



# Financial Report

Fiscal Year 2018

# Table of Contents

Message from the Chief Financial Officer .....	i
Introduction and Background .....	iii
1.0 Financial Statements .....	1
1.1 Balance Sheets .....	1
1.2 Statements of Operations .....	2
1.3 Statements of Cash Flows.....	3
2.0 Notes to the Financial Statements.....	4
3.0 Independent Auditors' Report .....	16

# Message from the Chief Financial Officer



**CFO Kim Farington**

I am pleased to present the financial condition and operating results of the First Responder Network Authority (FirstNet) for fiscal year (FY) 2018, along with the report of the independent auditors, Harper, Rains, Knight & Company, P.A. This fulfills the statutory requirements established by Section 6209 of Public Law No. 112-96, Title VI, 126 Statute 156, which created the First Responder Network Authority as an independent authority within the National Telecommunications and Information Administration (NTIA) of the Department of Commerce.

For the sixth consecutive year, FirstNet's auditors have provided an unmodified opinion on FirstNet's FY 2018 Financial Statements. Auditors perform procedures to obtain audit evidence about the amounts and disclosures in the financial statements to provide reasonable assurance the financial statements are free from material misstatement. As part of this process, they also consider FirstNet's internal controls over financial reporting. FirstNet has continued to align financial resources with our enterprise-wide, Five-Year Strategic Plan for FY 2018 - 2022, which provides all of our stakeholders, including U.S. taxpayers, the goals of the First Responder Network Authority mission and our expected contributions to the U.S. public safety community and the safety and security of our nation.

**FY 2018 overview.** FY 2018 saw First Responder Network Authority continue transforming the vision of the Nationwide Public Safety Broadband Network into reality. To guide our steps, we updated our Strategic Plan to explain our vision of creating a dedicated, differentiated broadband communications experience that transforms public safety operations to save lives. Most notably, FY 2018 was the first year in which the organization began receiving payments from our network partner, AT&T – fulfilling the vision of the Network as a self-sustaining national resource. FY 2018 also saw the organization make success-based payments to our technology provider/partner and set the course for future investment in the nation's public safety broadband network. Specifically, we:

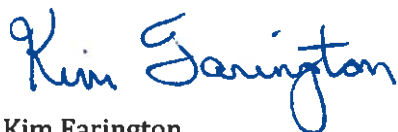
**Received collections from our Nationwide Public Safety Broadband Network (NPSBN) technology provider.** In April 2018, we received our initial payment from AT&T for its exclusive use of FirstNet's 20 MHz of high-value, telecommunications spectrum as part of our innovative, public/private partnership. These funds were fully earned and recorded as operating revenues in FirstNet's Statements of Operations.

FirstNet received a second payment from AT&T in September 2018, about two weeks before the end of FY 2018. This payment is currently posted on the Balance Sheet as a contract liability in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606 *Revenue from Contracts with Customers*. This new standard for revenue recognition was adopted by FirstNet during FY 2018. As part of this early adoption, FirstNet used a full retrospective method to reflect this change for both FY 2017 and FY 2018. Our early adoption of this standard did not require restatement of the comparative fiscal year's financial statements, because this was the first time revenue was collected by FirstNet. FirstNet expects to receive annual payments from AT&T for the next 24 years based on the terms and conditions of NPSBN contract.

**Made success-based payments to advance the NPSBN.** In 2018, FirstNet made success-based payments to AT&T for completed milestones of the NPSBN contract. As of September 30, 2018, FirstNet has recognized \$2.0 billion in assets related to the NPSBN network. The network buildout will continue through 2022 based on the timelines contained in the NPSBN contract. If contract milestones are met earlier than scheduled, this timeline could be moved forward potentially completing the network ahead of schedule.

**Reinvestment into the Network.** FirstNet is required, by legislation, to reinvest amounts received from the assessment of fees into the NPSBN. To support future reinvestment decisions, FirstNet continues to develop policies and procedures that will ensure reinvestments are in the best interest of public safety. Our goal is to ensure that reinvestment decisions are consistent, transparent, and in full compliance with relevant laws and regulations.

Again in FY 2018, the First Responder Network Authority made strong progress on our promise to ensure the delivery of a nationwide, interoperable public safety broadband network that supports the lifesaving work of our nation's first responders. We never forget that our mission is in service to public safety, so we remain committed to showing the operational excellence, accountability, integrity, and dedication needed to advance the NPSBN and the future of our nation's public safety communications.



Kim Farington  
Chief Financial Officer  
First Responder Network Authority

# Introduction and Background

## History, Purpose and Mission

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

Built on Long-Term Evolution (LTE) technology, up to \$7 billion in funding from successful spectrum auctions, and a nationwide license of 20 MHz radio-frequency spectrum, the FirstNet Network was created to dramatically improve public safety's communication capabilities, and in doing so, help public safety protect people and communities across the United States.

Today, the First Responder Network Authority's role is to create a dedicated, differentiated broadband communications experience, and to be a catalyst for advancing our nation's public safety broadband network. With the FirstNet Network in place and growing, the nation benefits from having a dedicated broadband network prioritized for and tailored to the needs of first responders; the economies of scale provided by a national, standards-based network; and the innovations in technology designed and certified for public safety's use.

## Fiscal Year 2018 Overview

The First Responder Network Authority operates on the federal fiscal year calendar, starting October 1 and ending September 30. FY 2018 was the organization's sixth consecutive year of operations. In FY 2018, we made significant progress in assuring the build-out of the FirstNet Network, as well as making it a self-sustaining resource for public safety and our nation.

FY 2018 was a banner year for FirstNet. FY 2018 saw the governors of all 50 states, 5 territories and Washington D.C. accept their individualized FirstNet "State Plans" and become part of the FirstNet Network. In doing so, each of these jurisdictions declined the opportunity to create their own state radio access network. Hailed as a "landmark day and monumental achievement" for public safety, having 56 opt-ins made the vision of a nationwide, dedicated public safety network a reality – one that today enhances the safety and security of first responders and the American public.

Building on the momentum of the governors' decisions to opt-in to FirstNet, the First Responder Network Authority, with our technology provider, AT&T, began building the infrastructure and features of the nation's dedicated public safety network.

Specifically, in FY 2018, FirstNet provided the following to public safety:

- **Preemption:** Preemption is a mission-critical feature that enables public safety subscribers to communicate and coordinate during emergencies, large events, or other situations in which commercial networks become congested. With preemption, when a line becomes crowded, non-emergency traffic is shifted to another line, freeing up ample spectrum capacity for first responders to communicate with each other.
- **Initiating Band 14 deployment:** Band 14 is nationwide, high-quality spectrum set aside by the government specifically for FirstNet. Once Band 14 is fully deployed over the next several years, it will cover 95 percent or more of the U.S. population. Band 14 deployments began in 50 states and Puerto Rico, with more than 1,000 new sites planned as part of the FirstNet build to help close rural coverage gaps, where responses to emergencies have been previously challenged by a lack of connectivity.
- **The FirstNet Core:** The launch of the FirstNet evolved packet core was a major breakthrough for public safety. Built on physically separate hardware, it finally gives first responders their own separate, nationwide broadband network. The FirstNet Core is the basis for the unified, interoperable and nationwide communications system that public safety envisioned.
- **A deployables “lending library”:** A set of 72 FirstNet-dedicated deployable network assets, such as Satellite Cell on Light Trucks (SatCOLT), were made available to first responder agencies in FY 2018. These mobile cell sites can be deployed at the request of subscribing first responder agencies. They help boost first responders' connectivity, so they can more efficiently and effectively coordinate their public safety response during large events and emergencies.
- **A subscriber-paid program:** The launch of FirstNet mobile plans for subscriber-paid users allowed verified first responders – career and volunteer – to sign up for FirstNet service under a personal account at their local AT&T store. This helps ensure first responders everywhere can access the power of FirstNet.
- **An expanding ecosystem of approved apps and devices:** FirstNet and AT&T launched a developer program to encourage public safety-focused innovation and feed the FirstNet App Catalog, a one-stop shop for apps reviewed and optimized for the FirstNet Network. The First Responder Network Authority and AT&T teams also worked to approve devices, such as brand-name smartphones and tablets, for public safety's use on the FirstNet Network. Currently, there are about 70 devices now on the National Institute of Standards and Technology's (NIST) Public Safety Communications Research Division (PSCR) list of user devices approved for the FirstNet Network.
- **Public safety outreach and advocacy:** FY 2018 saw continued deep engagement and collaboration with public safety stakeholders at the federal, tribal, state and local levels. The First Responder Network Authority worked with jurisdictions and agencies across the nation to educate first responders about the benefits of broadband for public safety and the ways it is changing vital public safety communications – and also to gather insight needed to make sure the FirstNet Network meets their communications needs now and in the future.

In FY 2018, the FirstNet Network truly came to life, not only by delivering on the milestones noted above, but in terms of public safety adoption, through public safety use in disasters and emergencies, and by becoming a truly self-sustaining national resource. Just before the end of FY 2018, more than 2,500 public safety agencies subscribed to FirstNet, with more than 150,000 FirstNet connections in the hands of public safety. During planned events such as the Boston Marathon; unplanned events like Hurricanes Florence and Michael; as well as the wildfires in California, Oregon and Washington;

and in countless other incidents occurring in FY 2018, the FirstNet Network helped public safety protect communities and save lives. Also in FY 2018, the First Responder Network Authority received two sustainability payments from AT&T for its exclusive use of 20 MHz of high-value, telecommunications spectrum.

## **Building on a Strong FY 2018**

As of January 2019, the FirstNet Network increased LTE coverage by more than 50,000 square miles nationwide – an area larger than the State of Louisiana. Also, Band 14 spectrum was deployed in more than 500 markets, increasing the FirstNet Network’s coverage and capacity across the country. User adoption likewise increased, with 5,250 public safety agencies using more than 425,000 connections on the FirstNet Network.

To guide the next steps of the First Responder Network Authority, in FY 2019, we updated our five-year Strategic Plan. The Plan now reflects an updated mission, vision, and objectives that will support us in continuing to meet public safety’s needs as the FirstNet Network evolves. At the First Responder Network Authority’s March 2019 board meeting, we also announced two initiatives to continue advancing the FirstNet Network in keeping with public safety’s needs: a strategic roadmap and network investment principles. As a guide for our investment, the roadmap will be informed by industry trends and driven by the needs of the public safety community we serve. Our investment principles will help ensure that public safety remains the key beneficiary of our investments.

Specifically, our investments must:

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

In FY 2018, and continuing into FY 2019, the First Responder Network Authority has met milestone after milestone – delivering on our promise to public safety and our nation. In FY 2019 and beyond, we will continue – through unstinting public safety advocacy, alignment with our Roadmap and strategic intent, as well as strong financial stewardship – to provide the network U.S. public safety can depend on every day and in every emergency.





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## 1.0 Financial Statements





# 1.0 Financial Statements

## 1.1 Balance Sheets

**First Responder Network Authority**  
**Balance Sheets**  
**As of September 30, 2018 and 2017**  
**(In Thousands)**

	FY 2018	FY 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 3)	\$ 6,105,449	\$ 5,608,098
Restricted Cash (Note 3)	231	-
Accounts Receivable (Note 4)	82	34
Advances and Prepayments	2,457	678,975
<b>Total Current Assets</b>	<b>6,108,219</b>	<b>6,287,107</b>
Property, Plant, and Equipment, Net (Note 5)	4,657	5,608
Nationwide Public Safety Broadband Network, Net (Note 6)	1,942,641	288,000
Other Assets, Net (Note 7)	924	1,062
<b>TOTAL ASSETS</b>	<b>\$ 8,056,441</b>	<b>\$ 6,581,777</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 8)	\$ 1,336,341	\$ 4,758
Accrued Payroll and Leave	4,000	3,730
Grants Accrual Payable	957	4,200
Contract Liability (Note 10)	120,000	-
<b>Total Current Liabilities</b>	<b>1,461,298</b>	<b>12,688</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,461,298</b>	<b>\$ 12,688</b>
<b>EQUITY (Note 12)</b>		
Contributed Capital	\$ 6,877,490	\$ 6,877,490
Retained Deficit	(282,347)	(308,401)
<b>TOTAL EQUITY</b>	<b>\$ 6,595,143</b>	<b>\$ 6,569,089</b>
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>\$ 8,056,441</b>	<b>\$ 6,581,777</b>

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

## 1.2 Statements of Operations

**First Responder Network Authority**  
**Statements of Operations**  
**For the Years Ended September 30, 2018 and 2017**  
**(In Thousands)**

	FY 2018	FY 2017
<b>Operating Revenues</b>		
NPSBN Contract Revenue	\$ 120,000	\$ -
<b>Total Operating Revenues (Note 10)</b>	<b>120,000</b>	<b>-</b>
<b>Operating Expenses</b>		
Personnel Compensation and Benefits (Note 2 & Note 14)	41,996	36,531
Contractual Services (Note 2 & Note 15)	15,537	74,797
Spectrum Relocation Grants (Note 16)	10,322	12,624
Other General and Administrative (Note 2)	7,757	7,377
Depreciation and Amortization Expense	18,317	2,895
<b>Total Operating Expenses</b>	<b>93,929</b>	<b>134,224</b>
<b>Operating Income/(Deficit)</b>	<b>26,071</b>	<b>(134,224)</b>
Loss on Disposition of Assets	(17)	(2)
Loss on Donated Property Transferred Out (Note 17)	-	(98)
<b>NET INCOME/(DEFICIT)</b>	<b>\$ 26,054</b>	<b>\$ (134,324)</b>

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

### 1.3 Statements of Cash Flows

**First Responder Network Authority**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2018 and 2017**  
**(In Thousands)**

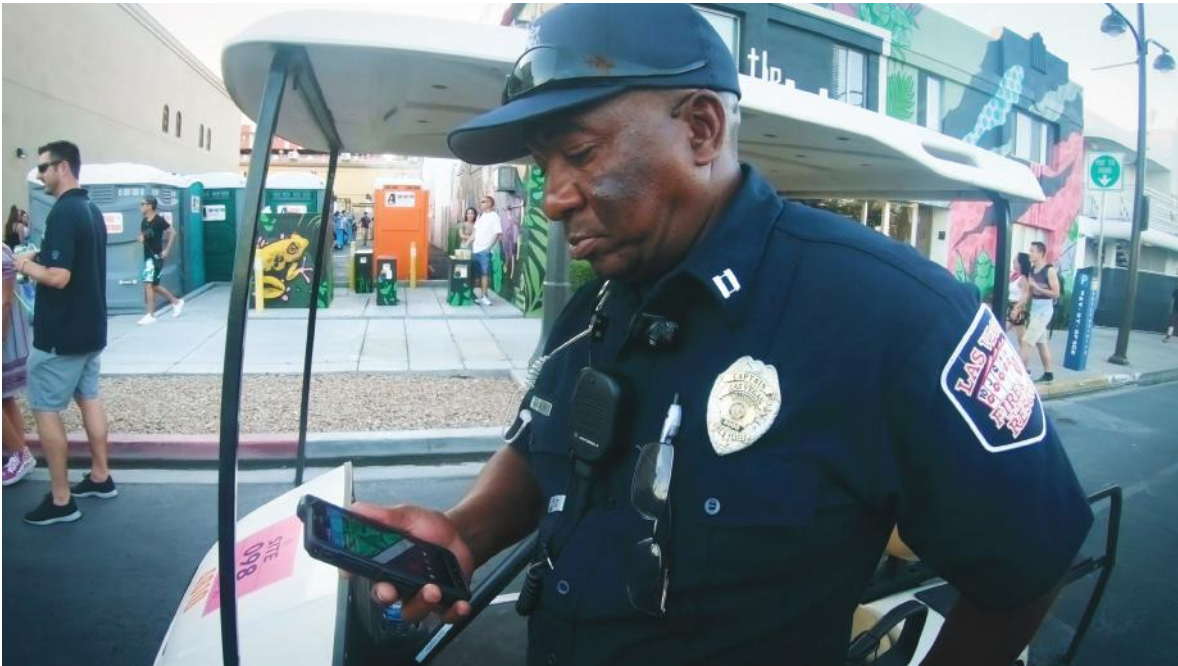
	FY 2018	FY 2017
<b>Cash Flows from Operating Activities</b>		
Net Income/(Deficit)	\$ 26,054	\$ (134,324)
Adjustments to reconcile Net Income (Deficit) to Net Cash Provided By / (Used In) Operations:		
Depreciation and Amortization Expense	18,317	2,895
Decrease/(Increase) in Advances and Prepayments	676,518	(656,367)
Decrease in Accounts Payable	(2,417)	(2,813)
Increase in Accrued Payroll and Leave	270	806
(Decrease)/Increase in Grants Accrual Payable	(3,243)	4,200
Increase in Contract Liability	120,000	-
(Increase)/Decrease in Accounts Receivable	(48)	93
Loss on Disposition of Assets	17	2
Loss on Donated Property Transferred Out	-	98
<b>NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>	<b>835,468</b>	<b>(785,410)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Nationwide Public Safety Broadband Network	(336,000)	(288,000)
Purchases of Property, Plant, and Equipment	(1,886)	(1,598)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(337,886)</b>	<b>(289,598)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Capital Lease Liabilities	-	(657)
<b>NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES</b>	<b>-</b>	<b>(657)</b>
Net Increase/(Decrease) in Cash and Restricted Cash	497,582	(1,075,665)
Cash Balance, beginning of year	5,608,098	6,683,763
<b>CASH AND RESTRICTED CASH, END OF YEAR (Note 3)</b>	<b>\$ 6,105,680</b>	<b>\$ 5,608,098</b>
<b>Non-Monetary Transactions</b>		
Loss on Disposition of Assets	\$ (17)	\$ (2)
Loss on Donated Property Transferred Out	-	(98)
Non-Cash Purchases of Nationwide Public Safety Broadband Network	1,334,000	-
<b>NON-MONETARY TRANSACTIONS</b>	<b>\$ 1,333,983</b>	<b>\$ (100)</b>

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



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## 2.0 Notes to the Financial Statements



## 2.0 Notes to the Financial Statements

### Note 1. Reporting Entity and Summary of Significant Accounting Policies

#### 1. A – Description of Reporting Entity

The First Responder Network Authority (FirstNet) was established by the Public Law No. 112-96, *Title VI, 126 Stat. 156* (the Act) as an independent authority within the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce (the Department), and functions under the direction and control of 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). FirstNet's statutory mandate is to ensure the establishment of an interoperable Nationwide Public Safety Broadband Network (NPSBN or Network).

In 2017, FirstNet awarded a contract to AT&T to design, build, implement, and sustain the NPSBN. In exchange for AT&T's commitments to establish the network, FirstNet will provide access to spectrum capacity on 20 MHz of spectrum in the 700 MHz band, commonly known as Band 14, for the 25-year contract term. Additionally, FirstNet will contribute success-based payments to support network buildout. As of September 30, 2018, more than 3,600 public safety agencies across 56 states and territories have joined the network.

These financial statements cover FirstNet's fiscal year (FY) ended September 30, 2018 and 2017.

#### 1. B – Basis of Presentation

FirstNet 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 FirstNet 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 FirstNet, 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.

FirstNet has been delegated the financial and operational authority to operate in a manner similar to private business enterprises by Public Law 112-96. 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/or services to sources outside the U.S. government as its principal activity.

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

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

Certain reclassifications have been made to the financial statements for the year ended September 30, 2017, to conform to the current period presentation. Specifically, Personnel Compensation and Benefits, Contractual Services, and Spectrum Relocation Grants were broken out of General and Administrative expenses and separately identified. These reclassifications had no effect on previously reported operating expenses, or net deficit.

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.

1. D – Cash

As of September 30, 2018 and 2017, FirstNet has recorded as Cash the aggregate amount of funds from all sources, including proceeds from the auction of Federal Communications Commission (FCC) spectrum licenses specified by the Act, to implement requirements to build NPSBN consistent with Section 6206 (e) of the Act. This Cash is held at the U.S. Department of the Treasury (Treasury) in the NTIA Network Construction Fund (NCF), First Responder Network Authority Fund (FRNA), and the NTIA Public Safety Trust Fund (PSTF).

1. E – Restricted Cash

Restricted Cash represents FirstNet cash that is not available for general use. FirstNet 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 consists of amounts owed to FirstNet by other Federal agencies and the public. Amounts due from Federal agencies are considered fully collectable. Accounts receivable from the public include reimbursements from employees. An allowance for doubtful accounts from the public is established when, based upon a review of outstanding accounts, failure of all collection efforts, and debtor's ability to pay, management determines that collection is unlikely to occur in full or in part. See *Note 4 – Accounts Receivable* for further details.

1. G – Advances and Prepayments

Advances and Prepayments are advance payments for the cost of goods or services to be acquired. Prepaid goods and services are expensed as the goods and services are delivered.

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

Property, Plant, and Equipment (PP&E), net includes capital assets used in providing goods or services when the estimated useful life is two years or more. PP&E, net is stated at original cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation and



First Responder Network Authority  
Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

amortization. FirstNet calculates depreciation and amortization expense using the straight-line method over the asset's estimated useful life. The estimated useful lives of FirstNet's fixed assets range from 3 to 7 years.

FirstNet's single asset capitalization threshold is \$25 thousand for FY 2018 and \$5 thousand for FY 2017 and the established personal property bulk capitalization threshold is \$150 thousand for FY 2018 and \$50 thousand for FY 2017. See *Note 5 – Property, Plant & Equipment, net* for further details.

*1. I – Other Assets, Net*

Other Assets, net, represent Geographical Mapping Data (Geo-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. FirstNet calculates amortization expense using the straight-line method over the asset's estimated useful life. See *Note 7 – Other Assets, net* for further details.

*1. J – Operating Leases*

Lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Rent expense paid by FirstNet related to operating leases is included in operating expenses in the accompanying Statements of Operations on a straight-line basis over the term of the lease. See *Note 9 – Leases* for further details.

*1. K – Impaired Assets*

Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value.

*1. L – Accrued Payroll and Leave*

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

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

*1. M – Contributed Capital*

Contributed Capital represents NTIA transfers and additional proceeds from the auction of FCC spectrum licenses specified by the Act to implement FirstNet's responsibilities in deploying the NPSBN. See *Note 12 – Equity* for further details.

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

FirstNet employees participate in the U.S. government contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), in 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 U.S. 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 retirement plans and employee postretirement benefits paid or to be paid by OPM, or the actuarial liability for such benefits, beyond the required contributions of FirstNet.

#### 1. O – Intangible Asset - Spectrum License

Intangible assets at FirstNet include an FCC spectrum license. The FCC granted FirstNet exclusive rights to the single Public Safety Wireless Network License for use of the 700 megahertz (MHz) D block spectrum, specifically 22 megahertz (MHz) of spectrum, including 2 MHz of guard bands and a pre-existing block of public safety broadband spectrum at no cost. Under FASB Accounting Standards Codification (ASC) subtopic 350-30-25, *Intangibles Other than Goodwill*, the spectrum license would be recognized at fair value. Because this spectrum has been allocated for public safety use consistent with the mission of FirstNet, 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, FirstNet has not recognized in its financial statements any value related to the spectrum license granted by the FCC.

#### 1. P – Revenue Recognition

Pursuant to the Act, FirstNet will generate revenues through network user fees and leases related to network capacity<sup>1</sup>. 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 the following criteria are met: Persuasive evidence of an agreement 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. In FY 2018, FirstNet began to receive payments from AT&T for access to 20MHz of spectrum and its capacity for the 25-year contract term, making this FirstNet's primary source of revenue. As payments are received from AT&T, they will be recognized as a contract liability and amortized on a straight-line basis over the remaining months of the fiscal year. See *Note 10 – Revenue Recognition* for further details.

#### 1. Q – Tax Status

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

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

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<sup>1</sup> See 47 U.S.C. § 1428(a).

1. R – Fair Value Measurements

FirstNet 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, 2018, and September 30, 2017.

1. S – Recently Issued Accounting Standards

*Accounting Standards Update 2016-18, Statement of Cash Flows, Restricted Cash*

In November 2016, the FASB issued Accounting Standards Update 2016-18, *Statement of Cash Flows, Restricted Cash* (ASU 2016-18). The standard clarifies how entities should present restricted cash in the statements of cash flows. The standard requires entities to show the change in the total of cash, cash equivalents, and restricted cash and no longer present transfers between cash, cash equivalents and restricted cash in the statements of cash flows. The standard became effective for non-public entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted.

FirstNet has elected to early adopt this standard during the third quarter of fiscal year 2017. The standard was adopted retrospectively and the impact is not material to FirstNet's financial results. See *Note 3 – Cash and Restricted Cash* for further details.

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

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

*Accounting Standards Update 2016-02, Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). 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 similarly to current practices. The standard becomes effective

for non-public entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. FirstNet is currently evaluating the impact and timing of adopting this standard, which is not known or reasonably estimable at this time.

## **Note 2. Limitation on Administrative Expenses**

Administrative expenses for FirstNet may not exceed \$100.0 million during the 10-year period beginning on February 22, 2012<sup>2</sup>. Costs attributed to certain oversight and audits were not included under the administrative expenses limitation<sup>3</sup>. Non-programmatic costs incurred in the course of carrying out activities that directly support the FirstNet organization as a whole were recognized as administrative expenses subject to the limitation.

In FY 2018, FirstNet incurred \$6.3 million in administrative expenses under the limitation. In FY 2017, FirstNet incurred \$8.6 million in administrative expenses under the limitation. The decrease in administrative expenses in FY 2018 was primarily the result of a one-time cost allocation adjustment to recorded accrued leave liabilities. For the years ended September 30, 2018 and 2017, the total amount of administrative expense limitation available in future periods was \$61.7 million and \$68.0 million, respectively.

## **Note 3. Cash and Restricted Cash**

Restricted Cash represents FirstNet cash that is not available for general use. As of September 30, 2018, \$231 thousand is temporarily restricted from use by FirstNet due to a temporary reduction in spending authority 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 for the years ended September 30, 2018 and 2017:

<i>In Thousands</i>	<b>FY 2018</b>	<b>FY 2017</b>
Cash	\$ 6,105,449	\$ 5,608,098
Restricted Cash	231	-
<b>Total cash and restricted cash shown in the statements of cash flows</b>	<b>\$6,105,680</b>	<b>\$5,608,098</b>

## **Note 4. Accounts Receivable**

Receivables – Intragovernmental represent sums due to FirstNet for services rendered by FirstNet in FY 2018 under reimbursable service agreements between FirstNet and NTIA.

<sup>2</sup> See 47 U.S.C. § 1427(b).

<sup>3</sup> Id.

First Responder Network Authority  
Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

Accounts Receivable as of September 30, 2018 and 2017 consist of the following:

<i>In Thousands</i>	<b>FY 2018</b>	<b>FY 2017</b>
Receivables - Intragovernmental	\$ 31	\$ -
Receivables - Public	51	34
Total Receivables	<b>82</b>	<b>34</b>
Less: Allowance for doubtful accounts	-	-
<b>Accounts Receivable</b>	<b>\$ 82</b>	<b>\$ 34</b>

**Note 5. Property, Plant and Equipment, Net**

The following table summarizes Property, Plant, and Equipment, Net as of September 30, 2018 and 2017:

<i>In Thousands</i>		<b>FY 2018</b>	<b>FY 2017</b>
	<b><u>Estimated Useful</u></b>		
	<b><u>Life in Years</u></b>		
Equipment	3 - 10	\$ 6,127	\$ 4,424
Leasehold Improvements	3 - 4	3,269	3,135
Perpetual Software Licenses	3 - 7	251	251
Internal Use Software	3 - 7	235	234
Other Property, Plant, and Equipment	3 - 4	1,983	1,983
<b>Property, Plant, and Equipment, at cost</b>		<b>11,865</b>	<b>10,027</b>
Less: Accumulated depreciation and amortization		7,208	4,447
Capital Work In Progress - Equipment		-	28
<b>Property, Plant, and Equipment, Net</b>		<b>\$ 4,657</b>	<b>\$ 5,608</b>

For the years ended September 30, 2018 and 2017, depreciation and amortization expense on Property, Plant, and Equipment was \$2.8 million and \$2.9 million, respectively.

**Note 6. Nationwide Public Safety Broadband Network, Net**

As noted in Note 1. A, FirstNet awarded a 25-year contract to AT&T to design, build, implement, and sustain the NPSBN. As FirstNet's exclusive partner in the delivery of the NPSBN network, AT&T will have use of FirstNet'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 (FFP) contract with specific milestone deliverables. As noted in Note 1.B, FirstNet's financial statements are developed using the financial reporting framework established by the FASB as the source of GAAP. Consistent with accrual accounting under GAAP, FirstNet accrues for a contract milestone upon AT&T's delivery of core network initial operating capabilities (IOC) to FirstNet. The delivered asset is capitalized after inspection and acceptance by FirstNet, and amortized over the remaining life of the contract.

As of September 30, 2018, FirstNet has capitalized NPSBN assets of \$2.0 billion and recorded related amortization expense of \$15.4 million. During FY 2018, FirstNet purchased \$1.7 billion of NPSBN Assets, of which \$1.3 billion remained unpaid as of September 30, 2018.

First Responder Network Authority  
Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

The following table summarizes Nationwide Public Safety Broadband Network, Net as of September 30, 2018 and 2017:

<i>In Thousands</i>			<b>FY 2018</b>		<b>FY 2017</b>
	<b><u>Estimated Useful Life in</u></b>				
	<b><u>Years</u></b>				
Nationwide Public Safety Broadband Network	19 - 25	\$	1,958,000	\$	288,000
<b>Nationwide Public Safety Broadband Network, at cost</b>			<b>1,958,000</b>		<b>288,000</b>
Less: Accumulated amortization			15,359		-
<b>Nationwide Public Safety Broadband Network, Net</b>		<b>\$</b>	<b>1,942,641</b>	<b>\$</b>	<b>288,000</b>

For the year ended September 30, 2018, the minimum estimated NPSBN amortization amounts for the periods shown are as follows:

<i>In Thousands</i>	<b>Total</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Amortization Expense	\$ 414,890	\$ 82,978	\$ 82,978	\$ 82,978	\$ 82,978	\$ 82,978
<b>Total</b>	<b>\$ 414,890</b>	<b>\$ 82,978</b>	<b>\$ 82,978</b>	<b>\$ 82,978</b>	<b>\$ 82,978</b>	<b>\$ 82,978</b>

#### **Note 7. Other Assets, Net**

The following table summarizes Other Assets, Net as of September 30, 2018 and 2017:

<i>In Thousands</i>			<b>FY 2018</b>		<b>FY 2017</b>
	<b><u>Estimated Useful Life</u></b>				
	<b><u>in Years</u></b>				
Geographical Mapping Data	3 - 10	\$	1,942	\$	1,942
<b>Other Assets, at cost</b>			<b>1,942</b>		<b>1,942</b>
Less: Accumulated amortization			1,018		880
<b>Other Assets, Net</b>		<b>\$</b>	<b>924</b>	<b>\$</b>	<b>1,062</b>

#### **Note 8. Accounts Payable**

Accounts Payable as of September 30, 2018 and 2017, was \$1.3 billion and \$4.8 million, respectively. The balance as of September 30, 2018 is primarily comprised of accrued NPSBN purchases of \$1.3 billion.

#### **Note 9. Leases**

##### *Operating Leases*

FirstNet 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. FirstNet may relinquish space upon four months' notice at any point after the first twelve months of occupancy.



First Responder Network Authority  
Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

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 leases includes the initial non-cancelable term plus at least one renewal period, as the exercise of the related renewal option or options is considered reasonably assured. Total rental expense under operating leases amounted to \$1.7 million through September 30, 2018, and \$1.5 million in September 30, 2017.

As of September 30, 2018, the minimum estimated rental amounts due under operating leases for the periods shown are as follows:

<i>In Thousands</i>		Total	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 and thereafter
Operating Leases	\$	11,248	\$ 1,277	\$ 1,232	\$ 1,276	\$ 1,320	\$ 1,331	\$ 4,812
<b>Total</b>	<b>\$</b>	<b>11,248</b>	<b>\$ 1,277</b>	<b>\$ 1,232</b>	<b>\$ 1,276</b>	<b>\$ 1,320</b>	<b>\$ 1,331</b>	<b>\$ 4,812</b>

#### **Note 10. Revenue Recognition**

FirstNet elected early adoption of ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) effective October 1, 2016 using the full retrospective method. The full retrospective method did not have any effect on the financial position or results of operations for the fiscal year ending September 30, 2017 as no revenue was recognized during that year. As such, no restatement of the prior reporting period is required. FirstNet only has one contract, with AT&T, under which it earns revenue, and has applied the standard to that contract.

The contract with AT&T has a term of 25 years, during which payments are billed annually in advance, and are non-cancelable. FirstNet derives revenue by providing AT&T with network capacity services which allows AT&T access to the Band 14 spectrum which, when not in use by Public Safety agencies, can be monetized for commercial purposes. However, the FCC, an independent third-party agency, has granted exclusive rights to FirstNet for the use of the spectrum through 2022. Beyond 2022, the FCC must re-authorize the license of the exclusive right of the spectrum to FirstNet. As the license renewal is a factor outside of FirstNet's control, the authority has determined that the period over which this contract has enforceable rights to the use of the spectrum and obligation to the customer is 5 years and, will reassess this recognition period when this contingency is resolved.

FirstNet 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 FirstNet satisfies its performance obligation as these access services are rendered. A time-elapsed output method is used to measure progress because FirstNet transfers control evenly over the contractual period. Accordingly, the fixed consideration of \$600 million related to the Band 14 spectrum network capacity services is recognized on a straight-line basis over the initial 5-year period during which enforceable rights and obligations exist, beginning on the date that such service is made available to the customer. For the year ended September 30, 2018, FirstNet has recognized \$120 million in revenue. On April 13, 2018, FirstNet received \$120 million from AT&T as the initial payment due under the contract and consequently, no revenue related contract asset or accounts receivable is recorded as of September 30, 2018.

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. For the fiscal year ended September 30, 2018, FirstNet has recorded a contract liability of \$120 million related to the second payment received from AT&T during September 2018.

#### **Note 11. Commitments and Contingencies**

Commitments are preliminary actions that will ultimately result in an obligation to FirstNet 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 March 29, 2019, management was not aware of any actual or potential commitments affecting FirstNet.

#### *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 March 29, 2019, management was not aware of any actual or pending legal claims or contingencies affecting FirstNet.

#### **Note 12. Equity**

The following table summarizes Equity as of September 30, 2018 and 2017:

<i>In Thousands</i>	<b>Retained Deficit</b>	<b>Contributed Capital</b>	<b>Total</b>
Beginning Balance, October 1, 2017	\$ (308,401)	\$ 6,877,490	\$ 6,569,089
Net Income for the year ended September 30, 2018	26,054	-	26,054
<b>Ending Balance, September 30, 2018</b>	<b>\$ (282,347)</b>	<b>\$ 6,877,490</b>	<b>\$ 6,595,143</b>
	<b>Retained Deficit</b>	<b>Contributed Capital</b>	<b>Total</b>
Beginning Balance, October 1, 2016	\$ (174,077)	\$ 6,877,490	\$ 6,703,413
Net (Deficit) for the year ended September 30, 2017	(134,324)	-	(134,324)
<b>Ending Balance, September 30, 2017</b>	<b>\$ (308,401)</b>	<b>\$ 6,877,490</b>	<b>\$ 6,569,089</b>

#### **Note 13. Related Party Transactions**

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

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

First Responder Network Authority  
Notes to the Financial Statements  
For the Years Ended September 30, 2018 and 2017

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 years ended September 30, 2018 and 2017 is summarized in the tables below:

*In Thousands*

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

As of and for the Year Ended September 30, 2017							
	Purchases						
	and			Accounts	Accounts	Advances and	
Related Party	Assessments	Other Income		Receivable	Payable	Prepayments	
NTIA	\$ 2,769	\$ -	\$ -	\$ -	\$ 190	\$ -	
The Department	\$ 2,979	\$ -	\$ -	\$ -	\$ 3	\$ 1	

**Note 14. Personnel Compensation and Benefits**

For the years ended September 30, 2018 and 2017, Personnel Compensation and Benefits expense was \$42.0 million and \$36.5 million, respectively. These expenses include salaries, wages, and other compensation earned by employees such as tuition reimbursement and student loan forgiveness payments to qualifying employees. The 15% increase is due to a 10% year over year increase in employee headcount, salary increases that became effective in November 2017, in addition to the average 6.1% increase in the cost of federal health benefits in FY 2018 over FY 2017, and the 2.3% Cost of Living Adjustment implemented on January 1, 2018.

**Note 15. Contractual Services**

For the years ended September 30, 2018 and 2017, Contractual Services expense was \$15.5 million and \$74.8 million, respectively. Contractual Services include expenses incurred on contracts with vendors to assist FirstNet with strategic and programmatic support, including external consulting and advisory services that were primarily contracted in preparation for the award and launch of the NPSBN during FY 2017. The \$59.3 million decrease is primarily comprised of \$40.0 million in one-time expenses incurred during FY 2017 for payment of the State Plans Portal Mechanism and delivery of the State Plans related to the NPSBN contract. Since the successful award of the NPSBN contract in March 2017, there has been a reduced need for external contractual and advisory services, resulting in an additional decrease of \$19.3 million in contractual services expense over the prior year.

**Note 16. Spectrum Relocation Grants**

The FirstNet spectrum relocation grants program awarded \$23.8 million in grants to incumbent public safety spectrum licensees to relocate the grantees away from Band 14 spectrum, in order to clear the spectrum for use by the NPSBN. For the years ended September 30, 2018 and 2017, Spectrum Relocation Grants expense was \$10.3 million and \$12.6 million, respectively. The \$2.3 million year over year decrease is reflective of only two remaining active grantees drawing down grant funds during FY 2018. The spectrum relocation grants program, which began during the fourth quarter of FY 2016, ended August 31, 2018. The final grant close-out period was completed as of November 30, 2018.

**Note 17. Donated Property**

During FY 2018, there were no transactions related to donated property.

During FY 2017, FirstNet transferred \$98 thousand of donated property to the Department of Energy to support Public Safety Long Term Evolution (LTE) testing at the Idaho National Laboratory.

**Note 18. Subsequent Events**

Subsequent events were evaluated by FirstNet through March 29, 2019, which is the date the financial statements were available to be issued. As of that date, there were no events which required disclosure.



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## 3.0 Independent Auditors' Report



### 3.0 Independent Auditors' Report



#### Independent Auditors' Report

Secretary, U. S. Department of Commerce  
FirstNet Board

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the First Responder Network Authority ("FirstNet"), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of operations and cash flows for the fiscal years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control

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***Auditors' Responsibility (continued)***

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the First Responder Network Authority as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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

**Other Reporting Required by Government Auditing Standards**

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered FirstNet'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 FirstNet's internal control. Accordingly, we do not express an opinion on the effectiveness of FirstNet's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of

***Internal Control over Financial Reporting (continued)***

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether FirstNet's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FirstNet'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, Rains, Knight & Company, P.A.*

March 29, 2019