

Audited Financial Statements

Two Rivers-Ottawaquechee Regional  
Commission

June 30, 2013



*Proven Expertise and Integrity*

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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## INDEPENDENT AUDITORS' REPORT

August 29, 2013

Board of Commissioners  
Two Rivers-Ottauquechee Regional Commission  
Woodstock, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Two Rivers-Ottauquechee Regional Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission'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.

### Auditors' Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Two Rivers-Ottawaquechee Regional Commission as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Two Rivers-Ottawaquechee Regional Commission's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**(UNAUDITED)**

The following management's discussion and analysis of the Two Rivers-Ottawaquechee Regional Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Commission's financial statements.

**Financial Statement Overview**

The Two Rivers-Ottawaquechee Regional Commission's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Commission's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Commission's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets and liabilities with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Commission's one type of activity. The type of activity presented for the Two Rivers-Ottawaquechee Regional Commission is:

- *Governmental activities* – The activities in this section are mostly supported by intergovernmental revenues (federal and state grants and contracts) and charges for services. Most of the Commission's basic services are reported in governmental activities, which include regional planning and other programs, transportation planning and environmental programs.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Two Rivers-Ottawaquechee Regional Commission, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Two Rivers-Ottawaquechee Regional Commission are categorized as one fund type: governmental funds.

*Governmental funds:* All of the basic services provided by the Commission are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Commission's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Commission.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.



Two Rivers-Ottawaquechee Regional Commission presents one column in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Commission's major governmental fund is the general fund.

The general fund is the only fund for which the Commission legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to other detailed budgetary information for the general fund and a schedule of federal grant expenditures.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net assets, and changes in net assets of the Commission's governmental activities. The Commission's total net assets increased by \$80,832 from \$482,911 to \$563,743.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$34,434 from \$460,378 to a balance of \$494,812 at the end of this year.

**Table 1**  
**Two Rivers-Ottawaquechee Regional Commission**  
**Net Position**  
**June 30,**

	<u>2013</u>	<u>2012</u>
Assets:		
Current and Other Assets	\$ 609,919	\$ 513,701
Capital Assets	21,940	22,533
Total Assets	<u>\$ 631,859</u>	<u>\$ 536,234</u>
Liabilities:		
Current Liabilities	\$ 29,596	\$ 24,104
Long-term Debt Outstanding	38,520	29,219
Total Liabilities	<u>\$ 68,116</u>	<u>\$ 53,323</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 21,940	\$ 22,533
Restricted Net Position	46,991	-
Unrestricted Net Position	494,812	460,378
Total Net Position	<u>\$ 563,743</u>	<u>\$ 482,911</u>

**Table 2**  
**Two Rivers-Ottawaquechee Regional Commission**  
**Changes in Net Position**  
**For the Years Ended June 30,**

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues:		
Operating grants and contracts	\$ 1,889,448	\$ 1,214,150
Charges for services	79,332	101,577
General revenues:		
Municipal dues	70,000	61,640
Interest	6,668	6,098
Miscellaneous	237	200
Total revenues	<u>2,045,685</u>	<u>1,383,665</u>
<b>Expenses</b>		
Regional planning and other programs	1,672,337	749,090
Transportation planning	218,201	253,930
Environmental	66,281	301,432
Depreciation	8,034	8,735
Total expenses	<u>1,964,853</u>	<u>1,313,187</u>
Change in Net Position	80,832	70,478
Net Position - July 1	<u>482,911</u>	<u>412,433</u>
Net Position - June 30	<u>\$ 563,743</u>	<u>\$ 482,911</u>

### Revenues and Expenses

Revenues for the Commission's governmental activities increased by 47.85%, while total expenses increased by 49.62%. The largest increase in revenues was in operating grants and contracts. The increase in expenses is largely due to regional planning and other programs expenses.

### Financial Analysis of the Commission's Fund Statements

*Governmental funds:* The financial reporting focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Commission's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Two Rivers-Ottauquechee Regional Commission**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<u>2013</u>	<u>2012</u>
Major Funds:		
General Fund:		
Assigned	\$ 65,082	\$ 65,082
Unassigned	468,250	424,515
Total General Fund	<u>\$ 533,332</u>	<u>\$ 489,597</u>
CDBG Fund:		
Restricted	\$ 46,991	\$ -
Total CDBG Fund	<u>\$ 46,991</u>	<u>\$ -</u>

The general fund total fund balance increased by \$43,735 over the prior fiscal year. This increase was mainly due to revenue received in excess of the budget in the amount of \$116,790. The CDBG Fund increased by \$46,991 in its first year of activity.

### **Budgetary Highlights**

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were more than the budget by \$116,790. This was mainly a result of operating transfers in being \$161,682 over budget.

The general fund actual expenditures were over the budget by \$73,055. Regional planning and other programs were overspent by \$126,739.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2013, the net book value of capital assets recorded by the Commission decreased by \$593 over the prior year. This decrease was comprised of a capital addition of \$7,441 less current year depreciation expense of \$8,034.

**Table 4**  
**Two Rivers-Ottawaquechee Regional Commission**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<b>2013</b>	<b>2012</b>
Computer software	\$ -	\$ -
Computer hardware	775	4,177
Furniture & fixtures	21,165	18,356
<b>Total</b>	<b>\$ 21,940</b>	<b>\$ 22,533</b>

### **Debt**

At June 30, 2013, the Commission had no long-term debt. The Commission however had a line of credit of \$60,000 which had a balance of \$0 as of June 30, 2013.

### **Currently Known Facts, Decisions, or Conditions**

#### **Economic Factors and Next Year's Budgets and Rates**

The Commission has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months.

#### **Contacting the Commission's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Office at 128 King Farm Road, Woodstock, Vermont 05091.

STATEMENT A

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash	\$ 110,703
Investments	333,378
Accounts receivable (net of allowance for uncollectibles)	
Intergovernmental	124,369
Other	41,469
Total current assets	609,919
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	21,940
Total noncurrent assets	21,940
<b>TOTAL ASSETS</b>	<b>\$ 631,859</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 11,873
Accrued expenses	17,723
Total current liabilities	29,596
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	38,520
Total noncurrent liabilities	38,520
<b>TOTAL LIABILITIES</b>	<b>68,116</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	21,940
Restricted	46,991
Unrestricted	494,812
<b>TOTAL NET POSITION</b>	<b>563,743</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 631,859</b>

See accompanying independent auditors' report and notes to financial statements.

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue &amp; Changes</u>
		<u>Services</u>	<u>Contracts &amp;</u>	<u>in Net Position</u>
			<u>Contributions</u>	<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Regional planning and other programs	\$ 1,672,337	\$ 79,332	\$ 1,576,208	\$ (16,797)
Transportation planning	218,201	-	235,682	17,481
Environmental	66,281	-	77,558	11,277
Depreciation - unallocated	8,034	-	-	(8,034)
Total government	<u>\$ 1,964,853</u>	<u>\$ 79,332</u>	<u>\$ 1,889,448</u>	<u>3,927</u>

STATEMENT B (CONTINUED)  
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>3,927</u>
General revenue:	
Municipal dues	70,000
Interest	6,668
Miscellaneous	<u>237</u>
Total general revenue	<u>76,905</u>
Change in net position	80,832
NET POSITION - JULY 1, 2012	<u>482,911</u>
NET POSITION - JUNE 30, 2013	<u><u>\$ 563,743</u></u>

See accompanying independent auditors' report and notes to financial statements.



## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	CDBG Fund	Totals Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash	\$ 80,223	\$ 30,480	\$ 110,703
Investments	333,378	-	333,378
Accounts receivable (net of allowance for doubtful accounts):			
Intergovernmental	107,858	16,511	124,369
Employees	2,367	-	2,367
Other	39,102	-	39,102
<b>TOTAL ASSETS</b>	<u><u>\$ 562,928</u></u>	<u><u>\$ 46,991</u></u>	<u><u>\$ 609,919</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 11,873	\$ -	\$ 11,873
Accrued expenses	17,723	-	17,723
<b>TOTAL LIABILITIES</b>	<u>29,596</u>	<u>-</u>	<u>29,596</u>
<b>Fund Balances</b>			
Restricted	-	46,991	46,991
Assigned	65,082	-	65,082
Unassigned	468,250	-	468,250
<b>TOTAL FUND BALANCES</b>	<u>533,332</u>	<u>46,991</u>	<u>580,323</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 562,928</u></u>	<u><u>\$ 46,991</u></u>	<u><u>\$ 609,919</u></u>

See accompanying independent auditors' report and notes to financial statements.

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

	Total Governmental Funds
Total Fund Balances	\$ 580,323
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	21,940
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(38,520)
Net assets of governmental activities	\$ 563,743

See accompanying independent auditor's report and notes to financial statements.

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF IN REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	CDBG Fund	Totals Governmental Funds
REVENUE			
Municipal dues	\$ 70,000	\$ -	\$ 70,000
Agency of Commerce	241,202	777,758	1,018,960
VT Agency of Transportation	235,682	-	235,682
EPA Brownfields - Petroleum II	77,558	-	77,558
State/federal/other contracts	557,248	-	557,248
Municipal contracts	79,132	-	79,132
Fee income	200	-	200
Interest	6,668	-	6,668
Miscellaneous income	237	-	237
TOTAL REVENUE	<u>1,267,927</u>	<u>777,758</u>	<u>2,045,685</u>
EXPENDITURES			
Current:			
Regional planning and other programs	1,101,392	569,085	1,670,477
Transportation planning	218,201	-	218,201
Environmental	66,281	-	66,281
TOTAL EXPENDITURES	<u>1,385,874</u>	<u>569,085</u>	<u>1,954,959</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(117,947)</u>	<u>208,673</u>	<u>90,726</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	161,682	-	161,682
Operating transfer (out)	-	(161,682)	(161,682)
TOTAL OTHER FINANCING SOURCES (USES)	<u>161,682</u>	<u>(161,682)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	43,735	46,991	90,726
FUND BALANCE - JULY 1	<u>489,597</u>	<u>-</u>	<u>489,597</u>
FUND BALANCE - JUNE 30	<u>\$ 533,332</u>	<u>\$ 46,991</u>	<u>\$ 580,323</u>

See accompanying independent auditors report and notes to financial statements.

STATEMENT F

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

RECONCILIATION OF THE STATEMENT OF IN REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 90,726</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental	
Capital asset purchases capitalized	7,441
Capital asset disposals	-
Depreciation expense	<u>(8,034)</u>
	<u>(593)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(9,301)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 80,832</u></u>

See accompanying independent auditor' report and notes to financial statements.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Two Rivers-Ottawuechee Regional Commission is a governmental organization chartered under Chapter 117 of Title 24 of Vermont State Statutes to coordinate regional planning activities in the combined Connecticut River, White River and Ottawauechee River basin areas of Vermont.

The Commission acts as an advocate for the needs of its member towns, and helps to bridge the opportunities and concerns that exist between towns and the State. Services provided include local and regional planning, transportation planning, environmental planning, and other.

The Commission's combined financial statements include all accounts and all operations of the Commission. We have determined that the Commission has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

***Government-Wide and Fund Financial Statements***

The Commission's basic financial statements include both government-wide (reporting the Commission as a whole) and fund financial statements (reporting the Commission's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Commission categorizes all activities of the Commission as governmental.

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Commission's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Commission first utilizes restricted resources to finance qualifying activities.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Commission's functions (regional planning and other programs, transportation planning, environmental, etc.). The functions are also supported by general government revenues (certain intergovernmental revenues, charges for services, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (certain intergovernmental revenues and charges for services, etc.).

The Commission does allocate indirect costs. All costs are charged directly to the corresponding department and the Commission has an established and approved indirect cost rate.

The government-wide focus is more on the sustainability of the Commission as an entity and the change in the Commission's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Commission are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Commission:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Commission:

- a. The General Fund is the general operating fund of the Commission. It is used to account for all financial resources of the Commission.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The Commission's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Commission prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Commission was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Commission.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Two Rivers-Ottawuechee Regional Commission has a formal investment policy.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be zero as of June 30, 2013.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Computer software	5 years
Computer hardware	3 years
Other equipment	5-7 years

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.



TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**Compensated Absences**

The Commission's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2013, the Commission's liability for compensated absences is \$38,520.

**Net Position**

Net position represent 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 balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Commissioners.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of assigned funds, and then unassigned funds, as needed.

The Commission is in the process of adopting a set of financial policies to guide the financial operation of the Commission. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Commission does not utilize encumbrance accounting for its general fund.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

During the preparation of the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS

The Commission invests cash and investments according to policies established by the Commission. These investment policies apply to all Commission funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Commission will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Commission did not have any balances as of June 30, 2013 that were exposed to custodial credit risk.

At June 30, 2013, the Commission's cash balances of \$110,703 were comprised of bank balances of \$124,207 which were all insured by federal depository insurance and consequently were not exposed to custodial credit risk and \$0 that was in excess of federal depository insurance and collateralization, and therefore, not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 124,207</u>

At June 30, 2013, the Commission's investments amounting to \$333,378 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$312,679 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The loan fund was not subject to custodial credit risk.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Type	Bank			
	Balance	Current	1 Year	2 - 5 Years
Certificates of deposit	\$ 312,679	\$ -	\$ 254,282	\$ 58,397
Loan fund	20,699	-	-	20,699
	<u>\$ 333,378</u>	<u>\$ -</u>	<u>\$ 254,282</u>	<u>\$ 79,096</u>

Credit risk – The Commission’s investment policies authorize to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Commission does not have an investment policy on credit risk. Generally, the Commission invests excess funds in various insured certificates of deposit.

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a policy related to interest rate risk as the investments that the Commission uses are not subject to interest rate risk.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2013:

	Balance	Additions	Disposals	Balance
	7/1/12			6/30/13
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	50,131	-	-	50,131
Furniture & fixtures	56,186	7,441	-	63,627
	<u>148,997</u>	<u>7,441</u>	<u>-</u>	<u>156,438</u>
Less: accumulated depreciation				
Computer software	(42,680)	-	-	(42,680)
Computer hardware	(45,954)	(3,402)	-	(49,356)
Furniture & fixtures	(37,830)	(4,632)	-	(42,462)
	<u>(126,464)</u>	<u>(8,034)</u>	<u>-</u>	<u>(134,498)</u>
Net capital assets	<u>\$ 22,533</u>	<u>\$ (593)</u>	<u>\$ -</u>	<u>\$ 21,940</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/13</u>
Accrued compensated absences	<u>\$ 29,219</u>	<u>\$ 9,301</u>	<u>\$ -</u>	<u>\$ 38,520</u>

NOTE 5 - LINE OF CREDIT

The Commission has established a \$60,000 revolving line of credit with the People's United Bank which is due on demand by the bank. Interest is chargeable at 1.75% above the Wall Street Journal Prime Rate index. There were no borrowings during the year ended June 30, 2013.

NOTE 6 - PENSION AND DEFERRED COMPENSATION PLANS

In 1990, the Commission adopted a simplified employee pension (SEP) plan. The Commission can make an annual elective contribution of up to 25% of each eligible employee's gross wage. After satisfactorily completing a probation period of three months, all permanent full and part-time employees are covered by the plan. The Commission made a 15% contribution of \$68,997 on 100% of the covered wages of \$479,074 in fiscal 2013.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2013 is 100% of gross salary or \$17,000, whichever is less. Individuals age 50 and older may contribute up to \$22,000. The Commission matches the deferred contribution up to 2% of all participating employees' annual salaries, but has flexibility to contribute more as long as overall funding limits are not exceeded. The Commission contributed \$16,108 on 100% of the covered wages of \$479,074 in fiscal 2013.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 7 - RELATED PARTY VEHICLE LEASE

On May 9, 2011, the Commission and Peter Gregory (Executive Director), as lessee and co-lessee respectively, entered into a 36 month non-cancelable vehicle lease agreement with American Honda Finance Corporation for a 2011 Honda. Lease expense during fiscal 2013 was \$5,838.

NOTE 8 - GENERAL FUND ASSIGNED FUND BALANCES

At June 30, 2013, the general fund assigned fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Building fund	\$	30,000
Equipment replacement		10,082
Unemployment benefits		<u>25,000</u>
	\$	<u>65,082</u>

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

Based on the coverage provided by the insurance purchased, the Commission feels it is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2013. There were no significant reductions in insurance coverage from that of the prior year. The Commission is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2013.

NOTE 10 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Commission's financial position.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 10 - CONTINGENCIES (CONTINUED)

The Commission participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Commission's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

The Commission is presently engaged in fulfilling its fiscal 2013 ACCD annual work program; various Transportation Planning Initiative grants; the EPA Brownfields petroleum assessment grant; and various other grants and contracts.

The Commission has leased office space from the Vermont Land Trust, Inc. at the "King Farm" in West Woodstock, Vermont, on a yearly basis. Effective July 1, 2009, monthly rent became \$1,447, for an annual rent expense of \$17,368. Utility costs of \$7,180 were also reimbursed to the Trust for the year ended June 30, 2013. The lease will be extended until June 30, 2014.

The Commission uses the reimbursable method of financing its unemployment insurance coverage. Under this method, in lieu of paying unemployment tax on a quarterly basis, the Commission would pay its proportionate share of chargeable benefits provided to former employees. Presently there is no known liability, but the Commission has designated \$25,000 of its fund balance for possible future unemployment charges.

Starting January 1, 2014, the Commission will switch to the taxable method of unemployment insurance.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund



## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance - July 1	\$ 489,597	\$ 489,597	\$ 489,597	\$ -
Resources (Inflows):				
Municipal dues	69,995	69,995	70,000	5
Agency of Commerce	253,220	253,220	241,202	(12,018)
VT Agency of Transportation	227,500	227,500	235,682	8,182
EPA Brownfields - Petroleum II	110,666	110,666	77,558	(33,108)
State/federal/other grants and contracts	592,562	592,562	557,248	(35,314)
Municipal contracts	54,626	54,626	79,132	24,506
Fee income	1,750	1,750	200	(1,550)
Interest	1,000	1,000	6,668	5,668
Miscellaneous income	1,500	1,500	237	(1,263)
Operating transfers in	-	-	161,682	161,682
Amounts Available for Appropriation	<u>1,802,416</u>	<u>1,802,416</u>	<u>1,919,206</u>	<u>116,790</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	974,653	974,653	1,101,392	(126,739)
Transportation planning	227,500	227,500	218,201	9,299
Environmental	110,666	110,666	66,281	44,385
Capital outlay	-	-	-	-
Total Charges to Appropriations	<u>1,312,819</u>	<u>1,312,819</u>	<u>1,385,874</u>	<u>(73,055)</u>
Budgetary Fund Balance, June 30	<u>\$ 489,597</u>	<u>\$ 489,597</u>	<u>\$ 533,332</u>	<u>\$ 43,735</u>
Utilization of unassigned fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of assigned fund balance	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors report.

## Other Supplementary Information

Other supplementary information includes financial statements not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
<b>Revenues</b>			
Municipal dues	\$ 69,995	\$ 70,000	\$ 5
<b>Grant and contract income:</b>			
Agency of Commerce	253,220	241,202	(12,018)
VT Agency of Transportation	227,500	235,682	8,182
EPA Brownfields - Petroleum II & III	110,666	77,558	(33,108)
State/federal/other grants and contracts	592,562	557,248	(35,314)
Municipal contracts	54,626	79,132	24,506
Total grant and contract income	<u>1,238,574</u>	<u>1,190,822</u>	<u>(47,752)</u>
<b>Fee income:</b>			
Municipal fees	1,000	-	(1,000)
Other fees	750	200	(550)
Total fee income	<u>1,750</u>	<u>200</u>	<u>(1,550)</u>
<b>Miscellaneous income:</b>			
Donations	1,000	-	(1,000)
Interest	1,000	6,668	5,668
Sales	500	237	(263)
Total miscellaneous income	<u>2,500</u>	<u>6,905</u>	<u>4,405</u>
Operating transfers in	<u>-</u>	<u>161,682</u>	<u>161,682</u>
Total revenues	<u>1,312,819</u>	<u>1,429,609</u>	<u>116,790</u>

SCHEDULE A (CONTINUED)  
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
<b>Expenditures</b>			
<b>Personnel services:</b>			
Salaries and wages	544,794	614,735	(69,941)
Payroll taxes	41,676	50,708	(9,032)
Workmen's compensation	3,750	3,093	657
Health and dental insurance	71,850	61,197	10,653
Life insurance	4,500	4,576	(76)
Pension fund	92,614	103,634	(11,020)
Disability insurance	8,412	8,952	(540)
Total personnel services	<u>767,596</u>	<u>846,895</u>	<u>(79,299)</u>
<b>Occupancy/insurances:</b>			
Rent and King Farm utilities	28,500	30,892	(2,392)
Occupancy expense - King Farm	1,500	2,131	(631)
Professional insurance	3,500	3,050	450
Property insurance	6,500	7,444	(944)
Total occupancy/insurances	<u>40,000</u>	<u>43,517</u>	<u>(3,517)</u>
<b>Professional services:</b>			
Legal services	4,500	2,474	2,026
Accounting services	2,500	560	1,940
Auditing services	10,500	12,500	(2,000)
Total professional services	<u>17,500</u>	<u>15,534</u>	<u>1,966</u>
<b>Consultants:</b>			
Planning	259,590	206,214	53,376
Engineering - Brownfields - Petroleum II	65,000	66,281	(1,281)
Interns	5,000	4,500	500
Transportation	4,500	11,987	(7,487)
Total consultants	<u>334,090</u>	<u>288,982</u>	<u>45,108</u>
<b>Travel</b>			
Travel	40,500	49,653	(9,153)
Meetings and conferences	24,000	24,618	(618)
Total travel	<u>64,500</u>	<u>74,271</u>	<u>(9,771)</u>

SCHEDULE A (CONTINUED)  
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Office expenses:			
General	10,500	13,891	(3,391)
Printing	6,000	8,345	(2,345)
Advertising	3,500	4,712	(1,212)
Dues, publications, and data	18,283	20,857	(2,574)
Postage	7,500	6,910	590
Telephone/internet/web	7,000	9,350	(2,350)
Repairs	500	-	500
Bank/payroll fees	350	881	(531)
Equipment/software service contracts	15,500	23,173	(7,673)
Total office expenses	<u>69,133</u>	<u>88,119</u>	<u>(18,986)</u>
Office equipment:			
Computer hardware	6,000	12,454	(6,454)
Office equipment and furniture	1,500	7,000	(5,500)
Computer software	1,500	3,562	(2,062)
Total office equipment	<u>9,000</u>	<u>23,016</u>	<u>(14,016)</u>
Other expenses:			
Contingency	3,500	-	3,500
Bad debt expense	1,500	-	1,500
STEM scholarship program	5,000	-	5,000
Miscellaneous	1,000	2,760	(1,760)
Equipment - VAOT	-	2,780	(2,780)
Total other expenses	<u>11,000</u>	<u>5,540</u>	<u>5,460</u>
 Total expenditures	 <u>1,312,819</u>	 <u>1,385,874</u>	 <u>(73,055)</u>
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	 -	 43,735	 43,735
 FUND BALANCE - JULY 1, 2012		 <u>489,597</u>	
 FUND BALANCE - JUNE 30, 2013		 <u>\$ 533,332</u>	

See accompanying independent auditors report.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-through Grantor <u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Northern VT RC&D Council:			
Forest Stewardship	10.678	10-DG-11420004-347	\$ <u>1,425</u>
Total U.S. Department of Agriculture			<u>1,425</u>
U.S. DEPARTMENT OF COMMERCE:			
Direct program:			
CEDS and COOP Planning	11.302	01-69-08837	<u>61,179</u>
State Broadband Data and Development Grant Program	11.558	NWRPC BBM 10-08	<u>3,030</u>
Total U.S. Department of Commerce			<u>64,209</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct programs:			
Community Development Block Grant	14.228	07110-DR-IG-2012-TRORC-00008	730,767
HUD Regional Plan	14.703	VTRIP0072-11	<u>101,526</u>
Total U.S. Department of Housing and Urban Development			<u>832,293</u>
U.S. DEPARTMENT OF INTERIOR:			
Direct programs:			
National Park Service - Connector Study	15.904	H1818-08-0025	11,316
Woodstock/NPS Transit Project	15.904	R1818-11-0066	<u>22,785</u>
Total U.S. Department of Interior			<u>34,101</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-through Grantor <u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through State of Vermont Agency of Transportation:			
Capital Assistance Program	20.205	STP SPR PL-1 (49)	25,292
Capital Assistance Program	20.205	STP SPR PL-1 (50)	169,064
Scenic Byways Program	20.205	SB VT04(002)	5,432
Thetford Hill MPM	20.205	THETFORD STP 0180(8)	3,996
Prosper Valley MPM	20.205	Woodstock-Barnard PLH PVCP (1)	3,262
			<u>207,046</u>
 HazMats MEP	 20.703	 HM-HMP-0220-11-01-00	 2,720
			<u>2,720</u>
 Total U.S. Department of Transportation			 <u>209,766</u>
U.S. DEPARTMENT OF ENERGY:			
Direct programs:			
Energy Efficiency and Conservation Block Grant Program	81.128	DE-RW 0000264	38,232
Energy Efficiency and Conservation Block Grant Program	81.128	DE-RW 0000265	28,015
			<u>66,247</u>
 Total U.S. Department of Energy			 <u>66,247</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass-through Grantor <u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
Direct programs:			
Copperas Hill Coalition	66.806	1-981239701-5	590
Brownfields Assessment - Petroleum II	66.818	BF-96132201-0 023	25,097
Brownfields Assessment - Petroleum II	66.818	BF-96132201-0 024	<u>46,094</u>
			<u>71,781</u>
Passed through the State of Vermont:			
Water Quality Management Planning	66.454	W Q 2011-604B-02	<u>3,636</u>
			<u>3,636</u>
<b>Total U.S. Environmental Protection Agency</b>			<u><u>75,417</u></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed through the State of Vermont:			
NFIP Education	97.039	02140-31778-003	1,950
HMGP Flood/Erosion Plan	97.039	02140-31816-002	<u>3,457</u>
			<u>5,407</u>
Emergency Management Performance	97.042	02140-31014C-010	17,445
Emergency Management Performance	97.042	02140-31013P-010	<u>11,252</u>
			<u>28,697</u>
Pre-Disaster Mitigation	97.047	02140-31231-002	<u>6,164</u>
Homeland Security Grant Program	97.067	2009-SS-T9-0075	
Homeland Security Grant Program	97.067	02140-71311P-001	<u>9,629</u>
			<u>9,629</u>
<b>Total U.S. Department of Homeland Security</b>			<u><u>49,897</u></u>
<b>Total Federal Expenditures</b>			<u><u>\$ 1,333,355</u></u>



TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Two Rivers-Ottawuechee Regional Commission. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Major Programs - Federal

The following program was considered a major program as defined by OMB Circular A-133 and also Type A programs as defined by Circular A-133.

<u>Program</u>	<u>CFDA #</u>
Community Development Block Grant	14.228



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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

August 29, 2013

Board of Commissioners  
Two Rivers-Ottawaquechee Regional Commission  
Woodstock, Vermont

We have audited, 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 the financial statements of Two Rivers-Ottawaquechee Regional Commission, which comprise the statement of financial position as of June 30, 2013, 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 August 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Two Rivers-Ottawaquechee Regional Commission'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 Two Rivers-Ottawaquechee Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Two Rivers-Ottawaquechee Regional Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization's internal control or 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.

*RHR Smith & Company*

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 29, 2013

Board of Commissioners  
Two Rivers-Ottawaquechee Regional Commission  
Woodstock, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited Two Rivers-Ottawaquechee Regional Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Two Rivers-Ottawaquechee Regional Commission's major federal programs for the year ended June 30, 2013. Two Rivers-Ottawaquechee Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Two Rivers-Ottawaquechee Regional Commission's major federal programs based on our audit of the type of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Two Rivers-Ottawaquechee Regional Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Two Rivers-Ottawaquechee Regional Commission's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Two Rivers-Ottawaquechee Regional Commission, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Two Rivers-Ottawaquechee Regional Commission is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Two Rivers-Ottawaquechee Regional Commission internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Two Rivers-Ottawaquechee Regional Commission's 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 a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance requirements of a federal program 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 program that is 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*RHR Smith & Company*

Certified Public Accountants

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no
- Noncompliance material to financial statements noted  yes  no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported  
In accordance with section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None