

Federal Compliance Audit

Two Rivers-Ottawaquechee Regional
Commission

June 30, 2015



Proven Expertise and Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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JUNE 30, 2015

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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, 2015, 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 involves performing procedures to obtain audit evidence about 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 evaluating the appropriateness of

accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statements.

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-Ottawquechee Regional Commission as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance 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 and budgetary comparison information on pages 4 through 10 and 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-Ottawquechee Regional Commission's basic financial statements. The 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 schedule of expenditures of federal awards is 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. Such 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 September 3, 2015, 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
Vermont Registration No. 092.0000697
September 3, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

(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, 2015. 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 two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Commission's major governmental funds are the general fund and the CDBG 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 position, and changes in net position of the Commission's governmental activities. The Commission's total net position decreased by \$38,071 from \$616,267 to \$578,196.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$12,255 from \$574,458 to a balance of \$562,203 at the end of this year.

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

	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets	\$ 798,825	\$ 672,534
Capital Assets	15,993	22,709
Total Assets	<u><u>\$ 814,818</u></u>	<u><u>\$ 695,243</u></u>
Liabilities:		
Current Liabilities	\$ 159,336	\$ 38,347
Long-term Debt Outstanding	62,463	40,629
Total Liabilities	<u><u>\$ 221,799</u></u>	<u><u>\$ 78,976</u></u>
Deferred Inflows of Resources:		
Unearned Revenue	\$ 14,823	\$ -
Total Deferred Inflows of Resources	<u><u>\$ 14,823</u></u>	<u><u>\$ -</u></u>
Net Position:		
Net Investment in Capital Assets	\$ 15,993	\$ 22,709
Restricted Net Position	-	19,100
Unrestricted Net Position	562,203	574,458
Total Net Position	<u><u>\$ 578,196</u></u>	<u><u>\$ 616,267</u></u>

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

	2015	2014
Revenues		
Program revenues:		
Operating grants and contracts	\$ 2,929,355	\$ 4,303,159
Charges for services	91,069	86,523
General revenues:		
Municipal dues	72,234	70,000
Interest	5,226	5,604
Miscellaneous	-	439
Total revenues	3,097,884	4,465,725
Expenses		
Regional planning and other programs	2,949,163	4,246,731
Transportation planning	180,076	147,913
Environmental	-	12,086
Depreciation	6,716	6,471
Total expenses	3,135,955	4,413,201
Change in Net Position	(38,071)	52,524
Net Position - July 1	616,267	563,743
Net Position - June 30	\$ 578,196	\$ 616,267

Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 30.63%, while total expenses decreased by 28.94%. The decreases 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>2015</u>	<u>2014</u>
Major Funds:		
General Fund:		
Assigned	\$ 40,082	\$ 65,082
Unassigned	584,584	550,005
Total General Fund	<u>\$ 624,666</u>	<u>\$ 615,087</u>
CDBG Fund:		
Restricted	\$ -	\$ 19,100
Total CDBG Fund	<u>\$ -</u>	<u>\$ 19,100</u>

The general fund total fund balance increased by \$9,579 over the prior fiscal year. This increase was due to underspent expenses in excess of under-received revenues. The CDBG Fund decreased by \$19,100 as a result of it's activity being closed out to the general fund.

Budgetary Highlights

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

The general fund actual revenues were under the budget by \$1,383,362. This was a result of the HUD Buyout revenue being received less than budget.

The general fund actual expenditures were under budget by \$1,415,795. This was due to less than expected HUD Buyout program activity being recorded.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the net book value of capital assets recorded by the Commission decreased by \$6,716 over the prior year. This decrease was comprised of current year depreciation expense.

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

	2015	2014
Computer hardware	\$ 7,240	\$ 7,240
Furniture & fixtures	8,753	15,469
Total	\$ 15,993	\$ 22,709

Debt

At June 30, 2015, 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, 2015.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Commission's unassigned fund balance is at a level to sustain government operations for a period of at least 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, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 207,788
Investments	358,868
Accounts receivable (net of allowance for uncollectibles)	
Intergovernmental	231,244
Employees	925
Total current assets	798,825
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	15,993
Total noncurrent assets	15,993
TOTAL ASSETS	\$ 814,818
LIABILITIES	
Current liabilities	
Accounts payable	\$ 88,858
Accrued expenses	70,478
Total current liabilities	159,336
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	62,463
Total noncurrent liabilities	62,463
TOTAL LIABILITIES	221,799
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	14,823
TOTAL DEFERRED INFLOWS OF RESOURCES	14,823
NET POSITION	
Net investment in capital assets	15,993
Unrestricted	562,203
TOTAL NET POSITION	578,196
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 814,818

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

<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	\$ 2,949,163	\$ 91,069	\$ 2,721,236	\$ (136,858)
Transportation planning	180,076	-	208,119	28,043
Depreciation - unallocated	6,716	-	-	(6,716)
	<u>6,716</u>	<u>-</u>	<u>-</u>	<u>(6,716)</u>
Total government	<u>\$ 3,135,955</u>	<u>\$ 91,069</u>	<u>\$ 2,929,355</u>	<u>(115,531)</u>

STATEMENT B (CONTINUED)
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(115,531)</u>
General revenue:	
Municipal dues	72,234
Interest	5,226
Total general revenue	<u>77,460</u>
Change in net position	(38,071)
NET POSITION - JULY 1	<u>616,267</u>
NET POSITION - JUNE 30	<u><u>\$ 578,196</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	CDBG Fund	Totals Governmental Funds
ASSETS			
Cash	\$ 207,788	\$ -	\$ 207,788
Investments	358,868	-	358,868
Accounts receivable (net of allowance for doubtful accounts):			
Intergovernmental	231,244	-	231,244
Employees	925	-	925
TOTAL ASSETS	<u>\$ 798,825</u>	<u>\$ -</u>	<u>\$ 798,825</u>
LIABILITIES			
Accounts payable	\$ 88,858	\$ -	\$ 88,858
Accrued expenses	70,478	-	70,478
TOTAL LIABILITIES	<u>159,336</u>	<u>-</u>	<u>159,336</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	14,823	-	14,823
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,823</u>	<u>-</u>	<u>14,823</u>
FUND BALANCES			
Assigned	40,082	-	40,082
Unassigned	584,584	-	584,584
TOTAL FUND BALANCES	<u>624,666</u>	<u>-</u>	<u>624,666</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 798,825</u>	<u>\$ -</u>	<u>\$ 798,825</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, 2015

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 624,666
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	15,993
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(62,463)</u>
Net position of governmental activities	<u><u>\$ 578,196</u></u>

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, 2015

	General Fund	CDBG Fund	Totals Governmental Funds
REVENUE			
Municipal dues	\$ 72,234	\$ -	\$ 72,234
Agency of Commerce	280,156	-	280,156
VT Agency of Transportation	208,119	-	208,119
HUD Buyouts	1,975,277	-	1,975,277
VT Economic Resiliency Initiative	99,634	-	99,634
HUD Regional Plan	126,568	-	126,568
Culvert resiliency grant	48,163	-	48,163
State/federal/other contracts	191,438	-	191,438
Municipal contracts	91,069	-	91,069
Interest	5,226	-	5,226
TOTAL REVENUE	<u>3,097,884</u>	<u>-</u>	<u>3,097,884</u>
EXPENDITURES			
Current:			
Regional planning and other programs	2,927,329	-	2,927,329
Transportation planning	180,076	-	180,076
TOTAL EXPENDITURES	<u>3,107,405</u>	<u>-</u>	<u>3,107,405</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,521)</u>	<u>-</u>	<u>(9,521)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	19,100	-	19,100
Transfer (out)	-	(19,100)	(19,100)
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,100</u>	<u>(19,100)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	9,579	(19,100)	(9,521)
FUND BALANCE - JULY 1	<u>615,087</u>	<u>19,100</u>	<u>634,187</u>
FUND BALANCE - JUNE 30	<u><u>\$ 624,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 624,666</u></u>

See accompanying independent auditors report and notes to financial statements.

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, 2015

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (9,521)</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	-
Capital asset disposals	-
Depreciation expense	<u>(6,716)</u>
	<u>(6,716)</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>(21,834)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (38,071)</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Two Rivers-Ottauquechee 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 Ottauquechee 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 and 61.

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 – net investment in capital assets; 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, 2015

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, 2015

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, 2015

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-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, 2015.

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, 2015

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 and sick time. 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, 2015, the Commission's liability for compensated absences is \$62,463.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

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, 2015

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 8, 2014, the Commission adopted a revised 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has only one type of item, unearned revenues, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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 - DEPOSITS AND INVESTMENTS

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

Deposits:

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, 2015 that were exposed to custodial credit risk.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2015, the Commission's cash balances of \$207,788 were comprised of bank balances of \$212,611 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>\$ 212,611</u>

Investments:

At June 30, 2015, the Commission's investments amounting to \$358,868 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$322,000 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The loan fund of \$36,868 was not subject to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Certificates of deposit	\$ 322,000	\$ -	\$ 266,306	\$ 55,694
Loan fund	<u>36,868</u>	<u>-</u>	<u>-</u>	<u>36,868</u>
	<u>\$ 358,868</u>	<u>\$ -</u>	<u>\$ 266,306</u>	<u>\$ 92,562</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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2015:

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	57,371	-	-	57,371
Furniture & fixtures	63,627	-	-	63,627
	<u>163,678</u>	<u>-</u>	<u>-</u>	<u>163,678</u>
Less: accumulated depreciation				
Computer software	(42,680)	-	-	(42,680)
Computer hardware	(50,131)	-	-	(50,131)
Furniture & fixtures	(48,158)	(6,716)	-	(54,874)
	<u>(140,969)</u>	<u>(6,716)</u>	<u>-</u>	<u>(147,685)</u>
Net capital assets	<u>\$ 22,709</u>	<u>\$ (6,716)</u>	<u>\$ -</u>	<u>\$ 15,993</u>

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7/1/14	Additions	Reductions	Balance 6/30/15
Accrued compensated absences	<u>\$ 40,629</u>	<u>\$ 21,834</u>	<u>\$ -</u>	<u>\$ 62,463</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, 2015.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$97,930 on 100% of the covered wages of \$665,443 in fiscal 2015.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2015 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 \$16,943 on 100% of the covered wages of \$665,443 in fiscal 2015.

NOTE 7 - RELATED PARTY VEHICLE LEASE

On May 31, 2014, the Commission and its 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 2015 was \$5,534.

NOTE 8 - GENERAL FUND ASSIGNED FUND BALANCES

At June 30, 2015, 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	<u>10,082</u>
	<u>\$ 40,082</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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - RISK MANAGEMENT (CONTINUED)

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, 2015. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

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.

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 2015 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, 2015, monthly rent became \$1,813, for an annual rent expense of \$21,755. Utility costs of \$14,347 were also reimbursed to the Trust for the year ended June 30, 2015. The lease was extended until June 30, 2016.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 615,087	\$ 615,087	\$ 615,087	\$ -
Resources (Inflows):				
Municipal dues	72,234	72,234	72,234	-
Agency of Commerce	278,946	278,946	280,156	1,210
VT Agency of Transportation	246,474	246,474	208,119	(38,355)
HUD Buyouts	3,339,989	3,339,989	1,975,277	(1,364,712)
Vermont Economic Resiliency Initiative	149,730	149,730	99,634	(50,096)
HUD Regional Plan	109,868	109,868	126,568	16,700
Culvert resiliency grant	50,000	50,000	48,163	(1,837)
State/federal/other grants and contracts	187,900	187,900	191,438	3,538
Municipal contracts	62,705	62,705	91,069	28,364
Fee income	1,250	1,250	-	(1,250)
Interest	750	750	5,226	4,476
Miscellaneous income	500	500	-	(500)
Operating transfers in	-	-	19,100	19,100
Amounts Available for Appropriation	<u>5,115,433</u>	<u>5,115,433</u>	<u>3,732,071</u>	<u>(1,383,362)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	4,268,345	4,268,345	2,927,329	1,341,016
Transportation planning	254,855	254,855	180,076	74,779
Total Charges to Appropriations	<u>4,523,200</u>	<u>4,523,200</u>	<u>3,107,405</u>	<u>1,415,795</u>
Budgetary Fund Balance, June 30	<u>\$ 592,233</u>	<u>\$ 592,233</u>	<u>\$ 624,666</u>	<u>\$ 32,433</u>

See accompanying independent auditors report and notes to financial statements.

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, 2015

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 72,234	\$ 72,234	\$ -
Grant and contract income:			
Agency of Commerce	278,946	280,156	1,210
VT Agency of Transportation	246,474	208,119	(38,355)
HUD Buyouts	3,339,989	1,975,277	(1,364,712)
Vermont Economic Resiliency Initiative	149,730	99,634	(50,096)
HUD Regional Plan	109,868	126,568	16,700
Culvert resiliency grant	50,000	48,163	(1,837)
State/federal/other grants and contracts	187,900	191,438	3,538
Municipal contracts	62,705	91,069	28,364
Total grant and contract income	<u>4,425,612</u>	<u>3,020,424</u>	<u>(1,405,188)</u>
Fee income:			
Municipal fees	500	-	(500)
Other fees	750	-	(750)
Total fee income	<u>1,250</u>	<u>-</u>	<u>(1,250)</u>
Miscellaneous income:			
Interest	750	5,226	4,476
Sales	500	-	(500)
Total miscellaneous income	<u>1,250</u>	<u>5,226</u>	<u>3,976</u>
Transfers in	<u>-</u>	<u>19,100</u>	<u>19,100</u>
Total revenues	<u>4,500,346</u>	<u>3,116,984</u>	<u>(1,383,362)</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	628,370	682,866	(54,496)
Payroll taxes	48,070	47,288	782
Employee assistance service	600	600	-
Workmen's compensation	4,300	5,233	(933)
Unemployment insurance	1,800	1,775	25
Health and dental insurance	76,323	87,100	(10,777)
Life insurance	6,500	4,580	1,920
Pension fund	103,593	114,872	(11,279)
Disability insurance	9,950	9,986	(36)
Total personnel services	<u>879,506</u>	<u>954,300</u>	<u>(74,794)</u>
Occupancy/insurances:			
Rent and King Farm utilities	35,000	36,102	(1,102)
Occupancy expense - King Farm	1,000	406	594
Professional insurance	3,500	4,890	(1,390)
Property insurance	8,500	8,356	144
Total occupancy/insurances	<u>48,000</u>	<u>49,754</u>	<u>(1,754)</u>
Professional services:			
Legal services	10,000	22,179	(12,179)
Accounting services	1,500	-	1,500
Auditing services	11,000	9,000	2,000
Total professional services	<u>22,500</u>	<u>31,179</u>	<u>(8,679)</u>
Consultants:			
Planning	254,855	180,076	74,779
HUD buyout consultants	14,500	264,064	(249,564)
HUD buyout pass-thru funds	3,134,489	1,431,766	1,702,723
Total consultants	<u>3,403,844</u>	<u>1,879,456</u>	<u>1,524,388</u>
Travel			
Travel	47,500	42,846	4,654
Meetings and conferences	26,000	29,839	(3,839)
Total travel	<u>73,500</u>	<u>72,685</u>	<u>815</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, 2015

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Office expenses:			
General supplies	11,000	9,728	1,272
Printing	6,000	7,620	(1,620)
Advertising	7,500	5,247	2,253
Dues, publications, and data	23,000	23,515	(515)
Postage	8,000	5,531	2,469
Telephone/internet/web	10,850	15,427	(4,577)
Repairs	500	-	500
Bank/payroll fees	750	969	(219)
Equipment/software service contracts	17,750	20,382	(2,632)
Total office expenses	85,350	88,419	(3,069)
Office equipment:			
Computer hardware	3,000	7,267	(4,267)
Office equipment and furniture	1,000	-	1,000
Computer software	500	5,843	(5,343)
Total office equipment	4,500	13,110	(8,610)
Other expenses:			
STEM scholarship program	5,000	5,000	-
Miscellaneous	500	6,059	(5,559)
Equipment - VAOT	500	7,443	(6,943)
Total other expenses	6,000	18,502	(12,502)
Total expenditures	4,523,200	3,107,405	1,415,795
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(22,854)	9,579	32,433
FUND BALANCE - JULY 1, 2014		615,087	
FUND BALANCE - JUNE 30, 2015		\$ 624,666	

See accompanying independent auditors report and notes to financial statements.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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 Lamoille County Regional Commission:			
Forest Stewardship II	10.664	06130-LCPC-13	\$ <u>5,000</u>
Total U.S. Department of Agriculture			<u>5,000</u>
U.S. DEPARTMENT OF COMMERCE:			
Direct program:			
East Central Vermont EDD 2014 Planning	11.302	01-86-14524	<u>56,048</u>
ACCD - VERI	11.307	07110-14-02	<u>99,634</u>
Total U.S. Department of Commerce			<u>155,682</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct programs:			
Community Development Block Grant	14.228	07110-DR-IG-2012-TRORC-00008	1,825,570
Culvert Resiliency Inventory	14.228	07110-DR-PG-2012-TRORC-00032	<u>48,163</u>
			<u>1,873,733</u>
HUD Disaster II	14.269	07110-DR-IG-2012-TRORC-00036	<u>149,707</u>
HUD Regional Plan	14.703	VTRIP0072-11	<u>126,568</u>
			<u>126,568</u>
Total U.S. Department of Housing and Urban Development			<u>2,150,008</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through State of Vermont Agency of Transportation:			
Scenic Byways Program	20.205	SB VT04(002)	1,933
Thetford Hill MPM	20.205	THETFORD STP EH09(10)	5,386
Prosper Valley MPM	20.205	Woodstock-Barnard PLH PVCP (1)	1,787
Thetford Trail MPM	20.205	N/A	3,123
TPI	20.205	STP SPR-PL-1(50)	166,691
TPI	20.205	STP SPR-PL-1(51)	41,428
			<u>220,348</u>
 HazMats MEP	 20.703	 02140-31293-012	 3,188
			<u>3,188</u>
 Total U.S. Department of Transportation			 <u>223,536</u>
 U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Passed through the State of Vermont:			
Water Quality Management Planning	66.454	WQ2014-604B-01	3,636
			<u>3,636</u>
 Total U.S. Environmental Protection Agency			 <u>3,636</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through the State of Vermont:			
Mt. Ascutney Prevention Partnership	92.243	12SP19423A	860
 Total U.S. Department of Health and Human Services			 <u>860</u>
 U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through the State of Vermont:			
HMGP Round 3	97.039	02140-34000-044	12,415
			<u>12,415</u>
 Emergency Management Performance	 97.042	 02140-31022C-014	 50,995
Emergency Management Performance	97.042	02140-31021C-024	17,426
			<u>68,421</u>
 Pre-Disaster Mitigation	 97.047	 02140-31231-001	 12,000
Pre-Disaster Mitigation	97.047	02140-31231-002	15,483
			<u>27,483</u>
 Total U.S. Department of Homeland Security			 <u>108,319</u>
 Total Federal Expenditures			 <u>\$ 2,647,041</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Two Rivers-Ottauquechee 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Two Rivers-Ottawaquechee Regional Commission as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise Two Rivers-Ottawaquechee Regional Commission's basic financial statements and have issued our report thereon dated September 3, 2015.

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.

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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

Buxton, Maine
Vermont Registration No. 092.0000697
September 3, 2015



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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-Ottauquechee Regional Commission
Woodstock, Vermont

Report on Compliance for Each Major Federal Program

We have audited Two Rivers-Ottauquechee 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-Ottauquechee Regional Commission's major federal programs for the year ended June 30, 2015. Two Rivers-Ottauquechee 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-Ottauquechee 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-Ottauquechee 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, 2015.

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
Vermont Registration No. 092.0000697
September 3, 2015

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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: Unmodified

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