



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**VERMONT UNIVERSAL SERVICE FUND**

June 30, 2022 and 2021

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## Report of Independent Auditors

The Vermont Public Service Department  
Vermont Universal Service Fund

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the 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), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the VUSF'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 VUSF as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards 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 VUSF 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 opinions.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the VUSF and do not present fairly the financial position of the state of Vermont as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

#### *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 VUSF'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 opinions. 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 VUSF'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 VUSF'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 through 9 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 December 2, 2022 on our consideration of 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 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 VUSF'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 VUSF's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Overland Park, Kansas  
December 2, 2022

# Vermont Universal Service Fund Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022 and 2021. 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 sheets present information on the VUSF's assets and liabilities, with the difference being reported as fund balance. The statements 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, 2022.

## COMPARATIVE CONDENSED FINANCIAL INFORMATION

	2022	(In Thousands) 2021	2020
Cash and cash equivalents	\$ 2,825	\$ 2,875	\$ 1,854
Receivable from contributors	524	566	659
<b>Total assets</b>	<b>3,349</b>	<b>3,441</b>	<b>2,513</b>
Payable to service agencies	887	909	768
Payable to contributors - lifeline assistance	4	13	13
Payable to contributors - lifeline administration	1	3	2
Payable to contributors	11	11	11
Accounts payable and accrued expenses	30	27	26
<b>Total</b>	<b>933</b>	<b>963</b>	<b>820</b>
Fund balance - unrestricted	(323)	(239)	(196)
Fund balance - restricted, Connectivity fund	2,739	2,717	1,889
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,349</b>	<b>\$ 3,441</b>	<b>\$ 2,513</b>

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

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### COMPARATIVE CONDENSED FINANCIAL INFORMATION (continued)

	2022	(In Thousands) 2021	2020
Assessments - USF and Connectivity	\$ 4,246	\$ 4,493	\$ 5,501
Wholesale performance plan	-	7	7
Prepaid revenue - USF	747	673	353
Prepaid revenue - Connectivity	-	135	71
Late payment charges	2	1	1
Connectivity tower rental	28	53	-
<b>Total operating revenues</b>	<b>5,023</b>	<b>5,362</b>	<b>5,933</b>
Amounts paid and due to service agencies	4,829	4,190	5,163
Lifeline administration	20	21	23
Lifeline credits	130	148	163
Connectivity initiative	-	108	30
Administrative costs	110	110	109
<b>Total operating expenses</b>	<b>5,089</b>	<b>4,577</b>	<b>5,488</b>
INTEREST INCOME	4	-	9
CHANGE IN FUND BALANCE	(62)	785	454
FUND BALANCE – UNRESTRICTED, beginning of year	(239)	(196)	407
FUND BALANCE – RESTRICTED, beginning of year	2,717	1,889	1,068
<b>TOTAL FUND BALANCE, beginning of year</b>	<b>2,478</b>	<b>1,693</b>	<b>1,475</b>
FUND BALANCE – UNRESTRICTED, end of year	(323)	(239)	(196)
FUND BALANCE – RESTRICTED, end of year	2,739	2,717	1,889
<b>TOTAL FUND BALANCE, end of year</b>	<b>\$ 2,416</b>	<b>\$ 2,478</b>	<b>\$ 1,693</b>

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

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### **FINANCIAL HIGHLIGHTS**

The VUSF unrestricted fund balance as of June 30, 2022 and 2021, was approximately \$(323,000) and \$(239,000), respectively. The VUSF restricted fund balance for Connectivity Fund as of June 30, 2022 and 2021, was approximately \$2.739 million and \$2.717 million, respectively. The VUSF total USF assessments for fiscal years 2022 and 2021 were approximately \$4.246 million and \$3.744 million, respectively. The VUSF total Connectivity assessments for fiscal years 2022 and 2021 were approximately \$0 and \$749,000, respectively. The VUSF total wholesale performance plan for each of the fiscal years 2022 and 2021 was approximately \$0 and \$7,000 respectively. The VUSF total USF prepaid revenue for fiscal years 2022 and 2021 were approximately \$747,000 and \$673,000, respectively. Prepaid wireless carriers report to the Vermont Department of Taxes effective January 1, 2020. The prepaid revenue provides more funds to the VUSF. The VUSF continued to monitor the cash flow and balance of funds during 2022 and 2021. The VUSF total Connectivity prepaid revenue for fiscal years 2022 and 2021 were approximately \$0 and \$135,000, respectively. The VUSF total late payment charges for each of the fiscal years 2022 and 2021 was approximately \$2,000 and \$1,000. The VUSF total other revenue – Connectivity tower rental fee for fiscal years 2022 and 2021 were approximately \$28,000 and \$53,000, respectively. The VUSF total amounts paid and due to service agencies for fiscal years 2022 and 2021 were approximately \$4.829 million and \$4.190 million, respectively. The VUSF total lifeline administration for fiscal years 2022 and 2021 were approximately \$20,000 and \$21,000, respectively. The VUSF total lifeline credits for fiscal years 2022 and 2021 were approximately \$130,000 and \$148,000, respectively. The VUSF total connectivity initiative expense for fiscal years 2022 and 2021 were approximately \$0 and \$108,000, respectively. The VUSF total administrative costs for fiscal years 2022 and 2021 were approximately \$110,000 and \$110,000, respectively.

As of June 30, 2022, the VUSF had a net payable balance of approximately \$407,000 consisting primarily of receivable from contributors of \$524,000, payable to service agencies of \$887,000, payable to contributors – lifeline assistance of \$4,000, payable to contributors – lifeline administrative expenses of \$1,000, payable to contributors of \$11,000, and accounts payable and accrued expenses of \$30,000. This compares to a net receivable balance as of June 30, 2021, the VUSF had a net payable balance of approximately \$397,000 consisting primarily of receivable from contributors of \$566,000, payable to service agencies of \$909,000, payable to contributors – lifeline assistance of \$13,000, payable to contributors – lifeline administrative expenses of \$3,000, payable to contributors of \$11,000, and accounts payable and accrued expenses of \$27,000. The VUSF maintained an adequate cash flow and balance of funds to satisfy all obligations during 2022 and 2021.

### **2022 AND 2021 COMPARISON**

Management notes the following six-line items with significant variances between balances in 2022 and 2021: 1) Assessments – USF; 2) Assessments – Connectivity; 3) Prepaid Revenue – Connectivity; 4) Amounts Paid and Due to Service Agencies; 5) Connectivity Initiative; and 6) Vermont Community Broadband Fund.

# Vermont Universal Service Fund Management's Discussion and Analysis

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## 2022 AND 2021 COMPARISON (continued)

### Assessments – USF

Beginning on July 1, 2019, the assessment rate increased by 0.40%, and monies collected from this increase in rate were transferred to the Connectivity Fund. Beginning in August 2021, they were transferred to the Vermont Community Broadband Fund instead of the Connectivity Fund. The USF Assessments continue to decrease due to lower total billed retail revenues. There are less contributors and overall customer demand for telephony has been decreasing. The assessment rate remained the same in 2022.

### Assessments – Connectivity

The Connectivity portion of the assessments were transferred to the Vermont Community Broadband Fund beginning in August 2021.

### Prepaid Revenue – Connectivity

The Connectivity portion of the prepaid revenue were transferred to the Vermont Community Broadband Fund beginning in August 2021.

### Amounts Paid and Due to Service Agencies

The decrease in amounts paid and due to service agencies was primarily due to a true up of an estimated adjustment in TRS disbursements. TRS actual disbursement for 2021 were lower than the accruals causing the change in estimate.

### Connectivity Initiative

No Connectivity initiative disbursement was authorized in 2022.

### Vermont Community Broadband Fund

The Vermont Legislature passed Act 71, which created the Vermont Community Broadband Fund (VCBB) and the Vermont Community Broadband Board. The purpose of the Board is to create and implement programs that will help Vermont reach its broadband availability goals. The VCBB supports the Boards operations and initiatives. Revenue generated from four-tenths percent of the 2.4% VUSF rate of charge is dedicated to the VCBB.

## 2021 AND 2020 COMPARISON

Management notes the following five-line items with significant variances between balances in 2021 and 2020: 1) Cash and Cash Equivalents; 2) Payable to Service Agencies; 3) Assessments – USF and Connectivity; 4) Prepaid Revenue – USF; and 5) Amounts Paid and Due to Service Agencies.

### Cash and Cash Equivalents

The increase in cash and cash was the result of the excess of receipts over payments in fiscal year 2021.

### Payable to Service Agencies

The increase in Payable to service agencies was primarily due to the accrual and timing of 2021 TRS disbursements.

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

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### 2021 AND 2020 COMPARISON (continued)

#### Assessments – USF & Connectivity

The decrease in USF & Connectivity assessments was due to lower total billed retail revenues. There are less contributors and overall customer demand for telephone has been decreasing. The assessment rate remained the same in 2021.

#### Prepaid Revenue – USF

Beginning January 2020, the Vermont Department of Taxes began collecting a point-of-sale Universal Service Charge that is remitted to the VUSF monthly. Prior to January of 2020, a charge was collected through assessments directly from the carriers.

#### Amounts Paid and Due to Service Agencies

The decrease in Amounts paid and due to service agencies was primarily due to a decrease in E911 disbursements. E911 payments were below budget as a result of low fund balance and payments being deferred.

### 2022 BUDGET AND ACTUAL COMPARISON

Revenues were below budget mainly because there are less contributors and overall customer demand for telephony has been decreasing. Expenses were below budget mainly because there are less E911 payments as a result of low fund balance.

	(In Thousands)		
	Budget	Actual	Variance
Revenues - operating and non-operating	\$ 5,173	\$ 5,027	\$ (146)
Expenditures			
Lifeline credits	148	130	(18)
Lifeline administration	21	20	(1)
E 911	4,468	3,926	(542)
TRS	184	43	(141)
VCBF	-	832	832
Equipment disbursement	27	28	1
Program administration	73	73	-
Bank fees	17	13	(4)
Audit fees	21	24	3
Total expenditures	4,959	5,089	130
REVENUES OVER EXPENDITURES	<u>\$ 214</u>	(62)	<u>\$ (276)</u>
FUND BALANCE, beginning of year		2,478	
FUND BALANCE, end of year		<u>\$ 2,416</u>	

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

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### 2021 BUDGET AND ACTUAL COMPARISON

	(In Thousands)		
	Budget	Actual	Variance
Revenues - operating and non-operating	\$ 5,945	\$ 5,362	\$ (583)
Expenditures			
Lifeline credits	162	148	(14)
Lifeline administration	23	21	(2)
E 911	4,811	3,911	(900)
TRS	204	254	50
Equipment disbursement	48	25	(23)
Connectivity initiative	-	108	108
Program administration	73	73	-
Bank fees	17	16	(1)
Audit fees	20	21	1
Total expenditures	5,358	4,577	(781)
REVENUES OVER EXPENDITURES	\$ 587	785	\$ 198
FUND BALANCE, beginning of year		1,693	
FUND BALANCE, end of year		\$ 2,478	

Revenues were below budget mainly because there are less contributors and overall customer demand for telephony has been decreasing.

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

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<b>ASSETS</b>		June 30,	
	<u>2022</u>	<u>2021</u>	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 2,825	\$ 2,875	
Receivable from contributors	524	566	
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 3,349</u>	<u>\$ 3,441</u>	
<b>LIABILITIES AND FUND BALANCE</b>			
<b>CURRENT LIABILITIES</b>			
Payable to service agencies	\$ 887	\$ 909	
Payable to contributors – lifeline assistance	4	13	
Payable to contributors – lifeline administration	1	3	
Payable to contributors	11	11	
Accounts payable and accrued expenses	30	27	
<b>Total current liabilities</b>	<u>933</u>	<u>963</u>	
<b>FUND BALANCE</b>			
Fund balance – unrestricted	(323)	(239)	
Fund balance – restricted, connectivity fund	2,739	2,717	
<b>Total fund balance</b>	<u>2,416</u>	<u>2,478</u>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,349</u>	<u>\$ 3,441</u>	

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See accompanying notes.

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

	Years Ending June 30,	
	2022	2021
<b>REVENUES</b>		
Assessments – USF and Connectivity	\$ 4,246	\$ 4,493
Wholesale performance plan	-	7
Prepaid revenue – USF	747	673
Prepaid revenue – Connectivity	-	135
Late payment charges	2	1
Connectivity tower rental	28	53
Total revenues	<u>5,023</u>	<u>5,362</u>
<b>EXPENDITURES</b>		
Amounts paid and due to service agencies	4,829	4,190
Lifeline administration	20	21
Lifeline credits	130	148
Connectivity initiative	-	108
Administrative costs	110	110
Total expenditures	<u>5,089</u>	<u>4,577</u>
<b>NON-OPERATING INCOME</b>		
Interest income	<u>4</u>	<u>-</u>
<b>SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	(62)	785
FUND BALANCE – UNRESTRICTED, beginning of year	(239)	(196)
FUND BALANCE – RESTRICTED, beginning of year	<u>2,717</u>	<u>1,889</u>
<b>TOTAL FUND BALANCE, beginning of year</b>	<u>2,478</u>	<u>1,693</u>
FUND BALANCE – UNRESTRICTED, end of year	(323)	(239)
FUND BALANCE – RESTRICTED, end of year	<u>2,739</u>	<u>2,717</u>
<b>TOTAL FUND BALANCE, end of year</b>	<u>\$ 2,416</u>	<u>\$ 2,478</u>

See accompanying notes.

# Vermont Universal Service Fund

## Notes to Financial Statements

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### **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 and Connectivity assessment (USF and Connectivity Assessment) on all retail telecommunications services provided to a Vermont address. The USF and Connectivity 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 effective July 1, 2015 through August 31, 2021. In accordance with the terms of the new contract signed in August 2021, Solix, Inc. will act as Fiscal Agent for the period of September 1, 2021 through June 30, 2023.

The VUSF assessment rate is set by statute and can only be changed by an act of General Assembly. The assessment rate is 2.40% of total retail telecommunications revenue for fiscal years 2022 and 2021.

#### **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 sheets, as well as the “assessments” on the statement of revenues, expenditures, and changes in fund balance varies 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. 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.

#### **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.

## Vermont Universal Service Fund

### Notes to Financial Statements

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

##### **Fair Value Measurements**

The VUSF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

##### **Fund Balance Classification**

The VUSF financial statements present the fund balance based on the specific purposes for which amounts in the fund can be spent. As of June 30, 2022 and 2021, approximately \$2,739 and \$2,717, respectively, of the fund balance are considered to be restricted for the Connectivity Fund due to constraints imposed by Vermont state legislation. Fund balances of approximately \$(323,000) and \$(239,000) were unrestricted in nature as of June 30, 2022 and 2021, respectively.

##### **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 periods subsequent to June 30, 2022 and 2021.

#### **Note 2 – Risk and Uncertainties**

*Custodial Risk* – Custodial risk is the risk that in the event of a financial institution failure, VUSF's deposits may not be returned. The Fund periodically maintains cash balances at various financial institutions, and may at times exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). Management does not believe the Fund is exposed to any significant custodial risk on its cash and cash equivalent balances.

## Vermont Universal Service Fund

### Notes to Financial Statements

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#### Note 2 – Risk and Uncertainties (continued)

*Business Risk* – Assessments reflect the gross assessments for the years ended June 30, 2022 and 2021, which were \$4,246 and \$4,493, respectively. 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.

*Credit Risk* – None of the investments have assigned credit ratings. The VUSF follows objectives to provide safety of the principal, allow liquidity and achieve a maximum return through investments in local financial institutions and in investment pools managed by Solix.

#### Note 3 – 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 2022 and 2021 fiscal years contracted not-to-exceed amount was \$250,000, and Solix’s actual service costs totaled approximately \$73,000 for both fiscal years.

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

#### Note 4 – 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 years ended were as follows:

	(In Thousands)	
	June 30, 2022	June 30, 2021
Administrative fees	\$ 73	\$ 73
Bank fees	13	16
Audit fees	24	21
Total administrative costs	\$ 110	\$ 110

## Vermont Universal Service Fund

### Notes to Financial Statements

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#### Note 5 – Expenditures

Distributions to the State Treasurer of Vermont were made by the Administrator, as Fiscal Agent, for the years ended June 30, 2022 and 2021, 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 VPSD. 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. The Vermont Community Broadband Fund (VCBB) was established in 2022, the 2.4% of the total retail telecommunications revenues were transferred to the VCBB. For the years ended June 30, 2022 and 2021, the total disbursements were \$4,979 and \$4,467, respectively.

As of June 30, 2022 and 2021, accrued but unpaid E911 disbursements were \$646,000 and \$683,000, respectively.

The support disbursements for the years ended were as follows:

	(In Thousands)	
	June 30, 2022	June 30, 2021
Enhanced 911	\$ 3,926	\$ 3,911
TRS	43	254
VCBB	832	-
Equipment distribution	28	25
Total	4,829	4,190
Lifeline administration	20	21
Lifeline credits	130	148
Connectivity initiative	-	108
Total	\$ 4,979	\$ 4,467

#### Note 6 – Wholesale Performance Plan Stipulation and Settlement Agreement

The Wholesale Performance Plan (WPP) was established by Order No. 7506 on March 25, 2015. 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 \$0 and \$7,000 for Mode of Entry penalties under the WPP for the years ended June 30, 2022 and 2021, respectively.

## **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***

The Vermont Public Service Department  
Vermont Universal Service Fund

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, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2022.

### **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 VUSF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VUSF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Overland Park, Kansas  
December 2, 2022