

# FLORIDA PUBLIC SERVICE COMMISSION

## OFFICE OF TELECOMMUNICATIONS

### APPLICATION FORM FOR AUTHORITY TO PROVIDE TELECOMMUNICATIONS COMPANY SERVICE WITHIN THE STATE OF FLORIDA

#### Instructions

- A. This form is used as an application for an original certificate and for approval of transfer of an existing certificate. In the case of a transfer, the information provided shall be for the transferee (See Page 8).
- B. Print or type all responses to each item requested in the application. If an item is not applicable, please explain.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. Once completed, submit the original and one copy of this form along with a non-refundable application fee of **\$500.00** to:

Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6770

- E. A filing fee of **\$500.00** is required for the transfer of an existing certificate to another company.
- F. If you have questions about completing the form, contact:

Florida Public Service Commission  
Office of Telecommunications  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850  
(850) 413-6600

COM \_\_\_\_\_  
AFD \_\_\_\_\_  
APA \_\_\_\_\_  
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COMMISSION  
CLERK

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1. This is an application for (check one):

**Original certificate** (new company).

**Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority rather than apply for a new certificate.

2. Name of company: Myakka Communications, Inc.

3. Name under which applicant will do business (fictitious name, etc.):

4. Official mailing address:

Street/Post Office Box: 10105 284th St E  
City: Myakka City  
State: Florida  
Zip: 34251

5. Florida address:

Street/Post Office Box: 10105 284th St E  
City: Myakka City  
State: Florida  
Zip: 34251

6. Structure of organization:

- |   |   |
|---|---|
| <input type="checkbox"/> Individual             | <input checked="" type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation    | <input type="checkbox"/> Foreign Partnership    |
| <input type="checkbox"/> General Partnership    | <input type="checkbox"/> Limited Partnership    |
| <input type="checkbox"/> Other, please specify: |   |

**If individual**, provide:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Street/Post Office Box: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_  
Zip: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Website Address: \_\_\_\_\_

7. **If incorporated in Florida**, provide proof of authority to operate in Florida. The Florida Secretary of State corporate registration number is: P10000011021
8. **If foreign corporation**, provide proof of authority to operate in Florida. The Florida Secretary of State corporate registration number is:
9. **If using fictitious name (d/b/a)**, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida. The Florida Secretary of State fictitious name registration number is:
10. **If a limited liability partnership**, please proof of registration to operate in Florida. The Florida Secretary of State registration number is:
11. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Street/Post Office Box: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_  
Zip: \_\_\_\_\_  
Telephone No.: \_\_\_\_\_  
Fax No.: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Website Address: \_\_\_\_\_

12. **If a foreign limited partnership**, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable. The Florida registration number is:

13. Provide F.E.I. Number: 80-0544588

14. Who will serve as liaison to the Commission in regard to the following?

(a) The application:

Name: Mark Ackaway  
Title: Owner  
Street Name & Number: 10105 284th st e  
Post Office Box:  
City: Myakka City  
State: Florida  
Zip: 34251  
Telephone No.: 941-322-2916  
Fax No.:  
E-Mail Address: mark@mailmt.com  
Website Address: www.myakka.com

(b) Official point of contact for the ongoing operations of the company:

Name: Mark Ackaway  
Title: Owner  
Street Name & Number: 10105 284th st e  
Post Office Box:  
City: Myakka City  
State: FL  
Zip: 34251  
Telephone No.: 941-322-2916  
Fax No.:  
E-Mail Address: mark@mailmt.com  
Website Address: www.myakka.com

(c) Where will you officially designate as your place of publicly publishing your schedule (a/k/a tariffs or price lists)?

- Florida Public Service Commission
- Website – Website address: www.myakka.com
- Other – Please provide address:

15. List the states in which the applicant:

(a) has operated as a telecommunications company.

(b) has applications pending to be certificated as a telecommunications company.

(c) is certificated to operate as a telecommunications company.

(d) has been denied authority to operate as a telecommunications company and the circumstances involved.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

(f) has been involved in civil court proceedings with another telecommunications entity, and the circumstances involved.

16. Have any of the officers, directors, or any of the ten largest stockholders previously been:

(a) adjudged bankrupt, mentally incompetent (and not had his or her competency restored), or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.  Yes  No

If yes, provide explanation.

(b) granted or denied a certificate in the State of Florida (this includes active and canceled certificates).  Yes  No

If yes, provide explanation and list the certificate holder and certificate number.

(c) an officer, director, partner or stockholder in any other Florida certificated or registered telephone company.  Yes  No

If yes, give name of company and relationship. If no longer associated with company, give reason why not.

17. Submit the following:

(a) **Managerial capability:** resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

(b) **Technical capability:** resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. Please explain if a resume represents an individual that is not employed with the company and provide proof that the individual authorizes the use of the resume.

(c) **Financial Capability:** applicant's audited financial statements for the most recent three (3) years. If the applicant does not have audited financial statements, it shall so be stated. Unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet,
2. income statement, and
3. statement of retained earnings.

**Note:** *It is the applicant's burden to demonstrate that it possesses adequate managerial capability, technical capability, and financial capability. Additional supporting information can be supplied at the discretion of the applicant.*

**THIS PAGE MUST BE COMPLETED AND SIGNED**

**REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee. Regardless of the gross operating revenue of a company, a minimum annual assessment fee, as defined by the Commission, is required.

**RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's rules and orders relating to the provisioning of telecommunications company service in Florida.

**APPLICANT ACKNOWLEDGEMENT:** By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide telecommunications company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "**Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083.**"

I understand that any false statements can result in being denied a certificate of authority in Florida.

COMPANY OWNER OR OFFICER

Print Name: Mark Ackaway  
Title: Owner  
Telephone No.: 941-322-2916  
E-Mail Address: mark@mailmt.com

Signature:  Date: 1/31/19



10105 284<sup>th</sup> St. E  
Myakka City, FL 34251  
(941) 322-2916

November 20, 2018

### **Managerial and Technical capabilities of Myakka Communications, Inc.**

Myakka Communications was founded in 2010 by Charles Matson, John Matson and Mark Ackaway to provide fiber optic data and voice services to Myakka City and surrounding areas. Prior to 2010, the three founding owners of Myakka Communications were running a wireless internet company that was providing data services in Myakka City since 2000. This gives the three principles of the company over 50 years of combined experience providing data services and almost 25 years of combined experience delivering VoIP. Currently we are serving over 2600 data customers with over 1100 active VoIP lines.

Our network consists of over 500 miles of buried fiber optic cable with redundant POPs at Miami and Tampa datacenters.

#### **Charles Matson - President, CEO**

Charles has 25 years of executive management experience with Conoco and Vista Chemical Company. 2000- Co-founded Myakka Technologies and responsible for the commercial side of the company.

2010-Co-founded Myakka Communications and responsible for the commercial operations.

#### **Education:**

BS- University of Missouri

MS- Roosevelt University

EPBA- Columbia University



**John Matson - Vice President, CFO**

John Matson was one of the three founding partners of Myakka Communications in 2010. Joining Myakka Technologies as a partner in 2003, he brought with him vast experience from his previous positions at Enterprise Holdings. This experience included positions in management, sales and marketing, customer service, receivables and collections. He received his B.S from Texas Tech University in 1996

**Mark Ackaway - Vice President, CIO**

Mark Ackaway has a degree in Computer Science from the University of Georgia. Prior to co-founding Myakka Communications in 2010, Mark was a co-founder of Myakka Technologies in 2000. He was responsible for designing and building a wireless network consisting of 7 towers and serving over 1500 customers in the Myakka City area. Mark is a Certified Fiber Optic Installer and has over 30 years' experience in network design, computer programming and customer support.

MYAKKA COMMUNICATIONS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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MYAKKA COMMUNICATIONS, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Myakka Communications, Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Myakka Communications, Inc. which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Myakka Communications, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of Myakka Communications, Inc.'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 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 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 Myakka Communications, Inc.'s internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 31, 2016  
Bradenton, Florida

MYAKKA COMMUNICATIONS, INC  
BALANCE SHEETS  
AS OF DECEMBER 31,

|   | <u>ASSETS</u>           |                         |
|---|-------------------------|-------------------------|
|   | 2015                    | 2014                    |
| <b>CURRENT ASSETS</b>   |                         |                         |
| Cash and cash equivalents   | \$ 1,701,198            | \$ 700,825              |
| Cash and cash equivalents-pledged account   | -                       | 153,998                 |
| Total cash  | 1,701,198               | 854,823                 |
| Grants receivable   | -                       | 38,333                  |
| Other receivables   | 6,726                   | -                       |
| Prepaid expenses and other assets   | 25,016                  | 5,155                   |
| Total Current Assets  | 1,732,940               | 898,311                 |
| <br><b>MATERIALS ON HAND</b>  | <br>112,201             | <br>168,806             |
| <br><b>PROPERTY AND EQUIPMENT</b>   |                         |                         |
| Completed projects  | 7,934,601               | 7,848,001               |
| Equipment, furniture & fixtures   | 135,085                 | 88,993                  |
|   | 8,069,686               | 7,936,994               |
| Less accumulated depreciation   | (1,005,779)             | (569,511)               |
|   | 7,063,907               | 7,367,483               |
| <br><b>TOTAL ASSETS</b>   | <br><b>\$ 8,909,048</b> | <br><b>\$ 8,434,600</b> |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>   |                         |                         |
| <b>CURRENT LIABILITIES</b>  |                         |                         |
| Accounts payable  | \$ 33,380               | \$ 51,247               |
| Accrued expenses  | 22,416                  | 12,032                  |
| Retainage payable   | -                       | 85,587                  |
| Current portion of long-term debt   | 89,242                  | 79,555                  |
| Total Current Liabilities   | 145,038                 | 228,421                 |
| Deferred grant proceeds   | 5,149,640               | 5,040,714               |
| Long-term debt - less current portion   | 1,635,450               | 1,580,210               |
| <b>TOTAL LIABILITIES</b>  | 6,930,128               | 6,849,345               |
| <br><b>SHAREHOLDERS' EQUITY</b>   |                         |                         |
| Common stock, par value \$0 per share,<br>1,000 shares authorized, 300 shares<br>issued and outstanding | 622,500                 | 622,500                 |
| Retained Earnings   | 1,356,420               | 962,755                 |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | 1,978,920               | 1,585,255               |
| <br><b>TOTAL LIABILITIES<br/>AND SHAREHOLDERS' EQUITY</b>   | <br><b>\$ 8,909,048</b> | <br><b>\$ 8,434,600</b> |

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

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MYAKKA COMMUNICATIONS, INC  
STATEMENTS OF INCOME  
FOR THE YEAR ENDED DECEMBER 31,

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|                               | <u>2015</u>       | <u>2014</u>       |
|-------------------------------|-------------------|-------------------|
| REVENUE                       |                   |                   |
| Grant income                  | \$ 298,021        | \$ 228,505        |
| Internet sales                | 1,500,325         | 1,127,832         |
| Phone sales                   | 302,405           | 227,387           |
| Rental income                 | 105,841           | 85,013            |
| Set up fees                   | 55,487            | 96,264            |
| Other income                  | <u>42,245</u>     | <u>92,921</u>     |
| TOTAL REVENUE                 | 2,304,324         | 1,857,922         |
| EXPENSES                      |                   |                   |
| Operating                     | 1,035,778         | 619,157           |
| Insurance                     | 18,868            | 17,543            |
| Personnel                     | 340,846           | 210,850           |
| Professional fees             | 31,650            | 32,723            |
| Interest                      | 47,085            | 20,038            |
| Depreciation and amortization | <u>436,432</u>    | <u>307,802</u>    |
| TOTAL EXPENSE                 | <u>1,910,659</u>  | <u>1,208,113</u>  |
| NET INCOME                    | <u>\$ 393,665</u> | <u>\$ 649,809</u> |

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

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MYAKKA COMMUNICATIONS, INC  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31,

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|   |                     |
|---|---------------------|
| Shareholders' equity at December 31, 2013 | \$ 935,446          |
| Net income                                | <u>649,809</u>      |
| Shareholders' equity at December 31, 2014 | <u>\$ 1,585,255</u> |
| Net income                                | <u>393,665</u>      |
| Shareholders' equity at December 31, 2015 | <u>\$ 1,978,920</u> |

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



MYAKKA COMMUNICATIONS, INC  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31,

|  | 2015                | 2014              |
|--|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                   |
| Collections from customers   | \$ 1,999,577        | \$ 1,655,295      |
| Cash paid to suppliers and employees   | (1,411,467)         | (1,083,104)       |
| Interest paid  | (47,085)            | (20,038)          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>541,025</b>      | <b>552,153</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                   |
| Proceeds from grants   | 445,280             | 1,237,961         |
| Purchase of property and equipment and materials   | (204,857)           | (1,684,174)       |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>  | <b>240,423</b>      | <b>(446,213)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                   |
| Loan proceeds  | 148,049             | 412,654           |
| Payments on loans  | (83,122)            | (71,769)          |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>  | <b>64,927</b>       | <b>340,885</b>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                    | <b>846,375</b>      | <b>446,825</b>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <b>854,823</b>      | <b>407,998</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <b>\$ 1,701,198</b> | <b>\$ 854,823</b> |
| <br>   |                     |                   |
| <b>Reconciliation of Net Income to Net Cash Provided<br/>(Used) by Operating Activities</b>    |                     |                   |
| Net income (loss)  | \$ 393,665          | \$ 649,809        |
| Adjustments to reconcile net income (loss) to cash provided<br>(used) by operating activities: |                     |                   |
| Depreciation and amortization  | 436,432             | 307,802           |
| Amortization of deferred revenue   | (336,354)           | (228,505)         |
| Changes in operating assets and liabilities:   |                     |                   |
| (Increase)/ Decrease in receivables  | 31,607              | 39,067            |
| (Increase)/ Decrease in prepaid expenses   | (20,025)            | 2,156             |
| (Decrease)/ Increase in accounts payable and accrued expenses                                  | 35,700              | (218,176)         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>\$ 541,025</b>   | <b>\$ 552,153</b> |

**SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:**

At December 31, 2014 materials and other construction costs in the amount of \$128,770 was incurred but not paid as of year end and therefore excluded from cash used for the purchase of property and equipment in 2014.

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

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MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Myakka Communications, Inc., (the "Company"), is a Florida corporation organized in February of 2010. The Company provides broadband services to rural portions of Manatee and Sarasota Counties.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC). Sales revenues are recognized at the point of sale when the services are provided to the customer. Grant revenues are recognized when earned at the time the assets are put into service and recognized over the life of the asset.

Sales Taxes

Sales taxes that the Company collects from customers and remits to taxing authorities are presented net in the financial statements. Therefore, these amounts are excluded from sales and operating expenses in the statements of income. The liability for amounts collected, but not yet remitted, is recorded in accrued expenses in the balance sheets.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent asset and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Materials on Hand

In connection with the construction project which was fully completed in 2015, the Company purchased materials in advance to be used in the project. The Company continues to maintain unused materials to be used in future projects. At December 31, 2015 and 2014, respectively, the Company has \$112,201 and \$168,806 of materials on hand.

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MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Company follows the guidance in ASC 740, *Income Taxes*, for accounting for income taxes. The Company is not a taxpaying entity for federal income tax purposes, and consequently no income tax expense has been recorded in these financial statements. Although the Company files a federal tax return pursuant to U.S. law, income of the Company is taxed to the Shareholders in their respective returns. The Company believes that it has adequately provided for all material tax positions in which the Company may be liable. However, amounts asserted by tax authorities could be different than the Company's position. Accordingly, the Company's provisions on federal, state or local tax-related matters could change as revised estimates are made or the underlying matters are settled or otherwise resolved.

As of December 31, 2015 and 2014, the Company does not believe that its estimates on such tax positions will significantly increase or decrease within the next twelve months. The Company has no ongoing federal, state or local tax audits; however, the Company's tax returns for the three previous fiscal year ends remain open to examination.

Depreciation

Depreciation of property and equipment is calculated on the straight-line method for financial reporting purposes at rates based on the estimated useful lives of the assets ranging from 3 – 25 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Depreciation expense for the years ended December 31, 2015 and 2014 was \$436,268 and \$307,639, respectively.

Revenue Recognition – Grants

The Company records grant proceeds as deferred revenue upon receipt. The revenue is then recognized based on the proportionate value of each asset class to the total value of all assets at the time the asset is placed in service, over the useful life of the asset. A total of \$298,021 and \$228,505 of grant proceeds were recognized as income in 2015 and 2014, respectively. \$5,149,640 and \$5,040,714 is considered unearned as of December 31, 2015 and 2014, respectively.

Grants receivable consist of amounts due as reimbursement for expenditures incurred in accordance with the U.S. Department of Agriculture, Rural Utility Services (RUS). Grants receivable at December 31, 2015 and 2014, was \$-0- and \$38,333, respectively. Grants receivable are stated at the amount management expects to collect on outstanding balances. At December 31, 2014, management deemed substantially all of the grants receivable to be fully collectible, and as a result, no allowance for doubtful accounts was established. There were no grants receivable at December 31, 2015.

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MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Risk Concentration

Financial instruments that potentially subject the Company to concentrations of credit risk are cash. The Company maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and at various times during the year they may exceed this limit. At December 31, 2015, cash balances in banks exceeded FDIC insured limits by \$957,682. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company extends credit to its customers in the normal course of business. The Company does not require collateral. Management does not believe that it is exposed to significant credit risk in connection with the extension of credit to its customers. Historical provisions for bad debt and write-offs have not been significant in relation to the Company's results of operations.

NOTE B - FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The Company does not measure certain financial instruments at fair value on a recurring basis; however, these financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses.

NOTE C - LONG-TERM DEBT

The Company has entered into an agreement with the U.S. Department of Agriculture, Rural Utility Services (RUS) under the Broadband Initiatives Program (BIP). Under the terms of the agreement, the Company is to receive funding for the broadband project from RUS in the form of grants and loans. The project will be funded as 25% loans and 75% grants. The total amount approved under the agreement as loans is \$1,963,930. The Company requests each draw as needed in order to purchase materials and complete the project. The loan portion of the agreement is pursuant to a promissory note between the Company and the U.S. Government through RUS. Each advance is subject to interest published by the Secretary of the Treasury equal to the cost of borrowing of the Department of Treasury for obligations, as determined by the Government of comparable maturity.

As a result, interest rates may vary for each advance amount. Interest payments begin the month following the advance. Principal payments begin after one year. The principal matures September of 2031. Long-term debt consisted of the following loan amounts at December 31, 2015:

MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

NOTE C - LONG-TERM DEBT - CONTINUED

| <u>Advance Date</u>  | <u>Interest Rate</u> | <u>Maturity</u> | <u>Advance Amount</u> | <u>Principal Outstanding</u> |
|----------------------|----------------------|-----------------|-----------------------|------------------------------|
| 4/20/11              | 4.21%                | 9/13/2031       | \$ 1,709              | \$ -0-                       |
| 5/23/11              | 4.01%                | 9/13/2031       | 9,288                 | 1,791                        |
| 5/26/11              | 4.00%                | 9/13/2031       | 50,925                | 43,850                       |
| 9/06/11              | 2.92%                | 9/13/2031       | 120,380               | 102,030                      |
| 9/19/11              | 2.96%                | 9/13/2031       | 125,551               | 106,478                      |
| 12/05/11             | 2.72%                | 9/13/2031       | 115,621               | 97,703                       |
| 12/20/11             | 2.46%                | 9/13/2031       | 93,712                | 78,866                       |
| 1/20/12              | 2.69%                | 9/13/2031       | 79,600                | 67,233                       |
| 3/26/12              | 2.95%                | 9/13/2031       | 145,344               | 123,246                      |
| 6/22/12              | 2.25%                | 9/13/2031       | 122,903               | 104,159                      |
| 8/31/12              | 2.29%                | 9/13/2031       | 95,788                | 81,790                       |
| 10/02/12             | 2.33%                | 9/13/2031       | 75,000                | 64,527                       |
| 1/15/13              | 2.55%                | 9/13/2031       | 86,997                | 75,857                       |
| 3/11/13              | 2.77%                | 9/13/2031       | 99,558                | 87,656                       |
| 5/22/13              | 2.61%                | 9/13/2031       | 86,631                | 76,682                       |
| 6/18/13              | 2.87%                | 9/13/2031       | 28,590                | 25,464                       |
| 10/25/13             | 3.14%                | 9/13/2031       | 65,629                | 59,421                       |
| 2/5/14               | 3.16%                | 9/13/2031       | 53,581                | 49,221                       |
| 2/20/14              | 3.25%                | 9/13/2031       | 83,366                | 76,631                       |
| 4/4/14               | 3.23%                | 9/13/2031       | 109,153               | 101,037                      |
| 6/12/14              | 3.05%                | 9/13/2031       | 74,717                | 69,584                       |
| 10/23/14             | 2.58%                | 9/13/2031       | 91,837                | 86,619                       |
| 1/29/15              | 1.94%                | 9/13/2031       | 8,955                 | 8,527                        |
| 7/22/15              | 2.61%                | 9/13/2031       | 79,899                | 78,177                       |
| 8/12/15              | 2.36%                | 9/13/2031       | 59,195                | 58,143                       |
|                      |                      |                 | <u>\$ 1,963,929</u>   | <u>\$ 1,724,692</u>          |
| Less current portion |                      |                 |                       | (89,242)                     |
| Long-term portion    |                      |                 |                       | <u>\$ 1,635,450</u>          |

Future maturities of long-term debt are as follows:

|            | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|------------|---------------------|-------------------|---------------------|
| 2016       | \$ 89,242           | \$ 46,652         | \$ 135,894          |
| 2017       | 91,559              | 44,335            | 135,894             |
| 2018       | 94,128              | 41,766            | 135,894             |
| 2019       | 96,770              | 39,123            | 135,893             |
| 2020       | 99,485              | 36,409            | 135,894             |
| Thereafter | <u>1,253,508</u>    | <u>197,313</u>    | <u>1,450,821</u>    |
|            | <u>\$ 1,724,692</u> | <u>\$ 405,598</u> | <u>\$ 2,130,290</u> |

Interest expense during 2015 and 2014 was \$47,085 and \$20,038, respectively, and was charged to expense as incurred. In 2015 and 2014, interest of \$-0- and \$23,136 was capitalized. The project was substantially completed in 2014, and therefore, there are no additional considerations of capitalized interest. Pursuant to the agreement, there are also certain covenants that the Company must comply with. At December 31, 2015, Management believes that the Company is in compliance

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MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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NOTE C – LONG-TERM DEBT – CONTINUED

with the covenants. The note is secured by the interest in collateral, which includes all personal property, assets, rights, and fixtures of the Company acquired with the award funds and together with all rents, income accounts receivable, revenue proceeds, products and profits. The Company is also required to maintain a pledge cash account for all loan proceeds which was closed in 2015 with the completion of the project.

NOTE D – RELATED PARTY TRANSACTIONS

The Company is related through common ownership to another Organization (related party). The Company leases tower space from the related party. The lease term began January 1, 2011 and is for five years, with an option for an additional five year term, at the election of the Company. The rent is \$1,000 per tower, (for eight towers), per year. Although the lease began January 1, 2011, no expense was incurred until 2015. The lease term began in 2015 and the lease date was modified to reflect this change. Expected future lease commitments under this lease are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016        | \$ 8,000      |
| 2017        | \$ 8,000      |
| 2018        | \$ 8,000      |
| 2019        | \$ 8,000      |

In 2015, the year the lease was modified to begin, the company did not make any payments for the leased towers. Accordingly, a payable to the related party of \$8,000 was recognized in accordance with the lease agreement. This amount is included in accounts payable as of December 31, 2015.

The Company has also entered into an agreement for customer service support with the related party. The related organization will provide installation of new customers from the optical network terminal to the computer or router, maintain billing, customer service, network administration, monitoring and maintenance, as well as e-mail systems. The term of the contract is five years, beginning July 1, 2013. The Company is to pay \$15 per active customer, per month. Total expense incurred during 2015 and 2014 was \$318,945 and \$256,230, respectively. Based on the number of customers at December 31, 2015, the Company expects future commitments under this agreement to approximate \$315,000 per year.

The Company has entered into an agreement with the related party to receive bandwidth. The term of the contract is for five (5) years, and began July 1, 2013. The payment terms vary over the term of the contract based on customers and bandwidth. Total expense incurred during 2015 and 2014 was \$40,200 and \$40,200, respectively.

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MYAKKA COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

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NOTE D – RELATED PARTY TRANSACTION – CONTINUED

Expected future rental commitments under the contract are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016        | \$ 40,200     |
| 2017        | \$ 40,200     |
| 2018        | \$ 20,100     |

The Company leases its office space from High Noon Lanco, inc. which is owned by the same interests as the Company. High Noon Lanco, Inc.'s only activity is the leasing of its facility to the Company which was purchased with cash and currently has no mortgage. The term of the lease agreement was for two years, and ended on December 31, 2015. Rent expense during 2015 was \$30,000. During 2015, the Company signed a new two year lease expiring December 31, 2017. Expected future rental commitments under the contract are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016        | \$ 30,000     |
| 2017        | \$ 30,000     |

The above related party transactions are not necessarily indicative of the terms and amounts that would have been incurred had a comparable transaction been entered into with independent parties.

NOTE E- SUBSEQUENT EVENTS

Subsequent events were evaluated through March 31, 2016, which is the date the financial statements were available to be issued.

OTHER AUDITOR'S REPORTS



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*

The Board of Directors  
Myakka Communications, Inc.

We have audited, in accordance with the 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, the financial statements of Myakka Communications, Inc. as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated March 31, 2016.

**Internal Control Over Financial Reporting**

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

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 31, 2016  
Bradenton, Florida

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND  
REGULATORY REQUIREMENTS FOR TELECOMMUNICATION BORROWERS

To the Board of Directors  
Myakka Communications, Inc.  
Myakka City, Florida

We have audited, 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, the financial statements of Myakka Communications, Inc. (the Company) which comprise the balance sheet as of December 31, 2015, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2016. In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the Company'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. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Myakka Communications, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Company's accounting and records to indicate that the Company did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts.
- Reconcile continuing property records to the controlling general ledger plant accounts.
- Clear construction accounts and accrue depreciation on completed construction.
- Record and properly price the retirement of plant, if applicable.

- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap.
- Maintain adequate control over materials and supplies.
- Prepare accurate and timely Financial and Operating Reports.
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telecommunications system.
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles.
- Record depreciation in accordance with RUS requirements.
- Comply with the requirement for the detailed schedule of investments. Since there are no investments, there is no schedule of investments.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P. A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 31, 2016  
Bradenton, Florida