

Federal Compliance Audit

Two Rivers-Ottauquechee Regional
Commission

June 30, 2018



Proven Expertise and Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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JUNE 30, 2018

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Two Rivers-Ottawaquechee 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-Ottawaquechee Regional Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Two Rivers-Ottawaquechee Regional 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 by management, as well as evaluating the overall presentation of the 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, each major fund and the aggregate remaining fund information of Two Rivers-Ottawaquechee Regional Commission as of June 30, 2018, 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 is 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. 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 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 August 30, 2018, 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.



Buxton, Maine
Vermont Registration No. 092.0000697
August 30, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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.

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 \$20,527 from \$778,571 to \$799,098 .

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 \$24,259 from \$769,844 to a balance of \$794,103 at the end of this year.

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

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets	\$ 946,526	\$ 812,197
Capital Assets	4,995	8,727
Total Assets	<u>\$ 951,521</u>	<u>\$ 820,924</u>
Liabilities:		
Current Liabilities	\$ 26,623	\$ 18,274
Long-term Debt Outstanding	25,585	24,079
Total Liabilities	<u>\$ 52,208</u>	<u>\$ 42,353</u>
Deferred Inflows of Resources:		
Deferred Revenue	\$ 100,215	\$ -
Total Deferred Inflows of Resources	<u>\$ 100,215</u>	<u>\$ -</u>
Net Position:		
Net Investment in Capital Assets	\$ 4,995	\$ 8,727
Unrestricted	794,103	769,844
Total Net Position	<u>\$ 799,098</u>	<u>\$ 778,571</u>

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

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues:		
Operating grants and contracts	\$ 1,800,534	\$ 2,265,473
Charges for services	104,909	124,933
General revenues:		
Municipal dues	78,955	76,712
Interest	6,449	3,897
Miscellaneous	175	-
Total revenues	<u>1,991,022</u>	<u>2,471,015</u>
Expenses		
Regional planning and other programs	1,966,762	2,365,500
Depreciation	3,732	3,733
Total expenses	<u>1,970,494</u>	<u>2,369,233</u>
Change in Net Position	20,527	101,782
Net Position - July 1	<u>778,571</u>	<u>676,789</u>
Net Position - June 30	<u>\$ 799,098</u>	<u>\$ 778,571</u>

Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 19.42%, while total expenses decreased by 16.83%. The decreases in both revenues and expenses are from grant activity related to the HUD buyout and EPA Brownfields programs.

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,

	2018	2017
General Fund:		
Assigned	\$ 34,311	\$ 34,311
Unassigned	785,377	759,612
Total General Fund	\$ 819,688	\$ 793,923

The general fund total fund balance increased by \$25,765 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 \$1,117,404 . This was a result of the HUD Buyout and EPA Brownfields revenue being lower than expected.

The general fund actual expenditures were under budget by \$1,143,170 . Regional planning and other programs were significantly underspent due to the HUD Buyout and EPA Brownfields program activity being lower than expected.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Commission decreased by \$3,732 over the prior year. This decrease was comprised of current year depreciation expense.

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

	2018	2017
Computer hardware	\$ 1,448	\$ 2,896
Furniture & fixtures	3,547	5,831
Total	\$ 4,995	\$ 8,727

Debt

At June 30, 2018, 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, 2018.

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 about two months, however the Commission's fund balance policy requires the Commission to maintain a fund balance of four months worth of operating expenses.

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, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 228,217
Investments	556,684
Accounts receivable (net of allowance for uncollectibles):	
Intergovernmental	161,196
Employees	429
Total current assets	946,526
Noncurrent assets:	
Capital assets:	
Buildings and equipment, net of accumulated depreciation	4,995
Total noncurrent assets	4,995
TOTAL ASSETS	\$ 951,521
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 15,265
Accrued expenses	2,830
Current portion of long-term obligations	8,528
Total current liabilities	26,623
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	25,585
Total noncurrent liabilities	25,585
TOTAL LIABILITIES	52,208
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	67,382
Deferred revenue - pass-through funds	32,833
TOTAL DEFERRED INFLOWS OF RESOURCES	100,215
NET POSITION	
Net investment in capital assets	4,995
Unrestricted	794,103
TOTAL NET POSITION	799,098
TOTAL LIABILITIES AND NET POSITION	\$ 951,521

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Contracts & Contributions	Revenue & Changes in Net Position
				Total Governmental Activities
Governmental activities				
Regional planning and other programs	\$ 1,966,762	\$ 104,909	\$ 1,800,534	\$ (61,320)
Depreciation - unallocated	<u>3,732</u>	<u>-</u>	<u>-</u>	<u>(3,732)</u>
Total government	<u>\$ 1,970,494</u>	<u>\$ 104,909</u>	<u>\$ 1,800,534</u>	<u>(65,052)</u>

STATEMENT B (CONTINUED)
TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(65,052)
General revenue:	
Municipal dues	78,955
Interest	6,449
Miscellaneous	175
Total general revenue	85,579
Change in net position	20,527
NET POSITION - JULY 1	778,571
NET POSITION - JUNE 30	\$ 799,098

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 228,217	\$ 228,217
Investments	556,684	556,684
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	161,196	161,196
Employees	429	429
TOTAL ASSETS	<u>\$ 946,526</u>	<u>\$ 946,526</u>
LIABILITIES		
Accounts payable	\$ 15,265	\$ 15,265
Accrued expenses	11,358	11,358
TOTAL LIABILITIES	<u>26,623</u>	<u>26,623</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	67,382	67,382
Deferred revenue - pass-through funds	32,833	32,833
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>100,215</u>	<u>100,215</u>
FUND BALANCES		
Assigned	34,311	34,311
Unassigned	785,377	785,377
TOTAL FUND BALANCES	<u>819,688</u>	<u>819,688</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 946,526</u>	<u>\$ 946,526</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, 2018

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 819,688
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	4,995
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(25,585)</u>
Net position of governmental activities	<u>\$ 799,098</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, 2018

	General Fund	Total Governmental Funds
REVENUES		
Municipal dues	\$ 78,955	\$ 78,955
Agency of Commerce	280,859	280,859
VT Agency of Transportation	245,440	245,440
HUD Buyouts	835,540	835,540
EPA Brownfields	90,934	90,934
EDA Planning Grant	23,500	23,500
State/federal/other grants and contracts	324,260	324,260
Municipal contracts	102,909	102,909
Fee income	2,000	2,000
Interest	6,449	6,449
Miscellaneous income	175	175
TOTAL REVENUES	1,991,022	1,991,022
EXPENDITURES		
Current:		
Regional planning and other programs	1,965,256	1,965,256
TOTAL EXPENDITURES	1,965,256	1,965,256
NET CHANGE IN FUND BALANCES	25,765	25,765
FUND BALANCE - JULY 1	793,923	793,923
FUND BALANCE - JUNE 30	\$ 819,688	\$ 819,688

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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 25,765</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:	
Depreciation expense	<u>(3,732)</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>(1,506)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 20,527</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

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 column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.) excluding fiduciary activities. 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:

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Fund:

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

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Receivables

Receivables include amounts due from governmental agencies or employees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$161,625 for the year ended June 30, 2018. Uncollectible amounts netted with revenues were \$0 for the years ended June 30, 2018.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018, the Commission's liability for compensated absences is \$34,113 .

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, 2018

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 8, 2014, 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, 2018

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 two types of this item, unearned revenues and deferred revenue - pass-through funds, which arise in both the statements of net position and the governmental funds balance sheet. All items in this category are deferred and recognized as inflows 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 (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

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, 2018

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, 2018 that were exposed to custodial credit risk.

At June 30, 2018, the Commission's cash balances of \$228,217 were comprised of bank balances of \$246,584 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>\$ 246,584</u>

At June 30, 2018, the Commission's investments amounting to \$556,684 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$460,010 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The loan funds were not subject to custodial credit risk.

At June 30, 2018, the Commission had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u><1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	\$ 460,010	\$ -	\$ 403,404	\$ 56,606
Loan funds	<u>96,674</u>	<u>-</u>	<u>-</u>	<u>96,674</u>
	<u>\$ 556,684</u>	<u>\$ -</u>	<u>\$ 403,404</u>	<u>\$ 153,280</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, 2018

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, 2018:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	57,371	-	-	57,371
Furniture & fixtures	63,827	-	-	63,827
	<u>163,878</u>	<u>-</u>	<u>-</u>	<u>163,878</u>
Less: accumulated depreciation				
Computer software	(42,680)	-	-	(42,680)
Computer hardware	(54,475)	(1,448)	-	(55,923)
Furniture & fixtures	(57,996)	(2,324)	-	(60,320)
	<u>(155,151)</u>	<u>(3,772)</u>	<u>-</u>	<u>(158,923)</u>
Net capital assets	<u>\$ 8,727</u>	<u>\$ (3,772)</u>	<u>\$ -</u>	<u>\$ 4,955</u>

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18	Current Portion
Accrued compensated absences	\$ 32,106	\$ 2,007	\$ -	\$ 34,113	\$ 8,528

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, 2018.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - GENERAL FUND ASSIGNED FUND BALANCES

At June 30, 2018, 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>4,311</u>
	<u>\$ 34,311</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 \$73,587 on 100% of the covered wages of \$590,241 in fiscal year 2018.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2018 is 100% of gross salary or \$18,500, whichever is less. Individuals age 50 and older may contribute up to \$24,500. 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 \$22,824 on 100% of the covered wages of \$590,241 in fiscal year 2018.

NOTE 8 - RELATED PARTY VEHICLE LEASE

On May 31, 2017, the Commission and the Executive Director, as lessee and co-lessee, respectively, entered into a 36 month non-cancelable vehicle lease agreement with Honda Financial Services for a 2018 Honda. Lease expense during fiscal year 2018 was \$5,862.

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - RISK MANAGEMENT (CONTINUED)

recorded at June 30, 2018. 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 2018 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 Woodstock, Vermont, on a yearly basis. Effective July 1, 2018, monthly rent became \$2,656 for an annual rent expense of \$31,876. Utility costs of \$6,336 were also reimbursed to the Trust for the year ended June 30, 2018. The lease was extended until June 30, 2019.

NOTE 11 - RELATED ORGANIZATION

During the year, the Commission started the process to establish the Two Rivers – Ottauquechee Regional Foundation a 501(c)(3) entity. The purpose is to allow the Commission to better compete for private grants and gifts which meet the Commission's mission. The Foundation will be part of the Commission's reporting entity. During 2018 there wasn't any fiscal activity regarding this entity other than nominal filing costs. At the time the audit was issued, the application had been filed and was pending approval.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 793,923	\$ 793,923	\$ 793,923	\$ -
Resources (Inflows):				
Municipal dues	78,955	78,955	78,955	-
Agency of Commerce	280,859	280,859	280,859	-
VT Agency of Transportation	264,660	264,660	245,440	(19,220)
HUD Buyouts	1,748,000	1,748,000	835,540	(912,460)
EPA Brownfields	377,250	377,250	90,934	(286,316)
EDA Planning Grant	23,500	23,500	23,500	-
State/federal/other grants and contracts	194,241	194,241	324,260	130,019
Municipal contracts	136,211	136,211	102,909	(33,302)
Fee income	1,250	1,250	2,000	750
Interest	3,000	3,000	6,449	3,449
Miscellaneous income	500	500	175	(325)
Amounts Available for Appropriation	<u>3,902,349</u>	<u>3,902,349</u>	<u>2,784,945</u>	<u>(1,117,404)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	<u>3,108,426</u>	<u>3,108,426</u>	<u>1,965,256</u>	<u>1,143,170</u>
Total Charges to Appropriations	<u>3,108,426</u>	<u>3,108,426</u>	<u>1,965,256</u>	<u>1,143,170</u>
Budgetary Fund Balance, June 30	<u>\$ 793,923</u>	<u>\$ 793,923</u>	<u>\$ 819,688</u>	<u>\$ 25,765</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, 2018

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 78,955	\$ 78,955	\$ -
Grant and contract income:			
Agency of Commerce	280,859	280,859	-
VT Agency of Transportation	264,660	245,440	(19,220)
HUD Buyouts	1,748,000	835,540	(912,460)
EPA Brownfields	377,250	90,934	(286,316)
EDA Planning Grant	23,500	23,500	-
State/federal/other grants and contracts	194,241	324,260	130,019
Municipal contracts	136,211	102,909	(33,302)
Total grant and contract income	<u>3,024,721</u>	<u>1,903,443</u>	<u>(1,121,278)</u>
Fee income:			
Municipal fees	500	-	(500)
Other fees	750	2,000	1,250
Total fee income	<u>1,250</u>	<u>2,000</u>	<u>750</u>
Miscellaneous income:			
Interest	3,000	6,449	3,449
Sales	500	175	(325)
Total miscellaneous income	<u>3,500</u>	<u>6,624</u>	<u>3,124</u>
Total revenues	<u>3,108,426</u>	<u>1,991,022</u>	<u>(1,117,404)</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, 2018

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	589,370	588,946	424
Other non-wage compensation	-	1,851	(1,851)
Payroll taxes	45,087	43,732	1,355
Employee assistance service	600	600	-
Workmen's compensation	3,600	2,658	942
Unemployment insurance	2,024	2,199	(175)
Health and dental insurance	91,285	78,817	12,468
Life insurance	6,500	5,157	1,343
Pension fund	100,193	96,411	3,782
Disability insurance	9,000	8,760	240
Tuition reimbursement	10,435	11,719	(1,284)
Total personnel services	858,094	840,850	17,244
Occupancy/insurances:			
Rent and King Farm utilities	39,266	36,706	2,560
Occupancy expense - King Farm	500	2,800	(2,300)
Professional insurance	9,100	8,635	465
Property insurance	6,000	5,425	575
Total occupancy/insurances	54,866	53,566	1,300
Professional services:			
Legal services	2,000	4,134	(2,134)
Accounting services	500	-	500
Auditing services	10,000	6,500	3,500
Total professional services	12,500	10,634	1,866
Consultants:			
Planning	16,518	12,905	3,613
HUD buyout consultants	305,000	154,686	150,314
HUD buyout pass-thru funds	1,358,000	644,663	713,337
Engineering - Brownfields	347,000	66,671	280,329
Transportation	-	2,521	(2,521)
Total consultants	2,026,518	881,446	1,145,072
Travel:			
Travel	38,850	46,716	(7,866)
Meetings and conferences	16,698	26,917	(10,219)
Total travel	55,548	73,633	(18,085)

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, 2018

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Office expenses:			
General supplies	11,500	7,297	4,203
Printing	5,000	1,185	3,815
Advertising	5,000	3,632	1,368
Dues, publications, and data	26,500	25,023	1,477
Postage	5,500	3,570	1,930
Telephone/internet/web	12,000	10,891	1,109
Repairs	500	-	500
Bank/payroll fees	900	813	87
Equipment/software service contracts	19,500	35,526	(16,026)
Total office expenses	86,400	87,937	(1,537)
Office equipment:			
Computer hardware	3,500	-	3,500
Office equipment and furniture	1,000	-	1,000
Computer software	1,500	3,137	(1,637)
Total office equipment	6,000	3,137	2,863
Other expenses:			
Scholarship program	8,000	7,000	1,000
Miscellaneous/bad debt	-	1,100	(1,100)
Equipment - VAOT	500	5,954	(5,454)
Total other expenses	8,500	14,054	(5,554)
Total expenditures	3,108,426	1,965,256	1,143,170
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	25,765	\$ 25,765
FUND BALANCE - JULY 1, 2017		793,923	
FUND BALANCE - JUNE 30, 2018		\$ 819,688	

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, 2018

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE:				
Passed through East Central Vermont Economic Development District:				
East Central Vermont EDD 2016 Planning	11.302	ED16PHI3020056	\$ -	\$ 23,500
			-	23,500
Total U.S. Department of Commerce			-	23,500
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Vermont Agency of Commerce and Community Development:				
Community Development Block Grant - Disaster Recovery	14.228	07110-DR-IG-2012-TRORC-00008	519,983	531,871
Passed through the Town of Barnard:				
Community Development Block Grant - Disaster Recovery	14.228	DR-IG-2012-Barnard-00075	-	4,946
Passed through the Town of Hartford:				
Community Development Block Grant	14.228	DR-IG-2014-Hartford-00014	-	4,002
			519,983	540,819
Passed through the Vermont Agency of Commerce and Community Development:				
Community Development Block Grant - Disaster Recovery	14.269	07110-DR-IG-2012-TRORC-00036	124,681	303,669
Passed through the Town of Stockbridge:				
Community Development Block Grant - Disaster Recovery	14.269	DR-IG-2012-Stockbridge-00074	-	12,573
Passed through the Town of Hancock:				
Community Development Block Grant - Disaster Recovery	14.269	DR-IG-2014-Hancock-0009	-	9,942
Subtotal CDBG - Disaster Recovery Grants Cluster			124,681	326,184
Total U.S. Department of Housing and Urban Development			644,664	867,003

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:				
Highway Planning and Construction Cluster:				
Passed through State of Vermont Agency of Transportation:				
FFY 2017 Transportation Planning Initiative - TPI	20.205	GR1061	-	61,174
FFY 2018 Transportation Planning Initiative - TPI	20.205	GR1140	-	184,267
Passed through the Town of Woodstock:				
Highway Planning & Construction	20.205	STP SRIN(44)	-	4,071
Passed through the Town of Thetford:				
Highway Planning & Construction	20.205	STP 0180(10)	-	830
Passed through the Town of Corinth:				
Highway Planning & Construction	20.205	BR0033	-	5,812
Passed through the Town of Stockbridge:				
Highway Planning & Construction	20.205	BR0047	-	568
Passed through the Town of Strafford:				
Highway Planning & Construction	20.205	BR0048	-	5,255
Passed through the Town of Braintree:				
Highway Planning & Construction	20.205	BR0214	-	3,330
Passed through the Town of Chelsea:				
Highway Planning & Construction	20.205	BR0221	-	5,961
Passed through the Town of Norwich:				
Highway Planning & Construction	20.205	BR0240	-	3,738
Passed through the Town of Pittsfield:				
Highway Planning & Construction	20.205	BR0242	-	6,183
Passed through the Town of Granville:				
Highway Planning & Construction	20.205	BR0228	-	7,040
Passed through the Town of Vershire:				
Highway Planning & Construction	20.205	BR0251	-	10,074
Subtotal Highway Planning and Construction Cluster			-	298,303

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
Passed through the Vermont Department of Public Safety:				
Hazardous Materials Emergency Preparedness 16	20.703	02140-31299-001	-	40,091
Hazardous Materials Emergency Preparedness 15	20.703	02140-31298-001	-	20,144
			-	60,235
Total U.S. Department of Transportation			-	358,538
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Passed through the Addison County Regional Planning Commission:				
Water Quality Management Planning	66.454	WQ2016-604B-01	-	1,818
Passed through the Vermont Department of Environmental Conservation:				
Water Quality Management Planning	66.454	2017-604B-01	3,636	6,818
			3,636	8,636
Direct Program:				
Brownfields Assessment & Cleanup Coop.	66.818	BF-00A00110	-	90,934
Total U.S. Environmental Protection Agency			3,636	99,570
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through the State of Vermont Department of Public Safety:				
Hazard Mitigation Grant Program	97.039	02140-34000-044	-	30,478
Passed through the Chittenden County Regional Planning Commission:				
Hazard Mitigation Grant Program	97.039	FEMA-4022-DR-VT	-	9,257
			-	39,735
Passed through the State of Vermont Department of Public Safety:				
Emergency Management Performance Grant 17	97.042	02140-31025C-010	-	48,500
Emergency Management Performance Grant 17	97.042	02140-31024C-010	-	22,111
			-	70,611
Total U.S. Department of Homeland Security			-	110,346
Total Federal Expenditures			\$ 648,300	\$ 1,458,957

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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.



Proven Expertise and Integrity

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, 2018, 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 August 30, 2018.

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 Two Rivers-Ottawaquechee Regional Commission's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
Vermont Registration No. 092.0000697
August 30, 2018



Proven Expertise and Integrity

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, 2018. 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.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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 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, 2018.

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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Two Rivers-Ottawaquechee 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-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 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
August 30, 2018

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 2 CFR200.516(a) 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