

# CONNECTME

**(A component unit of the State of Maine)**

**Financial Report**

**June 30, 2019**

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## Independent Auditor's Report

To the Authority Members  
ConnectME Authority  
Augusta, Maine

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

We have audited the accompanying financial statements of the governmental activities and major fund of ConnectME Authority, a component unit of the State of Maine, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise ConnectME 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 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 auditor's 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of ConnectME Authority, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule - Special Revenue Fund on pages 3 through 6 and 17, respectively, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ConnectME Authority's basic financial statements. The Combining Schedule of Revenues, Expenditures and Change in Fund Balance - Special Revenue Fund on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Combining Schedule of Revenues, Expenditures and Change in Fund Balance - Special Revenue Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Revenues, Expenditures and Change in Fund Balance - Special Revenue Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of ConnectME 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 ConnectME 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 ConnectME Authority's internal control over financial reporting and compliance.



Augusta, Maine  
October 25, 2019

## **Management's Discussion and Analysis**

The following narrative overview and analysis is intended to assist the readers in understanding the financial activities of ConnectME Authority (the Authority) for the fiscal year ended June 30, 2019. Information contained within the discussion and analysis should be considered in conjunction with the basic financial statements when focusing on significant financial issues and identifying any significant changes in financial position.

### **Overview of the Authority**

The Authority was created through the passage of 35-A MRSA §9202-A with the objective of stimulating investment in advanced communications technology infrastructure in unserved or underserved areas in the State of Maine. The Authority is governed by seven members, four of which are appointed by the Governor of the State of Maine.

In accordance with 35-A MRSA §9204-A (1), the Authority shall establish criteria defining unserved and underserved areas. The criteria will ensure that an area is not determined to be an unserved or underserved area if the effect of the determination would inhibit or impede private investment in any area or diminish the value of prior investment in advanced communications technology infrastructure within an area. The Authority defined the criteria as well as other operation guidelines by adopting public rule 99-639 Chapter 101.

The Authority has created the first comprehensive geographic inventory of high-speed internet services statewide for use in identifying unserved and underserved areas based on the criteria defined in Chapter 101. The Broadband Mapping and Inventory Project assists the Authority in developing a Broadband Capacity Building Plan to support broadband growth, disseminate technical information about broadband availability, and further improve understanding of opportunities to enhance broadband throughout the State of Maine.

Under 35-A MRSA §9204-A (4), the Authority is directed to expand the availability of broadband service to residential and small business customers in unserved or underserved areas by identifying, developing and providing funding for broadband investments in unserved and underserved communities. To achieve this objective, the Authority has established a grant program entitled Funds for Broadband Infrastructure Projects. Additionally, under 35-A MRSA §9204-A (3), the Authority is directed to provide technical and financial assistance to communities in the State that include unserved and underserved areas to identify the need for broadband infrastructure and services and develop and implement plans to meet those needs. To achieve this objective, the Authority has established a grant program entitled Community Broadband Planning Grants.

### **Financial Highlights**

The Authority's program revenues and expenditures in the Statement of Activities were \$1,140,332 and \$891,522 respectively.

The Authority's net position as of June 30, 2019 was \$1,624,368. The term "net position" refers to the difference between assets less deferred inflows of resources and liabilities. Net position was all restricted as of June 30, 2019. The change in net position for the year ended June 30, 2019 was an increase of \$248,810.

### **Overview of the Financial Statements**

The financial statements are designed to provide readers with an overview of the Authority's financial resources, expenditures and remaining resources available for future periods.

The financial statements on pages 7 and 8 represent the Authority's Statement of Net Position and Statement of Activities, respectively. These statements focus on the net position remaining as an indicator of the Authority's financial health. The statements include all assets and liabilities using the accrual basis of accounting, which is an accounting method used by most private-sector companies.

## Management's Discussion and Analysis

### Overview of the Financial Statements - Continued

The financial statements on pages 9 and 10 represent the Authority's Special Revenue Fund. The fund focuses on how money flows into and out of the Authority and balances left at the end of the reporting period on the modified accrual basis of accounting. The modified accrual basis of accounting measures cash and all other financial assets that can be readily converted into cash. Basically, the fund financial statements provide a short-term perspective on financial sources and any fund balance that can be spent in the near future on the Authority's programs.

The other supplemental schedule, Combining Schedule of Revenues, Expenditures and Change in Fund Balance - Special Revenue Fund, provides details that support the primary financial statements and offer the reader a breakdown of various expenditures by governmental activities.

### Financial Analysis

A comparative analysis to the prior year for the Statement of Net Position and Statement of Activities is not presented as there are no adjustments between the fund financial statements and the government-wide financial statements.

### Balance Sheet - Governmental Fund

	2019	2018	% Change
<b>Assets</b>			
Cash and cash equivalents	\$1,784,087	\$1,614,092	11%
Other assets	<u>256,073</u>	<u>332,236</u>	<u>-23%</u>
<b>Total Assets</b>	<u>\$2,040,160</u>	<u>\$1,946,328</u>	<u>5%</u>
<b>Liabilities</b>			
Accounts payable	\$ 66,559	\$ 115,813	-43%
Due to other governments	-	79,004	-100%
Other liabilities	<u>2,125</u>	<u>15,323</u>	<u>-86%</u>
<b>Total Liabilities</b>	<u>68,684</u>	<u>210,140</u>	<u>-67%</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenue	<u>347,108</u>	<u>360,630</u>	-4%
<b>Fund Balance - Restricted</b>	<u>1,624,368</u>	<u>1,375,558</u>	<u>18%</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$2,040,160</u>	<u>\$1,946,328</u>	<u>5%</u>

Some of the significant fluctuations in the Balance Sheet are as follows:

- Due to Other Governments was a transfer of funds to the Maine Telecommunications Education Access Fund as a result of an incorrect deposit of funds from that fund into the ConnectME fund. A previous audit in 2018 had found this error and this transfer in was the correction.
- The decrease in other assets was due to a double payment of an infrastructure grant to a provider in early 2018. This error was discovered, and payment recovered. New procedures have been put in place to eliminate the potential of this happening in the future.

## Management's Discussion and Analysis

### Financial Analysis - Continued

#### Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

	2019	2018	% Change
Revenues			
Federal grants		\$ 54,777	-100%
Assessments	\$1,121,882	1,198,110	-6%
Other	<u>18,450</u>	<u>91,775</u>	<u>-80%</u>
Total Revenues	<u>1,140,332</u>	<u>1,344,662</u>	<u>-15%</u>
Expenditures			
Management	236,859	285,768	-17%
Contract services	651,974	939,067	-31%
Other	<u>2,689</u>	<u>14,814</u>	<u>-82%</u>
Total Expenditures	<u>891,522</u>	<u>1,239,649</u>	<u>-28%</u>
Excess of Revenues over Expenditures	248,810	105,013	137%
Fund Balance, Beginning	<u>1,375,558</u>	<u>1,270,545</u>	<u>8%</u>
Fund Balance, Ending	<u>\$1,624,368</u>	<u>\$1,375,558</u>	<u>18%</u>

Significant fluctuations in this section are due to:

- The transfer of the federal grant to FirstNet to a new program at the Office of Information Technology during 2018.
- Fewer Broadband Sustainability grants were disbursed to eligible providers leading to a decrease in other revenue.
- As a result of personnel changes, the management expenditures decreased.
- Contract services were less because of both timing and size of infrastructure and planning grants, with less money being approved for grants in the previous couple of years.

#### Budgetary Comparison Schedule

	Final Budget	Actual 2019	Variance Positive (Negative)
Revenues			
Assessments	\$1,150,000	\$1,121,882	-3%
Other	<u>4,500</u>	<u>18,450</u>	<u>76%</u>
Total Revenues	<u>1,154,500</u>	<u>1,140,332</u>	<u>-1%</u>
Expenditures			
Management	300,000	236,859	27%
Contract services	1,350,630	651,974	107%
Other	<u>30,000</u>	<u>2,689</u>	<u>1,016%</u>
Total Expenditures	<u>1,680,630</u>	<u>891,522</u>	<u>95%</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (526,130)</u>	<u>\$ 248,810</u>	<u>311%</u>

## **Management's Discussion and Analysis**

### **Financial Analysis - Continued**

This budget to actual analysis reflects that the Authority approved fewer infrastructure, planning and broadband sustainability grant payouts because of the timing of those projects in this fiscal year. Additionally, because additional funding was not approved by the legislature in this fiscal year, and because of personnel changes, and the loss of one staffing position, the Authority's overhead costs were less.

### **Other Financial Information**

The Authority has no capital assets.

The Authority had no bond activity during the year. The Authority has submitted requests for bonding and was included in the Governor's bond package in the spring of 2019. These bonds did not receive legislative approval. The Authority will continue to pursue approval of a state-wide general obligation bond in the coming months to be able to assist communities and providers with much needed infrastructure build outs to larger areas of unserved Maine.

The Authority has various commitments to vendors for high-speed internet mapping and grants for broadband planning and expansion with various end dates through December 2021. The total amount of these commitments as of June 30, 2019 is approximately \$1,159,000.

Aside from what has been mentioned above we are not aware of any other facts, conditions or planned decisions that will have a significant impact on the financial position and results of operations in the upcoming reporting period.

This financial report is intended to provide readers with a general overview of ConnectME Authority's finances and show accountability for expenditures relating to its program activities. If you have questions regarding this report or need additional information, please contact the Director of ConnectME Authority.



**Statement of Net Position**

June 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,784,087
Accounts receivable	256,073
<b>Total Assets</b>	<u>2,040,160</u>
<b>LIABILITIES</b>	
Accounts payable	66,559
Accrued liabilities	2,125
<b>Total Liabilities</b>	<u>68,684</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	<u>347,108</u>
<b>NET POSITION</b>	
Restricted for:	
Advanced communications technology infrastructure	<u>\$ 1,624,368</u>

See independent auditor's report.

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

## Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants, Assessments, and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General and administrative	\$ 291,392		\$ 1,121,882	\$ 830,490
Grants for broadband expansion	402,095			(402,095)
Grants for community broadband planning	103,762			(103,762)
Broadband sustainability	13,523		13,523	
Mapping and inventory	80,750			(80,750)
<b>Total Governmental Activities</b>	<u>\$ 891,522</u>	<u>\$ -</u>	<u>\$ 1,135,405</u>	<u>\$ 243,883</u>
<b>General Revenues</b>				
Interest income				4,927
<b>Total General Revenues</b>				<u>4,927</u>
<b>Change in Net Position</b>				248,810
<b>Net Position, Beginning</b>				<u>1,375,558</u>
<b>Net Position, Ending</b>				<u>\$ 1,624,368</u>

See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

## Balance Sheet - Governmental Fund

June 30, 2019

	Special Revenue Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,784,087
Accounts receivable	256,073
<b>Total Assets</b>	<b><u>\$ 2,040,160</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 66,559
Accrued liabilities	2,125
<b>Total Liabilities</b>	<b><u>68,684</u></b>
 <b>Deferred Inflows of Resources</b>	
Unearned revenue	<u>347,108</u>
 <b>Fund Balance</b>	
Restricted for:	
Advanced communications technology infrastructure	<u>1,624,368</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b><u>\$ 2,040,160</u></b>

See independent auditor's report.

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

## Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

Year Ended June 30, 2019

	<b>Special Revenue Fund</b>
<b>Revenues</b>	
Assessments	\$ 1,121,882
Broadband sustainability fee	13,523
Interest	4,927
<b>Total Revenues</b>	<b>1,140,332</b>
<b>Expenditures</b>	
Management	236,859
Purchased professional and technical services	
Contract services	
Broadband infrastructure grants	402,095
Community broadband planning grants	103,762
Broadband sustainability grants	13,523
Mapping	80,750
Fund administration	25,500
Professional fees	26,344
Miscellaneous	2,689
<b>Total Expenditures</b>	<b>891,522</b>
<b>Excess of Revenues Over Expenditures/Net Change in Fund Balance</b>	<b>248,810</b>
<b>Fund Balance, Beginning</b>	<b>1,375,558</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,624,368</b>

See independent auditor's report.

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

## Notes to Financial Statements

June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus", as outlined below under Reporting Entity, ConnectME Authority (the Authority) is considered a component unit of the State of Maine. Accordingly, the financial statements of the Authority will be incorporated into the State of Maine's financial statements.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

#### Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units for which the Authority may or may not be financially accountable, and as such, be includable within the Authority's financial statements. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 61, the Authority is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Authority. Additionally, the Authority is required to consider other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

The Authority was created through 35-A MRSA §9202 to stimulate investment in advanced communications technology infrastructure in unserved or underserved areas in the State of Maine. The Authority is governed by seven members, four of which are appointed by the Governor of the State of Maine.

In accordance with 35-A MRSA §9204-A (1), the Authority shall establish criteria defining unserved and underserved areas. The criteria will ensure that an area is not determined to be an unserved or underserved area if the effect of the determination would inhibit or impede private investment in any area or diminish the value of prior investment in advanced communications technology infrastructure within an area. The Authority defined the criteria as well as other operation guidelines by adopting public rule 99-639 Chapter 101.

The Authority created the first comprehensive geographic inventory of high-speed internet services statewide for use in identifying unserved and underserved areas based on the criteria defined in Chapter 101. The Broadband Mapping and Inventory Project assists the Authority in developing a Broadband Capacity Building Plan to support broadband growth, disseminate technical information about broadband availability, and further improve understanding of opportunities to enhance broadband throughout the State of Maine.

## Notes to Financial Statements

June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Reporting Entity - Continued

Under 35-A MRSA §9204-A (4), the Authority is directed to expand the availability of broadband service to residential and small business customers in unserved or underserved areas by identifying, developing and providing funding for broadband investments in unserved and underserved communities. To achieve this objective, the Authority has established a grant program entitled Funds for Broadband Infrastructure Projects. As of June 30, 2019, the Authority has awarded fourteen rounds of grants designed to fund awardees, through an application and approval process, with plans designed to provide high-speed internet service to customers in unserved areas of Maine.

Under 35-A MRSA §9204-A (3), the Authority is directed to provide technical and financial assistance to communities in the State that include unserved and underserved areas to identify the need for broadband infrastructure and services and develop and implement plans to meet those needs. To achieve this objective, the Authority has established a grant program entitled Community Broadband Planning Grants. As of June 30, 2019, the Authority has awarded four rounds of grants to fund awardees, through an application and approval process, with grants designed to assist municipalities, nonprofit organizations or local regional development programs in developing plans to expand broadband in unserved or underserved areas.

To provide funding for the Authority, 35-A MRSA §9211 established the ConnectME Fund as a non-lapsing fund for the purpose of supporting the activities and projects of the Authority. The Fund allows the Authority to assess a fee to every communications service provider on a competitively neutral basis. The assessment may not exceed 0.25% of the revenue received or collected for all communications services provided in the State of Maine by the communications service provider. The Authority has set the assessment rate at the maximum of 0.25%.

In addition to the assessment, under 35-A MRSA §9216, the Authority had the ability to charge a broadband sustainability fee (BBSF). Any entity in the State of Maine that purchases, leases or otherwise obtains federally supported dark fiber from a dark fiber provider was subject to the broadband sustainability fee. Effective October 15, 2015, LD 465 was passed to eliminate the BBSF. See unearned revenue under Note 1 for a description of the only remaining activity under the BBSF.

35-A MRSA §9211-A establishes the Municipal Gigabit Broadband Network Access Fund for the purpose of providing grants to communities, regional partnerships and municipalities to support a municipal gigabit fiber-optic broadband network in their regions. There was no activity under this fund for the year ended June 30, 2019.

All revenues derived by the Authority from any assessment, transfer of funds, lease, assignment, rental agreement or other disposition or any other revenue must be used for the purpose of the Authority's objectives in accordance with 35-A MRSA §9213.

#### Basis of Presentation

The Authority's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

#### *Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the Authority's special-purpose activities. These statements reflect the financial activity of the Authority's governmental program. The governmental activity is generally financed through a federal operating grant and communication service provider assessments.

## Notes to Financial Statements

June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### **Basis of Presentation - Continued**

##### *Fund Financial Statements*

The fund financial statements provide information about the Authority's governmental fund. The Authority reports the following governmental fund:

##### *Special Revenue Fund*

The Special Revenue Fund is a governmental fund type used to account for federal, state and other financial programs where unused balances are returned to the grantor at the close of specified project periods, if necessary. Project accounting is employed to maintain integrity for the various sources of funds. Generally, revenues in the Special Revenue Fund are restricted or committed to expenditure for specified purposes.

#### **Measurement Focus, Basis of Accounting**

##### **Government-wide Financial Statements**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

##### **Government Funds**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **Accounts Receivable**

Accounts receivable consist of communication service provider assessments and have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary at June 30, 2019.

## Notes to Financial Statements

June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Unearned Revenue

Under 35-A MRSA §9216, 95% of the funds collected from the BBSF must be held in a Broadband Sustainability Fund used to grant funds to local exchange carriers who file a request and certification with the Authority to deploy broadband infrastructure in unserved areas within the carrier's service territory. Unspent funds can be transferred to the ConnectME Fund upon lapse in certain time restrictions. Unearned revenue consists of the unspent broadband sustainability funds as of June 30, 2019.

#### Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable by the Authority are nonspendable in form. The Authority has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The Authority's fund balance is restricted by legislation established by the State of Maine.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to rules established by the Authority Members. Commitments may be modified or rescinded only through approval of the Authority Members.
- Assigned – includes amounts that the Authority intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes negative residual fund balance that cannot be eliminated by the offsetting of assigned fund balance amounts within the special revenue fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed or assigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds as needed.

#### Restriction on Net Position

Net position represents the difference between assets less deferred inflows of resources and liabilities. The restricted net position of the Authority is restricted by legislation established by the State of Maine. The Authority's restricted net position is restricted for the activities established in the governing law which formed the Authority. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.



## Notes to Financial Statements

June 30, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Budgetary Requirements

Budgets are formally adopted through the Authority Members to account for all program activities of the Authority and are adopted on a basis consistent with GAAP.

### NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk. The Authority's deposits are held in a checking account and an Insured Cash Sweep account at Androscoggin Savings Bank.

At June 30, 2019, the Authority's bank balances totaled \$1,799,887. Of this balance, a portion was held in a checking account that was fully insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance was held by Androscoggin Savings Bank in an Insured Cash Sweep account in which the bank, as agent and custodian, places the balance in deposit accounts in various FDIC-insured institutions with each deposit account below the FDIC maximum.

### NOTE 3 - ECONOMIC DEPENDENCY

Three communication service providers consist of 71% of the Authority's total assessment revenue for the year ended June 30, 2019.

### NOTE 4 - COMMITMENTS

The Authority has contracted with vendors to provide various services including broadband expansion and high-speed internet mapping through December 2021. The total commitment to the vendors as of June 30, 2019 was approximately \$157,000.

The Authority awards grants to awardees to plan and provide high-speed internet service to customers in unserved areas in Maine. The Authority awards 25% of the grant to the awardee upon approval for infrastructure grants and awards 50% of the grant to the awardee upon approval for planning grants and subsequently reimburses the awardee for costs incurred up to the total award amount. As of June 30, 2019, the total amount of grants to be paid on approved agreements was approximately \$1,002,000.

### NOTE 5 - TRANSACTIONS WITH THE PRIMARY GOVERNMENT

The Authority reimburses the State of Maine for salaries and benefits of its management personnel as well as map hosting and certain administrative expenses. The total amount of expenditures to the State of Maine for the year ended June 30, 2019 is as follows:

Office of Information Technology - management	<b>\$224,192</b>
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## **Notes to Financial Statements**

**June 30, 2019**

### **NOTE 6 - SUBSEQUENT EVENTS**

Effective July 1, 2019 programmatic administration for the Authority transferred from the State of Maine Office of Information Technologies to the State of Maine Department of Economic and Community Development.

## Budgetary Comparison Schedule - Special Revenue Fund

Year Ended June 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Assessments	\$ 1,150,000	\$ 1,121,882	\$ (28,118)
Broadband sustainability fee		13,523	13,523
Interest	4,500	4,927	427
<b>Total Revenues</b>	<u>1,154,500</u>	<u>1,140,332</u>	<u>(14,168)</u>
<b>Expenditures</b>			
Management	300,000	236,859	63,141
Purchased professional and technical services			
Contract services			
Broadband infrastructure grants	625,000	402,095	222,905
Community broadband planning grants	250,000	103,762	146,238
Broadband sustainability grants	360,630	13,523	347,107
Mapping	42,000	80,750	(38,750)
Fund administration	26,000	25,500	500
Professional fees	25,000	26,344	(1,344)
Consulting services	17,000		17,000
Professional development	5,000		5,000
Travel	10,000		10,000
Marketing	10,000		10,000
Miscellaneous	10,000	2,689	7,311
<b>Total Expenditures</b>	<u>1,680,630</u>	<u>891,522</u>	<u>789,108</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(526,130)</b>	<b>248,810</b>	<b>774,940</b>
<b>Fund Balance, Beginning</b>	<u>1,375,558</u>	<u>1,375,558</u>	
<b>Fund Balance, Ending</b>	<u>\$ 849,428</u>	<u>\$ 1,624,368</u>	<u>\$ 774,940</u>

## Combining Schedule of Revenues, Expenditures and Change in Fund Balance - Special Revenue Fund

Year Ended June 30, 2019

	General and Administrative	Grants for Broadband Expansion	Grants for Community Planning	Broadband Sustainability	Mapping and Inventory	Total
<b>Revenues</b>						
Assessments	\$ 1,121,882					\$ 1,121,882
Broadband sustainability fee				\$ 13,523		13,523
Interest	4,927					4,927
<b>Total Revenues</b>	<u>1,126,809</u>			<u>13,523</u>		<u>1,140,332</u>
<b>Expenditures</b>						
Management	236,859					236,859
Purchased professional and technical services						
Contract services						
Broadband infrastructure grants		\$ 402,095				402,095
Community broadband planning grants			\$ 103,762			103,762
Broadband sustainability grants				13,523		13,523
Mapping					\$ 80,750	80,750
Fund administration	25,500					25,500
Professional fees	26,344					26,344
Miscellaneous	2,689					2,689
<b>Total Expenditures</b>	<u>291,392</u>	<u>402,095</u>	<u>103,762</u>	<u>13,523</u>	<u>80,750</u>	<u>891,522</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>835,417</u>	<u>(402,095)</u>	<u>(103,762)</u>		<u>(80,750)</u>	<u>248,810</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in		402,095	103,762		80,750	586,607
Transfers out	(586,607)					(586,607)
	<u>(586,607)</u>	<u>402,095</u>	<u>103,762</u>		<u>80,750</u>	
<b>Net Change in Fund Balance</b>	248,810					248,810
<b>Fund Balance, Beginning</b>	<u>1,375,558</u>					<u>1,375,558</u>
<b>Fund Balance, Ending</b>	<u>\$ 1,624,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,624,368</u>