



Batchelder Associates, PC

March 11, 2022

To the Governing Board
Addison County Communications Union District
d/b/a Maple Broadband
14 Seminary Street
Middlebury, VT 05753

Dear Board of Directors,

This letter includes two separate forms of communication: *Communication with Those Charged with Governance at or Near the Conclusion of the Audit* and *Management Letter Comments*.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT OR NEAR THE CONCLUSION OF THE AUDIT

We have audited the financial statements of Addison County Communications Union District (ACCUD) d/b/a Maple Broadband for the period of inception to December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Maple Broadband are described in Note 1 to the financial statements. All existing accounting policies were adopted and developed during the period of inception to December 31, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Organization's financial statements would be the establishment of estimated useful lives used to calculate depreciation of property, plant and equipment and deferred income. We evaluated the key factors and assumptions used to develop the useful lives and deferred income in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We have attached the audit adjustments passed by finance governance and recorded to finalize and properly report the District's balances.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 11, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MANAGEMENT LETTER COMMENTS

In planning and performing our audit of the financial statements of Maple Broadband, as of and for the period of September 1, 2020 to year ended December 31, 2021, we considered its internal control to determine our auditing procedures for expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants. We noted certain matters involving internal controls that are presented below for your consideration. These comments and recommendations are offered with the hope of improving internal controls and financial reporting.

- We recognize that Maple Broadband was in the infancy stages of its organization, however, grant funds, especially federal and state grants which are federal pass-through funds require specific scrutiny. An internal control system

should exist in which an independent entity should be gathering and distributing mail, with those in charge approving and coding invoices to specific grant sources or unrestricted grant sources, where applicable. The authorization and coding should then be forwarded for data entry into the accounting system, invoices paid and then independently signed by someone other than those printing the checks. During our audit, we pulled several invoices to test, checking for such processes. Most of the invoices had an email thread that we gathered, showing approval and general coding. Some of the invoices did not have such backup. Beginning in January of 2022, we did observe a structured coding system, invoice and review, approval and signing directly on the invoice, showing a stronger system of controls. We suggest that this policy be reviewed and established as a formal policy of processing vendor invoices.

- QuickBooks, the accounting software used by Maple Broadband can use Classes. Classes can be used to track grants and funding sources. Currently, classes are being used, but more in the capacity of tracking budget items within the funding sources. This creates a cumbersome way of tracking your grants and does not lend itself to concise reporting.

We recommend that you establish Classes that correspond with your grant or funding source as a whole and use the chart of accounts within the general ledger to track the appropriate budget breakouts of each grant and funding source. For example: For grant # GR 02240-FY22-Act71PREC-01 (H360)

You would have a class with the above grant number and no sub-classes. Your system currently has sub-classes such as Bookkeeping, Detailed Network Design and Detailed Network Design Contingency. These items would be represented by general ledger account numbers. This would allow you to enter a budget for this particular grant in total and by general ledger account number. This would also help you track natural categories within your chart of accounts across all funding sources and the ability to track budgets by grant and organizationally wide.

- We recommend that you establish budgets by grant and organizationally wide and enter into the accounting system for monthly, quarterly and annual reporting and tracking.
- We found that some expenses were not specified to grants or funding sources. When using classes, there should be no unspecified or uncategorized expenses. At a minimum, they would be charged to General or Unrestricted funding.
- We would strongly recommend a collateralization or repurchase agreement in conjunction with your cash accounts to safeguard assets above the \$250,000 FDIC limits.
- We recommend you to be aware of all filing requirements of all grants including the State of Vermont Subrecipient filing required in the absence of a Uniform Guidance audit.

Restriction on Use

This information is intended solely for the information and use of the board of Addison County Communications Union District d/b/a Maple Broadband, and is not intended to be, and should not be, used by anyone other than these specified parties. Thank you for your help in a successful audit.

Bonnie Batchelder

Batchelder Associates, PC
Barre, Vermont
Vermont License # 945

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS

FOR THE PERIOD OF SEPTEMBER 1, 2020 TO YEAR ENDED DECEMBER 31, 2021

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
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Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Addison County Communications Union District
d/b/a Maple Broadband
14 Seminary Street
Middlebury, VT 05753

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of Addison County Communications Union District d/b/a Maple Broadband ("District") from the period of September 1, 2020, to December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit 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 includes 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 District'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 respective financial position of the business-type activities of the District as of December 31, 2021, and the respective changes in financial position and cash flows for the sixteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5. 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 Matters – Other Information

Other Reporting Required by "Government Auditing Standards"

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Batchelder Associates, PC

Batchelder Associates, PC
Barre, Vermont
VT License #945
March 11, 2022

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
MANAGEMENT AND DISCUSSION ANALYSIS
DECEMBER 31, 2021

Introduction

This section explains the general financial condition and results of operations of Addison County Communications Union District d/b/a Maple Broadband (District) for the 16-month period ended December 31, 2021. Please read this in conjunction with the District's financial statements, which begin on page 7.

Addison County Communications Union District d/b/a Maple Broadband

The District was formed in September 2020 and has spent the past 16 months creating an organization; selecting an operating partner, Waitsfield and Champlain Valley Telecom (WCVT); engaging an engineering firm, Vantage Point Solutions, to conduct preconstruction activities; obtaining a credit facility from the National Bank of Middlebury for the purchase of materials; applying for and receiving approval for \$2,561,450 in grant funding; and purchasing the necessary materials for the Phase 1 construction of its network. All these activities have been undertaken to enable the District to fulfil its mission to enhance the economic, educational, and medical well-being of the communities it serves by providing a high-speed, reliable, affordable fiber internet network to all unserved and underserved households and businesses of its member towns; supported by prompt, skilled, helpful customer service.

The lynchpin of this activity was the signing of a Network Management Agreement with Waitsfield and Champlain Valley Telecom in August 2021. That agreement defines the roles of Maple Broadband and WCVT. Maple Broadband will finance, engineer, build, and own the network in all areas that are not part of WCVT's territory. WCVT, on behalf of Maple Broadband, will maintain and repair the network and connect the network to the customer. In addition, it will deliver internet and voice service to Maple Broadband customers; install, monitor, and maintain all customer equipment and be responsible for all aspects of the customer relationship.

Financial Highlights

Key financial highlights for the period September 1, 2020, to December 31, 2021, are as follows:

Operating Revenues

Grants

For the 16-month period ending December 31, 2021, the District has been awarded grants totaling \$2,561,450 and has received a portion of those grant proceeds totaling \$807,075. Unearned grant income (shown on the Statement of Net Position as a deferred inflow of resources in the amount of \$616,431) represents unexpended grant funds. Still to be received is cash totaling \$1,754,375 from the original Act 71 Preconstruction Grant agreement.

In addition, the District has been notified that it has been approved for a \$30,000 USDA Rural Business Development Grant.

Subsequent to December 31, 2021, the District has been approved for an additional \$635,000 under the Act 71 Preconstruction Grant. In addition, the District has applied for \$781,284 under a special program for the pre-purchase of material to address supply chain challenges.

ARPA Town Contributions

Subsequent to December 31, 2021, the District received \$90,000 of additional contributions from its member towns. In total, eight member towns have contributed \$335,000.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
MANAGEMENT AND DISCUSSION ANALYSIS
DECEMBER 31, 2021

Statement of Fund Position

Net Position

The Net Position of \$278,645 represents the amount by which assets exceeded liabilities at the close of the 16-month period ending December 31, 2021. Of that amount, \$147,153 is restricted to activities related to preconstruction and capacity building under the terms of the grants.

Net Investment in capital assets

This represents preconstruction activities and is reported as Construction in progress and Website in progress.

Other Items

- The District's total net assets increased by \$278,645, in the 16-month period since inception.
- The assets of the District exceeded its liabilities at the close of the year ended December 31, 2021, by \$278,645. Of the December 31, 2021 amount, \$147,153 is restricted to complete grant expenditures and \$131,492 is the net investment in capital assets.

Using These Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (on pages 7 and 8) provide information about the activities of the District as a whole. These statements include all assets, deferred outflows of resources and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

The net position is the difference between assets and liabilities and is one way to measure the financial health, or financial position, of the District. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the mix of grant and operating revenue.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
MANAGEMENT AND DISCUSSION ANALYSIS
DECEMBER 31, 2021

Condensed Financial Information – Net Position

	September 1, 2020 to December 31, 2021
Current assets	
Cash and cash equivalents	\$ 807,202
Prepaid expenses	4,694
Total current assets	811,896
Noncurrent assets	
Construction in progress	131,492
Total noncurrent assets	131,492
Total assets	943,388
Current liabilities	
Accounts payables	43,992
Accrued expenses	4,320
Total current liabilities	48,312
Deferred inflows of resources	
Unearned grant revenue	616,431
Net Position	
Invested in capital assets, net of related debt	131,492
Restricted	147,153
Total net position	\$ 278,645

As noted earlier, net assets may serve over time as a useful indicator of a government entity's financial position. In the case of the District, assets exceed liabilities by \$278,645 at the close of the most recent fiscal year.

Investment in capital assets represents 47% of the District's net position. The District uses these capital assets to provide services; consequently, these assets are not available for future spending.

The remaining balance of restricted net assets of \$147,153 will be used to meet the District's ongoing obligations to creditors under the grant requirements. At the end of the current fiscal year, the District reports a positive net position balance for the entity as a whole.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT D/B/A MAPLE BROADBAND
MANAGEMENT AND DISCUSSION ANALYSIS
DECEMBER 31, 2021

Condensed Financial Information - Revenues, Expenses and Changes in Net Position for the year ended December 31, 2021:

	September 1, 2020 to December 31, 2021
Pre-Operating revenues	\$ 405,644
Pre-Operating expenses	126,999
Pre-Operating income	278,645
Change in Net Position	278,645
Net Position - September 1, 2020	-
Net Position - December 31, 2021	\$ 278,645

Contacting the District's Financial Management

This financial report is designed to provide citizens and creditors with a general overview of the District's finances, and to reflect the District's accountability for the monies it receives. Questions about this report or requests for additional financial information should be directed to Cy Tall, Addison County Communications Union District d/b/a Maple Broadband, 14 Seminary Street Middlebury, VT 05753-1220.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2021

EXHIBIT A

ASSETS

Current assets:

Cash and cash equivalents	\$ 807,202
Prepaid expenses	4,694
Total current assets	811,896

Noncurrent assets:

Construction in progress	72,552
Website in progress	58,940
Total noncurrent assets	131,492

Total assets	943,388
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LIABILITIES

Current liabilities:

Accounts payable	43,992
Accrued expenses	4,320
Total current liabilities	48,312

DEFERRED INFLOWS OF RESOURCES

Unearned grant revenue	616,431
Total deferred inflows	616,431

NET POSITION

Investment in capital assets	131,492
Restricted	147,153
Total net position	\$ 278,645

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

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE PERIOD OF SEPTEMBER 1, 2020 TO
DECEMBER 31, 2021

EXHIBIT B

OPERATING REVENUES	
Federal, state and other grants	\$ 190,644
ARPA Town contributions	215,000
Total operating revenues	<u>405,644</u>
OPERATING EXPENSES	
Accounting	23,000
Insurance	4,288
Legal	53,619
Marketing	29,924
Membership fees	2,621
Office supplies	89
Professional fees	9,539
Software	1,614
Telecommunication and website	2,305
Total operating expenditures	<u>126,999</u>
OPERATING REVENUE/(EXPENSES)	<u>278,645</u>
CHANGE IN NET POSITION	278,645
NET POSITION - SEPTEMBER 1, 2020	<u>-</u>
NET POSITION - DECEMBER 31, 2021	<u><u>\$ 278,645</u></u>

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1, 2020 TO
DECEMBER 31, 2021

CASH FLOWS FROM PRE-OPERATING ACTIVITIES	
Receipts from pre-operating activities	\$ 1,022,075
Payments to suppliers and others	(83,381)
Cash paid for goods and services	<u>-</u>
Net cash provided by operating activities	<u>938,694</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(131,492)</u>
	<u>(131,492)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	807,202
CASH AND CASH EQUIVALENTS, SEPTEMBER 1, 2020	-
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2021	<u>\$ 807,202</u>
RECONCILIATION OF PRE-OPERATING INCOME TO NET CASH USED BY PRE-OPERATING ACTIVITIES	
Adjustments to reconcile pre-operating income to net cash used by pre-operating activities:	
Pre-Operating income	\$ 278,645
Depreciation	-
(Increase) decrease in prepaid expenses	(4,694)
Increase (decrease) in accounts payable	48,312
Increase (decrease) in deferred income	<u>616,431</u>
Net cash provided by pre-operating activities	<u>\$ 938,694</u>

The accompanying notes are an integral part of these financial statements

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. Description of the District and Reporting Entity

Under the laws of the State of Vermont, Addison County Communications Union District d/b/a Maple Broadband (“District”) is a municipal entity as defined by Chapter 82 of Title 30, “Communications Union Districts” (“CUDS’s”). The District’s mission is to make full-strength internet and related broadband services available to all residences, businesses, and civic institutions throughout its territory by building and operating a municipally owned fiber optic network. The District operates under delegates appointed by Selectboards in twenty (20) towns voted to approve the formation of the Addison County Communications Union District under the provisions of 30 V.S.A. chapter 82 on September 10, 2020.

Under state law, the costs of building and operating a municipally owned network may not be subsidized by local taxes, so general obligation bonds cannot be used to fund construction or operations.

The District is a non-profit organization exempt from income taxes under the Internal Revenue Code as an instrumentality of a political subdivision of the State of Vermont.

NOTE 2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The District’s financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets plus deferred outflows, net of total liabilities plus deferred inflows) are segmented into net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment applied is determined by the measurement focus. The financial statements are reported using the economic resources measurement focus. This means that all assets, liabilities and deferred inflows and outflows (whether current or noncurrent) are included on the statement of net position. Fund equity (i.e., net total position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit and debt security investments with a maturity at purchase of three months or less.

Investments are reported at their fair value. Fair value is based upon quoted market prices. Realized gains and losses from the sale of investments are calculated separately from the change in the fair value. Realized gains or losses in the current period include unrealized amounts from prior periods. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement.

Capital Assets

Capital assets are recorded at historical cost. Donated assets are valued at estimated fair value on the date received. Self-constructed assets are recorded based on the amount of direct labor, material, and certain indirect costs charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Estimated Life</u>
Telecommunications - including fiber pass, pole make ready and drops	40
Telecommunications - including customer premises equipment, hubs and others	15

The District capitalizes any item with an original cost of \$5,000 or more and with a useful life of greater than one year for items that do not fit in the above chart.

Budget and Budgetary Accounting

In accordance with its bylaws, Budget preparation is the responsibility of the Executive Committee and is subject to final approval by the Governing Board at its Annual Meeting.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources," represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has unearned grant revenue in the amount of \$616,431 which is considered deferred inflow of resources.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets (net of related debt) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through the policies adopted by the District or through external restrictions imposed by creditors, grantors, or by the laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3. Cash

Cash

Deposits and investments are categorized to give an indication of the level of risk assumed by the District at December 31, 2021. The categories are described as follows:

- Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's name.
- Category 3: Uncollateralized.

As of December 31, 2021, all of the District's deposits are included in Category 1 and 3.

Cash and Investments are as follows:

Deposits with Financial Institutions	\$ 807,202
Petty Cash	<u>-</u>
Total Cash	<u><u>\$ 807,202</u></u>

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. Cash (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, \$557,202 of the District's bank balances were exposed to custodial credit risk.

	Book Balance	Bank Balance
FDIC insured	\$ 250,000	\$ 250,000
Uninsured	557,202	557,202
Petty cash	-	-
Total	\$ 807,202	\$ 807,202

The difference between the book and bank balances are reconciling items, primarily outstanding checks.

NOTE 4. Deferred amount - Grant advances

For the year ended December 31, 2021, the District had received from grantors funds that had not yet been spent for their intended purpose totaling \$616,431, which is shown in the Statement of Net Position as unearned grant revenue.

NOTE 5. Federal State and Other Grants

The District receives a major portion of funding from Federal and State grants. The following is a schedule of major grants and expense.

<u>Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Expenditures</u>
<u>Federal</u>			
COVID- Response Connected Community Resilience Program	21.019	\$ 130,000	\$ 130,000
CUD Preconstruction and Capacity Grant Program	21.027	\$ 62,250	\$ 15,440
Rural Business Development Grant	10.351	\$ 30,000	\$ -
<u>State of Vermont</u>			
Act 71 Preconstruction	n/a	\$ 2,339,200	\$ 19,255
<u>Other</u>			
Vermont Community Foundation - General support	n/a	\$ 20,000	\$ 11,558
Vermont Community Foundation - General support	n/a	\$ 10,000	\$ 10,000

NOTE 6. Grant Exposure

The District participates in state and federally assisted grant programs which are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended December 31, 2021, have not yet been completed. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7. Risk Management and Insurance

The District covers its significant risks of loss, which are identified by commercial insurance with the assistance of insurance agents. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current or sixteen months prior.

NOTE 8. Marketing

The District expenses marketing costs as they are incurred. Marketing costs for the year ended December 31, 2021, were comprised as follows:

Branding, logo development and web strategic planning	\$ 16,500
Direct mail and postcard mailing - design, print and mailing	12,715
Other advertising	709
	<u>\$ 29,924</u>

NOTE 9. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters. The District maintains insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the past 16 months.

On March 11, 2020, the World Health Organization declared the COVID-19 Coronavirus to be a global pandemic. The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. There has been considerable uncertainty around the duration and scope of economic disruption. The extent of the impact of COVID-19 on the District's operations and financial performance depends on developments, including the duration and spread of the outbreak, impact on vendors, and general supply chain challenges all of which have been uncertain.

There will be significant growth and expansion for the District as it builds out the network. The District must have systems in place to continually assess the requirements of its grant agreements to ensure compliance with all aspects of the agreements.

NOTE 10. Line of Credit

On December 20, 2021, the District signed a \$2,700,000 grant anticipation note with the National Bank of Middlebury. The intent of this note is in anticipation of receipt of like amounts of grant-in-aid to acquire materials for construction communications plant, under a resolution of the Governing Board of the District duly adopted at a meeting in December of 2021. Middlebury College is the guarantor of this note; however, the District agrees to comply with the obligations set forth in the commitment letter. The grant anticipation loan has a twelve-month term, with a six-month automatic renewal. The interest rate is 1.64% for the entirety of the loan, unless the tax-exempt status is undermined, in which the interest rate will increase to 3.64%. Monthly payments of interest on outstanding balance are due. At December 31, 2021, the outstanding balance was zero.

NOTE 11. Subsequent Events

Subsequent events are events or transactions that occur after the financial statement date, but before the financial statements are issued. Management has evaluated subsequent events through March 11, 2022, the date the December 31, 2021 financial statements were available for issuance.

On April 8, 2022, a collateralization agreement was established between the District and the National Bank of Middlebury. The National Bank of Middlebury has agreed to pledge a pool of securities sufficient to collateralize the uninsured portion of the District's funds.

ADDISON COUNTY COMMUNICATIONS UNION DISTRICT d/b/a MAPLE BROADBAND SCHEDULE 1
STATEMENT OF OPERATIONS
BUDGET AND ACTUAL FOR THE PERIOD SEPTEMBER 1, 2020 TO
YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
OPERATING REVENUES			
Grants and contributions	26,732	190,644	\$ 163,912
In-Kind/Local match	-	-	-
Town Funding - ARPA	-	215,000	215,000
Total operating revenues	<u>26,732</u>	<u>405,644</u>	<u>378,912</u>
OPERATING EXPENSES			
Accounting	25,000	23,000	2,000
Dues, fees and subscriptions	288	4,235	(3,947)
In-Kind/Local match	-	-	-
Insurance	415	4,288	(3,873)
Legal	25,000	53,619	(28,619)
Marketing	-	29,924	(29,924)
Professional Fees		9,539	(9,539)
Supplies		89	(89)
Website	1,000	2,305	(1,305)
Total operating expense	<u>51,703</u>	<u>126,999</u>	<u>(75,296)</u>
 OPERATING INCOME	 <u>\$ (24,971)</u>	 <u>\$ 278,645</u>	 <u>\$ 303,616</u>

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



Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Governing Board
Addison County Communications Union District
d/b/a Maple Broadband
14 Seminary Street
Middlebury, VT 05753

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 business-type activities of Addison County Communications Union District d/b/a Maple Broadband, which comprise the statement of financial position from September 1, 2020 to December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Addison County Communications Union District d/b/a Maple Broadband's internal control over financial reporting (internal control) as a basis for designing 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 Addison County Communications Union District d/b/a Maple Broadband's internal control. Accordingly, we do not express an opinion on the effectiveness of the Addison County Communications Union District D/B/A Maple Broadband'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Addison County Communications Union District d/b/a Maple Broadband's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Batchelder Associates, PC

Batchelder Associates, PC
Barre, Vermont
March 11, 2022
Vermont License #945