

Federal Compliance Audit

Two Rivers-Ottawaquechee Regional  
Commission

June 30, 2016



*Proven Expertise and Integrity*

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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JUNE 30, 2016

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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, each major fund and the aggregate remaining fund information of Two Rivers-Ottauquechee Regional Commission, as of and for the year ended June 30, 2016, 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 accounting estimates

made by management, as well as evaluating the overall presentation of the financial statements presentation.

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, each major fund and the aggregate remaining fund information of Two Rivers-Ottawaquechee Regional Commission as of June 30, 2016, 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 31 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 schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund 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 schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of Two Rivers-Ottawaquechee 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* in considering the Two Rivers-Ottawaquechee Regional Commission’s internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
September 8, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**(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, 2016. 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, deferred outflows of resources, liabilities and deferred inflows of resources 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. All of the Commission's basic services are reported in governmental activities, which include regional planning and other programs and transportation planning.

### **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 funds balance sheet and the governmental funds 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 funds balance sheet and the governmental funds 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 of Governmental Funds 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.

### **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 increased by \$36,130 from \$640,659 to \$676,789.

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 - increased by \$39,863 from \$624,666 to a balance of \$664,529 at the end of this year.

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

	<b>2016</b>	<b>2015 (Restated)</b>
<b>Assets:</b>		
Current Assets	\$ 733,095	\$ 798,825
Capital Assets	12,260	15,993
<b>Total Assets</b>	<b>\$ 745,355</b>	<b>\$ 814,818</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 36,416	\$ 96,873
Long-term Debt Outstanding	30,776	62,463
<b>Total Liabilities</b>	<b>\$ 67,191</b>	<b>\$ 159,336</b>
<b>Deferred Inflows of Resources:</b>		
Unearned Revenue	\$ 1,375	\$ 14,823
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,375</b>	<b>\$ 14,823</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 12,260	\$ 15,993
Unrestricted	674,788	624,666
<b>Total Net Position</b>	<b>\$ 687,048</b>	<b>\$ 640,659</b>

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

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program revenues:		
Operating grants and contracts	\$ 2,034,554	\$ 2,929,355
Charges for services	140,841	91,069
General revenues:		
Municipal dues	74,475	72,234
Interest	3,325	5,226
Miscellaneous	35	-
Total revenues	<u>2,253,230</u>	<u>3,097,884</u>
<b>Expenses</b>		
Regional planning and other programs	2,213,367	2,949,163
Transportation planning	-	180,076
Depreciation	3,733	6,716
Total expenses	<u>2,217,100</u>	<u>3,135,955</u>
Change in Net Position	36,130	(38,071)
Net Position - July 1, Restated	<u>640,659</u>	<u>678,730</u>
Net Position - June 30	<u>\$ 676,789</u>	<u>\$ 640,659</u>

### Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 27.27%, while total expenses decreased by 29.30%. The large 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-Ottawaquechee Regional Commission**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2016</b>	<b>2015 (Restated)</b>
General Fund:		
Assigned	\$ 40,082	\$ 40,082
Unassigned	665,481	647,047
Total General Fund	\$ 705,563	\$ 687,129

The general fund total fund balance increased by \$18,434 over the prior fiscal year. This increase was due to underspent expenses in excess of under-received 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 \$2,874,868. This was a result of the HUD Buyout revenue being lower than expected.

The general fund actual expenditures were under budget by \$2,893,302. Regional planning and other programs were significantly underspent due to the HUD Buyout program activity being lower than expected.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Commission decreased by \$3,733 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,**

	<b>2016</b>	<b>2015</b>
Computer hardware	\$ 7,240	\$ 7,240
Furniture & fixtures	5,020	8,753
Total	\$ 12,260	\$ 15,993

## **Debt**

At June 30, 2016, the Commission had no outstanding bonds or notes. Other obligations include accrued compensated absences. The Commission also had a line of credit of \$60,000 which had a balance of \$0 as of June 30, 2016.

### **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, 2016

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 164,476
Investments	431,939
Accounts receivable (net of allowance for uncollectibles)	
Intergovernmental	132,843
Employees	3,837
Total current assets	733,095
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	12,260
Total noncurrent assets	12,260
<b>TOTAL ASSETS</b>	<b>\$ 745,355</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 6,266
Accrued expenses	19,891
Current portion of long-term obligations	10,259
Total current liabilities	36,416
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	30,776
Total noncurrent liabilities	30,776
<b>TOTAL LIABILITIES</b>	<b>67,191</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	1,375
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,375</b>
<b>NET POSITION</b>	
Net investment in capital assets	12,260
Unrestricted	674,788
<b>TOTAL NET POSITION</b>	<b>687,048</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 755,614</b>

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

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Contracts & Contributions	Total Governmental Activities
Governmental activities				
Regional planning and other programs	\$ 2,213,367	\$ 140,841	\$ 2,034,554	\$ (37,972)
Depreciation - unallocated	<u>3,733</u>	<u>-</u>	<u>-</u>	<u>(3,733)</u>
Total government	<u>\$ 2,217,100</u>	<u>\$ 140,841</u>	<u>\$ 2,034,554</u>	<u>(41,705)</u>

STATEMENT B (CONTINUED)  
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(41,705)</u>
General revenue:	
Municipal dues	74,475
Interest	<u>3,325</u>
Total general revenue	<u>77,835</u>
Change in net position	36,130
NET POSITION - JULY 1, RESTATED	<u>640,659</u>
NET POSITION - JUNE 30	<u><u>\$ 676,789</u></u>

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



STATEMENT C

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 164,476	\$ 164,476
Investments	431,939	431,939
Accounts receivable (net of allowance for doubtful accounts):		
Intergovernmental	132,843	132,843
Employees	3,837	3,837
<b>TOTAL ASSETS</b>	<b>\$ 733,095</b>	<b>\$ 733,095</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,266	\$ 6,266
Accrued expenses	19,891	19,891
<b>TOTAL LIABILITIES</b>	<b>26,157</b>	<b>26,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	1,375	1,375
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,375</b>	<b>1,375</b>
<b>FUND BALANCES</b>		
Assigned	40,082	40,082
Unassigned	665,481	665,481
<b>TOTAL FUND BALANCES</b>	<b>705,563</b>	<b>705,563</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 733,095</b>	<b>\$ 733,095</b>

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, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 705,563
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	12,260
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(41,034)</u>
Net position of governmental activities	<u><u>\$ 676,789</u></u>

See accompanying independent auditors' 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, 2016

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Municipal dues	\$ 74,475	\$ 74,475
Agency of Commerce	281,002	281,002
VT Agency of Transportation	244,938	244,938
HUD Buyouts	1,179,548	1,179,548
VT Economic Resiliency Initiative	8,114	8,114
HUD Regional Plan	10,584	10,584
Culvert resiliency grant	103,474	103,474
EDA Planning Grant	8,474	8,474
State/federal/other contracts	198,420	198,420
Municipal contracts	139,106	139,106
Interest	3,325	3,325
TOTAL REVENUES	<u>2,253,230</u>	<u>2,253,230</u>
EXPENDITURES		
Current:		
Regional planning and other programs	<u>2,234,796</u>	<u>2,234,796</u>
TOTAL EXPENDITURES	<u>2,234,796</u>	<u>2,234,796</u>
NET CHANGE IN FUND BALANCES	18,434	18,434
FUND BALANCE - JULY 1, RESTATED	<u>687,129</u>	<u>687,129</u>
FUND BALANCE - JUNE 30	<u><u>\$ 705,563</u></u>	<u><u>\$ 705,563</u></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 OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 18,434</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 activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	-
Capital asset disposals	-
Depreciation expense	<u>(3,733)</u>
	<u>(3,733)</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>21,429</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 36,130</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 Statements No. 39 and No. 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, 2016

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 position 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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:

**Major Funds**

- 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

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

1. Accrual

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

2. Modified Accrual

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

**Budget**

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

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

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

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

It is the Commission's policy to value investments at fair value. None of the Commission's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Commission is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be zero as of June 30, 2016.

**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



TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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, 2016, the Commission's liability for compensated absences is \$41,034.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 its use either through 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 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 that qualifies for reporting in this category. This item is reported in both the statement 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.

**Program Revenues**

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

**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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016 that were exposed to custodial credit risk.

At June 30, 2016, the Commission's cash balances of \$164,476 were comprised of bank balances of \$187,052 which were all insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 187,052</u>

At June 30, 2016, the Commission's investments amounting to \$431,939 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$373,970 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.

<u>Investment Type</u>	<u>Bank Balance</u>	<u>Current</u>	<u>&lt;1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	\$ 373,970	\$ -	\$ 317,966	\$ 56,004
Loan fund	<u>57,969</u>	<u>-</u>	<u>-</u>	<u>57,969</u>
	<u>\$ 431,939</u>	<u>\$ -</u>	<u>\$ 317,966</u>	<u>\$ 113,973</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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 for the year ended June 30, 2016:

	Balance 7/1/15	Additions	Disposals	Balance 6/30/16
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	(54,874)	(3,733)	-	(58,607)
	<u>(147,685)</u>	<u>(3,733)</u>	<u>-</u>	<u>(151,418)</u>
Net capital assets	<u>\$ 15,993</u>	<u>\$ (3,733)</u>	<u>\$ -</u>	<u>\$ 12,260</u>

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance 7/1/15	Additions	Reductions	Balance 6/30/16	Current Portion
Accrued compensated absences	<u>\$ 62,463</u>	<u>\$ -</u>	<u>\$ (21,429)</u>	<u>\$ 41,034</u>	<u>\$ 10,259</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016.

NOTE 6 - GENERAL FUND ASSIGNED FUND BALANCES

At June 30, 2016, 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 7 - 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 14% contribution of \$81,760 on 100% of the covered wages of \$626,314 in fiscal 2016.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2016 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 3% of all participating employees' annual salaries, but has flexibility to contribute more as long as overall funding limits are not exceeded. The Commission contributed \$18,122 on 100% of the covered wages of \$626,314 in fiscal 2016.

NOTE 8 - RELATED PARTY VEHICLE LEASE

On May 31, 2014, the Commission and the 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 2016 Honda. Lease expense during fiscal 2016 was \$5,534.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016. 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 2016 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 \$10,939 were also reimbursed to the Trust for the year ended June 30, 2016. The lease was extended until June 30, 2016.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11 – RESTATEMENT

As of July 1, 2015, the general fund unassigned fund balance and the governmental activities net position have both been restated to correct an error in the presentation of accrued compensated absences. The balance of accrued compensated absences was incorrectly included in the general fund and governmental activities current liabilities. The restatement to the general fund unassigned fund balance and the governmental activities net position was \$62,463.



## 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, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 687,129	\$ 687,129	\$ 687,129	\$ -
Resources (Inflows):				
Municipal dues	74,475	74,475	74,475	-
Agency of Commerce	281,002	281,002	281,002	-
VT Agency of Transportation	246,474	246,474	244,938	(1,536)
HUD Buyouts	4,009,182	4,009,182	1,179,548	(2,829,634)
Vermont Economic Resiliency Initiative	21,592	21,592	8,114	(13,478)
HUD Regional Plan	83,000	83,000	10,584	(72,416)
Culvert Resiliency Grant	63,778	63,778	103,474	39,696
EDA Planning Grant	29,641	29,641	8,474	(21,167)
State/federal/other grants and contracts	233,153	233,153	198,420	(34,733)
Municipal contracts	83,301	83,301	139,106	55,805
Fee income	1,250	1,250	1,735	485
Interest	750	750	3,325	2,575
Miscellaneous income	500	500	35	(465)
Transfers in	-	-	-	-
Amounts Available for Appropriation	<u>5,815,227</u>	<u>5,815,227</u>	<u>2,940,359</u>	<u>(2,874,868)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	5,128,098	5,128,098	2,234,796	2,893,302
Total Charges to Appropriations	<u>5,128,098</u>	<u>5,128,098</u>	<u>2,234,796</u>	<u>2,893,302</u>
Budgetary Fund Balance, June 30	<u>\$ 687,129</u>	<u>\$ 687,129</u>	<u>\$ 705,563</u>	<u>\$ 18,434</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 - General Fund

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 74,475	\$ 74,475	\$ -
Grant and contract income:			
Agency of Commerce	281,002	281,002	-
VT Agency of Transportation	246,474	244,938	(1,536)
HUD Buyouts	4,009,182	1,179,548	(2,829,634)
Vermont Economic Resiliency Initiative	21,592	8,114	(13,478)
EPA Brownfields	83,000	10,584	(72,416)
Culvert Resiliency Grant	63,778	103,474	39,696
EDA Planning Grant	29,641	8,474	(21,167)
State/federal/other grants and contracts	233,153	198,420	(34,733)
Municipal contracts	83,301	139,106	55,805
Total grant and contract income	<u>5,051,123</u>	<u>2,173,660</u>	<u>(2,877,463)</u>
Fee income:			
Municipal fees	500	600	100
Other fees	750	1,135	385
Total fee income	<u>1,250</u>	<u>1,735</u>	<u>485</u>
Miscellaneous income:			
Interest	750	3,325	2,575
Sales	500	35	(465)
Total miscellaneous income	<u>1,250</u>	<u>3,360</u>	<u>2,110</u>
Transfers in	-	-	-
Total revenues	<u>5,128,098</u>	<u>2,253,230</u>	<u>(2,874,868)</u>

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	630,375	642,012	(11,637)
Other non-wage compensation	-	2,626	(2,626)
Payroll taxes	48,224	47,686	538
Employee assistance service	600	600	-
Workmen's compensation	5,500	3,036	2,464
Unemployment insurance	2,000	1,928	72
Health and dental insurance	92,597	69,069	23,528
Life insurance	6,500	5,232	1,268
Pension fund	108,000	99,882	8,118
Disability insurance	10,850	9,585	1,265
Total personnel services	<u>904,646</u>	<u>881,656</u>	<u>22,990</u>
Occupancy/insurances:			
Rent and King Farm utilities	38,545	32,694	5,851
Occupancy expense - King Farm	500	941	(441)
Professional insurance	8,600	8,262	338
Property insurance	5,300	5,091	209
Total occupancy/insurances	<u>52,945</u>	<u>46,988</u>	<u>5,957</u>
Professional services:			
Legal services	10,000	11,101	(1,101)
Accounting services	1,000	-	1,000
Auditing services	12,000	7,500	4,500
Total professional services	<u>23,000</u>	<u>18,601</u>	<u>4,399</u>
Consultants:			
Planning	31,200	26,433	4,767
HUD buyout consultants	406,800	411,687	(4,887)
HUD buyout pass-thru funds	3,435,000	620,064	2,814,936
Engineering - Brownfields - Petroleum II	70,000	-	70,000
EDD consultants	14,900	45,000	(30,100)
Transportation	14,157	17,409	(3,252)
Total consultants	<u>3,972,057</u>	<u>1,120,593</u>	<u>2,851,464</u>
Travel:			
Travel	49,000	36,889	12,111
Meetings and conferences	26,000	22,664	3,336
Total travel	<u>75,000</u>	<u>59,553</u>	<u>15,447</u>

SCHEDULE A (CONTINUED)

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Office expenses:			
General supplies	11,000	8,152	2,848
Printing	6,000	2,078	3,922
Advertising	7,500	9,175	(1,675)
Dues, publications, and data	25,000	27,597	(2,597)
Postage	8,000	4,010	3,990
Telephone/internet/web	12,500	13,955	(1,455)
Repairs	500	-	500
Bank/payroll fees	1,200	999	201
Equipment/software service contracts	<u>17,750</u>	<u>20,445</u>	<u>(2,695)</u>
Total office expenses	<u>89,450</u>	<u>86,411</u>	<u>3,039</u>
Office equipment:			
Computer hardware	3,500	7,512	(4,012)
Office equipment and furniture	1,000	347	653
Computer software	<u>500</u>	<u>1,712</u>	<u>(1,212)</u>
Total office equipment	<u>5,000</u>	<u>9,571</u>	<u>(4,571)</u>
Other expenses:			
STEM scholarship program	5,000	5,000	-
Miscellaneous/bad debt	500	-	500
Equipment - VAOT	<u>500</u>	<u>6,423</u>	<u>(5,923)</u>
Total other expenses	<u>6,000</u>	<u>11,423</u>	<u>(5,423)</u>
Total expenditures	<u>5,128,098</u>	<u>2,234,796</u>	<u>2,893,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	18,434	<u>\$ 18,434</u>
FUND BALANCE - JULY 1, 2015 - RESTATED		<u>687,129</u>	
FUND BALANCE - JUNE 30, 2016		<u>\$ 705,563</u>	

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, 2016

Federal Grantor Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. DEPARTMENT OF COMMERCE:				
Direct program:				
East Central Vermont EDD 2015 Planning	11.302	01-83-14688	\$ 29,500	\$ -
East Central Vermont EDD 2014 Planning	11.302	01-86-14524	8,474	-
			<u>37,974</u>	<u>-</u>
ACCD - VERI	11.307	07110-14-02	8,114	-
Total U.S. Department of Commerce			<u>46,088</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct programs:				
Community Development Block Grant	14.228	07110-DR-IG-2012-TRORC-00008	575,473	-
Barnard CDBG Mt. Hunger	14.228	DR-IG-2012-Barnard-00075	10,034	-
Royalton CDBG Gilman Road	14.228	DR-IG-2012-Royalton-00057	13,866	-
Rochester Park House CDBG	14.228	PG-2014-Rochester-00006	3,975	-
Hancock Churchville Culvert	14.228	DR-IG-2014-0009	6,464	-
Culvert Resiliency Inventory	14.228	07110-DR-PG-2012-TRORC-00032	51,737	-
			<u>661,549</u>	<u>-</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
CDBG - Disaster Recovery Grants Cluster:				
Rochester-Bean's Bridge Road CDBG DR	14.269	DR-IG-2012-Rochester-00050	7,318	-
HUD Disaster II	14.269	07110-DR-IG-2012-TRORC-00036	310,067	-
Subtotal CDBG - Disaster Recovery Grants Cluster			<u>317,385</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>978,934</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through State of Vermont Agency of Transportation:				
Highway Planning and Construction Cluster:				
Thetford Hill MPM	20.205	THETFORD STP BH09(10)	2,197	-
Thetford Trail MPM	20.205	Thetford STP 0180(8)	1,207	-
Rochester Village sidewalk study	20.205	STP BP14(15)	4,350	-
Better Back Roads	20.205	GR0749	13,855	-
Transportation Planning Initiative - TPI	20.205	GR0755	162,827	-
Transportation Planning Initiative - TPI	20.205	GR0427	82,111	-
Subtotal Highway Planning and Construction Cluster			<u>266,547</u>	<u>-</u>
HMEP FFY 15	20.703	02140-31297-012	6,326	-
			<u>6,326</u>	<u>-</u>
Total U.S. Department of Transportation			<u>272,873</u>	<u>-</u>



TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Passed through the State of Vermont:				
ACRPC 604b FY15	66.454	WQ2015-604B-01-DOC	4,000	-
			<u>4,000</u>	<u>-</u>
Brownfields Assessment & Cleanup Coop.	66.818	BF-00A00110	10,584	-
Total U.S. Environmental Protection Agency			<u>14,584</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through the State of Vermont:				
HMGP Statewide Flood Ed	97.039	02140-34000-013	2,294	-
HMGP Round 3 CT River	97.039	02140-34000-044	31,931	-
HMGP Round 3 CT River MC	97.039	02140-3400-045	893	-
Pittsfield HMGP Admin	97.039	02140-34000-86	2,641	-
			<u>37,759</u>	<u>-</u>
Emergency Management Performance	97.042	02140-31022C-014	15,385	-
EMPG 15	97.042	02140-31023C-013	36,036	-
			<u>51,421</u>	<u>-</u>
NRPC FMA PDM	97.047	02140-31231-001	1,720	-
FMA PDM White River Risk Assessment	97.047	02140-31231-002	1,020	-
			<u>2,740</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>91,920</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,404,399</u>	<u>\$ -</u>

## TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

#### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Two Rivers-Ottawaquechee Regional Commission under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Two Rivers-Ottawaquechee Regional Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Two Rivers-Ottawaquechee Regional Commission.

#### 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Two Rivers-Ottawaquechee Regional Commission has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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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, 2016, 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 8, 2016.

**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  
Vermont Registration No. 092.0000697  
September 8, 2016



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 types 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Two Rivers-Ottawaquechee Regional Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### Opinion on Each Major Federal Program

In our opinion, Two Rivers-Ottauquechee Regional Commission complied, in all material respects, with the types 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, 2016.

### Report on Internal Control Over Compliance

Management of Two Rivers-Ottauquechee Regional Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Two Rivers-Ottauquechee Regional Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Two Rivers-Ottauquechee 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of 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.

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
September 8, 2016

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**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 §200.516 of Uniform Guidance? 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: \$750,000

Auditee qualified as low-risk auditee? yes no

**Section II – Financial Statement Findings**

None

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

None