

SOUTHSIDE NETWORK AUTHORITY
FINANCIAL AND COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

SOUTHSIDE NETWORK AUTHORITY

TABLE OF CONTENTS

FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 6
Basic Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses, and Change in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 – 16
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
Southside Network Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Southside Network Authority (Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024 on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 25, 2024

SOUTHSIDE NETWORK AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (MD&A) of the Southside Network Authority (Authority) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the year ended June 30, 2024. The information contained in this MD&A should be considered in conjunction with the financial statements included in this audit.

The Southside Network Authority (SNA) is a political subdivision of the Commonwealth of Virginia formed by five cities in south Hampton Roads: Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. Collectively, the five cities have over 1.1 million citizens and cover approximately 1,400 square miles. The five cities are part of the larger, 17-locality Hampton Roads region, the population of which approaches 2 million.

The Port of Virginia, located in Hampton Roads is the largest seaport on the east coast of the United States. In recent years, Hampton Roads has also become a large digital port with the construction of a number of undersea fiber optic cables beginning in Virginia Beach and connecting to locations in South America and Europe. The transatlantic cables provide unprecedented internet speeds to the region and provide an enormous internet hub opportunity. The region is the only digital port between New York and Miami and is able to handle more data than the older infrastructure serving those regions. This capacity will facilitate smart community development and accelerate equitable economic growth. Additionally, the combination of undersea cables and the regional connectivity ring being developed by the Authority will facilitate the growth of data centers within the region. For example, once completed, the Globalinx Carrier Hotel in Corporate Landing will provide high capacity, reliable connectivity options to carriers, data center, and colocation facility operators.

In 2018 and 2019, the five Authority-member cities, working with the Hampton Roads Planning District Commission (HRPDC), formed a regional broadband working group to consider the best methods of moving forward with a regional solution to the Cities’ broadband issues. These issues included a need for more and more affordable internal connectivity for governmental operations, equity and affordability concerns in general as compared to similar metropolitan areas, a perceived lack of responsiveness by incumbent providers to the needs of the business community and economic development prospects, a relative lack of broadband infrastructure by comparison to comparable metropolitan areas, and concerns about the security and scalability of existing, privately-owned, regional networks.

Initially, the working group retained Broadband Telecom–CAS Severn, a broadband consultant, to assist in a needs analysis, feasibility analysis, and initial scoping. A report entitled *Hampton Roads Regional Connectivity Ring Master Plan*, dated December 31, 2018 (the “30% Design Plan”), describes background information, important considerations, and a 30% conceptual design for a 104-mile regional fiber ring. That year, the working group also retained a law firm to assist in assessing options and forming a regional governance and collective decision-making mechanism. After careful analysis of several options and the limitations presented by state and federal law, the Cities decided on a public service authority under the Virginia Wireless Service Authorities Act as the appropriate vehicle for regional decision-making on behalf of the Cities.

The Southside Network Authority was created effective November 15, 2019. In 2020, it hired its first Executive Director, Steven DeBerry, to spearhead administration of the regional fiber ring project. In summer 2020, it released a request for proposals for a design professional to provide engineering expertise as the plan for the fiber ring project matured. The engineering firm has provided a 60% design, feasibility analysis, and a predicted price for the regional connectivity ring (the “60% Design”) as well as several business case analysis strategies for funding, designing, constructing, operating, and managing the regional connectivity ring. This design slightly extended the length of the ring to approximately 120 miles, to provide connections to regional anchor institutions. The firm has been retained for potential scopes of work that include either being the A/E on traditional delivery of the project or providing as design oversight and project management expertise on a public-private partnership. The firm is anticipated to be the project manager and ongoing design professional for the Authority on this project.

Ultimately, the Authority envisions its work encompassing the entire 17-locality HRPDC region. After the initial fiber ring, future build-out to the Hampton Roads Peninsula localities and the inland Southside localities will follow. While yet undetermined, some of these localities may wish to join the Authority as members, while others may work collaboratively with it to achieve mutual goals without taking on full membership commitments.

FINANCIAL HIGHLIGHTS

The five cities that formed the Authority contributed \$70,400 per city to provide for the fourth year operating costs.

The net position of the Authority at June 30, 2024 was \$27,290,354.

OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of three basic financial statements, which include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents information on the Authority’s current assets, current liabilities and net position.

Summary Statement of Net Position				
June 30, 2024 and 2023				
	2024	2023	Increase (Decrease)	Percent Change
Assets:				
Current assets	\$ 15,689,973	\$ 19,251,018	\$ (3,561,045)	-18%
Capital assets, net	12,667,528	7,646,398	5,021,130	66%
	28,357,501	26,897,416	1,460,085	5%
Liabilities:				
Current Liabilities	1,067,147	601,206	465,941	78%
Total liabilities	1,067,147	601,206	465,941	78%
Net position:				
Net investment in capital assets	11,618,531	7,073,039	4,545,492	64%
Restricted for broadband construction	13,395,071	17,931,333	(4,536,262)	-25%
Unrestricted	2,276,752	1,291,838	984,914	76%
Total net position	\$ 27,290,354	\$ 26,296,210	\$ 994,144	4%

The Statement of Revenues, Expenses, and Change in Net Position contains all of the years' revenues and expenses and shows how the Authority's net position changed during the fiscal year.

Summary Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Local Contributions	\$ 352,000	\$ 348,500	\$ 3,500	1%
Total operating revenues	352,000	348,500	3,500	1%
OPERATING EXPENSES				
Wages and benefits	155,734	150,710	5,024	3%
Contracted services	130,865	156,389	(25,524)	-16%
Administrative expenses	9,870	3,420	6,450	189%
Insurance	1,758	1,631	127	8%
Total operating expenses	298,227	312,150	(13,923)	-4%
Operating income	53,773	36,350	17,423	48%
NONOPERATING REVENUES				
Interest income	940,371	867,797	72,574	8%
Total nonoperating revenues	940,371	867,797	72,574	8%
Change in net position	\$ 994,144	\$ 904,147	\$ 89,997	10%

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Steven DeBerry, Executive Director, Southside Network Authority, 723 Woodlake Drive, Chesapeake, Virginia 23320, or by e-mail to stevenhdeberry@gmail.com.

BASIC FINANCIAL STATEMENTS

SOUTHSIDE NETWORK AUTHORITY

STATEMENT OF NET POSITION

June 30, 2024

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,294,194
Prepaid expenses	708
Restricted cash and cash equivalents	<u>13,395,071</u>
Total current assets	<u>15,689,973</u>
Capital Assets, net	<u>12,667,528</u>
Total capital assets, net	<u>12,667,528</u>
Total assets	<u>28,357,501</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>1,067,147</u>
Total current liabilities	<u>1,067,147</u>
Total liabilities	<u>1,067,147</u>
NET POSITION	
Net Position	
Net investment in capital assets	11,618,531
Restricted for broadband construction	13,395,071
Unrestricted	<u>2,276,752</u>
Total net position	<u><u>\$ 27,290,354</u></u>

SOUTHSIDE NETWORK AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION **Year Ended June 30, 2024**

Operating Revenues	
Public support:	
Income from localities	<u>\$ 352,000</u>
Total operating revenues	<u>352,000</u>
Operating Expenses	
Contracted services	130,865
Wages and benefits	155,734
Administrative expenses	9,870
Insurance	<u>1,758</u>
Total operating expenses	<u>298,227</u>
Operating income	<u>53,773</u>
Nonoperating Revenues	
Interest income	<u>940,371</u>
Total nonoperating revenue	<u>940,371</u>
Change in net position	994,144
Net Position, beginning of year	<u>26,296,210</u>
Net Position, end of year	<u><u>\$ 27,290,354</u></u>

SOUTHSIDE NETWORK AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

Cash Flows from Operating Activities	
Receipts of public support	\$ 352,000
Payments to suppliers	(150,085)
Payments to employees	<u>(155,734)</u>
Net cash provided by operating activities	<u>46,181</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>(4,546,464)</u>
Net cash used in capital and related financing activities	<u>(4,546,464)</u>
Cash Flows from Investing Activities	
Receipts from interest	<u>940,371</u>
Net cash provided by investing activities	<u>940,371</u>
Decrease in cash and cash equivalents	(3,559,912)
Cash and Cash Equivalents, beginning of year	<u>19,249,177</u>
Cash and Cash Equivalents, end of year	<u>\$ 15,689,265</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 53,773
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	972
Changes in operating assets and liabilities:	
Prepaid expenses	1,133
Accounts payable	<u>(9,697)</u>
Net cash provided by operating activities	<u>\$ 46,181</u>
Supplemental Schedule of Non-cash Capital and Related Financing Activity:	
Capital asset additions purchased on account	<u>\$ 1,048,997</u>

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Purpose

The Southside Network Authority (the Authority) was created as an authority pursuant to the Virginia Wireless Service Authorities Act, Chapter 54.1, Title 15.2 of the *Code of Virginia 1950*, as amended. The governing bodies of the Cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach established the Authority for the purposes of providing broadband services and related services to individuals and organizations within the boundaries of the aforementioned participating jurisdictions. The powers of the Authority shall be exercised by a board of directors composed of five voting members and five alternate members, with one voting member and one alternate appointed by the governing bodies of each of the member localities.

Note 2. Summary of Significant Accounting Policies

Basis of accounting

The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as specified by the Governmental Accounting Standards Board (GASB).

The 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 as incurred, without regard to receipt or payment of cash. The Authority accrues revenues for services rendered but not yet billed at the end of the fiscal year.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less.

Investments

Investments are stated at fair value based on quoted market prices.

Capital assets

Capital assets include property and equipment with an individual cost more than \$5,000 and an estimated useful life in excess of 1 year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

Depreciation of all property and equipment is charged as an expense against operations using the straight-line method over the following estimated useful lives.

Building and improvements	40 years
Furniture and equipment	5 years
Automobiles	5 years
Infrastructure	20-50 years
Software	5 years

When certain assets are impaired in the opinion of management, any estimated decline in value is accounted for as an expense. There were no impaired assets at year end.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or law and regulations of other governments.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Estimates and assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 25, 2024, the date the financial statements were available to be issued.

Note 3. Cash and Cash Equivalents

At June 30, 2024, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Cash in banks	\$ 262,467
Local Government Investment Pool (LGIP)	15,301,786
Certificates of deposit	<u>125,012</u>
Total	<u>\$ 15,689,265</u>

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents (Continued)

Custodial credit risk (deposits)

There is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to the Authority. The Authority requires all deposits to comply with the Act. At June 30, 2024, none of the Authority’s deposits were exposed to custodial credit risk.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool.

Credit Risk

As required by state statutes, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s or “Aa” by Moody’s Investors Service.

Interest Rate Risk

As of June 30, 2024, the Authority had the following investments:

		Investment Maturities (in years)
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 15,301,786	\$ 15,301,786

The Authority is exposed to minimal interest rate risk since all investments are short-term at June 30, 2024.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Cash Equivalents (Continued)

External Investment Pool

At June 30, 2024, the Authority had investments of \$15,301,786 in the LGIP. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and, on a weekly basis, this valuation is compared to current market to monitor any variance and the maturity is less than one year. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

Note 4. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

A summary of capital assets is as follows for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Transfers/ Deletions	Balance June 30, 2024
Capital assets not being depreciated or amortized:				
Construction in Progress	\$ 7,646,398	\$ 5,007,528		\$ 12,653,926
Total capital assets not being depreciated or amortized	7,646,398	5,007,528	-	12,653,926
Depreciable or amortizable capital assets:				
Software	-	14,574	-	14,574
Less accumulated depreciation and amortization for Software	-	972	-	972
Total capital assets being depreciated or amortized, net	-	13,602	-	13,602
Capital assets, net	\$ 7,646,398	\$ 5,021,130	\$ -	\$ 12,667,528

Note 6. Concentrations of Funding

For the year ended June 30, 2024, the Authority received almost all of its revenue from participant contributions and expects additional contributions will be necessary until a customer base sufficient to cover projected operating and capital costs is established.

Note 7. Risk Management

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. These risks are covered by insurance purchased from Virginia Risk Sharing Association Insurance Programs, a group insurance pool in the Commonwealth of Virginia.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Income from Localities

Revenues consist of billings to the five Southside cities to provide for the fourth year operating costs and fiber ring construction and oversight costs. Revenues for the fiscal year ended June 30, 2024 were as follows:

City of Chesapeake	\$	70,400
City of Norfolk		70,400
City of Portsmouth		70,400
City of Suffolk		70,400
City of Virginia Beach		70,400
Total	\$	352,000

Note 9. Pending GASB Statements

At June 30, 2024, the GASB had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation of certain GASB statements. Certain requirements defined in this Statement have already been implemented by the entity. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*, will be effective for fiscal years beginning after July 15, 2023.

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures* requires the Authority to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires the Authority to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If the Authority determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in the notes to the financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for the Authority beginning with its year ending June 30, 2025.

SOUTHSIDE NETWORK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Pending GASB Statements (Continued)

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 will be effective for the Authority beginning with its year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* provides users of governmental financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of Statement are effective for fiscal years beginning with is year ended June 30, 2026.

Management has not yet determined the effect these statements will have on its financial statements.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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***

To the Honorable Board of Directors
Southside Network Authority

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 Southside Network Authority (Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a material misstatement of the Authority'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 we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 25, 2024