

10/3/2025

From the NEKCV Chief of Staff Richard Azimov

richard@nekcvc.org

From the Treasurer:

Please find NEKCV's 2024 Financial Audit Report and Single Audit Report. Due to the merger between NEK and CVFiber, the single audit report had to be reported separately from the financial audit for the year.

2024 was an extremely busy and successful year with the merger between NEK and CVfiber, growing and expanding the employee base, as well as building over 265 miles of fiber network. We are happy to report that NEKCV had a "clean" audit without any findings or misstatements.

(Both audits are compiled together for Wheelock's website)

NEK Community Broadband d/b/a NEKCV

Financial Statements
(With Independent Auditors' Report)

December 31, 2024

NEK Community Broadband d/b/a NEKCV
December 31, 2024

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Independent Auditors' Report

To the Governing Board of
NEK Community Broadband d/b/a NEKCV
St. Johnsbury, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NEK Community Broadband d/b/a NEKCV (a Vermont municipality) (the "District" or "CUD"), which comprise the statement of net position as of December 31, 2024 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2024, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 opinion.

Emphasis of Matter

As discussed in Note 1 and 2, CV Fiber merged into NEK Broadband with the new entity operating under the dba NEKCV as of August 15, 2024. Our opinion was not changed with respect to this matter.

Responsibilities of Management 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.

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 District'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.

Auditors' 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 auditors' report that includes our opinion. 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 generally accepted auditing standards with *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 generally accepted auditing standards 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 the District'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 the District'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 – 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McSoley McCoy & Co.

South Burlington, Vermont
August 7, 2025
VT Reg. No. 92-349



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements:

This Management's Discussion and Analysis section provides a narrative overview of the statements and comments on significant developments during the reporting period and highlights since the legal inception of NEK Community Broadband dba NEKCV ("NEKCV" or the "District") on June 30, 2020.

NEKCV Executive Director Christa Shute herein sets forth this financial overview and analysis of its financial operations for the fiscal year 2024 ending December 31, 2024 to be reviewed and considered in conjunction with the more detailed statements, schedules, exhibits and notes to the financial statements of this report. NEKCV is a Vermont Communications Union District (CUD), a municipal body created by Vermont Statute (30 VSA Ch 82) empowered to offer broadband service within and adjacent to its member towns. As of December 31, 2024, NEKCV's District includes 71 members representing 56¹ towns in the state's northeastern corner, including all of the municipalities of Caledonia, Essex and Orleans County plus the town of Wolcott in Lamoille County and twenty towns in Central Vermont. This expansion is a result of the merger between NEK Broadband and the CVFiber Communications Union District on August 16, 2024 in accordance with 30 VSA Ch 82. See <https://nekcvt.org/cvfiber-and-nek-broadband-merge/> for more information. In June of 2025, Montgomery joined the CUD as the 72nd municipality in the district.

NEKCV offers internet connectivity through fiber to the premises at speeds from 100 Mbps to 2G symmetrical upload and download speeds. Both the lower speed tier and the upper speed tier doubled in comparison to 2023. The District was able to become an internet service provider in a matter of months in 2021 by engaging with Waitsfield Champlain Valley Telecom (WCVT) to provide both the network operations (using WCVT existing network operating centers) and retail internet services using WCVT customer service, billing, and technical support infrastructure. Using unprecedented federal funding, NEKCV is embarking on a mission to ensure every address with electric service has access to high-speed internet services by building over 3,000 miles of fiber-optic cable over the next 4-5 years. In 2021, the District built 21 miles of fiber optic network and acquired 170 miles. In 2022, the District built 11 miles of fiber optic network. In 2023, the District completed construction of 165 miles. In 2024, the District anticipated building 400 miles. At the end of 2024 the District had 681 total miles built, 197 more miles than anticipated. This was directly a result of the merger with CVFiber which resulted in 130 miles becoming a part of NEKCV, sufficient miles of available pole licenses, and the addition of a skilled Director of Operations beginning to manage construction in April of 2024.

Grant and Financing Funds:

Grant and financing are critical to the rapid development of infrastructure to meet the needs of the unserved.

- 1. NEK VCBB ARPA Funding:** NEK's total preconstruction and construction dollars from ARPA are \$72,997,164. In 2023, NEKCV expanded its VCBB Construction grant dollars from \$20,865,889 to \$38,805,525 in ARPA State and Local Fiscal Recovery Funds. On

¹ There are 5 "towns" in Essex County that are merged into one municipality known as the United Towns and Gores.

September 30, 2024, the VCBB approved the remaining \$25,339,161 in ARPA Capital Project Funds allocated to NEKCV. \$4,339,687 went into a new construction grant contract. The remaining \$20,999,474 was committed to be a cash match for the Districts Broadband Equity Access and Deployment bid. Effective 12/31/2024 NEK's Construction Grants were amended to clarify that the award was a fixed cost sub-award. This is an important distinction as the reimbursement is based on milestones rather than on expenses and therefore the federal funds are expended when the milestones are reached rather than when the expenses are incurred. The result is a net positive of several million dollars more revenue this year than expenses. This will of course be offset in future years when expenses will exceed grant revenues.

2. **CV VCBB ARPA Funding:** CV's total preconstruction and construction dollars from ARPA are \$23,867,785. In 2024, the CV ARPA Construction Grant was amended to reach the same number of unserved addresses (less than 25/3 Mbps) while passing fewer miles.
3. **VCBB Matching Funds to Town Fiscal Recovery** – Twelve towns in the NEK contributed a total of \$828,564 to accelerate service in their towns. In 2024, VCBB provided the match to those funds. Fourteen towns in CVFiber contributed a total of \$863,000 to help cover the cost of drops to customers and infrastructure to town offices. In 2024, VCBB provided the match to those funds. In 2024, NEKCV returned \$20,000 to the Town of Roxbury as the CUD no longer plans on providing service in the town because the local telephone provider has committed to 100% fiber infrastructure using funding from the Federal Communications Commission's Connect America program.
4. **USDA ReConnect Four and VEDA** – In April of 2023, NEKCV received a grant award from the U.S. Dept. of Agriculture's Rural Utilities Service (RUS) for a \$23,285,215 Project across 22 towns in the most rural portion of the District and the state. The RUS grant is 75% of the project or \$17,463,911 and the 25% match of \$5,821,304 was originally from a Vermont Economic Development Authority (VEDA) loan with a debt reserve of \$400,000 provided by a VCBB Broadband Financing Grant. In the spring of 2024 the National Environmental Protection Act review process (NEPA) was completed and NEKCV was authorized to start spending project funds. In June of 2024 the closing for the loan was completed at an interest rate of 7.09% with a 1.20x debt service coverage ratio requirement. To secure the ReConnect grant, the District entered into an arrangement to provide wholesale services to a Rural Digital Opportunities Award Fund winner. Design and make-ready are underway, construction should start by late October of 2024. Limited construction was completed in 2024. Due to delayed design implementation the District chose to switch engineers and provided notice to NRTC in early 2025. In 2025, NEKCV was awarded state funds to serve as a match to federal funds. That award has replaced the use of the loan. The loan has been repurposed to support other future potential needs of the organization to bring fiber-optic cable throughout the district. Currently, only \$292,395 has been drawn down from the loan.
5. **USDA Community Connect:** In June of 2023, NEKCV applied for a \$2,118,899 Community Connect grant for the Groton/Ryegate area. To qualify there had to be no addresses with more than 10/1 Mbps inside the proposed funded service area (PFSA) and a solid demonstration of community support. In late 2023 the RUS canceled that round of grant awards and created a new February 2024 submission date. NEKCV resubmitted a larger grant request. The budget for the project is \$4,099,341, of which \$2,847,726 is the grant request, \$427,091 is the 15% match, and \$824,974 is the proportional amount of the NFSA that will be covered by NEKCV. The 15% match will be paid for with the same State Match Award that is covering the USDA ReConnect grant and is available as BEAD

match. NEKCV has received this grant award in 2025 and is finalizing the contract. Reimbursement is allowed back to the date of the application. The project has cleared National Environmental Protection Act process and is under construction.

6. **USDA ReConnect Five:** In March of 2024, NEKCV applied to RUS for a \$13,617,831 loan that would have a fixed interest rate of 2% for 30 years with no principal or interest payments for the first three years. The program is first come first serve for qualified applicants and projects where more than 90% of the addresses have less than 25/3 Mbps inside the PFSA. With the award of the Community Connect grant, NEKCV modified the loan application to \$10,752,724. Two thirds of the loan covers an area within CVFiber. NEKCV was approved by USDA to be eligible for the loan. To date, NEKCV has chosen not to use the loan as this area is all eligible for BEAD and part of the BEAD application. Receiving grant funding rather than borrowing - even at the low rate of 2% will enable the District to lower prices to consumers and is therefore the strategy currently being pursued.
7. **BEAD:** The application process for Vermont's \$229 million of the national \$42.5 billion in Broadband, Equity, Access, and Deployment grant funds began at the end of 2024. The pre-application was submitted in January of 2025. The application was submitted April 16th. On June 6th, 2025 the NTIA issued new guidance that changed the BEAD rules and required all states to issue new competitive rounds that enabled wireless and low earth satellite technologies to compete on more equal footing. Those technologies are still required to meet technological and capacity gating criteria. The next BEAD round is expected to open on July 15, 2025, close on July 25, 2025 with winners selected and announced by the VCBP on August 25, 2025 for submission to the NTIA prior to the September 4, 2025 deadline imposed by NTIA. All requirements and bidding criteria beyond lowest BEAD amount necessary, including lowest cost to consumer have been stripped.
8. **BEAD Match:** The Vermont Legislature appropriated \$30 million to Act71 eligible entities to match federal grant programs. This helps ensure that communications union districts have the opportunity to compete for BEAD. NEKCV was allocated in 2025 a proportionate share of the funding relative to the unserved addresses in the district. In the first half of 2025, the VCBP voted to commit additional funding to the program. In 2025, NEKCV drew down a portion of the match funds for ReConnect.
9. **BEAD Application Support:** NEKCV was awarded \$200,000 for the NEK area and \$142,000 for the CVFiber area to help prepare a BEAD application.
10. **Rural Digital Opportunities Fund (RDOF) and CVFiber Finance Leveraging.** NEKCV negotiated with Consolidated Communications Inc. to take on the responsibility and the grant funding to serve certain very rural census blocks within the district. NEKCV and CCI jointly applied to the Federal Communications Commission for approval of a 214 application to effectuate the transfer. The FCC approved the transfer in 2025 with certain conditions that have since been met including approval by the Vermont Public Utilities Commission for NEKCV to be an Eligible Telecommunications Carrier. NEKCV received roughly \$1.4 million in back support that was used to back a line of credit that ensures compliance with the build out of the grant. The remaining \$3.3 million will be received in monthly increments over the next seven years.

Customers and Interest: Over 5,549 people have expressed interest in NEKCV services. As of the end of June the District had 1,487 customers compared to 370 at this time last year.

Make Ready for the Utility Poles: Make-ready continues to be a challenge for ensuring miles are available for construction. NEKCV currently has 1,720 miles of applications submitted to



seven different utilities. 1,171 of those miles have been licensed. Remaining licenses await grant and financing opportunities.

Construction: To address capacity constraints and increase construction productivity for 2024 NEKCV has now contracted with three different construction companies. All three construction companies continue to work for NEKCV.

Workforce Development: In anticipation of workforce constraints as a result of national broadband deployment, NEKCV is working with local technical training centers such as North Country Career Center and state agencies such as the VCB and the Department of Labor to develop a workforce that lives in the region to complete the build over the next five years.

Merger: On August 15, 2024, the governing boards of NEK Broadband and CVFiber approved a merger effective August 16, 2024. CVFiber and NEKCV both use the same network operator, retail services provider, and the original design, engineering, and construction management contractor, as well as the same contractors for make-ready, permitting, and construction. Working together has enabled the organization to accomplish more with the same resources and create operational efficiencies. See <https://nekcvcv.org/cvfiber-and-nek-broadband-merge/> for more information.

General Updates: NEKCV is upgrading to a new accounting software that specializes in telecommunications, integrating inventory management, network asset plant records, financial records, and mapping. This will provide systematic average costing for inventory and asset capitalization/depreciation.

Results and Analysis

2024 was another year of rapid growth for NEKCV both because we invested \$30 million in grant funds and because we merged with CVFiber. At the end of 2023 the network assets, including inventory on hand, for NEK and CVFiber was \$22 million and \$18 million, respectively, for total network assets of \$40 million at the end of 2023. In 2024, those assets grew to \$59 million. The majority of that growth was in the NEK service territory because there were more grant dollars available for investment in that region.

Financial Highlights

2022

Although the majority of funding continued to be from grants of \$8,592,953, NEK received customer revenues of \$30,398 during 2022. NEK's net position grew to \$10,592,065. Assets exceeded non-grant liabilities by \$12,319,005. At the end of 2022 our grant restricted funds totaled \$1,726,940 and the District had \$663,104 in unrestricted cash on hand. NEK has a policy of paying verified charges within 30 days or less. Capital assets increased to \$5,805,697 as construction pace accelerated in 2022. Some numbers include prior period adjustments.

2023

NEK earned customer revenues of \$82,912 during 2023. NEK's net position grew to \$22,297,848. Assets exceeded non-grant liabilities by \$35,023,897. At the end of 2023 our grant restricted funds totaled \$12,797,387 and the District had \$968,031 in unrestricted cash on hand and grants receivable. The Accounts Payable balance decreased to \$1,342,544. Capital assets increased to \$17,013,595 as a result of increased construction during 2023. Some numbers include prior period adjustments.



2024

NEKCV earned customer revenues of over \$900,000 in 2024. With the merger the NEKCV net position at the end of 2024 is over \$66 million. At the end of 2024 our grant revenue totaled nearly \$30 million and the District had \$15 million in unrestricted cash and \$1.3 million in grants receivable. This substantial increase in unrestricted cash was, in part, a result of meeting the milestones in the construction fixed-cost grant awards as described in section 1 of the Grants and Financing Section above. The Accounts Payable balance increased to \$4.7 million. This is primarily due to delays and unapproved invoicing from the construction contractors. NEKCV has replaced the construction management company with an internal workforce and has quickly worked to streamline the processes of both the contractors and NEKCV to facilitate faster payment of payables. Capital assets increased to \$51.5 million as a result of increased construction during 2024 and the merger with CVFiber.

Financial Statements

Due to the Merger, CVFiber Financials were audited as of the merger date August 15, 2024. This report combines the full year of NEK Broadband and CVFiber as if the merger happened on January 1, 2024 in line with GASB 69.20 which states that when one of the merged entities continues to exist the effective date of the financial reporting period is the beginning of the fiscal year for the combined entities.

The statement of net position presents the financial position of NEKCV by showing the assets owned by the District and how those assets are financed. Over time, increases and decreases in net assets serve as a useful indicator of whether or not the financial position of the District is improving.

The statement of activities presents information showing how the net assets changed during the most recent fiscal year. All changes in net assets are reported on an accrual basis.

The NEKCV Governing Board adopts an annual budget for its operations and for capital projects. Operational income and expenses include administrative salaries and benefits, plant maintenance and fees, and customer-related expenses and income.

The statement of cash flows shows the revenue, expenses, and the capital investments made during the year. The results of the operations are the change in net assets. This change added to the prior year's net assets is the new net assets.

Economic Factors/Outlook

Capital Investment and Grants: NEKCV plans significant capital investment in fiber to the premise broadband infrastructure over the next five to six years. Modeling suggests that achieving our mission to ensure that every grid-tied address in our member municipalities has access to high-speed broadband service will cost roughly \$300 million across 72 towns. See the Grants and Financing Funds section above for details on anticipated grant and financing funding over the next several years. The District anticipates building 484 miles in 2025.

Operational Maturity: NEKCV recognized that to ambitiously build nearly 3,000 miles of infrastructure across over 70 towns it would need more internal capacity. In 2023 and 2024, the District increased staffing to 11 employees and several critical contractors as Treasurer and HR Consultant. During the second half of 2024, the organization recognized that it needed a more



sophisticated accounting system to properly account for the myriad of grants and a dedicated full time Chief Financial Officer. NEKCV was fortunate to hire Chris Fortuna as the CFO and Treasurer. Mr. Fortuna has many years of experience as a telecom CFO and consultant. He has led NEKCV's transition to an accounting system built for telecommunications. At the end of 2024 NEKCV decided to bring construction management and inspection services inside the organization. This has resulted in the ability to be more responsive to grant opportunities, the market and changes in design. At mid-year 2025 the organization has 25 full time employees.

Costs and Expenses: In anticipation of increased demand due to BEAD, NEKCV is working to build relationships with distributors as it brings in all Build America Buy America products. For some of these products an increase in premium for made in America has been nearly 20%, others have the same pricing. To date, there has been limited increase in pricing due to tariff – though we have received notices indicating those costs will be passed through – even on existing contracts. As a result, we anticipate increased inventory costs. NEKCV continues to look for operational efficiencies internally, and in conjunction with our operating and construction partners and other Communication Union Districts in the state.

Revenue and Rates: The District changed pricing at the merger in order to align pricing and services. Service offerings mid year 2025 are \$79 for 100/100 Mbps, \$103 for 300/300 Mbps, \$134 for 1G/1Gbps and \$249.95 for 2G/2G. At mid-year 2025 NEKCV will be decreasing the cost of 1G services to \$119 and increasing 300/300 Mbps speeds to 500/500 Mbps speeds. NEKCV anticipates modification of its pricing and service offerings as part of its BEAD application. Pricing changes will be dependent on additional grant funds secured.

Digital Equity: NEKCV will continue to prioritize the financial strength and stability of the District while also striving to increase affordability and access over time. The District offers a \$30 discount to households with incomes less than 200% of the federal poverty rate. We work with NEKCA - the local community action agency and other community entities to create solutions for increasing options for lower income families to participate in high-speed services.

Requests for Information

This financial report is designed to provide a general overview of the finances. Questions concerning any of the information contained in this report or requests for additional information should be addressed to Executive Director Christa Shute at director@nekcvt.org or the Treasurer Chris Fortuna at treasurer@nekcvt.org.

NEK Community Broadband d/b/a NEKCV

Statement of Net Position

December 31, 2024

Assets	<u>2024</u>
Current assets:	
Cash	\$ 14,785,267
Cash - restricted	169,985
Accounts receivable	204,090
Grants receivable	1,290,410
Prepaid expenses	9,281
Materials and supplies	<u>7,497,307</u>
 Total current assets	 <u>23,956,340</u>
Capital assets:	
Telecom network, net	51,485,515
Operating lease right-of-use assets	<u>406,101</u>
 Total capital assets	 <u>51,891,616</u>
 Total assets	 <u>\$ 75,847,956</u>
 Liabilities and Net Position	
Liabilities:	
Accounts payable	\$ 4,723,254
Accrued liabilities	4,368,045
Current maturities of operating lease liability	<u>202,316</u>
 Total current liabilities	 <u>9,293,615</u>
 Long-term operating lease liability, net of current portion	 <u>246,225</u>
 Total liabilities	 9,539,840
Net position:	
Invested in capital assets	51,485,515
Unrestricted	<u>14,822,601</u>
 Total liabilities and net position	 <u>\$ 75,847,956</u>

See accompanying notes to the financial statements.

NEK Community Broadband d/b/a NEKCV
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2024

	<u>2024</u>
Operating Revenues	
Grants - plant	\$ 492,787
Grants - administrative	1,577,717
Grants - capital investment	25,408,796
Grants - unrestricted	2,316,826
Residential customer revenue	925,677
Other	<u>695</u>
 Total operating revenues	 <u>30,722,498</u>
 Operating Expenses	
Projects	2,547,011
General and administrative	<u>2,860,105</u>
 Total expenses	 <u>5,407,116</u>
 Change in net position from operations	 <u>25,315,382</u>
 Other income	
Patronage dividend	151,340
Interest income	<u>567,386</u>
 Total other income	 <u>718,726</u>
 Change in net position	 26,034,108
 Net position at beginning of year	 <u>40,274,008</u>
 Net position at end of year	 <u><u>\$ 66,308,116</u></u>

See accompanying notes to the financial statements.

NEK Community Broadband d/b/a NEKCV

Statement of Cash Flows

For the Year Ended December 31, 2024

	<u>2024</u>
Operating activities:	
Cash received from grant activity	\$ 26,483,741
Cash payments to suppliers for goods and services and employees, net	<u>7,387,405</u>
Net cash provided by operating activities	33,871,146
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(25,541,565)</u>
Net increase in cash	8,329,581
Cash at the beginning of year	<u>6,625,671</u>
Cash at the end of year	<u>\$ 14,955,252</u>
Cash consists of:	
Cash	\$ 14,785,267
Restricted cash	<u>169,985</u>
	<u>\$ 14,955,252</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	<u>\$ 26,034,108</u>
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation of capital assets	1,601,434
Amortization of operating lease right-of-use assets	281,889
Increase in accounts receivable	(170,628)
Decrease in grants receivable	2,032,666
Decrease in prepaid expenses	771,478
Decrease in security deposit	15,000
Decrease in materials and supplies	4,179,804
Increase in accounts payable	1,957,412
Increase in accrued liabilities	4,321,761
Decrease in deferred revenue	(6,819,521)
Decrease in short-term note payable	(80,000)
Decrease in operating lease liability	<u>(254,257)</u>
Total adjustments	<u>7,837,038</u>
Net cash provided by operating activities	<u>\$ 33,871,146</u>

See accompanying notes to the financial statements.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

(1) Description of the Entity

NEK Community Broadband d/b/a NEKCV (the “District”) is a Communications Union District (CUD) in Vermont. NEKCV aims to provide high-speed internet access to towns across the Northeast Kingdom and Central Vermont. It’s a community-driven organization committed to bringing affordable, reliable internet to rural and underserved areas.

Effective August 15, 2024, NEK Community Broadband and CV Fiber merged to form a single consolidated union district, now operating under the name NEKCV. This merger was undertaken to streamline operations, improve resource sharing, and strengthen services across the member towns.

(2) Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the *Governmental Accounting Standards Board* (GASB). The District follows the “business-type activities” reporting requirements of GASB Cod. Sp20.107. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The more significant of the District’s accounting policies are described below.

(a) Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. The District’s revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of related cash flows. 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.

In accordance with GASB 69.2, when one of the merged entities continues to exist, the effective date of the financial reporting is the beginning of the fiscal year of the combined entities. Therefore, the financial statements combines the full year of NEK Broadband and CV Fiber as of January 1, 2024.

(b) Operating vs nonoperating

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the District. Operating revenue consists of service revenue and grant income. Operating expenses are the cost of construction and administrative costs related to running the District that are not capitalized. Nonoperating revenues consist of dividends from a Co-op partnership and interest income from a cash sweep account. Nonoperating expenses consist of interest expense incurred on leases.

(c) Estimates and assumptions

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

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

For the purpose of reporting cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. At December 31, 2024, the District had no cash equivalents. Cash restricted by grants amounted to \$169,985 at December 31, 2024.

(e) Accounts receivable

The District extends unsecured credit to their customers in the ordinary course of business but mitigates the associated risk by actively pursuing past due accounts.

An allowance for uncollectible accounts has not yet been established, as there are no accounts currently overdue or at risk. Accounts receivable as of December 31, 2024 and January 1, 2024 were \$204,090 and \$25,428, respectively.

(f) Service revenue

The District offers two principal services: Several tiers of Internet connectivity and Internet Protocol (IP)-based voice telephone service. The District also has a one-time charge for installation of service. The District bills its customers monthly and recognizes revenue when earned.

(g) Grant revenue

The District accounts for grant revenue in accordance with the GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. In accordance with GASB 33, grants received are recorded as revenue when all applicable terms of the grant agreements are met.

(h) Grants receivable

The District periodically reviews grants receivable for amounts it considers as uncollectible. As of December 31, 2024, management believes that all balances are considered collectible. Grants receivable as of December 31, 2024 and January 1, 2024 totaled \$1,290,410 and \$57,941, respectively.

(i) Materials and supplies

Materials and supplies inventory is valued at the lower of cost or market using the average cost basis, which approximates actual cost.

(j) Capital assets

Property and equipment purchased or acquired are recorded at historical cost. Self-constructed assets are recorded based on the amount of materials, direct labor and overhead costs charged to the self-constructed asset construction. Self-constructed assets are depreciated when they are put into service.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

Summary of Significant Accounting Policies (continued)

Right-to-use leased assets are discussed below. Major expenditures for capital assets and improvements are capitalized as projects are constructed. Property and equipment are being depreciated over estimated useful lives as follows:

- Telecommunications - including fiber pass, pole make ready, and drops: 20 years
- Telecom under construction consists of expenditures incurred on the construction of the fiber optic network.
- Right-to-use leased assets are amortized using the straight-line method over the following estimated useful lives: Right-to-use leased buildings: 6 years

(k) Subcontract expense

The District has entered into various contracts with subcontractors to design a communication plant for the delivery of broadband communications services to and among the District's subscribers. The District is charged under these subcontract agreements amounts that represent the cost of pre-construction of the District's fiber optic network are expensed as incurred.

(l) Income taxes

The District is a body corporate and politic and as such is considered a municipality and is therefore exempt from federal and state tax.

(m) Net position

In the financial statements, the net position is reported in two components: (1) invested in capital assets and (2) unrestricted. Net investment in capital assets represents the District's total investment in capital assets, net of depreciation. The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets.

(n) Leases

The District recognizes an intangible right-to-use asset and lease liability on the statement of net position for all material operating and financing leases greater than one year. Lease assets are reported with capital assets and lease liabilities are reported with liabilities on the statement of net position.

The District initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines the discount rate it uses to discount the expected lease payments to present value, the lease term and lease payments.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

Summary of Significant Accounting Policies (continued)

- The District uses the Prime Rate as the discount rate.
- The lease term includes the noncancellable period of the lease and lease extension that the District is reasonably certain to exercise. Lease payments included in the measurement of the lease liability are composed of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of lease liability.

(o) Subsequent events

The District evaluated subsequent events through August 7, 2025, the date the financial statements were available to be used.

(3) Cash and Categories of Risk

The District maintains cash accounts with three financial institutions. The District's accounts are insured up to \$250,000, per depositor at each financial institution.

There are three categories of credit risk that apply to the District's balances:

1. Insured by the Federal Deposit Insurance Corporation ("FDIC"), or collateralized with securities held by the District or by the District's agent in the District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
3. Uncollateralized.

The District's bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2024:

	<u>2024</u>	
	Book Balance	Bank Balance
Insured deposits	\$14,955,252	\$15,240,980
Uninsured deposits	<u>-</u>	<u>-</u>
Total cash deposits	<u>\$ 14,955,252</u>	<u>\$15,240,980</u>

(4) Concentration on Revenue

The District is currently economically dependent on continued support from state and federal government programs. For the year ended December 31, 2024, approximately 90% of total revenue was derived from the State of Vermont.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

(5) Short-Term Note Payable

The District received a promissory note from Northern Enterprises dated November 10, 2021, where the District agreed to pay back \$80,000 of borrowed funds by November 1, 2022. This loan was extended until November 1, 2024. Interest will not be charged. Note payable was paid in full during 2024.

(6) Lease Commitments

The District has the following lease arrangements at year end:

- Wild Blue Yonder lease is for commercial space in St. Johnsbury, Vermont. The lease commenced June 1, 2022, with a four year option to renew each subsequent May. Rent is paid monthly at \$4,655. Rent will increase 3% each year that the lease is renewed. This lease was terminated in May 2024.
- The Island Pond lease is for commercial space in Brighton, Vermont. The lease start date was November 1, 2022 and ends October 31, 2026. Rent is paid monthly at approximately \$6,245 per month. Rent will increase 5% each year beginning November 1, 2023.
- The Red Barn Road lease is for commercial space in Danville, Vermont. The lease start date was April 1, 2023 and ends March 31, 2028. Rent is paid monthly at approximately \$3,000 per month.
- The District signed a lease agreement related to warehouse space in August 2022. The lease agreement required monthly payments of \$3,700 per month through July 2025. During the year ended December 31, 2023, the lease was amended to include additional space and monthly payments increased to \$5,100 through July 2025. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.
- The lease agreement includes an option to extend for an additional 3 years, which management is reasonably certain to exercise, and therefore has been included in the lease calculation.
- The district has signed a lease agreement related to storage space. The lease agreement requires monthly payments of \$1,000 through July 2025. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. The lease agreement includes an option to extend for an additional 3 years, which management is reasonably certain to exercise, and therefore has been included in the lease calculation.

In evaluating contracts to determine if they qualify as a lease, the District considers factors such as if the District has obtained substantially all of the rights to the underlying asset through exclusivity, if the District can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

Operating lease expense for the years ended December 31, 2024 totaled \$169,827.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

Lease Commitments (continued)

The lease costs and other required information for the year ended December 31, 2024 are as follows:

Lease expense		<u>2024</u>	
Amortization expense of right-to-use leased buildings		\$	213,880
Interest on lease liabilities			<u>31,236</u>
Total		\$	<u>245,116</u>

Leased Assets	December 31,			December 31,	
	2023	Additions	Subtractions	2024	
Building and land	\$ 889,135	\$ -	\$ -	\$ 889,135	
Less: accumulated amortization	<u>(269,154)</u>	<u>(213,880)</u>	<u>-</u>	<u>(483,034)</u>	
Total lease assets, net	<u>\$ 619,981</u>	<u>\$ (213,880)</u>	<u>\$ -</u>	<u>\$ 406,101</u>	

Leased Liabilities	Beginning	Modifications &		End of	Amounts
	of Period	Additions	Remeasurements	Period	Due Within
			Subtractions		One Year
	<u>\$655,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (207,220)</u>	<u>\$ 448,541</u>
					<u>\$ 202,316</u>

Future minimum lease payments under non-cancellable leases are as follows:

Maturity Analysis	Principal	Interest	Total Payments
Year Ending 2025	\$ 202,316	\$ 20,761	\$ 223,077
Year Ending 2026	171,579	9,359	180,938
Year Ending 2027	64,644	1,871	66,515
Year Ending 2028	<u>10,002</u>	<u>78</u>	<u>10,080</u>
Total future payments	<u>\$ 448,541</u>	<u>\$ 32,069</u>	<u>\$ 480,610</u>

(7) Operating Grants

The District received grants from several grantors, including state and federal governments, during the years ended December 31, 2024. Entitlements to the resources are generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowance as a result of these audits becomes a liability to the District. As of December 31, 2024, management believes that no material liabilities will result from such audits.

NEK Community Broadband d/b/a NEKCV
Notes to Financial Statements
December 31, 2024

(8) Property and Equipment

The property and equipment assets are summarized as of December 31, 2024 by major classification below:

	December 31, 2024			
	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment	\$ 5,843	\$ -	\$ -	\$ 5,843
Tools and equipment	70,784	88,055	-	158,839
Aerial plants	19,496,395	10,834,364	-	30,330,759
Telecom under construction	12,102,086	8,838,007	-	20,940,093
Telecom network equipment	403,652	-	-	403,652
Dark fiber network	1,795,008	-	-	1,795,008
Total telecom network	33,873,768	19,760,426	-	53,634,194
Less: accumulated depreciation	(547,245)	(1,601,434)	-	(2,148,679)
Telecome network, net	<u>\$ 33,326,523</u>	<u>\$ 18,158,992</u>	<u>\$ -</u>	<u>\$ 51,485,515</u>

Depreciation expense for the year ended December 31, 2024 was \$1,601,434.

Additionally, the District also has inventory assets (materials and supplies) that have not been placed into use. These assets will not be considered as telecom under construction until they are attached to network materials that can be placed into service. At that time they are considered construction in process. Materials and supplies totaled \$7,497,307 as of December 31, 2024.

NEK Community Broadband d/b/a NEKCV

Single Audit Reports

December 31, 2024

NEK Community Broadband d/b/a NEKCV

December 31, 2024

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INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards of NEK Community Broadband d/b/a NEKCV (the "Organization") for the year ended December 31, 2024, and the relates notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the Organization for the year ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the Organization 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 opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, 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 schedule.
- 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 the Organization'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 schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant auditing findings, and certain internal control-related matters that we identified during the audit.

McSoley McCoy & Co.

South Burlington, Vermont
August 7, 2025
VT Reg. No 92-349

NEK Community Broadband d/b/a NEKCV
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures
U.S. Department of the Treasury:			
<i>Passed through the Vermont Community Broadband Board</i>			
Act 71 PreConstruction Grant Program	21.027	02240-FY21-Act71PreC-07	\$ 2,968,282
Act 71 Construction Grant Program	21.027	02240-FY22-Act71Const-01	20,288,518
Act 71 Construction Grant Program	21.027	02240-FY22-Act71Const-03	<u>2,009,009</u>
			25,265,809
<i>Passed through the Vermont Community Broadband Board</i>			
Broadband Equity, Access and Deployment Program	11.035	02240-FY24-BEADSUP-01	51,329
Broadband Equity, Access and Deployment Program	11.035	02240-FY24-BEADSUP-05	<u>104,253</u>
			<u>155,582</u>
Total U.S. Department of the Treasury			<u>25,421,391</u>
U.S. Department of the Agriculture:			
Community Oriented Connectivity Broadband Grant	10.863	VT 1402-A23	261,268
ReConnect Program	10.752	VT 1701-A73	<u>932,759</u>
Total U.S. Department of the Agriculture			<u>1,194,027</u>
Total expenditures			<u>\$ 26,615,418</u>

See notes to schedule of expenditures of federal awards.

NEK Community Broadband d/b/a NEKCV
Notes to Schedule of Expenditures of Federal Awards
December 31, 2024

1) Basis of Presentation

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of NEK Community Broadband d/b/a NEKCV (the “District”), under programs of the federal government for the year December 31, 2024. The information in this Schedule is presented in accordance with the requirement of the Office of Management and Budget (OMB) Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2) Basis of Accounting

Expenditures reported on the Schedule are presented on the same basis of accounting as the District’s financial statements. The District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3) Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs could be more than shown. Such expenditures are recognized following, as applicable, the cost principles in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

4) Major Programs

In accordance with OMB Uniform Guidance, major programs are determined using a risk-based approach. Programs under the Federal Assistance Listing Number 21.027 and 10.752 in the accompanying Schedule are determined by the independent auditor to be major programs.

5) Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

6) Subrecipients

No amounts expended and reported within the Schedule were passed through to subrecipients.

7) Merger

Effective August 15, 2024, CV Fiber merged into NEK Broadband, with NEK Broadband remaining as the legal continuing entity. NEK Broadband was subsequently renamed NEKCV. The Schedule of Expenditures of Federal Awards includes the federal expenditures of CV Fiber from the date of merger forward. Expenditures incurred by CV Fiber prior to the merger have not been included as they were not under the reporting responsibility of NEKCV.

**Independent Auditors' 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 of
NEK Community Broadband d/b/a NEKCV
St. Johnsbury, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the NEK Community Broadband d/b/a NEKCV (the "District"), as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 or significant deficiencies may exist that were not identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McSoley McCoy & Co.

South Burlington, Vermont
August 7, 2025
VT Reg. No. 92-349

**Independent Auditors' Report on Compliance for the Major Programs and on Internal Control
Over Compliance Required by the Major Programs by the Uniform Guidance**

To the Governing Board of
NEK Community Broadband d/b/a NEKCV
St. Johnsbury, Vermont

Report on Compliance for the Major Federal Programs

Opinion on the Major Federal Programs

We have audited NEK Community Broadband d/b/a NEKCV's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended December 31, 2024. The District's major federal programs is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal programs. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McSoley McCoy & Co.

South Burlington, Vermont
August 7, 2025
VT Reg. No 92-349

NEK Community Broadband d/b/a NEKCV
Schedule of Findings and Questioned Costs
December 31, 2024

1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X no

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)(vii)? _____ yes X no

Identification of Major Program

Name of federal program or cluster	CFDA #
State Fiscal Recovery – VT Act 71 Construction Grant ReConnect Program	21.027 10.752

Dollar threshold used to distinguish between type A and type B programs, as those terms are defined in the OMB Uniform Guidance: \$750,000

Auditee qualified as low-risk auditee? _____ yes X No

NEK Community Broadband d/b/a NEKCV
Schedule of Findings and Questioned Costs
December 31, 2024

**2) Finding Relating to the Financial Statements Required to be Reported in Accordance with
*Government Auditing Standards***

There were no findings relating to the financial statements noted.

3) Findings and Questioned Costs for Federal Awards

There were no findings and questioned costs for federal awards.



2023 Management's Corrective Action Plan Update

Date: July 25, 2025

To: McSoley, McCoy & Co.

From: NEKCV

Finding Reference Number: 2023-001 – Journal Entries

View of Responsible Official and Planned Corrective Action Date:

Management agrees with this recommendation and has implemented a policy to ensure journal entries are reviewed and approved timely.

Corrective Action: Corrective action includes approving journal entries through the audit period and submitting the SEFA based on this information.

Name of Contact Person: Christa Shute, executive director,

Projected Completion Date: Completed for the year ended December 31, 2024.