



Report of Independent Auditors
and Financial Statements

Vermont Universal Service Fund

June 30, 2024 and 2023

Table of Contents

	Page
Report of Independent Auditors	1
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	11
Statements of Revenues, Expenses and Changes in Fund Balance	12
Notes to Financial Statements	13
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>	17

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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. Our opinion is not modified with respect to this matter.

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 twelve 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 November 11, 2024, 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.

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

Overland Park, Kansas
November 11, 2024

Management's Discussion and Analysis

Vermont Universal Service Fund

Management's Discussion and Analysis

Years Ended June 30, 2024 and 2023

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 June 30, 2024 and 2023. 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 June 30, 2024.

COMPARATIVE CONDENSED FINANCIAL INFORMATION

	(In Thousands)		
	2024	2023	2022
Cash and cash equivalents	\$ 1,188	\$ 3,005	\$ 2,825
Receivable from contributors	555	510	524
Total assets	<u>\$ 1,743</u>	<u>\$ 3,515</u>	<u>\$ 3,349</u>
Payable to service agencies	\$ 964	\$ 921	\$ 887
Payable to contributors – lifeline assistance	7	10	4
Payable to contributors – lifeline administration	1	1	1
Payable to contributors	11	11	11
Accounts payable and accrued expenses	35	30	30
Total liabilities	<u>1,018</u>	<u>973</u>	<u>933</u>
Fund balance (deficit) – unrestricted	(381)	(321)	(323)
Fund balance – restricted, Connectivity Fund	1,106	2,863	2,739
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,743</u>	<u>\$ 3,515</u>	<u>\$ 3,349</u>

**Vermont Universal Service Fund
Management's Discussion and Analysis
Years Ended June 30, 2024 and 2023**

	(In Thousands)		
	2024	2023	2022
Assessments – USF and Connectivity	\$ 4,061	\$ 4,229	\$ 4,246
Prepaid revenue – USF	668	717	747
Late payment charges	1	-	2
Connectivity tower rental	27	28	28
	<u>4,757</u>	<u>4,974</u>	<u>5,023</u>
Total operating revenues			
Amounts paid and due to service agencies	3,759	3,860	3,997
Lifeline administration	18	17	20
Lifeline credits	106	131	130
Vermont Community Broadband Fund	2,630	824	832
Administrative costs	121	113	110
Bad debt recoveries	(1)	-	-
	<u>6,633</u>	<u>4,945</u>	<u>5,089</u>
Total operating expenses			
INTEREST INCOME	59	97	4
	<u>59</u>	<u>97</u>	<u>4</u>
CHANGE IN FUND BALANCE	(1,817)	126	(62)
	<u>(1,817)</u>	<u>126</u>	<u>(62)</u>
FUND BALANCE (DEFICIT) – UNRESTRICTED, beginning of year	(321)	(323)	(239)
FUND BALANCE – RESTRICTED, beginning of year	2,863	2,739	2,717
	<u>2,863</u>	<u>2,739</u>	<u>2,717</u>
TOTAL FUND BALANCE, beginning of year	2,542	2,416	2,478
	<u>2,542</u>	<u>2,416</u>	<u>2,478</u>
FUND BALANCE (DEFICIT) – UNRESTRICTED, end of year	(381)	(321)	(323)
FUND BALANCE – RESTRICTED, end of year	1,106	2,863	2,739
	<u>1,106</u>	<u>2,863</u>	<u>2,739</u>
TOTAL FUND BALANCE, end of year	\$ 725	\$ 2,542	\$ 2,416
	<u>\$ 725</u>	<u>\$ 2,542</u>	<u>\$ 2,416</u>

Vermont Universal Service Fund Management's Discussion and Analysis Years Ended June 30, 2024 and 2023

FINANCIAL HIGHLIGHTS

The VUSF unrestricted fund deficit as of June 30, 2024 and 2023 was approximately \$(381) thousand and \$(321) thousand, respectively. The VUSF restricted fund balance for Connectivity Fund as of June 30, 2024 and 2023 was approximately \$1.106 million and \$2.863 million, respectively. The VUSF total USF assessments for fiscal years 2024 and 2023 were approximately \$4.061 million and \$4.229 million, respectively. The VUSF total USF prepaid revenue for fiscal years 2024 and 2023 were approximately \$668 thousand and \$717 thousand, respectively. To combat the decreasing fund balance, 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 2024 and 2023. The VUSF total late payment charges for fiscal years 2024 and 2023 were approximately \$1 thousand and \$0, respectively. The VUSF total other revenue – connectivity tower rental fee for fiscal years 2024 and 2023 was approximately \$27 thousand and \$28 thousand, respectively. The VUSF total amounts paid and due to service agencies for fiscal years 2024 and 2023 were approximately \$3.759 million and \$3.860 million, respectively. The VUSF total lifeline administration for fiscal years 2024 and 2023 was approximately \$18 thousand and \$17 thousand, respectively. The VUSF total lifeline credits for fiscal years 2024 and 2023 were approximately \$106 thousand and \$131 thousand, respectively. The VUSF total Vermont Community Broadband Fund for fiscal years 2024 and 2023 was approximately \$2.630 million and \$824 thousand, respectively. The VUSF total administrative costs for fiscal years 2024 and 2023 were approximately \$121 thousand and \$113 thousand, respectively. The VUSF total bad debt recoveries for fiscal years 2024 and 2023 were approximately \$1 thousand and \$0, respectively.

As of June 30, 2024, the VUSF had a net payable balance of approximately \$463 thousand consisting primarily of receivable from contributors of \$555 thousand, payable to service agencies of \$964 thousand, payable to contributors – lifeline assistance of \$7 thousand, payable to contributors – lifeline administrative expenses of \$1 thousand, payable to contributors of \$11 thousand, and accounts payable and accrued expenses of \$35 thousand. This compares to a net payable balance as of June 30, 2023, of approximately \$463 thousand consisting primarily of receivable from contributors of \$510 thousand, payable to service agencies of \$921 thousand, payable to contributors – lifeline assistance of \$10 thousand, payable to contributors – lifeline administrative expenses of \$1 thousand, payable to contributors of \$11 thousand, and accounts payable and accrued expenses of \$30 thousand. The VUSF maintained an adequate cash flow and balance of funds to satisfy all obligations during 2024 and 2023.

2024 AND 2023 COMPARISON

Management notes the following two-line items with significant variances between balances in 2024 and 2023: 1) Cash and cash equivalents; and 2) Vermont Community Broadband Fund expenditures.

Cash and Cash Equivalents

The decrease in cash and cash equivalents is the result of the excess of payments over receipts in the fiscal year 2024. There was a \$1.8 million disbursement to the Vermont Community Broadband Fund in July 2023.

Vermont Community Broadband Fund

The increase in Vermont Community Broadband Fund was primarily due to a \$1.8 million disbursement authorized by the Department of Public Service.

**Vermont Universal Service Fund
Management's Discussion and Analysis
Years Ended June 30, 2024 and 2023**

2024 BUDGET AND ACTUAL COMPARISON

	(In Thousands)		
	Budget	Actual	Variance
Revenues – operating and non-operating	\$ 4,969	\$ 4,816	\$ (153)
Expenditures			
Lifeline credits	125	106	(19)
Lifeline administration	16	18	2
E911	4,796	3,686	(1,110)
TRS	55	59	4
Equipment disbursement	8	14	6
VCBF	826	2,630	1,804
Program administration	73	73	-
Bank fees	17	16	(1)
Audit fees	27	32	5
Bad debt recoveries	-	(1)	(1)
	5,943	6,633	690
Net expenditures			
	5,943	6,633	690
CHANGE IN FUND BALANCE	<u>\$ (974)</u>	<u>(1,817)</u>	<u>\$ (843)</u>
FUND BALANCE, beginning of year		<u>2,542</u>	
FUND BALANCE, end of year		<u>\$ 725</u>	

Revenues were below budget mainly because there are less contributors and overall customer demand for telephony has been decreasing. Expenses were above budget mainly because of the \$1.8 million payment to the Vermont Community Broadband Fund. E911 payments were lower as a result of low fund balance.

**Vermont Universal Service Fund
Management's Discussion and Analysis
Years Ended June 30, 2024 and 2023**

2023 BUDGET AND ACTUAL COMPARISON

	(In Thousands)		
	Budget	Actual	Variance
Revenues – operating and non-operating	\$ 5,013	\$ 5,071	\$ 58
Expenditures			
Lifeline credits	136	131	(5)
Lifeline administration	20	17	(3)
E911	4,588	3,802	(786)
TRS	130	55	(75)
Equipment disbursement	28	3	(25)
VCBF	813	824	11
Program administration	73	73	-
Bank fees	17	16	(1)
Audit fees	24	24	-
	5,829	4,945	(884)
CHANGE IN FUND BALANCE	\$ (816)	126	\$ 942
FUND BALANCE, beginning of year		2,416	
FUND BALANCE, end of year		\$ 2,542	

Expenses were below budget mainly because there are less E911 payments as a result of low fund balance.

Financial Statements

Vermont Universal Service Fund
Balance Sheets
June 30, 2024 and 2023

	(In Thousands)	
	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,188	\$ 3,005
Receivable from contributors	555	510
	<u>\$ 1,743</u>	<u>\$ 3,515</u>
TOTAL ASSETS	<u>\$ 1,743</u>	<u>\$ 3,515</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Payable to service agencies	\$ 964	\$ 921
Payable to contributors – lifeline assistance	7	10
Payable to contributors – lifeline administration	1	1
Payable to contributors	11	11
Accounts payable and accrued expenses	35	30
	<u>1,018</u>	<u>973</u>
Total current liabilities	1,018	973
Fund balance (deficit) – unrestricted	(381)	(321)
Fund balance – restricted, Connectivity Fund	1,106	2,863
	<u>725</u>	<u>2,542</u>
Net fund balance	725	2,542
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,743</u>	<u>\$ 3,515</u>

See accompanying notes.

Vermont Universal Service Fund
Statements of Revenues, Expenses and Changes in Fund Balance
Years Ended June 30, 2024 and 2023

	(In Thousands)	
	2024	2023
REVENUES		
Assessments – USF and Connectivity	\$ 4,061	\$ 4,229
Prepaid revenue – USF	668	717
Late payment charges	1	-
Connectivity tower rental	27	28
	4,757	4,974
EXPENDITURES		
Amounts paid and due to service agencies	3,759	3,860
Lifeline administration	18	17
Lifeline credits	106	131
Vermont Community Broadband Fund	2,630	824
Administrative costs	121	113
Bad debt recoveries	(1)	-
	6,633	4,945
NON-OPERATING INCOME		
Interest income	59	97
	(1,817)	126
CHANGE IN FUND BALANCE		
FUND BALANCE (DEFICIT) – UNRESTRICTED, beginning of year	(321)	(323)
FUND BALANCE – RESTRICTED, beginning of year	2,863	2,739
	2,542	2,416
NET FUND BALANCE, beginning of year		
FUND BALANCE (DEFICIT) – UNRESTRICTED, end of year	(381)	(321)
FUND BALANCE – RESTRICTED, end of year	1,106	2,863
	725	2,542
NET FUND BALANCE, end of year		
	\$ 725	\$ 2,542

See accompanying notes.

Vermont Universal Service Fund

Notes to Financial Statements

Note 1 – General

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, 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 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, and this contract was extended by one year, from June 30, 2023 to June 30, 2024. In May 2024, the contract was further amended to extend the term by two years, from June 30, 2024 to June 30 2026.

The VUSF assessment rate is set by statute and can only be changed by an act of the General Assembly. The assessment rate is 2.40 percent of total retail telecommunications revenue for fiscal years 2024 and 2023.

Note 2 – Summary of Significant Accounting Policies

A. 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 periods 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, expenses and changes in fund balance is understated 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.

B. Cash and cash equivalents

All highly liquid securities, purchased with maturity of three months or less, are considered cash equivalents. Connectivity fund was invested in a Federally Insured Cash Account (FICA) product beginning in September 2021. FICA allocates funds to the Federal Deposit Insurance Corporation (FDIC) insured financial institutions in a manner to ensure no institution receives more than the \$250,000 FDIC insurance limit.

Vermont Universal Service Fund

Notes to Financial Statements

C. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. 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 the fiscal year end. Late remittances are recognized in the subsequent period.

E. 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.

F. Special Revenue Fund

The VUSF is considered a special revenue fund of the state of Vermont. The financial statements presented are not a reflection of the financial position or changes in the financial position of the state of Vermont.

G. 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.

H. 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, 2024 and 2023, approximately \$1.106 million and \$2.863 million, 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 \$(381) thousand and \$(321) thousand were unrestricted in nature as of June 30, 2024 and 2023, respectively.

Vermont Universal Service Fund

Notes to Financial Statements

Note 3 – 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 FDIC. Management does not believe the Fund is exposed to any significant custodial risk on its cash and cash equivalent balances.

Business risk – Assessments reflect the gross assessments for the years ended June 30, 2024 and 2023, which were \$4,061 thousand and \$4,229 thousand, 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 4 – Administration Services Contract/Related Parties

As stated in the contract between the VPSD and Solix, Solix (Administrator) is paid under a not-to-exceed amount each fiscal year. The 2024 and 2023 fiscal years total 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 5 – Expenditures

Distributions to the State Treasurer of Vermont were made by the Administrator, as Fiscal Agent, for the years ended June 30, 2024 and 2023, 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. The Vermont Community Broadband Fund was established in 2022, the 0.4% of total retail telecommunications revenues were transferred to the Vermont Community Broadband Fund. During fiscal years 2024 and 2023, the total program disbursements were \$6.513 million and \$4.832 million, respectively.

Vermont Universal Service Fund
Notes to Financial Statements

The support disbursements were as follows:

	2024	2023
Enhanced 911	\$ 3,686	\$ 3,802
TRS	59	55
VCBF	2,630	824
Equipment distribution	14	3
Total	6,389	4,684
Lifeline administration	18	17
Lifeline credits	106	131
	\$ 6,513	\$ 4,832

Note 6 – 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 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.

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), a special revenue fund established by the Vermont Public Service Department (VPSD) and administered by Solix, Inc. (Solix), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2024.

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
November 11, 2024

