



*REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS*

*FOR*

**VERMONT UNIVERSAL SERVICE FUND**

*June 30, 2017*

**MOSSADAMS.COM**

## Table of Contents

---

	PAGE
<b>Report of Independent Auditors</b>	1–2
<b>Management’s Discussion and Analysis</b>	3–6
<b>Financial Statements</b>	
Balance sheet	7
Statement of revenues, expenditures, and changes in fund balance	8
Notes to financial statements	9–13
<b>Report of Independent Auditors 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></b>	14–15



## Report of Independent Auditors

To the Vermont Public Service Department  
Vermont Universal Service Fund  
Montpelier, Vermont

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

We have audited the accompanying financial statements of the Vermont Universal Service Fund (VUSF), a special revenue fund established by the Vermont Public Service Department (VPSD) and administered by Solix, Inc. (Solix), which comprise the balance sheet as of June 30, 2017, and the related statement of revenues, expenditures, and changes in fund balance for the year 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 VUSF as of June 30, 2017 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.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the VUSF and do not purport to and do not present fairly the financial position of the state of Vermont as of June 30, 2017, and the changes in its financial position for the year then ended, in conformity 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 budget and actual comparison on pages 3 through 6 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the VUSF'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 VUSF's internal control over financial reporting and compliance.

*Moss Adams LLP*

Overland Park, Kansas  
October 26, 2017

# Vermont Universal Service Fund

## Management's Discussion and Analysis

---

### OVERVIEW

This section of the Vermont Universal Service Fund's (VUSF) annual financial report presents management's discussion and analysis of the VUSF's financial performance during the fiscal years ended on June 30, 2017 and 2016. It should be read in conjunction with the VUSF's financial statements, which follow this section.

This annual report consists of two parts management's discussion and analysis and the basic financial statements. The basic financial statements also include notes that explain key information contained in the financial statements and provide further details on select data. The Balance sheet presents information on the VUSF's assets and liabilities, with the difference being reported as Fund balance. The Statement of revenues, expenditures, and changes in fund balance presents information on how the VUSF's Fund balance changed during the fiscal year ended on June 30, 2017.

### COMPARATIVE CONDENSED FINANCIAL INFORMATION

	(In Thousands)	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,579	\$ 2,783
Receivable from contributors	<u>551</u>	<u>632</u>
Total assets	<u>3,130</u>	<u>3,415</u>
Payable to service agencies	109	66
Payable to contributors - lifeline assistance	41	45
Payable to contributors - lifeline admin	1	7
Payable to contributors	11	11
Accounts payable and accrued expenses	<u>31</u>	<u>25</u>
	<u>193</u>	<u>154</u>
Fund balance - unrestricted	564	461
Fund balance - restricted, connectivity fund	<u>2,373</u>	<u>2,800</u>
Total liabilities and fund balance	<u>\$ 3,130</u>	<u>\$ 3,415</u>

## Vermont Universal Service Fund Management's Discussion and Analysis

	(In Thousands)	
	2017	2016
Assessments	\$ 6,237	\$ 6,543
Wholesale performance plan	5	10
Late payment charges	4	3
Total operating revenues	6,246	6,556
Amounts paid and due to service agencies	5,027	5,372
Lifeline administration	21	40
Lifeline credits	528	551
Connectivity initiative	423	270
High cost	475	-
Administrative costs	106	132
Total operating expenses	6,580	6,365
Interest income	10	3
Change in fund balance	\$ (324)	\$ 194

### FINANCIAL HIGHLIGHTS

The VUSF unrestricted fund balance as of June 30, 2017 and 2016 was approximately \$564 thousand and \$461 thousand, respectively. The VUSF restricted fund balance for Connectivity Fund as of June 30, 2017 and 2016 was approximately \$2.373 million and \$2.800 million, respectively. The VUSF total assessments for fiscal years 2017 and 2016 were approximately \$6.237 million and \$6.543 million, respectively. The VUSF total wholesale performance plan for fiscal years 2017 and 2016 was approximately \$5 thousand and \$10 thousand, respectively. The VUSF total late payment charges for fiscal years 2017 and 2016 were approximately \$4 thousand and \$3 thousand, respectively. The VUSF total amounts paid and due to service agencies for fiscal years 2017 and 2016 were approximately \$5.027 million and \$5.372 million, respectively. The VUSF total lifeline administration for fiscal years 2017 and 2016 was approximately \$21 thousand and \$40 thousand, respectively. The VUSF total lifeline credits for fiscal years 2017 and 2016 were approximately \$528 thousand and \$551 thousand, respectively. The VUSF total connectivity initiative expense for fiscal years 2017 and 2016 was approximately \$423 thousand and \$270 thousand, respectively. The VUSF total high cost expense for fiscal years 2017 and 2016 was approximately \$475 thousand and \$0 thousand, respectively. The VUSF total administrative costs for fiscal years 2017 and 2016 were approximately \$106 thousand and \$132 thousand, respectively.

As of June 30, 2017, the VUSF had a receivable balance of approximately \$551 thousand consisting primarily of receivable from contributors. Amounts payable include payables to service agencies of \$109 thousand, payable to contributors – lifeline assistance of \$41 thousand, payable to contributors – lifeline administrative expenses of \$1 thousand, payable to contributors of \$11 thousand, and accounts payable and accrued expenses of \$31 thousand. This compares to a receivable balance as of June 30, 2016, of approximately \$632 thousand consisting primarily of receivable from contributors. Amounts payable include payables to service agencies of \$66 thousand, payable to contributors – lifeline assistance of \$45 thousand, payable to contributors – lifeline administrative expenses of \$7 thousand, payable to contributors of \$11 thousand, and accounts payable and accrued expenses of \$25 thousand. The VUSF maintained an adequate cash flow and balance of funds to satisfy all obligations during 2017 and 2016.

# Vermont Universal Service Fund

## Management's Discussion and Analysis

---

### 2017 AND 2016 COMPARISON

Management notes the following four line items with significant variances between balances in 2017 and 2016: 1) Cash and cash equivalents; 2) Assessment revenues; 3) Amounts paid and due to service agencies; and 4) High cost.

**Cash and cash equivalents** - The decrease in Cash and cash equivalents was primarily due to disbursements to the Connectivity Initiative and High Cost programs.

**Assessment revenues** - The decrease in Assessments was primarily because one carrier reported 2015 and 2016 annual assessments in 2016. Once this carrier was identified, they were billed retroactively for all active periods of the VUSF in which they were operating in the state. The assessment rate remained the same in 2017.

**Amounts paid and due to service agencies** - The decrease in Amounts paid and due to service agencies was due to an E911 special disbursement in 2016 resulting from a mid-year budget adjustment enacted by the General Assembly of the State of Vermont.

**High cost** - The increase in High Cost was due to payments authorized in 2017 as part of the Connectivity Initiative created by the VPSD.

### 2017 BUDGET AND ACTUAL COMPARISON

	(In Thousands)		
	Budget	Actual	Variance
Revenues	\$ 5,871	\$ 6,256	\$ 385
Expenditures			
Lifeline	534	528	(6)
Lifeline admin	40	21	(19)
E 911	4,770	4,761	(9)
TRS	253	191	(62)
Equipment disbursement	75	75	-
Connectivity initiative	-	423	423
High cost	-	475	475
Program administration	71	71	-
Bank fees	17	16	(1)
Audit fees	19	19	-
Total expenditures	<u>5,779</u>	<u>6,580</u>	<u>801</u>
Revenues over (under) expenditures	<u>\$ 92</u>	(324)	<u>\$ (416)</u>
Fund balance, beginning of year		3,261	
Fund balance, end of year		<u>\$ 2,937</u>	

Expenses were above budget due to authorized disbursements to the Connectivity Initiative and High Cost programs.

**Vermont Universal Service Fund  
Management's Discussion and Analysis**

---

**2016 BUDGET AND ACTUAL COMPARISON**

	(In Thousands)		
	Budget	Actual	Variance
Revenues	\$ 6,419	\$ 6,559	\$ 140
Expenditures			
Lifeline	723	551	(172)
Lifeline admin	46	40	(6)
E 911	4,605	5,130	525
TRS	237	198	(39)
Equipment disbursement	75	44	(31)
Connectivity initiative	270	270	-
High cost	-	-	-
Program administration	70	75	5
Bank fees	12	20	8
Audit fees	20	37	17
Total expenditures	6,058	6,365	307
Revenues over (under) expenditures	\$ 361	194	\$ (167)
Fund balance, beginning of year		3,067	
Fund balance, end of year		\$ 3,261	

Expenses were above budget primarily due to a special disbursement to E911 resulting from Bill H.875.

This page intentionally left blank.

**Vermont Universal Service Fund**  
**Balance Sheet**  
**(In Thousands)**

---

**ASSETS**

	June 30, 2017
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,579
Receivable from contributors	551
	<hr/>
TOTAL ASSETS	<u>\$ 3,130</u>

**LIABILITIES AND FUND BALANCE**

CURRENT LIABILITIES	
Payable to service agencies	\$ 109
Payable to contributors - lifeline assistance	41
Payable to contributors - lifeline administration	1
Payable to contributors	11
Accounts payable and accrued expenses	31
	<hr/>
Total current liabilities	193
	<hr/>
FUND BALANCE	
Fund balance - unrestricted	564
Fund balance - restricted, connectivity fund	2,373
	<hr/>
Total fund balance	2,937
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,130</u>

**Vermont Universal Service Fund**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance**  
**(In Thousands)**

	June 30, 2017
<b>REVENUES</b>	
Assessments	\$ 6,237
Wholesale performance plan	5
Late payment charges	4
Total revenues	6,246
<b>EXPENDITURES</b>	
Amounts paid and due to service agencies	5,027
Lifeline administration	21
Lifeline credits	528
Connectivity initiative	423
High cost	475
Administrative costs	106
Total expenditures	6,580
<b>NON-OPERATING INCOME</b>	
Interest income	10
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(324)
<b>FUND BALANCE - UNRESTRICTED, beginning of year</b>	461
<b>FUND BALANCE - RESTRICTED, beginning of year</b>	2,800
Total fund balance, beginning of year	3,261
<b>FUND BALANCE - UNRESTRICTED, end of year</b>	564
<b>FUND BALANCE - RESTRICTED, end of year</b>	2,373
Total fund balance, end of year	\$ 2,937

# Vermont Universal Service Fund

## Notes to Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies

**Description of entity** – In 1994, the Vermont General Assembly passed a law (“Act 197”) establishing the Vermont Universal Service Fund (VUSF), a special reserve fund of the state of Vermont. The VUSF supports the Vermont Enhanced 911 (“E911”), Telecommunications Relay Service (“TRS”), Telecommunications Equipment Distribution and Lifeline Assistance programs, and is supported by a Universal Service Fund assessment (“USF Assessment”) on all retail telecommunications services provided to a Vermont address. The USF Assessment is collected from telecommunications service agencies and paid, via a monthly remittance advice, to Solix, Inc., which was selected by the Vermont Public Service Department (VPSD) to act as the Fiscal Agent of the VUSF. In accordance with the terms of the contract signed in July 2015, Solix, Inc. will act as Fiscal Agent for the period of July 1, 2015 through June 30, 2018.

The VUSF assessment rate is set by statute and can only be changed by an act of the General Assembly. The assessment rate is 2.00 percent of total retail telecommunications revenue for the period July 1, 2015 to June 30, 2017.

**Special revenue fund** – The VUSF is a special revenue fund established by the VPSD. The financial statements presented are not a reflection of the financial position or changes in financial position of the state of Vermont.

**Basis of presentation** – These statements have been prepared on the accrual basis in accordance with standards promulgated by the Governmental Accounting Standards Board (“GASB”), for the period presented. Act 197 permits carriers to file their monthly remittances disclosing revenues on either a cash or accrual basis. The financial statement caption of “receivable from contributors” on the balance sheet, as well as the “assessments” on the statement of revenues, expenditures, and changes in fund balance is misstated by the difference of what is reported by the carriers reporting on a cash basis versus what would be reported by the carriers if they utilized the accrual basis. This difference was insignificant during the fiscal year ended June 30, 2017 as only one carrier reported on the cash basis during the period. The VUSF’s financial statement presentation follows the recommendation of GASB No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” and amendments. GASB No. 34 as amended establishes standards for financial reporting for state and local governments.

**Accounting estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

# Vermont Universal Service Fund

## Notes to Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies (continued)

**Cash and cash equivalents** – Cash consists of deposits held in banks. All highly liquid securities, purchased with maturity of three months or less, are considered cash equivalents. Interest is credited to the VUSF when earned and the average investment rate was 0.5046 percent and 0.3103 percent for the years ended June 30, 2017 and 2016, respectively. Cash equivalents consist of the following at June 30, 2017:

Certificate of deposit through the Certificate of Deposit Account Register Service (CDARS)			
<u>Interest Rate</u>	<u>Issue Date</u>	<u>Expiration Date</u>	<u>2017</u>
0.91%	6/29/2017	7/27/2017	\$1,940,000

**Income taxes** – These financial statements present the activities of the VUSF. The activities of the VUSF are tax-exempt since the VUSF is a special reserve fund of the state of Vermont and therefore not subject to federal or state income taxes or sales, use, gross receipts or other taxes. As such, no provision for taxes has been reflected in the accompanying financial statements.

**Revenue recognition** – Operating revenues consist of all assessment related revenues. All Vermont telecommunications service agencies are permitted to assess their customers based on usage at a statutory rate that is applied to interstate retail revenues. The assessments are then remitted to the VUSF. It is the VUSF's policy to recognize assessments, relating to the current fiscal year, received within two months after fiscal year end. Late remittances after two months are recognized in the subsequent period and were insignificant for the period subsequent to June 30, 2017.

### Note 2 – Concentration of Credit and Business Risk

The Fund periodically maintains cash balances at various financial institutions, and may at times exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Since these are high quality financial institutions, management does not believe the Fund is exposed to any significant credit risk on its cash and cash equivalent balances. The VUSF's bank deposits that exceeded amounts covered by the FDIC insurance coverage was \$389 thousand as of June 30, 2017. CDARS breaks down investments into smaller amounts and invests in CD's through a number of other banks so that the entire amount is eligible for FDIC Insurance.

### Note 3 – Assessments

Assessments reflect the gross assessments for the year ended June 30, 2017 which were \$6,237 thousand. Assessments to the VUSF represent identified carriers that are operating in the state of Vermont. The Administrator searches publicly available resources to identify carriers operating in the state of Vermont that are not contributing to the VUSF. In addition, the VPSD should notify the Fiscal Agent when new carriers are certified to offer service in the state of Vermont. Once the carriers are identified, they are billed retroactively for all active periods of the VUSF in which they were operating in the state. The cumulative billings for prior periods, reporting of delinquent contributors and true-ups are out-of-period adjustments, and are included in contributions in the period in which they are billed or determined.

# Vermont Universal Service Fund

## Notes to Financial Statements

---

### Note 4 – Administration Services Contract/Related Parties

As stated in the contract between the VPSD and Solix, Solix is paid under a not-to-exceed amount each fiscal year. The 2017 fiscal year contracted not-to-exceed amount was \$81 thousand, and Solix's actual service costs totaled approximately \$71 thousand.

The administrator is considered a related party; as per their contract, they are required to perform certain functions of management for the fund.

### Note 5 – Administrative Costs

As stated in the contract between the VPSD and the Administrator, the Administrator is reimbursed under a fixed amount each fiscal year plus any allowable variable costs, as defined. Payments to an independent accountant for an annual audit are paid out of the fund. Solix, Inc. was appointed administrator of the VUSF effective July 1, 2015.

The administrative costs for the year ended June 30, 2017 were as follows:

	(In Thousands)
	<u>2017</u>
Administrative costs	\$ 71
Bank fees	16
Audit fees	19
Total administrative costs	<u>\$ 106</u>

### Note 6 – Amounts Paid and Due to Service Agents

Distributions to the State Treasurer of Vermont were made by the Administrator, as Fiscal Agent, for the year ended June 30, 2017, as directed by the Vermont Public Service Department and Rule Vermont Title 30 Chapter 88 §7503. These directives require all TRS, Equipment Distribution, Outreach Services and E911 disbursements to be paid to the State Treasurer in amounts determined by the Vermont Department of Public Service. According to Act 197, Lifeline Assistance support payments are deducted from remittances by participating exchange carriers. Therefore, Lifeline Assistance amounts are considered paid when reported. During the 2017 fiscal year, the total disbursements were \$6,474 thousand.

**Vermont Universal Service Fund**  
**Notes to Financial Statements**

---

**Note 6 – Amounts Paid and Due to Service Agents (continued)**

The support disbursements were as follows:

	(In Thousands)
	<u>2017</u>
Enhanced 911	\$ 4,761
TRS	191
Equipment distribution	<u>75</u>
Total	5,027
Lifeline administration	21
Lifeline credits	528
Connectivity initiative	423
High cost	<u>475</u>
	<u><u>\$ 6,474</u></u>

**Note 7 – Wholesale Performance Plan Stipulation and Settlement Agreement**

The Wholesale Performance Plan was established by Order No. 7506 on March 25, 2015 (“WPP Agreement”). WPP is a self-executing remedy plan intended to ensure that FairPoint will provide service, access and interconnection to Competitive Local Exchange Carrier’s consistent with applicable legal requirements. It measures FairPoint’s wholesale performance. FairPoint Communications has paid \$5 thousand for Mode of Entry penalties under the WPP.

# Vermont Universal Service Fund

## Notes to Financial Statements

---

### Note 8 – Connectivity Fund

The Connectivity Fund designated appropriations from the VUSF pursuant to 30 V.S.A. §7516 were \$461 thousand for fiscal year 2017. In addition, \$300 thousand was appropriated to the Connectivity Initiative in fiscal year 2017 as part of the FY17 Capital Construction Budget Adjustment Act 160. In fiscal year 2017, the fund was required to disburse \$423 thousand to the Connectivity Initiative grant program and \$475 thousand to High Cost program. The Connectivity Fund balances for the year ended June 30, 2017 were as follows:

	(In Thousands)		
	2017		
	YTD Total	Connectivity Initiative	High Cost
Disbursements			
Connectivity initiative	\$ (423)	\$ (423)	\$ -
High cost	(475)	-	(475)
	<u>(898)</u>	<u>(423)</u>	<u>(475)</u>
Interest income	10	6	4
Appropriations			
FY17 Connectivity fund from VUSF	461	254	207
FY17 Capital bill- unfunded, due from Capital Bill	300	300	-
	<u>761</u>	<u>554</u>	<u>207</u>
Change in fund balance	<u>\$ (127)</u>	<u>\$ 137</u>	<u>\$ (264)</u>
Fund balance, beginning of year	\$ 2,800		
Fund balance, funded by VUSF, end of year	\$ 2,373		
Fund balance, unfunded, due from Capital Bill, end of year	300		
Total fund balance, end of year	<u>\$ 2,673</u>		
Fund balance, uncommitted	\$ 2,109		
Fund balance, committed	\$ 564		

This page intentionally left blank.

# **Report of Independent Auditors 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 Vermont Public Service Department  
Vermont Universal Service Fund  
Montpelier, Vermont

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 the Vermont Universal Service Fund (VUSF) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

## **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the VUSF'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 of 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.

*Moss Adams LLP*

Overland Park, Kansas  
October 26, 2017