

Federal Compliance Audit

**Two Rivers-Ottawaquechee Regional
Commission**

June 30, 2020



Proven Expertise & Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Two Rivers-Ottauquechee Regional Commission, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Two Rivers-Ottauquechee 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

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accounting policies used and the reasonableness of significant accounting estimates made 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 and each major fund of Two Rivers-Ottawaquechee Regional Commission as of June 30, 2020 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 32 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 December 2, 2020, 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
December 2, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(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, 2020. 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 decreased by \$17,564 from \$791,286 to \$773,722.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by \$16,380 from \$790,102 to a balance of \$773,722 at the end of this year.

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

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 858,385	\$ 880,330
Noncurrent Assets - Capital Assets	-	1,184
Total Assets	<u>\$ 858,385</u>	<u>\$ 881,514</u>
Liabilities:		
Current Liabilities	\$ 25,445	\$ 25,743
Noncurrent Liabilities	27,331	37,964
Total Liabilities	<u>\$ 52,776</u>	<u>\$ 63,707</u>
Deferred Inflows of Resources:		
Deferred Revenue	\$ 31,887	\$ 26,521
Total Deferred Inflows of Resources	<u>\$ 31,887</u>	<u>\$ 26,521</u>
Net Position:		
Net Investment in Capital Assets	\$ -	\$ 1,184
Unrestricted	773,722	790,102
Total Net Position	<u>\$ 773,722</u>	<u>\$ 791,286</u>

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

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Operating grants and contracts	\$ 1,595,587	\$ 1,759,257
Charges for services	189,391	154,924
General revenues:		
Municipal dues	83,437	81,196
Interest	8,263	8,758
Total revenues	<u>1,876,678</u>	<u>2,004,135</u>
Expenses		
Regional planning and other programs	1,893,058	2,008,137
Depreciation	1,184	3,811
Total expenses	<u>1,894,242</u>	<u>2,011,948</u>
Change in Net Position	(17,564)	(7,813)
Net Position - July 1	<u>791,286</u>	<u>799,099</u>
Net Position - June 30	<u>\$ 773,722</u>	<u>\$ 791,286</u>

Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 6.36%, while total expenses decreased by 5.85%. 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,

	2020	2019	Increase/ Decrease
General Fund:			
Nonspendable	\$ 1,151	\$ -	\$ 1,151
Assigned	23,864	24,703	(839)
Unassigned	776,038	803,363	(27,325)
Total General Fund	\$ 801,053	\$ 828,066	\$ (27,013)

The general fund total fund balance decreased by \$27,013 from the prior fiscal year. This decrease occurred due to the activity of regular operations.

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 budget by \$290,430 . This was a result of the Vermont Agency of Transportation, EPA Brownfields and municipal contracts revenue being received lower than expected.

The general fund actual expenditures were under budget by \$269,417 . Regional planning and other programs were significantly underspent due to the planning and HUD buyout and VHCB buyout program activity being lower than expected.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Commission decreased by \$1,184 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,

	2020	2019
Furniture and fixtures	\$ -	\$ 1,184
Total	\$ -	\$ 1,184

Debt

At June 30, 2020, the Commission had no outstanding bonds or notes. The Commission had a line of credit of \$60,000 which had a balance of \$0 as of June 30, 2020.

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 five months. The Commission's fund balance policy requires the Commission to maintain a fund balance of six months' worth of operating expenses.

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Commission. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Commission.

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, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 106,521
Investments	541,958
Accounts receivable (net of allowance for uncollectibles):	
Intergovernmental	208,755
Prepaid items	1,151
Total current assets	858,385
TOTAL ASSETS	\$ 858,385
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,461
Accrued expenses	2,874
Current portion of long-term obligations	9,110
Total current liabilities	25,445
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compensated absences	27,331
Total noncurrent liabilities	27,331
TOTAL LIABILITIES	52,776
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	31,887
TOTAL DEFERRED INFLOWS OF RESOURCES	31,887
NET POSITION	
Unrestricted	773,722
TOTAL NET POSITION	773,722
TOTAL LIABILITIES AND NET POSITION	\$ 858,385

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Contracts and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental activities				
Regional planning and other programs	\$ 1,893,058	\$ 189,391	\$ 1,595,587	\$ (108,080)
Depreciation - unallocated	1,184	-	-	(1,184)
Total government	<u>\$ 1,894,242</u>	<u>\$ 189,391</u>	<u>\$ 1,595,587</u>	<u>(109,264)</u>
Changes in net position:				
Net (expense) revenue				<u>(109,264)</u>
General revenue:				
Municipal dues				83,437
Interest				8,263
Total general revenue				<u>91,700</u>
Change in net position				(17,564)
NET POSITION - JULY 1				<u>791,286</u>
NET POSITION - JUNE 30				<u>\$ 773,722</u>

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

STATEMENT C

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 106,521	\$ 106,521
Investments	541,958	541,958
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	208,755	208,755
Prepaid items	1,151	1,151
TOTAL ASSETS	\$ 858,385	\$ 858,385
LIABILITIES		
Accounts payable	\$ 13,461	\$ 13,461
Accrued expenses	11,984	11,984
TOTAL LIABILITIES	25,445	25,445
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	31,887	31,887
TOTAL DEFERRED INFLOWS OF RESOURCES	31,887	31,887
FUND BALANCES		
Nonspendable	1,151	1,151
Assigned	23,864	23,864
Unassigned	776,038	776,038
TOTAL FUND BALANCES	801,053	801,053
TOTAL LIABILITIES AND FUND BALANCES	\$ 858,385	\$ 858,385

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, 2020

	Total Governmental Funds
Total Fund Balances	\$ 801,053
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(27,331)
Net position of governmental activities	\$ 773,722

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, 2020

	General Fund	Total Governmental Funds
REVENUES		
Municipal dues	\$ 83,437	\$ 83,437
Agency of Commerce	279,683	279,683
VT Agency of Transportation	176,810	176,810
HUD Buyouts	627,658	627,658
EPA Brownfields	140,738	140,738
EDA Planning Grant	25,890	25,890
State/federal/other grants and contracts	344,808	344,808
Municipal contracts	185,921	185,921
Fee income	3,470	3,470
Interest	8,263	8,263
TOTAL REVENUES	1,876,678	1,876,678
EXPENDITURES		
Current:		
Regional planning and other programs	1,903,691	1,903,691
TOTAL EXPENDITURES	1,903,691	1,903,691
NET CHANGE IN FUND BALANCES	(27,013)	(27,013)
FUND BALANCE - JULY 1	828,066	828,066
FUND BALANCE - JUNE 30	\$ 801,053	\$ 801,053

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

RECONCILIATION OF THE STATEMENT OF IN REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (27,013)</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>(1,184)</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>10,633</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (17,564)</u></u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 regional planning and other programs.

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.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. As of the date of this report, the state of emergency was extended to December 15, 2020 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the “Stay Home, Stay Safe Order”) and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, Commission facilities were temporarily closed to the public and all nonessential services were suspended from March 23, 2020 to June 30, 2020. The Commission was required to reduce its on-site staff temporarily.

Impact on Finances

The Commission does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act funding and applicable State programs.

Expected Federal/State Support

The Commission may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Commission expects that if those actions are necessary, that the Commission would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Commission, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Commission. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Commission.

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance.” The primary objective of this Statement is to provide temporary relief to

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. 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, 2020

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) 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 and 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, 2020

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, 2020

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. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$208,755 for the year ended June 30, 2020.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 acquisition 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimated useful lives are as follows:

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

Long-term Obligations

The accounting treatment of long-term obligations 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 obligations to be repaid from governmental resources are reported as liabilities in government-wide statements. The long-term obligations consist 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.

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.

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 12, 2019, 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.

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 one type of this item, unearned revenues, which arises 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.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020 that were exposed to custodial credit risk.

At June 30, 2020, the Commission's cash balances of \$106,521 were comprised of bank balances of \$107,989 which were all insured by federal depository insurance and consequently were not exposed to custodial credit risk. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Commission's cash balance.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u><u>\$ 107,989</u></u>

Investments:

At June 30, 2020, the Commission's investments amounting to \$541,958 were comprised of certificates of deposit and a loan fund. The certificates of deposit of \$441,080 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The loan funds of \$100,878 also were not subject to custodial credit risk.

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. Certificates of deposit held with local financial institutions are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2020, 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>
Loan funds	<u><u>\$ 100,878</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,878</u></u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance 7/1/19	Additions	Disposals	Balance 6/30/20
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	57,371	-	-	57,371
Furniture and 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	(57,371)	-	-	(57,371)
Furniture and fixtures	(62,643)	(1,184)	-	(63,827)
	<u>(162,694)</u>	<u>(1,184)</u>	<u>-</u>	<u>(163,878)</u>
Net capital assets	<u>\$ 1,184</u>	<u>\$ (1,184)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - 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, 2021.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	<u>Balance 7/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/20</u>	<u>Current Portion</u>
Accrued compensated absences	<u>\$ 50,619</u>	<u>\$ -</u>	<u>\$ (14,178)</u>	<u>\$ 36,441</u>	<u>\$ 9,110</u>

Please see Note 6 for detailed information on the long-term obligation.

NOTE 6 - ACCRUED 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 obligations 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, 2020, the Commission's liability for compensated absences is \$36,441 .

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the general fund nonspendable fund balance was made up of the following balance:

Prepaid items	<u>\$ 1,151</u>
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NOTE 8 - ASSIGNED FUND BALANCES

At June 30, 2020, the general fund assigned fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Building fund	\$ 19,553
Equipment replacement	<u>4,311</u>
	<u>\$ 23,864</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 9 - 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. All permanent full and part-time employees are covered by the plan. Any employees who chose not to participate in the plan, were ineligible for a matching contribution. The Commission made a 14% contribution of \$86,631 on 100% of the covered wages of \$698,493 in fiscal year 2020.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2019 is 100% of gross salary or \$19,000, whichever is less. Individuals age 50 and older may contribute up to \$25,000. For calendar year 2020, the limits are \$19,500 and \$26,000, respectively. 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 \$45,031 on 100% of the covered wages of \$596,924 in fiscal year 2020.

NOTE 10 - 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, 2020. 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 11 - 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

The Commission is presently engaged in fulfilling its fiscal 2020 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, 2019, monthly rent became \$2,789 for an annual rent expense of \$33,470. Utility costs of \$3,333 were also reimbursed to the Vermont Land Trust for the year ended June 30, 2020. The lease was extended until June 30, 2021.

NOTE 12 - RELATED ORGANIZATION

The Commission has established the Two Rivers-Ottawquechee 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 is part of the Commission's reporting entity. During 2020, the Foundation received \$11,000 in income and had \$13,811 in expenses.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental 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, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 828,066	\$ 828,066	\$ 828,066	\$ -
Resources (Inflows):				
Municipal dues	83,437	83,437	83,437	-
Agency of Commerce	280,278	280,278	279,683	(595)
VT Agency of Transportation	235,270	235,270	176,810	(58,460)
HUD Buyouts	566,972	566,972	627,658	60,686
EPA Brownfields	375,696	375,696	140,738	(234,958)
EDA Planning Grant	23,500	23,500	25,890	2,390
State/federal/other grants and contracts	321,223	321,223	344,808	23,585
Municipal contracts	279,482	279,482	185,921	(93,561)
Fee income	750	750	3,470	2,720
Interest	500	500	8,263	7,763
Amounts Available for Appropriation	<u>2,995,174</u>	<u>2,995,174</u>	<u>2,704,744</u>	<u>(290,430)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	<u>2,173,108</u>	<u>2,173,108</u>	<u>1,903,691</u>	<u>269,417</u>
Total Charges to Appropriations	<u>2,173,108</u>	<u>2,173,108</u>	<u>1,903,691</u>	<u>269,417</u>
Budgetary Fund Balance, June 30	<u>\$ 822,066</u>	<u>\$ 822,066</u>	<u>\$ 801,053</u>	<u>\$ (21,013)</u>
Utilization of unassigned fund balance	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ (6,000)</u>

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

Other Supplementary Information

Other supplementary information includes financial statements not required by the Governmental 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, 2020

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 83,437	\$ 83,437	\$ -
Grant and contract income:			
Agency of Commerce	280,278	279,683	(595)
VT Agency of Transportation	235,270	176,810	(58,460)
HUD Buyouts	566,972	627,658	60,686
EPA Brownfields	375,696	140,738	(234,958)
EDA Planning Grant	23,500	25,890	2,390
State/federal/other grants and contracts	321,223	344,808	23,585
Municipal contracts	279,482	185,921	(93,561)
Total grant and contract income	<u>2,082,421</u>	<u>1,781,508</u>	<u>(300,913)</u>
Fee income:			
Municipal fees	750	3,470	2,720
Total fee income	<u>750</u>	<u>3,470</u>	<u>2,720</u>
Miscellaneous income:			
Interest	500	8,263	7,763
Total miscellaneous income	<u>500</u>	<u>8,263</u>	<u>7,763</u>
Total revenues	<u>\$ 2,167,108</u>	<u>\$ 1,876,678</u>	<u>\$ (290,430)</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, 2020

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	\$ 685,044	\$ 668,464	\$ 16,580
Payroll taxes	51,947	49,530	2,417
Employee assistance service	600	600	-
Workmen's compensation	3,500	2,970	530
Unemployment insurance	2,024	1,343	681
Health and dental insurance	85,690	102,007	(16,317)
Life insurance	6,000	4,639	1,361
Pension fund	111,972	105,384	6,588
Disability insurance	9,000	8,459	541
Dependent care	-	1,600	(1,600)
Total personnel services	<u>955,777</u>	<u>944,996</u>	<u>10,781</u>
Occupancy/insurances:			
Rent and King Farm utilities	41,500	41,912	(412)
Occupancy expense - King Farm	-	1,155	(1,155)
Professional insurance	9,100	9,128	(28)
Property insurance	6,000	3,863	2,137
Total occupancy/insurances	<u>56,600</u>	<u>56,058</u>	<u>542</u>
Professional services:			
Legal services	1,000	1,693	(693)
Accounting services	500	-	500
Auditing services	10,000	13,500	(3,500)
Total professional services	<u>11,500</u>	<u>15,193</u>	<u>(3,693)</u>
Consultants:			
Planning	154,224	188,091	(33,867)
HUD buyout consultants	13,482	47,494	(34,012)
HUD buyout pass-thru funds	561,302	514,180	47,122
VHCB buyout pass-thru funds	230,000	-	230,000
Total consultants	<u>959,008</u>	<u>749,765</u>	<u>209,243</u>
Travel:			
Travel	50,000	28,199	21,801
Meetings and conferences	29,500	10,427	19,073
Total travel	<u>79,500</u>	<u>38,626</u>	<u>40,874</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, 2020

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Office expenses:			
General supplies	\$ -	\$ 475	\$ (475)
General supplies	9,000	5,060	3,940
Printing	7,373	1,212	6,161
Advertising	4,500	7,593	(3,093)
Dues, publications and data	30,000	23,436	6,564
Postage	3,500	3,209	291
Telephone/internet/web	14,500	10,896	3,604
Bank/payroll fees	850	355	495
Unallowed direct expenses	0.00	487	(487)
Equipment/software service contracts	26,000	25,922	78
Total office expenses	<u>95,723</u>	<u>78,645</u>	<u>17,078</u>
Office equipment:			
Computer hardware	3,500	5,186	(1,686)
Computer software	3,500	4,594	(1,094)
Total office equipment	<u>7,000</u>	<u>9,780</u>	<u>(2,780)</u>
Other expenses:			
Scholarship program	8,000	7,000	1,000
Equipment - VAOT	-	3,628	(3,628)
Total other expenses	<u>8,000</u>	<u>10,628</u>	<u>(2,628)</u>
Total expenditures	<u>2,173,108</u>	<u>1,903,691</u>	<u>269,417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (6,000)</u>	(27,013)	<u>\$ (21,013)</u>
FUND BALANCE - JULY 1, 2019		<u>828,066</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 801,053</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, 2020

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:				
Economic Development Support for Planning Organizations	11.302	ED16PHI3020066	\$ -	\$ 25,890
			-	25,890
Total U.S. Department of Commerce			-	25,890
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Vermont Agency of Commerce and Community Development:				
Community Development Block Grant - Accessibility Mod.	14.228	07110-AM-2019-CORINTH-02	-	4,341
Passed through the Town of Rochester:				
Community Development Block Grant - Planning	14.228	07110-PG-2018-Rochester-01	-	5,228
			-	9,569
Passed through the Vermont Agency of Commerce and Community Development:				
Community Development Block Grant - Disaster Recovery	14.269	07110-DR-IG-2012-TRORC-00036	428,527	484,951
Subtotal CDBG - Disaster Recovery Grants Cluster			428,527	484,951
Total U.S. Department of Housing and Urban Development			428,527	494,520

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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 2019 Transportation Planning Initiative - TPI	20.205	GR1269	-	44,931
FFY 2020 Transportation Planning Initiative - TPI	20.205	GR1376	-	131,880
Passed through the Town of Barnard:				
Highway Planning and Construction	20.205	BR0559	-	7,767
Passed through the Town of Hartford:				
Highway Planning and Construction	20.205	BR0571	-	8,530
Passed through the Town of Pomfret:				
Highway Planning and Construction	20.205	BR0578	-	1,676
Passed through the Town of Royalton:				
Highway Planning and Construction	20.205	BR0582	-	5,732
Passed through the Town of Norwich:				
Highway Planning and Construction	20.205	CA0561	-	3,051
Passed through the Town of Pittsfield:				
Highway Planning and Construction	20.205	CA0579	-	9,499
Passed through the Town of Bridgewater:				
Highway Planning and Construction	20.205	CA0580	-	1,837
Passed through the Town of Rochester:				
Highway Planning and Construction	20.205	CA0581	-	9,916
Passed through the Town of Granville:				
Highway Planning and Construction	20.205	CA0591	-	1,214
Passed through the Town of Hartland:				
Highway Planning and Construction	20.205	CA0597	-	1,877
Passed through the Oxbow Unified Union School District:				
Highway Planning and Construction	20.205	CA0602	-	1,914
Passed through the Town of Hartland:				
Highway Planning and Construction	20.205	BR0611	-	8,337
Passed through the Town of Newbury:				
Highway Planning and Construction	20.205	BR0619	-	5,608
Passed through the Town of Plymouth:				
Highway Planning and Construction	20.205	BR0622	-	8,024
Passed through the Town of Topsham:				
Highway Planning and Construction	20.205	BR0629	-	5,294
Passed through the Town of Woodstock:				
Highway Planning and Construction	20.205	BR0635	-	8,000
Subtotal Highway Planning and Construction Cluster			-	265,087

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	02140-31301-001	-	9,203
			-	9,203
Total U.S. Department of Transportation			-	274,290
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Passed through the Vermont Department of Environmental Conservation: Water Quality Management Planning	66.454	2019-604B-01	3,636	5,226
Passed through the Vermont Department of Environmental Conservation: Water Quality Management Planning	66.454	2018-604B-01	34,542	37,135
			38,178	42,361
Direct Program: Brownfields Assessment and Cleanup Coop.	66.818	BF-00A00420	-	148,778
Total U.S. Environmental Protection Agency			38,178	191,139
NORTHERN BORDER REGIONAL COMMISSION				
NBRC Grant Administration	90.601	NBRC2004RTORC	758	11,253
Total Northern Border Regional Commission			758	11,253
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through the Town of Hartford: Hazard Mitigation Grant Program	97.039	02140-34356-003C	-	10,072
Passed through the Town of Bridgewater: Hazard Mitigation Grant Program	97.039	02140-34356-003A	-	1,726
Passed through the Town of Fairlee: Hazard Mitigation Grant Program	97.039	02140-34356-003B	-	3,435
			-	15,233
Passed through the State of Vermont Department of Public Safety: Emergency Management Performance Grant 2018	97.042	02140-31026C-010	-	22,452
Emergency Management Performance Grant 2019	97.042	02140-31027C-010	-	53,142
			-	75,594

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
Passed through the Town of Granville: FY 2017 Pre-Disaster Mitigation Grant Program	97.047	02140-31233-004	-	7,612
Passed through the Town of Norwich: FY 2018 Pre-Disaster Mitigation Grant Program	97.047	02140-31234-011	-	5,804
Passed through the Town of Rochester: FY 2017 Pre-Disaster Mitigation Grant Program	97.047	02140-31233-008	-	8,840
Passed through the Town of Braintree: FY 2017 Pre-Disaster Mitigation Grant Program	97.047	02140-31233-002	-	8,840
Passed through the Town of Randolph: FY 2018 Pre-Disaster Mitigation Grant Program	97.047	02140-31234-013	-	5,601
Passed through the Town of Hartland: FY 2018 Pre-Disaster Mitigation Grant Program	97.047	02140-31234-005	-	5,959
			<u>-</u>	<u>42,656</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>133,483</u>
Total Federal Expenditures			<u>\$ 467,463</u>	<u>\$ 1,130,575</u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Two Rivers-Ottauquechee Regional Commission under programs of the federal government for the year ended June 30, 2020. 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-Ottauquechee Regional Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of Two Rivers-Ottauquechee 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-Ottauquechee Regional Commission has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

3. Expenditures to Subrecipients

CFDA Number	Southern Windsor County Regional Planning Commission	Town of Cambridge	Town of Ludlow	Town of Pittsfield	Town of Stockbridge
14.269	\$ -	\$ 102,244	\$ 14,013	\$ 183,406	\$ 128,864
66.454	3,636	-	-	-	-
90.601	758	-	-	-	-

CFDA Number	Addison County Regional Planning Commission	Lamoille County Planning Commission	Rutland Regional Planning Commission	Northwest Regional Planning Commission	Chittenden County Regional Planning Commission
14.269	\$ -	\$ -	\$ -	\$ -	\$ -
66.454	5,454	3,636	3,636	3,636	3,636
90.601	-	-	-	-	-

CFDA Number	Windham Regional Commission	Bennington County Regional Commission	Central Vermont Regional Planning Commission	Northeastern Vermont Development Association	Totals
14.269	\$ -	\$ -	\$ -	\$ -	\$ 428,527
66.454	3,636	3,636	3,636	3,636	38,178
90.601	-	-	-	-	758
					<u>\$ 467,463</u>



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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 and each major fund of Two Rivers-Ottawaquechee Regional Commission as of and for the year ended June 30, 2020, 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 December 2, 2020.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Two Rivers-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*. We noted certain other matters that we reported to management of Two Rivers-Ottauquechee Regional Commission in a separate letter dated December 2, 2020.

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
December 2, 2020



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-Ottauquechee Regional Commission
Woodstock, Vermont

Report on Compliance for Each Major Federal Program

We have audited Two Rivers-Ottauquechee Regional Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Two Rivers-Ottauquechee Regional Commission's major federal programs for the year ended June 30, 2020. Two Rivers-Ottauquechee Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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-Ottauquechee 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-Ottauquechee 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, 2020.

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
December 2, 2020

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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>
14.269	Community Development Block Grant - Disaster Recovery

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