\$ 286,461	\$ 286,461

Note 8. Other Assets, Net

The following table summarizes Other Assets, Net as of September 30, 2021 and 2020:

<i>In Thousands</i>		FY 2021	FY 2020
	<u>Estimated Useful Life in Years</u>		
Geographical Mapping Data	3 - 10	\$ 1,942	\$ 1,942
Other Assets, at cost		1,942	1,942
Less: Accumulated amortization		1,415	1,283
Other Assets, Net		\$ 527	\$ 659

For the years ended September 30, 2021 and 2020, amortization expense on Other Assets was \$132.3 thousand and \$132.7 thousand, respectively, and is included within *Depreciation and Amortization Expense* on the *Statements of Operations*.

Note 9. Accounts Payable

Accounts Payable as of September 30, 2021 and 2020 was \$904.7 million and \$1.4 billion, respectively. The balance as of September 30, 2021 and 2020 was primarily comprised of accrued NPSBN milestone deliverables of \$901.2 million and \$1.4 billion respectively, which were payable to AT&T and included in *Non-Cash Purchases of NPSBN Assets* in the accompanying *Statements of Cash Flows*.

Note 10. Accrued Payroll and Leave

Accrued Payroll and Leave as of September 30, 2021 and 2020, was \$5.7 million and \$5.6 million, respectively. The increase is due to timing differences for payroll and leave earned but unpaid at the end of fiscal year.

Note 11. Leases

The FirstNet Authority leases office facilities under operating leases in Reston, Virginia, and Boulder, Colorado. The non-cancelable portion of these leases generally ranges from four to 16 months. The FirstNet Authority may relinquish space upon four months' notice at any point after the first twelve months of occupancy. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the Consumer Price Index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. The lease term for most FirstNet Authority leases includes the initial non-cancelable term plus at least one renewal period, as the exercise of the related renewal option or options is considered reasonably certain. For the years ended September 30, 2021 and 2020, rental expense under operating leases was \$1.1 million.

As of September 30, 2021, the minimum estimated rental amounts due under operating leases for the periods shown are as follows:

<i>In Thousands</i>	Total	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027 and thereafter
Operating Leases	\$ 6,593	\$ 1,204	\$ 1,215	\$ 1,225	\$ 1,236	\$ 803	\$ 910
Total	\$ 6,593	\$ 1,204	\$ 1,215	\$ 1,225	\$ 1,236	\$ 803	\$ 910

Note 12. Revenue Recognition

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

The FCC, an independent third-party agency, has granted exclusive rights to the FirstNet Authority for the use of the spectrum through November 15, 2022. Prior to November 15, 2022, the FirstNet Authority must submit an application to renew the spectrum license, Station WQQE234, with the FCC. The renewal application must demonstrate that the FirstNet Authority has met its obligations under its enabling Act, namely that the FirstNet Authority has ensured the establishment of the NPSBN, which is operational and serving public safety users. The grant of the renewal application by the FCC will continue the Station WQQE234 license for an additional ten years at which time it may again be renewed and every ten years thereafter. The license renewal is a factor outside of the FirstNet Authority's control, but the FirstNet Authority anticipates, through renewals of the spectrum license, that it will have enforceable rights to the use of the spectrum throughout the term of the contract with AT&T.

The FirstNet Authority has concluded that the promise to make the spectrum capacity available for use by AT&T is a single performance obligation that includes a series of distinct services that have the same pattern of transfer to the customer. The customer is granted continuous access to the spectrum during the contractual period, and the FirstNet Authority satisfies its performance

obligation as these access services are rendered. A time-elapsed output method is used to measure progress because the FirstNet Authority transfers control evenly over the contractual period. Accordingly, the fixed consideration of \$600.0 million 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, 2021 and 2020, the FirstNet Authority has recognized \$120.0 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, 2021 and 2020, the FirstNet Authority recorded a contract liability of \$120.0 million for payments received from AT&T during September 2021 and 2020, for the subsequent fiscal year.

Note 13. Commitments and Contingencies

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

As of February 8, 2022, 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 8, 2022, management was not aware of any threatened or pending legal claims or contingencies affecting the FirstNet Authority.

Note 14. Equity

During FY 2021 and FY 2020, NTIA transferred \$1.5 million and \$46.0 million, respectively, to FirstNet's Network Construction Fund for use in FirstNet's programmatic operations. The \$1.5 million and \$46.0 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, 2021 and 2020:

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

As of and for the Year Ended September 30, 2021

<i>In Thousands</i>	Contributed Capital	Retained Deficit	Total
Beginning Balance, October 1, 2020	\$ 6,955,890	\$ (412,844)	\$ 6,543,046
Net (Deficit)	-	(164,885)	(164,885)
Contributions	1,537	-	1,537
Ending Balance, September 30, 2021	\$ 6,957,427	\$ (577,729)	\$ 6,379,698

As of and for the Year Ended September 30, 2020

<i>In Thousands</i>	Contributed Capital	Retained Deficit	Total
Beginning Balance, October 1, 2019	\$ 6,909,890	\$ (314,122)	\$ 6,595,768
Net (Deficit)	-	(98,722)	(98,722)
Contributions	46,000	-	46,000
Ending Balance, September 30, 2020	\$ 6,955,890	\$ (412,844)	\$ 6,543,046

Note 15. Related Party Transactions

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

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

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

All related party activities as of and for the years ended September 30, 2021 and 2020 are summarized in the tables below:

First Responder Network Authority
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

As of and for the year ended September 30, 2021

In Thousands

Related Party	Purchases and Assessments	Reimbursed Expenses	Accounts Receivable	Accounts Payable
NTIA	\$ 1,568	\$ 98	\$ 22	\$ -
The Department	\$ 754	\$ 159	\$ -	\$ 12

As of and for the Year Ended September 30, 2020

In Thousands

Related Party	Purchases and Assessments	Reimbursed Expenses	Accounts Receivable	Accounts Payable
NTIA	\$ 1,850	\$ 5	\$ -	\$ 37
The Department	\$ 2,093	\$ 46	\$ 14	\$ 23

Note 16. Personnel Compensation and Benefits

For the years ended September 30, 2021 and 2020, Personnel Compensation and Benefits expense was \$42.5 million and \$43.1 million, respectively. These expenses include salaries, wages, and other compensation earned by employees such as tuition reimbursement and student loan forgiveness payments to qualifying employees.

Note 17. Contractual Services

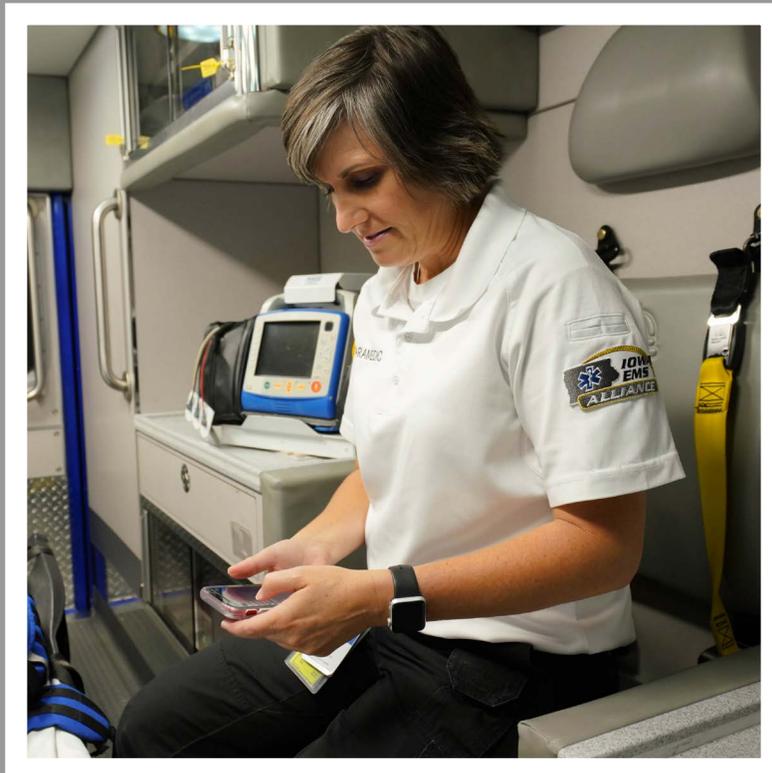
For the years ended September 30, 2021 and 2020, Contractual Services expense was \$21.1 million and \$26.2 million, respectively. Contractual Services include expenses incurred on contracts with vendors to assist the FirstNet Authority with strategic and programmatic support, including external consulting and advisory services that were primarily contracted in support of the deployment, launch, and sustainment of the NPSBN. The \$5.0 million decrease is primarily due to a reduction in contractual and advisory services expenses.

Note 18. Subsequent Events

Subsequent events were evaluated by the FirstNet Authority through February 8, 2022, which is the date the financial statements were available to be issued. On November 23, 2021, FirstNet Authority paid \$901.2 million to AT&T for milestone deliveries which was included in Accounts Payable as of September 30, 2021.



3.0 Independent Auditors' Report



3.0 Independent Auditors' Report



Independent Auditors' Report

Secretary, U. S. Department of Commerce
FirstNet Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the First Responder Network Authority ("FirstNet Authority") which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations and cash flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the First Responder Network Authority as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FirstNet Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the Message from the Chief Financial 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 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. 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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Secretary, U. S. Department of Commerce
FirstNet Board

Purpose of the Other Reporting Required by Government Auditing Standards

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

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

February 8, 2022
Washington, DC