



**Wired Road Authority  
Board Meeting  
March 27, 2019 – 3:00 PM – Galax Municipal Building**

**Agenda**

1. Call to Order
2. Construction Progress Meeting – Wired Road Connector Project
3. Consent Agenda
  - Minutes from February 2019 meeting
  - February 2019 Financial Report
4. Reports
  - Wide Open
5. Old Business
  - TRRC Last Mile Program – Grant Update
    - Grayson Broadband Study Update
    - Carroll Broadband Study Update
  - Draft Audit FY2018
  - Other
6. New Business
  - Other
7. Public Comments

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

January 9, 2019

To the Members of the Board of Directors  
The Wired Road Authority

We have audited the financial statements of the Wired Road Authority for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Wired Road Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Wired Road Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable asset lives is based on management's experience. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowances for doubtful accounts is based on management's experience. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements for presentation in the financial

statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 9, 2019.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Wired Road Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Wired Road Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Wired Road Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Robinson, Farmer, Cox Associates*

January 9, 2019

**THE WIRED ROAD AUTHORITY**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2018**

The Wired Road Authority  
Financial Report  
Year Ended June 30, 2018

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## **FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Members of the Board  
The Wired Road Authority  
Galax, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Wired Road Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 business-type activities of The Wired Road Authority, as of June 30, 2018, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, on our consideration of The Wired Road Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wired Road Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Wired Road Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
January 9, 2019



## **Basic Financial Statements**

## THE WIRED ROAD AUTHORITY

Exhibit 1

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018

## ASSETS

## Current assets:

Cash and cash equivalents	\$	272,396
Accounts receivable		4,753
Prepaid items		26,927

Total current assets	\$	<u>304,076</u>
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## Noncurrent assets:

## Capital assets:

Equipment	\$	136,696
Buildings and improvements		36,804
Computer software		122,741
Infrastructure		2,260,326
Accumulated depreciation		(1,142,526)
Total capital assets, net	\$	<u>1,414,041</u>

Total noncurrent assets	\$	<u>1,414,041</u>
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Total assets	\$	<u><u>1,718,117</u></u>
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## LIABILITIES

## Current liabilities:

Accounts payable and accrued expenses	\$	15,350
Due to the City of Galax, Virginia		31,658
Accrued interest payable		407
Unearned revenue		29,410
Line of credit		9,847
Loan payable		30,514

Total current liabilities	\$	<u>117,186</u>
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Total liabilities	\$	<u>117,186</u>
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## NET POSITION

Net investment in capital assets	\$	1,383,527
Unrestricted		217,404

Total net position	\$	<u><u>1,600,931</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2018**

Operating revenues:	
Charges for services	\$ <u>50,051</u>
Total operating revenues	\$ <u>50,051</u>
Operating expenses	
Professional services	\$ 59,296
Office expense	1,062
Utilities	25,037
Telecommunications	1,244
Leases	19,672
Travel, meals and lodging	197
Supplies and equipment	23,274
Contractual services	45,301
Insurance	4,287
Miscellaneous	2,463
Depreciation	<u>151,527</u>
Total operating expenses	\$ <u>333,360</u>
Operating income (loss)	\$ <u>(283,309)</u>
Nonoperating revenues (expenses)	
Interest expense	\$ (1,792)
Contributions - Localities	145,000
Contributions - DHCD	30,455
Total nonoperating revenues (expenses)	\$ <u>173,663</u>
Change in net position	\$ (109,646)
Net position, beginning of year	<u>1,710,577</u>
Net position, end of year	\$ <u>1,600,931</u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	
Receipts from customers and users	\$ 54,019
Payments to suppliers, participants and corporations	<u>(184,392)</u>
Net cash provided by (used for) operating activities	\$ <u>(130,373)</u>
Cash flows from noncapital financing activities:	
Issuance of line of credit	\$ 9,847
Operating contributions	<u>143,798</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>153,645</u>
Increase (decrease) in cash and cash equivalents	\$ 23,272
Cash and cash equivalents at beginning of year	<u>249,124</u>
Cash and cash equivalents at end of year	\$ <u><u>272,396</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (283,309)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	151,527
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	3,968
(Increase) decrease in prepaid items	3,700
Increase (decrease) in accounts payable and accrued expenses	<u>(6,259)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(130,373)</u></u>

**Supplemental disclosure:**

Debt service of \$31,657 (\$29,410 principal and \$2,247 interest) was paid on behalf of the Authority by the City of Galax, Virginia.

The accompanying notes to the financial statements are an integral part of this statement.

**THE WIRED ROAD AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2018**

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**Note 1-Summary of Significant Accounting Policies:**

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The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant policies:

**A. Financial Reporting Entity**

The Wired Road Authority was created as an authority by concurrent resolutions of the founding jurisdictions under the Virginia Wireless Service Authorities Act, Chapter 54.1 of Title 15.2 of the Code of Virginia, 1950, as amended. The members of the Authority; the County of Grayson, Virginia, the County of Carroll, Virginia and the City of Galax, Virginia, each of which is a political subdivision of the Commonwealth of Virginia, are authorized by the Act to participate in the Authority. The Authority is governed by five (5) board members. One (1) member is appointed by each member locality, one (1) member shall be the Chairperson of the Carroll-Galax-Grayson Regional Industrial Facilities Authority, and one (1) member is appointed by the Carroll-Galax-Grayson Regional Industrial Facilities Authority. The Authority was created to provide qualifying communications services as authorized by Article 5.1 (§ 56-484.7: 1 et seq.) of Chapter 15 of Title 56 of the Code of Virginia, 1950, as amended and to provide such other services as provided by law and Chapter 54.1 of Title 15.2 of the Code of Virginia, 1950 as amended.

**B. Basis of Accounting**

The Wired Road Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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**D. Basic Financial Statements**

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, Basic Financial Statements - For State and Local Governments.

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements consist of:

- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to the Financial Statements

**E. Investments**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

**F. Prepaid Expenses**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The cost of prepaid expenses is recorded as expenses when consumed rather than when purchased.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year or prior year.

**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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**G. Capital Assets (continued)**

Property, infrastructure, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-40
Infrastructure	20
Equipment and software	5

**H. Other Significant Accounting Policies**

- Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. At year end, the Authority has not reserved any amount as uncollectible.

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding obligation related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related obligation are also included in this component of net position.

**K. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

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**Note 1-Summary of Significant Accounting Policies: (continued)**

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**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority did not have any deferred outflows of resources as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any deferred inflows of resources as of June 30, 2018.

**Note 2-Deposits and Investments:**

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**Deposits:** The Wired Road has over \$250,000 in one bank, the deposits in excess of \$250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name. The Wired Road had \$22,396 in uninsured deposits at June 30, 2018.

**Investments:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). For the year ended June 30, 2018, the Authority did not have any investments.

**Note 3-Economic Dependency:**

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The Wired Road is economically dependent on contributions from the participating jurisdictions as revenue generated by the Organization is insufficient to cover operating costs. Any significant reduction in contributions could negatively impact the Organization.



**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

**Note 4-Capital Assets:**

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	\$ 136,696	\$ -	\$ -	\$ 136,696
Buildings and improvements	36,804	-	-	36,804
Infrastructure	2,260,326	-	-	2,260,326
Software	122,741	-	-	122,741
Total capital assets being depreciated	<u>\$ 2,556,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,556,567</u>
Accumulated depreciation:				
Equipment	\$ (122,165)	\$ (6,473)	\$ -	\$ (128,638)
Buildings and improvements	(12,468)	(1,421)	-	(13,889)
Infrastructure	(733,625)	(143,633)	-	(877,258)
Software	(122,741)	-	-	(122,741)
Total accumulated depreciation	<u>\$ (990,999)</u>	<u>\$ (151,527)</u>	<u>\$ -</u>	<u>\$ (1,142,526)</u>
Total capital assets being depreciated, net	<u>\$ 1,565,568</u>	<u>\$ (151,527)</u>	<u>\$ -</u>	<u>\$ 1,414,041</u>
Capital assets, net	<u>\$ 1,565,568</u>	<u>\$ (151,527)</u>	<u>\$ -</u>	<u>\$ 1,414,041</u>

**Note 5-Long-Term Obligations:**

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Bank Loan	
	Principal	Interest
2019	\$ 30,514	\$ 1,145
Totals	<u>\$ 30,514</u>	<u>\$ 1,145</u>

**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

**Note 5-Long-Term Obligations: (continued)**

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2018:

	Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
Bank Loan	\$ 59,924	\$ -	\$ (29,410)	\$ 30,514
Total	\$ 59,924	\$ -	\$ (29,410)	\$ 30,514

Details of long-term indebtedness:

	Total Amount Due	Amount Due Within One Year
Bank Loan		
\$260,000 loan issued on February 19, 2009 through BB&T. Annual payments of \$31,657 are due on February 20th through 2019. Interest accrues at the annual rate of 3.75%.	\$ 30,514	\$ 30,514
Total long-term obligations	\$ 30,514	\$ 30,514

**Note 6-Line of Credit:**

On April 19, 2017, The Authority entered into a \$300,000 line of credit with Skyline National Bank with an interest rate of 2.5% to cover cash shortfalls during the year. During the year the Authority drew down the line of credit as detailed below:

	Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
Line of credit	\$ -	\$ 9,847	\$ -	\$ 9,847
Total	\$ -	\$ 9,847	\$ -	\$ 9,847

**Note 7-Unearned Revenue:**

Advances from Carroll County, Virginia, to be used for the future projects, are shown as unearned revenue. At June 30, 2018, the Wired Road had unearned revenue of \$29,410.

**The Wired Road Authority**  
**Notes to the Financial Statements (Continued)**  
**As of June 30, 2018**

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**Note 8-Risk Management:**

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The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority participates with other government entities in a public entity risk pool for their coverage of workers' compensation, public officials and liability insurance through the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority makes contributions to a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To the Members of the Board  
The Wired Road Authority  
Galax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of The Wired Road Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise The Wired Road Authority's basic financial statements and have issued our report thereon dated January 9, 2019.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Wired Road 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 Wired Road Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of The Wired Road 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Wired Road 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*.

## Purpose of this Report

The purpose of this report 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 entity'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.

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
January 9, 2019

THE WIRED ROAD AUTHORITY  
BALANCE SHEET  
FEBRUARY 28, 2019

ASSETS

CURRENT ASSETS		
REGULAR CHECKING ACCOUNT	\$	282,317.27
ACCOUNTS RECEIVABLE		21,156.00
PREPAID EXPENSES		30,627.00
		<hr/>
TOTAL CURRENT ASSETS		334,100.27
PROPERTY AND EQUIPMENT		
EQUIPMENT		129,124.48
EQUIPMENT- RBEG		7,572.00
BUILDING & IMPROVEMENTS		36,804.00
INFRASTRUCTURE		2,260,325.94
SOFTWARE		122,741.00
ACCUM. DEPRECIATION		(1,215,120.42)
		<hr/>
TOTAL PROPERTY AND EQUIPMENT		1,341,447.00
OTHER ASSETS		
		<hr/>
TOTAL OTHER ASSETS		0.00
		<hr/>
TOTAL ASSETS	\$	<u>1,675,547.27</u>

LIABILITIES AND CAPITAL

CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$	13,542.91
DUE TO CITY OF GALAX		31,657.62
DEFERRED REVENUE		29,410.00
ACCRUED EXPENSES		862.00
		<hr/>
TOTAL CURRENT LIABILITIES		75,472.53
LONG-TERM LIABILITIES		
NOTE PAYABLE - SKYLINE BANK		92,872.12
		<hr/>
TOTAL LONG-TERM LIABILITIES		92,872.12
		<hr/>
TOTAL LIABILITIES		168,344.65
CAPITAL		
FUND BALANCE		1,558,928.19
UNRESTRICTED		50,956.81
NET INCOME		(102,682.38)
		<hr/>
TOTAL CAPITAL		1,507,202.62
		<hr/>
TOTAL LIABILITIES & CAPITAL	\$	<u>1,675,547.27</u>

UNAUDITED - FOR MANAGEMENT PURPOSES ONLY

THE WIRED ROAD AUTHORITY  
INCOME STATEMENT  
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2019

	Current Month		Year to Date			
REVENUES						
REVENUE-FIBER	\$	2,502.00	49.15	\$	18,359.00	6.02
REVENUE-WIRELESS		2,254.00	44.27		19,166.00	6.28
REVENUE- WIRELESS CPE LEASE		185.00	3.63		1,660.00	0.54
REVENUE-FIBER CPE LEASE		150.00	2.95		1,150.00	0.38
COMMUNITY SUPPORT REV- CGGS		0.00	0.00		145,000.00	47.52
GRANT REVENUE ARC #16-06A		0.00	0.00		119,790.54	39.26
TOTAL REVENUES		5,091.00	100.00		305,125.54	100.00
COST OF SALES						
TOTAL COST OF SALES		0.00	0.00		0.00	0.00
GROSS PROFIT		5,091.00	100.00		305,125.54	100.00
EXPENSES						
ACCOUNTING FEES		5,685.00	111.67		8,550.00	2.80
BANK SERVICE CHARGES		7.50	0.15		221.50	0.07
LEGAL FEES		0.00	0.00		404.00	0.13
SUPPLIES EXPENSE		0.00	0.00		36.59	0.01
UTILITIES EXPENSE		1,596.95	31.37		11,013.07	3.61
TELEPHONE EXPENSE		33.11	0.65		245.69	0.08
POSTAGE & SHIPPING EXPENSE		0.00	0.00		50.00	0.02
TOWER LEASE FEES		298.11	5.86		2,373.18	0.78
POLE ATTACHMENT FEES		0.00	0.00		237.13	0.08
INTEREST EXPENSE		1,360.42	26.72		2,018.72	0.66
ADVERTISING/MARKETING EXPEN		0.00	0.00		368.25	0.12
ARC CONNECTOR PROJECT		9,245.23	181.60		233,017.16	76.37
ELECTRICITY EXPENSE		379.09	7.45		3,008.16	0.99
BANDWIDTH SERVICE EXPENSE		33.97	0.67		302.21	0.10
BANDWIDTH SERVICE EXPENSE		74.40	1.46		598.26	0.20
NETWORK OPERATOR MGMT FEE		4,038.00	79.32		28,266.00	9.26
MILEAGE EXPENSE		0.00	0.00		112.82	0.04
OFFICE SUPPLIES		0.00	0.00		35.75	0.01
REPAIR & MAINTENANCE		3,049.97	59.91		35,459.51	11.62
LEASE/RENT OF BUILDINGS		0.00	0.00		2,558.04	0.84
DEPRECIATION EXPENSE		9,074.36	178.24		72,594.88	23.79
ARC CONNECTOR PROJECT COSTS		0.00	0.00		6,337.00	2.08
TOTAL EXPENSES		34,876.11	685.05		407,807.92	133.65
NET INCOME	\$	(29,785.11)	(585.05)	\$	(102,682.38)	(33.65)

FOR MANAGEMENT PURPOSES ONLY



**The Wired Road Authority**  
**General Ledger Trial Balance**  
**As of Feb 28, 2019**

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
10200	Regular Checking Account	282,317.27	
11000	Accounts Receivable	21,156.00	
14000	Prepaid Expenses	30,627.00	
15100	Equipment	129,124.48	
15130	Equipment- RBEG	7,572.00	
15160	Building & Improvements	36,804.00	
15170	Infrastructure	2,260,325.94	
15180	Software	122,741.00	
17000	Accum. Depreciation		1,215,120.42
20000	Accounts Payable		13,542.91
20001	Due to City of Galax		31,657.62
21000	Deferred Revenue		29,410.00
23000	Accrued Expenses		862.00
27200	Note Payable - Skyline Ban		92,872.12
39004	Fund Balance		1,558,928.19
39005	Unrestricted		50,956.81
40000	Revenue-Fiber		18,359.00
40200	Revenue-Wireless		19,166.00
40300	Revenue- Wireless CPE Le		1,660.00
40400	Revenue-Fiber CPE Lease		1,150.00
41700	Community Support Rev- C		145,000.00
42270-606-0	Grant Revenue ARC #16-0		119,790.54
62500-000-0	Accounting Fees	8,550.00	
62550-000-0	Bank Service Charges	221.50	
63000-000-0	Legal Fees	404.00	
65000-000-0	Supplies Expense	36.59	
65400-000-0	Utilities Expense	11,013.07	
65500-000-0	Telephone Expense	245.69	
66000-000-0	Postage & Shipping Expen	50.00	
67600-000-0	Tower Lease Fees	2,373.18	
67700-000-0	Pole Attachment Fees	237.13	
70500-000-0	Interest Expense	2,018.72	
72000-000-0	Advertising/Marketing Expe	368.25	
72000-606-0	ARC connector project	233,017.16	
72500-000-0	Electricity Expense	3,008.16	
72600-000-0	Bandwidth Service Expens	302.21	
72600-114-0	Bandwidth Service Expens	598.26	
73400-000-0	Network Operator Mgmt Fe	28,266.00	
73500-000-0	Mileage Expense	112.82	
74500-000-0	Office Supplies	35.75	
75000-000-0	Repair & Maintenance	35,459.51	
77500-000-0	Lease/Rent of Buildings	2,558.04	
78000-000-0	Depreciation Expense	72,594.88	
88610-606-0	ARC Connector Project Co	6,337.00	
<b>Total:</b>		<b>3,298,475.61</b>	<b>3,298,475.61</b>