

Federal Compliance Audit

Two Rivers-Ottauquechee Regional
Commission

June 30, 2014



Proven Expertise and Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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JUNE 30, 2014

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, 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 and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2014, on our consideration of Two Rivers-Ottauquechee Regional Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in considering the Two Rivers-Ottauquechee Regional Commission's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
August 6, 2014

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

(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, 2014. 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 \$52,524 from \$563,743 to \$616,267.

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 \$79,646 from \$494,812 to a balance of \$574,458 at the end of this year.

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

	<u>2014</u>	<u>2013</u>
Assets:		
Current Assets	\$ 672,534	\$ 609,919
Capital Assets	22,709	21,940
Total Assets	<u>\$ 695,243</u>	<u>\$ 631,859</u>
Liabilities:		
Current Liabilities	\$ 38,347	\$ 29,596
Long-term Debt Outstanding	40,629	38,520
Total Liabilities	<u>\$ 78,976</u>	<u>\$ 68,116</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 22,709	\$ 21,940
Restricted Net Position	19,100	46,991
Unrestricted Net Position	574,458	494,812
Total Net Position	<u>\$ 616,267</u>	<u>\$ 563,743</u>

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

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Operating grants and contracts	\$ 4,303,159	\$ 1,889,448
Charges for services	86,523	79,332
General revenues:		
Municipal dues	70,000	70,000
Interest	5,604	6,668
Miscellaneous	439	237
Total revenues	<u>4,465,725</u>	<u>2,045,685</u>
Expenses		
Regional planning and other programs	4,246,731	1,672,337
Transportation planning	147,913	218,201
Environmental	12,086	66,281
Depreciation	6,471	8,034
Total expenses	<u>4,413,201</u>	<u>1,964,853</u>
Change in Net Position	52,524	80,832
Net Position - July 1	<u>563,743</u>	<u>482,911</u>
Net Position - June 30	<u>\$ 616,267</u>	<u>\$ 563,743</u>

Revenues and Expenses

Revenues for the Commission's governmental activities increased by 118.30%, while total expenses increased by 124.61%. The large increases in both revenues and expenses are from grant activity related to the HUD buyout program.

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>2014</u>	<u>2013</u>
Major Funds:		
General Fund:		
Assigned	\$ 65,082	\$ 65,082
Unassigned	550,005	468,250
Total General Fund	<u>\$ 615,087</u>	<u>\$ 533,332</u>
CDBG Fund:		
Restricted	\$ 19,100	\$ 46,991
Total CDBG Fund	<u>\$ 19,100</u>	<u>\$ 46,991</u>

The general fund total fund balance increased by \$81,755 over the prior fiscal year. This increase was due to underspent expenses in excess of under-received revenues. The CDBG Fund decreased by \$27,891 as a result of expenses and transfers out in excess of revenues.

Budgetary Highlights

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

The general fund actual revenues were less than the budget by \$5,096,508. This was a result of the HUD Buyout revenue being recorded in the CDBG fund and not the general fund.

The general fund actual expenditures were under budget by \$5,178,263. Regional planning and other programs were significantly underspent due to the HUD Buyout program activity being recorded in the CDBG fund .

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the net book value of capital assets recorded by the Commission increased by \$769 over the prior year. This increase was comprised of a capital addition of \$7,240 less current year depreciation expense of \$6,471.

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

	2014	2013
Computer software	\$ -	\$ -
Computer hardware	7,240	775
Furniture & fixtures	15,469	21,165
 Total	 \$ 22,709	 \$ 21,940

Debt

At June 30, 2014, 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, 2014.

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, 2014

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 161,170
Investments	353,834
Accounts receivable (net of allowance for uncollectibles)	
Intergovernmental	154,815
Employees	2,715
Total current assets	672,534
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	22,709
Total noncurrent assets	22,709
TOTAL ASSETS	\$ 695,243
LIABILITIES	
Current liabilities	
Accounts payable	\$ 29,561
Accrued expenses	8,786
Total current liabilities	38,347
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	40,629
Total noncurrent liabilities	40,629
TOTAL LIABILITIES	78,976
NET POSITION	
Invested in capital assets, net of related debt	22,709
Restricted	19,100
Unrestricted	574,458
TOTAL NET POSITION	616,267
TOTAL LIABILITIES AND NET POSITION	\$ 695,243

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue & Changes</u>
		<u>Services</u>	<u>Contracts &</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	\$ 4,246,731	\$ 86,523	\$ 4,061,966	\$ (98,242)
Transportation planning	147,913	-	222,065	74,152
Environmental	12,086	-	19,128	7,042
Depreciation - unallocated	6,471	-	-	(6,471)
Total government	<u>\$ 4,413,201</u>	<u>\$ 86,523</u>	<u>\$ 4,303,159</u>	<u>(23,519)</u>

STATEMENT B (CONTINUED)
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(23,519)
General revenue:	
Municipal dues	70,000
Interest	5,604
Miscellaneous	439
Total general revenue	76,043
Change in net position	52,524
NET POSITION - JULY 1, 2013	563,743
NET POSITION - JUNE 30, 2014	\$ 616,267

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	CDBG Fund	Totals Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 143,828	\$ 17,342	\$ 161,170
Investments	353,834	-	353,834
Accounts receivable (net of allowance for doubtful accounts):			
Intergovernmental	132,886	21,929	154,815
Employees	2,715	-	2,715
TOTAL ASSETS	<u><u>\$ 633,263</u></u>	<u><u>\$ 39,271</u></u>	<u><u>\$ 672,534</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 9,390	\$ 20,171	\$ 29,561
Accrued expenses	8,786	-	8,786
TOTAL LIABILITIES	<u>18,176</u>	<u>20,171</u>	<u>38,347</u>
Fund Balances			
Restricted	-	19,100	19,100
Assigned	65,082	-	65,082
Unassigned	550,005	-	550,005
TOTAL FUND BALANCES	<u>615,087</u>	<u>19,100</u>	<u>634,187</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 633,263</u></u>	<u><u>\$ 39,271</u></u>	<u><u>\$ 672,534</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, 2014

	Total Governmental Funds
Total Fund Balances	\$ 634,187
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	22,709
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(40,629)
Net position of governmental activities	\$ 616,267

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, 2014

	General Fund	CDBG Fund	Totals Governmental Funds
REVENUE			
Municipal dues	\$ 70,000	\$ -	\$ 70,000
Agency of Commerce	276,985	1,070,112	1,347,097
VT Agency of Transportation	222,065	-	222,065
EPA Brownfields - Petroleum II	19,128	-	19,128
HUD Buyouts	120,981	2,104,766	2,225,747
HUD Regional Plan	224,332	-	224,332
State/federal/other contracts	264,790	-	264,790
Municipal contracts	85,773	-	85,773
Fee income	750	-	750
Interest	5,604	-	5,604
Miscellaneous income	439	-	439
TOTAL REVENUE	<u>1,290,847</u>	<u>3,174,878</u>	<u>4,465,725</u>
EXPENDITURES			
Current:			
Regional planning and other programs	1,327,523	2,924,339	4,251,862
Transportation planning	147,913	-	147,913
Environmental	12,086	-	12,086
TOTAL EXPENDITURES	<u>1,487,522</u>	<u>2,924,339</u>	<u>4,411,861</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(196,675)</u>	<u>250,539</u>	<u>53,864</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	278,430	-	278,430
Operating transfer (out)	-	(278,430)	(278,430)
TOTAL OTHER FINANCING SOURCES (USES)	<u>278,430</u>	<u>(278,430)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	81,755	(27,891)	53,864
FUND BALANCE - JULY 1	<u>533,332</u>	<u>46,991</u>	<u>580,323</u>
FUND BALANCE - JUNE 30	<u>\$ 615,087</u>	<u>\$ 19,100</u>	<u>\$ 634,187</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, 2014

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 53,864</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	7,240
Capital asset disposals	-
Depreciation expense	<u>(6,471)</u>
	<u>769</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>(2,109)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 52,524</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. The Community Development Block Grant (CDBG) Fund is a special revenue fund that is used to account for the activity of U.S. Department of Housing and Urban Development grant programs.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The budget was adopted subsequent to passage by the Commission.

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-Ottauquechee 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, 2014.

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, 2014

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 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, 2014, the Commission's liability for compensated absences is \$40,629.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding 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, 2014

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.

On October 24, 2012, the Commission adopted a set of financial policies to guide the financial operation of the Commission. Included in the policies are 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 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, 2014

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, 2014 that were exposed to custodial credit risk.

At June 30, 2014, the Commission's cash balances of \$161,170 were comprised of bank balances of \$175,804 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>\$ 175,804</u>

At June 30, 2014, the Commission's investments amounting to \$353,834 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$317,813 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, 2014

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Type	Bank			
	Balance	Current	1 Year	2 - 5 Years
Certificates of deposit	\$ 317,813	\$ -	\$ 263,190	\$ 54,623
Loan fund	36,021	-	-	36,021
	<u>\$ 353,834</u>	<u>\$ -</u>	<u>\$ 263,190</u>	<u>\$ 90,644</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, 2014:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	50,131	7,240	-	57,371
Furniture & fixtures	63,627	-	-	63,627
	<u>156,438</u>	<u>7,240</u>	<u>-</u>	<u>163,678</u>
Less: accumulated depreciation				
Computer software	(42,680)	-	-	(42,680)
Computer hardware	(49,356)	(775)	-	(50,131)
Furniture & fixtures	(42,462)	(5,696)	-	(48,158)
	<u>(134,498)</u>	<u>(6,471)</u>	<u>-</u>	<u>(140,969)</u>
Net capital assets	<u>\$ 21,940</u>	<u>\$ 769</u>	<u>\$ -</u>	<u>\$ 22,709</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance 7/1/13	Additions	Reductions	Balance 6/30/14
Accrued compensated absences	<u>\$ 38,520</u>	<u>\$ 2,109</u>	<u>\$ -</u>	<u>\$ 40,629</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, 2014.

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 \$95,137 on 100% of the covered wages of \$705,049 in fiscal 2014.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2014 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 \$13,301 on 100% of the covered wages of \$705,049 in fiscal 2014.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - RELATED PARTY VEHICLE LEASE

On May 31, 2014, 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 2014 Honda. Lease expense during fiscal 2014 was \$5,787.

NOTE 8 - GENERAL FUND ASSIGNED FUND BALANCES

At June 30, 2014, 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, 2014. 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, 2014.

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, 2014

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 allowed to charge various grants and contracts indirect costs which are computed using an approved indirect cost rate. During the fiscal year, the Commission became aware that one of its grants may not reimburse the Commission for what the Commission believes to be allowable indirect costs. The amount approximates \$30,000.

The Commission is presently engaged in fulfilling its fiscal 2014 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, 2014, monthly rent became \$1,813, for an annual rent expense of \$21,755. Utility costs of \$11,825 were also reimbursed to the Trust for the year ended June 30, 2014. The lease was extended until June 30, 2015.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance - July 1	\$ 533,332	\$ 533,332	\$ 533,332	\$ -
Resources (Inflows):				
Municipal dues	70,000	70,000	70,000	-
Agency of Commerce	263,263	263,263	276,985	13,722
VT Agency of Transportation	237,000	237,000	222,065	(14,935)
EPA Brownfields - Petroleum II	17,776	17,776	19,128	1,352
HUD Buyouts	191,437	191,437	120,981	(70,456)
HUD Regional Plan	219,246	219,246	224,332	5,086
State/federal/other grants and contracts	147,307	147,307	264,790	117,483
Municipal contracts	55,011	55,011	85,773	30,762
Fee income	1,250	1,250	750	(500)
Interest	750	750	5,604	4,854
Miscellaneous income	1,500	1,500	439	(1,061)
Operating transfers in	278,430	278,430	278,430	-
Amounts Available for Appropriation	<u>2,016,302</u>	<u>2,016,302</u>	<u>2,102,609</u>	<u>86,307</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	1,228,194	1,228,194	1,327,523	(99,329)
Transportation planning	237,000	237,000	147,913	89,087
Environmental	17,776	17,776	12,086	5,690
Total Charges to Appropriations	<u>1,482,970</u>	<u>1,482,970</u>	<u>1,487,522</u>	<u>(4,552)</u>
Budgetary Fund Balance, June 30	<u>\$ 533,332</u>	<u>\$ 533,332</u>	<u>\$ 615,087</u>	<u>\$ 81,755</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, 2014

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 70,000	\$ 70,000	\$ -
Grant and contract income:			
Agency of Commerce	263,263	276,985	13,722
VT Agency of Transportation	237,000	222,065	(14,935)
EPA Brownfields - Petroleum II & III	17,776	19,128	1,352
HUD Buyouts	191,437	120,981	(70,456)
HUD Regional Plan	219,246	224,332	5,086
State/federal/other grants and contracts	147,307	264,790	117,483
Municipal contracts	55,011	85,773	30,762
Total grant and contract income	<u>1,131,040</u>	<u>1,214,054</u>	<u>83,014</u>
Fee income:			
Municipal fees	500	600	100
Other fees	750	150	(600)
Total fee income	<u>1,250</u>	<u>750</u>	<u>(500)</u>
Miscellaneous income:			
Donations	1,000	339	(661)
Interest	750	5,604	4,854
Sales	500	100	(400)
Total miscellaneous income	<u>2,250</u>	<u>6,043</u>	<u>3,793</u>
Operating transfers in	<u>278,430</u>	<u>278,430</u>	<u>-</u>
Total revenues	<u>1,482,970</u>	<u>1,569,277</u>	<u>86,307</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, 2014

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	629,306	656,248	(26,942)
Payroll taxes	48,142	49,270	(1,128)
Employee assistance service	-	300	(300)
Workmen's compensation	4,297	4,055	242
Unemployment insurance	1,212	1,798	(586)
Health and dental insurance	97,200	79,233	17,967
Life insurance	5,500	4,425	1,075
Pension fund	106,982	108,437	(1,455)
Disability insurance	9,950	9,455	495
Total personnel services	902,589	913,221	(10,632)
Occupancy/insurances:			
Rent and King Farm utilities	35,000	29,193	5,807
Occupancy expense - King Farm	2,500	874	1,626
Professional insurance	3,500	2,742	758
Property insurance	8,500	7,926	574
Total occupancy/insurances	49,500	40,735	8,765
Professional services:			
Legal services	14,500	3,911	10,589
Accounting services	2,500	500	2,000
Auditing services	10,500	11,000	(500)
Total professional services	27,500	15,411	12,089
Consultants:			
Planning	153,450	147,913	5,537
Strategic planning consultants	16,130	18,633	(2,503)
HUD buyout consultants	104,725	178,616	(73,891)
Engineering - Brownfields - Petroleum II	17,776	12,086	5,690
Transportation	10,000	-	10,000
Total consultants	302,081	357,248	(55,167)
Travel			
Travel	51,450	39,225	12,225
Meetings and conferences	27,250	27,557	(307)
Total travel	78,700	66,782	11,918

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, 2014

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Office expenses:			
General supplies	14,000	9,619	4,381
Printing	9,000	4,977	4,023
Advertising	7,000	6,651	349
Dues, publications, and data	22,000	21,128	872
Postage	8,500	7,323	1,177
Telephone/internet/web	10,850	9,178	1,672
Repairs	500	-	500
Bank/payroll fees	750	771	(21)
Equipment/software service contracts	16,500	19,537	(3,037)
Total office expenses	<u>89,100</u>	<u>79,184</u>	<u>9,916</u>
Office equipment:			
Computer hardware	8,000	1,326	6,674
Office equipment and furniture	6,000	998	5,002
Computer software	5,000	4,071	929
Total office equipment	<u>19,000</u>	<u>6,395</u>	<u>12,605</u>
Other expenses:			
Contingency	5,000	-	5,000
Bad debt expense	1,000	42	958
STEM scholarship program	5,000	-	5,000
Miscellaneous	-	4,156	(4,156)
Equipment - VAOT	3,500	4,348	(848)
Total other expenses	<u>14,500</u>	<u>8,546</u>	<u>5,954</u>
Total expenditures	<u>1,482,970</u>	<u>1,487,522</u>	<u>(4,552)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	-	81,755	81,755
FUND BALANCE - JULY 1, 2013		<u>533,332</u>	
FUND BALANCE - JUNE 30, 2014		<u>\$ 615,087</u>	

See accompanying independent auditors report.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 II	10.664	06130-LCPC-13	<u>\$ 4,150</u>
Total U.S. Department of Agriculture			<u>4,150</u>
U.S. DEPARTMENT OF COMMERCE:			
Direct program :			
CEDS and COOP Planning	11.302	01-69-08837	<u>\$ 17,002</u>
ACCD - VERI	11.307	07110-14-02	<u>13,472</u>
Total U.S. Department of Commerce			<u>30,474</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct programs:			
Community Development Block Grant	14.228	07110-DR-IG-2012-TRORC-00008	3,150,571
Windham RC CDBGDR II	14.228	N/A	19,598
Rochester CDBG Library	14.228	N/A	<u>4,500</u>
			<u>3,174,669</u>
HUD Regional Plan	14.703	VTRIP0072-11	224,332
Upper Valley Project	14.703	N/A	<u>496</u>
			<u>224,828</u>
Total U.S. Department of Housing and Urban Development			<u>3,399,497</u>
U.S. DEPARTMENT OF INTERIOR:			
Direct programs:			
National Park Service - Connector Study	15.904	H1818-08-0025	14,951
Woodstock/NPS Transit Project	15.904	R1818-11-0066	<u>5,223</u>
Total U.S. Department of Interior			<u>20,174</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 (51)	222,065
Scenic Byways Program	20.205	SB VT04(002)	6,949
Thetford Hill MPM	20.205	THETFORD STP 0180(8)	7,176
Prosper Valley MPM	20.205	Woodstock-Barnard PLH PVCP (1)	8,945
			<u>245,135</u>
 HazMats MEP	 20.703	 02140-31292-003	 3,400
			<u>3,400</u>
 Total U.S. Department of Transportation			 <u>248,535</u>
 U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Direct programs:			
Brownfields Assessment - Petroleum II	66.818	BF-96132201-0 023	8,894
Brownfields Assessment - Petroleum II	66.818	BF-96132201-0 024	10,234
			<u>19,128</u>
 Passed through the State of Vermont:			
Water Quality Management Planning	66.454	W Q2012-604B-01	1,816
Water Quality Management Planning	66.454	W Q2013-604B-01	1,818
			<u>3,634</u>
 Total U.S. Environmental Protection Agency			 <u>22,762</u>
 U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through the State of Vermont:			
HMGP Flood/Erosion Plan	97.039	02140-31816-002	4,588
HMGP Statewide Flood Ed	97.039	02140-34000-013	4,547
HMGP Round 3	97.039	02140-34000-044	6,374
			<u>15,509</u>
 Emergency Management Performance	 97.042	 02140-31014C-010	 8,941
Emergency Management Performance	97.042	02140-31021C-024	34,508
			<u>43,449</u>
 Pre-Disaster Mitigation	 97.047	 02140-31231-001	 4,000
Pre-Disaster Mitigation	97.047	02140-31231-002	44,230
Bridgewater HMGP Admin	97.047	N/A	3,042
Plymouth HMGP Admin	97.047	N/A	1,366
			<u>52,638</u>
 Total U.S. Department of Homeland Security			 <u>111,596</u>
 Total Federal Expenditures			 <u>\$ 3,837,188</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Two Rivers-Ottawaquechee 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
HUD Regional Plan	14.703



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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

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, 2014, 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, 2014.

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-Ottauquechee 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

Buxton, Maine
August 6, 2014



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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

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, 2014. 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.

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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, 2014.

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

Buxton, Maine
August 6, 2014

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

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
14.703	HUD Regional Plan

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