

Federal Compliance Audit

**Two Rivers-Ottawaquechee Regional
Commission**

June 30, 2022



Proven Expertise & Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Two Rivers-Ottauquechee Regional Commission as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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-Ottauquechee Regional Commission as of June 30, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Two Rivers-Ottauquechee Regional Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Two Rivers-Ottauquechee Regional Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Two Rivers-Ottauquechee Regional Commission's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Two Rivers-Ottawaquechee Regional Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 5 through 11 and 34 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Carrabassett Valley, Maine's 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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. 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 October 5, 2022, on our consideration of Two Rivers-Ottawquechee 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-Ottawquechee Regional Commission's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 5, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

(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, 2022. 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 separate columns for the Commission's two types of activity. The types of activity presented for the Two Rivers-Ottauquechee Regional Commission are:

- *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.
- *Component units* - The Two Rivers-Ottauquechee Regional Foundation is included as part of the "Component Units".

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-Ottauquechee 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-Ottauquechee 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-Ottauquechee 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 \$95,275 from \$1,112,077 to \$1,207,352.

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 \$95,275 from \$1,112,077 to a balance of \$1,207,352 at the end of this year.

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

	2022	2021
Assets:		
Current Assets	\$ 1,429,712	\$ 1,191,456
Total Assets	\$ 1,429,712	\$ 1,191,456
Liabilities:		
Current Liabilities	\$ 30,070	\$ 37,216
Noncurrent Liabilities	30,241	37,246
Total Liabilities	\$ 60,311	\$ 74,462
Deferred Inflows of Resources:		
Deferred Revenue	\$ 162,049	\$ 4,917
Total Deferred Inflows of Resources	\$ 162,049	\$ 4,917
Net Position:		
Unrestricted	\$ 1,207,352	\$ 1,112,077
Total Net Position	\$ 1,207,352	\$ 1,112,077

Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 16.55%, while total expenses decreased by 9.43%. The decreases in both revenues and expenses are from grant activity related to the HUD sole proprietor program that was in the prior year.

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

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Operating grants and contracts	\$ 2,155,549	\$ 2,582,321
Charges for services	303,712	265,449
General revenues:		
Municipal dues	85,724	85,724
Interest	8,683	9,878
Unrealized gains/(losses) on investments	(80,619)	19,858
Miscellaneous	-	439
Total revenues	<u>2,473,049</u>	<u>2,963,669</u>
Expenses		
Regional planning and other programs	<u>2,377,774</u>	<u>2,625,314</u>
Total expenses	<u>2,377,774</u>	<u>2,625,314</u>
Change in Net Position	95,275	338,355
Net Position - July 1	<u>1,112,077</u>	<u>773,722</u>
Net Position - June 30	<u>\$ 1,207,352</u>	<u>\$ 1,112,077</u>

Financial Analysis of the Commission's Fund Statements

Governmental funds: The financial reporting focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Commission's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

Table 3
Two Rivers-Ottauquechee Regional Commission
Fund Balances - Governmental Funds
June 30,

	<u>2022</u>	<u>2021</u>	<u>Increase/ Decrease</u>
General Fund:			
Nonspendable	\$ -	\$ 3,528	\$ (3,528)
Assigned	23,864	23,864	-
Unassigned	<u>1,213,729</u>	<u>1,121,931</u>	<u>91,798</u>
Total General Fund	<u>\$ 1,237,593</u>	<u>\$ 1,149,323</u>	<u>\$ 88,270</u>

The general fund total fund balance increased by \$88,270 from the prior fiscal year. This increase was due to revenues exceeding expenses.

Budgetary Highlights

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

The general fund actual revenues were more than budget by \$71,735. This was mainly the result of grant revenues received during the fiscal year that exceeded budgeted amounts.

The general fund actual expenditures were under budget by \$16,535. All expenditure categories were under budget with the exception of personnel services.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the net book value of capital assets recorded by the Commission remained the same as the prior year. All capital assets are fully depreciated.

Debt

At June 30, 2022, the Commission had no outstanding bonds or notes.

Currently Known Facts, Decisions or Conditions

The 2022 - 2023 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2022 - 2023 as of the date this report was issued.

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.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 347,029	\$ 22,267
Investments	760,504	-
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	322,179	-
Total current assets	<u>1,429,712</u>	<u>22,267</u>
TOTAL ASSETS	<u>\$ 1,429,712</u>	<u>\$ 22,267</u>
LIABILITIES		
Current liabilities:		
Accrued expenses	\$ 19,990	\$ -
Current portion of long-term obligations	10,080	-
Total current liabilities	<u>30,070</u>	<u>-</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Accrued compensated absences	30,241	-
Total noncurrent liabilities	<u>30,241</u>	<u>-</u>
TOTAL LIABILITIES	<u>60,311</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	162,049	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>162,049</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>1,207,352</u>	<u>22,267</u>
TOTAL NET POSITION	<u>1,207,352</u>	<u>22,267</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,429,712</u>	<u>\$ 22,267</u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Contracts and Contributions	Total Governmental Activities	Component Unit
Governmental activities:					
Regional planning and other programs	\$ 2,377,774	\$ 303,712	\$ 2,155,549	\$ 81,487	\$ -
Total government	<u>\$ 2,377,774</u>	<u>\$ 303,712</u>	<u>\$ 2,155,549</u>	<u>81,487</u>	<u>-</u>
Component unit:					
Two Rivers-Ottauquechee Regional Foundation	\$ 110	\$ -	\$ -	-	(110)
	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(110)</u>
Changes in net position:					
Net (expense) revenue				<u>81,487</u>	<u>(110)</u>
General revenue:					
Municipal dues				85,724	-
Interest				8,683	-
Unrealized gains/(losses) on investments				<u>(80,619)</u>	<u>-</u>
Total general revenue				<u>13,788</u>	<u>-</u>
Change in net position				95,275	(110)
NET POSITION - JULY 1				<u>1,112,077</u>	<u>22,377</u>
NET POSITION - JUNE 30				<u>\$ 1,207,352</u>	<u>\$ 22,267</u>

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

STATEMENT C

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 347,029	\$ 347,029
Investments	760,504	760,504
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	322,179	322,179
TOTAL ASSETS	\$ 1,429,712	\$ 1,429,712
LIABILITIES		
Accrued expenses	\$ 30,070	\$ 30,070
TOTAL LIABILITIES	30,070	30,070
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	162,049	162,049
TOTAL DEFERRED INFLOWS OF RESOURCES	162,049	162,049
FUND BALANCES		
Assigned	23,864	23,864
Unassigned	1,213,729	1,213,729
TOTAL FUND BALANCES	1,237,593	1,237,593
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,429,712	\$ 1,429,712

See accompanying independent auditor's 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, 2022

	Total Governmental Funds
	<u> </u>
Total Fund Balances	\$ 1,237,593
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	<u>(30,241)</u>
Net position of governmental activities	<u>\$ 1,207,352</u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF IN REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Municipal dues	\$ 85,724	\$ 85,724
Agency of Commerce	385,037	385,037
VT Agency of Transportation	226,118	226,118
HUD sole proprietor grants	733,584	733,584
EPA Brownfields	113,068	113,068
EDA Planning Grant	27,415	27,415
EDA Supplemental	50,790	50,790
EDA Creative Economy	90,651	90,651
VHCB Buyouts	49,612	49,612
State/federal/other grants and contracts	479,274	479,274
Municipal contracts	303,707	303,707
Interest	8,683	8,683
Unrealized gains/(losses) on investments	(80,619)	(80,619)
TOTAL REVENUES	<u>2,473,049</u>	<u>2,473,049</u>
EXPENDITURES		
Current:		
Regional planning and other programs	<u>2,384,779</u>	<u>2,384,779</u>
TOTAL EXPENDITURES	<u>2,384,779</u>	<u>2,384,779</u>
NET CHANGE IN FUND BALANCES	88,270	88,270
FUND BALANCE - JULY 1	<u>1,149,323</u>	<u>1,149,323</u>
FUND BALANCE - JUNE 30	<u>\$ 1,237,593</u>	<u>\$ 1,237,593</u>

See accompanying independent auditor's 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, 2022

Net change in fund balances - total governmental funds (Statement E) \$ 88,270

Amounts reported for governmental activities in the Statement of
Activities (Statement B) are different because:

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 7,005

Change in net position of governmental activities (Statement B) \$ 95,275

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Commission's combined financial statements include all accounts and all operations of the Commission. In accordance with Governmental Accounting Standards Board Statement No. 14 (as amended by Number 39 and 61), the Commission has evaluated all potential component units. The financial statements include the Two Rivers-Ottauquechee Regional Foundation as a discretely presented component unit. This component unit does not have separately issued financial statements.

Implementation of New Accounting Standards

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 “Omnibus 2020.” The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 4-11a)”. The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 97 "Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The primary objectives of this Statement are to (1) 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; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. 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 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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

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

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$322,179 for the year ended June 30, 2022.

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. 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 capital assets are reported 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - 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, 2022 that were exposed to custodial credit risk.

At June 30, 2022, the Commission's cash and cash equivalents balances of \$347,029 were comprised of bank deposits and cash equivalents of \$410,344 which were all insured by federal depository insurance or collateralized with securities held in the Commission's name and consequently were not exposed to custodial credit risk. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Commission's cash and cash equivalents balance.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 398,237
Savings accounts	101
Cash and cash equivalents	12,006
	<u>\$ 410,344</u>

Investments:

At June 30, 2022, the Commission's investments amounting to \$760,504 were comprised of certificates of deposit, a loan fund, equity exchange traded funds and fixed income exchange traded funds. The certificates of deposit of \$102,345 were insured by federal depository insurance and consequently were not exposed to custodial credit

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

risk. The loan funds of \$105,991 also were not subject to custodial credit risk. And the remaining investments of \$552,168 were covered by the Securities Investor Protection Corporation (SIPC).

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 and loan funds 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, 2022, 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>
Equity ETPs	\$ 408,457	\$ 408,457	\$ -	\$ -
Fixed income ETPs	143,711	143,711	-	-
	<u>\$ 552,168</u>	<u>\$ 552,168</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Hierarchy

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Commission has the following recurring fair value measurements at June 30, 2022:

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2022 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds and exchange traded funds	\$ 408,457	\$ 408,457	\$ -	\$ -
Total equity securities	<u>408,457</u>	<u>408,457</u>	<u>-</u>	<u>-</u>
Fixed income:				
Mutual funds and exchange traded funds	143,711	143,711	-	-
Total fixed income	<u>143,711</u>	<u>143,711</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>552,168</u>	<u>\$ 552,168</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	12,006			
Total cash equivalents measured at the NAV	<u>12,006</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 564,174</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Commission has no level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2022 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$102,345 and loan funds for \$105,991 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit quality distribution for the Commission's investments with credit exposure as a percentage of total investments are as follows:

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Bond Credit Rating</u>	<u>Percentage of Total</u>
Corporate Bonds	AAA	9.198%
Corporate Bonds	AA	5.966%
Corporate Bonds	A	28.016%
Corporate Bonds	BBB	27.436%
Corporate Bonds	BB	6.331%
Corporate Bonds	B	4.577%
Corporate Bonds	Below B	1.862%
Corporate Bonds	Unrated	16.616%

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, 2022:

	<u>Balance 7/1/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/22</u>
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	(63,827)	-	-	(63,827)
	<u>(163,878)</u>	<u>-</u>	<u>-</u>	<u>(163,878)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - LINE OF CREDIT

The Commission had 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, 2022. The line expired on April 25, 2022 and the Board chose not to renew it.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2022:

	Balance 7/1/21	Additions	Reductions	Balance 6/30/22
Accrued compensated absences	\$ 49,661	\$ -	\$ (9,340)	\$ 40,321
		2022	2021	Change
Current portion		\$ 10,080	\$ 12,415	\$ (2,335)
Long-term portion		30,241	37,246	(7,005)
		\$ 40,321	\$ 49,661	\$ (9,340)

Please note that the modified accrual financial statements (Statement C and E) do not include long-term liabilities so the long-term portion of the accrued compensated absences has not been included on Statement C and the change in the long-term portion from the previous year has not been included in the expenditures on Statement E or Schedule 1. The change in the long-term portion also has not been included on Schedule A in the personnel services - salaries and wages line. These adjustments are shown on Statements D and F. 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, 2022, the Commission's liability for compensated absences is \$10,080.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - ASSIGNED FUND BALANCES

At June 30, 2022, 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	4,311
	<u>\$ 23,864</u>

NOTE 8 - 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 12% contribution of \$98,144 on 100% of the covered wages of \$788,162 in fiscal year 2022.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2021 was 100% of gross salary or \$19,500, whichever is less and for calendar year 2022 was 100% of gross salary or \$20,500, whichever is less. Individuals age 50 and older may contribute up to \$26,000 for calendar year 2021 and \$27,000 for calendar year 2022. The Commission matches the deferred contribution up to 4% of all participating employees' annual salaries but has flexibility to contribute more as long as overall funding limits are not exceeded. The Commission contributed \$27,575 on 100% of the covered wages of \$703,633 in fiscal year 2022.

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Commission carries commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

Based on the coverage provided by the insurance purchased, the Commission feels it is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2022. 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 2022 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, 2021, monthly rent became \$2,873 for an annual rent expense of \$34,476. Utility costs of \$6,789 were also reimbursed to the Vermont Land Trust for the year ended June 30, 2022. The lease was extended until June 30, 2023.

NOTE 11 - COMPONENT UNIT

The Two Rivers-Ottawuechee Regional Commission has shown the following component unit separately in the financial statements.

The Commission has established the Two Rivers-Ottawuechee 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 2022, the Foundation had \$110 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, 2022

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,149,323	\$ 1,149,323	\$ 1,149,323	\$ -
Resources (Inflows):				
Municipal dues	85,724	85,724	85,724	-
Agency of Commerce	305,458	305,458	385,037	79,579
VT Agency of Transportation	213,924	213,924	226,118	12,194
HUD sole proprietor grants	617,000	617,000	733,584	116,584
EPA Brownfields	139,000	139,000	113,068	(25,932)
EDA Planning Grant	25,890	25,890	27,415	1,525
EDA Supplemental	84,000	84,000	50,790	(33,210)
EDA Creative Economy	80,000	80,000	90,651	10,651
VHCB Buyouts	154,921	154,921	49,612	(105,309)
State/federal/other grants and contracts	407,487	407,487	479,274	71,787
Municipal contracts	279,899	279,899	303,707	23,808
Fee income	3,011	3,011	5	(3,006)
Interest	5,000	5,000	8,683	3,683
Unrealized gains/(losses) on investments	-	-	(80,619)	(80,619)
Amounts Available for Appropriation	<u>3,550,637</u>	<u>3,550,637</u>	<u>3,622,372</u>	<u>71,735</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	<u>2,401,314</u>	<u>2,401,314</u>	<u>2,384,779</u>	<u>16,535</u>
Total Charges to Appropriations	<u>2,401,314</u>	<u>2,401,314</u>	<u>2,384,779</u>	<u>16,535</u>
Budgetary Fund Balance, June 30	<u>\$ 1,149,323</u>	<u>\$ 1,149,323</u>	<u>\$ 1,237,593</u>	<u>\$ 88,270</u>

See accompanying independent auditor's 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, 2022

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 85,724	\$ 85,724	\$ -
Grant and contract income:			
Agency of Commerce	305,458	385,037	79,579
VT Agency of Transportation	213,924	226,118	12,194
HUD sole proprietor grants	617,000	733,584	116,584
EPA Brownfields	139,000	113,068	(25,932)
EDA Planning Grant	25,890	27,415	1,525
EDA Supplemental	84,000	50,790	(33,210)
EDA Creative Economy	80,000	90,651	10,651
VHCB Buyouts	154,921	49,612	(105,309)
State/federal/other grants and contracts	407,487	479,274	71,787
Municipal contracts	279,899	303,707	23,808
Total grant and contract income	<u>2,307,579</u>	<u>2,459,256</u>	<u>151,677</u>
Fee income:			
Municipal fees	3,011	5	(3,006)
Total fee income	<u>3,011</u>	<u>5</u>	<u>(3,006)</u>
Miscellaneous income:			
Interest	5,000	8,683	3,683
Unrealized gains/(losses) on investments	-	(80,619)	(80,619)
Total miscellaneous income	<u>5,000</u>	<u>(71,936)</u>	<u>(76,936)</u>
Total revenues	<u>\$ 2,401,314</u>	<u>\$ 2,473,049</u>	<u>\$ 71,735</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, 2022

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	\$ 738,543	\$ 814,270	\$ (75,727)
Payroll taxes	56,499	60,212	(3,713)
Employee assistance service	600	600	-
Workmen's compensation	3,780	2,615	1,165
Unemployment insurance	1,500	1,650	(150)
Health and dental insurance	152,577	144,790	7,787
Life insurance	6,000	5,345	655
Pension fund	124,237	125,719	(1,482)
Disability insurance	9,000	7,022	1,978
Tuition reimbursement	14,700	11,720	2,980
Total personnel services	<u>1,107,436</u>	<u>1,173,943</u>	<u>(66,507)</u>
Occupancy/insurances:			
Rent and King Farm utilities	46,000	45,433	567
Occupancy expense - King Farm	1,500	1,567	(67)
Professional insurance	9,750	9,378	372
Property insurance	6,000	4,326	1,674
Total occupancy/insurances	<u>63,250</u>	<u>60,704</u>	<u>2,546</u>
Professional services:			
Legal services	2,000	-	2,000
Accounting services	1,000	-	1,000
Auditing services	10,000	10,000	-
Total professional services	<u>13,000</u>	<u>10,000</u>	<u>3,000</u>
Consultants:			
Planning	275,820	247,706	28,114
VHCB buyout pass-thru funds	144,000	41,925	102,075
HUD sole proprietor funds	500,000	609,433	(109,433)
Engineering - Brownfields	96,280	91,671	4,609
Total consultants	<u>1,016,100</u>	<u>990,735</u>	<u>25,365</u>
Travel:			
Travel	31,250	19,934	11,316
Meetings and conferences	29,500	14,850	14,650
Total travel	<u>60,750</u>	<u>34,784</u>	<u>25,966</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, 2022

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Office expenses:			
General supplies	\$ 10,900	\$ 7,240	\$ 3,660
Printing	2,500	1,157	1,343
Advertising	6,500	3,797	2,703
Dues, publications and data	32,500	19,444	13,056
Postage	3,500	2,010	1,490
Telephone/internet/web	17,000	19,825	(2,825)
Repairs	500	-	500
Bank/payroll fees	850	570	280
Unallowed direct expenses	-	11,761	(11,761)
Equipment/software service contracts	24,500	13,798	10,702
Total office expenses	<u>98,750</u>	<u>79,602</u>	<u>19,148</u>
Office equipment:			
Computer hardware	4,500	3,865	635
Office equipment and furniture	-	5,248	(5,248)
Computer software	20,028	10,274	9,754
Total office equipment	<u>24,528</u>	<u>19,387</u>	<u>5,141</u>
Other expenses:			
Scholarship program	11,000	11,000	-
Equipment - VAOT	6,500	4,624	1,876
Total other expenses	<u>17,500</u>	<u>15,624</u>	<u>1,876</u>
Total expenditures	<u>2,401,314</u>	<u>2,384,779</u>	<u>16,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	88,270	<u>\$ 88,270</u>
FUND BALANCE - JULY 1, 2021		<u>1,149,323</u>	
FUND BALANCE - JUNE 30, 2022		<u>\$ 1,237,593</u>	

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

Federal Compliance Description

Federal compliance includes financial information and reports that are required in accordance with Government Auditing Standards and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's 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
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE:				
Passed through East Central Vermont Economic Development District:				
Economic Adjustment Assistance	11.307	ED16PHI3020056	\$ -	\$ 25,890
Economic Adjustment Assistance	11.307	ED20PHI3070063	-	50,790
Passed through the Economic Development Administration:				
Economic Adjustment Assistance	11.307	01-79-15070	<u>16,775</u>	<u>90,651</u>
Total U.S. Department of Commerce			<u>16,775</u>	<u>167,331</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Vermont Agency of Commerce and Community Development:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - CARES Act Funding	14.228	07110-IG-2020-TRORC-02	456,025	733,584
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07110-PG-2020-Rochester-22	-	5,689
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07110-PG-2018-Woodstock-16	<u>-</u>	<u>1,894</u>
Subtotal Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>456,025</u>	<u>741,167</u>
Total U.S. Department of Housing and Urban Development			<u>456,025</u>	<u>741,167</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal Assistance Listing 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 2021 Transportation Planning Initiative - TPI	20.205	GR1485	-	65,439
FFY 2022 Transportation Planning Initiative - TPI	20.205	GR1595	-	134,374
Passed through the Town of Barnard:				
Highway Planning and Construction	20.205	CA0615	-	2,411
Passed through the Town of Corinth:				
Highway Planning and Construction	20.205	BR0752	-	9,920
Passed through the Town of Royalton:				
Highway Planning and Construction	20.205	CA0635	-	8,559
Passed through the Town of Norwich:				
Highway Planning and Construction	20.205	CA0579	-	11,438
Passed through the Town of Pittsfield:				
Highway Planning and Construction	20.205	CA0561	-	9,558
Passed through the Town of Bridgewater:				
Highway Planning and Construction	20.205	CA0580	-	666
Passed through the Town of Bridgewater:				
Highway Planning and Construction	20.205	BR0750	-	6,412
Passed through the Town of Hartland:				
Highway Planning and Construction	20.205	CA0597	-	12,634
Passed through the Central Vermont Regional Planning Commission:				
Highway Planning and Construction	20.205	N/A	-	5,309
Subtotal Highway Planning and Construction Cluster			-	266,720
Total U.S. Department of Transportation			-	266,720

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY:				
Passed through Central Vermont Regional Planning Commission				
Coronavirus State and Local Fiscal Recovery Funds	21.027	02140-33500-007	-	3,800
Coronavirus State and Local Fiscal Recovery Funds	21.027	02140-33500MC-007	-	3,747
Total Coronavirus Relief Fund			<u>-</u>	<u>7,547</u>
Total U.S. Department of Treasury			<u>-</u>	<u>7,547</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Direct Program:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	BF-00A00420	-	116,015
Total U.S. Environmental Protection Agency			<u>-</u>	<u>116,015</u>
NORTHERN BORDER REGIONAL COMMISSION				
Direct Program:				
Northern Border Regional Development	90.601	NBRC20GEDA05	148,481	155,030
Passed through the Vermont Department of Economic Development and Community Development:				
Northern Border Regional Development	90.601	NBRC20SCVT01	4,000	10,000
Total Northern Border Regional Commission			<u>152,481</u>	<u>165,030</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CENTERS FOR DISEASE CONTROL				
Passed through the Lamoille County Planning Commission:				
Preventive Health and Health Services Block Grant	93.991	TRORC_HEALTH EQUITY_FY22	-	925
Total U.S. Department of Health and Human Services, Centers for Disease Control			<u>-</u>	<u>925</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass-through Grantor Program/Cluster Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Passed through the State of Vermont Department of Public Safety:				
Hazard Mitigation Grant Program	97.039	02140-34000-159	-	7,985
Subtotal Hazard Mitigation Grant Program			-	7,985
Passed through the State of Vermont Department of Public Safety:				
Emergency Management Performance Grant	97.042	02140-31028C-010	-	8,226
Emergency Management Performance Grant	97.042	02140-31029C-010	-	18,918
Emergency Management Performance Grant	97.042	02140-31030C-010	-	53,827
Subtotal Emergency Management Performance Grant			-	80,971
Passed through the Town of Barnard:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	2,720
Passed through the Town of Brookfield:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	8,930
Passed through the Town of Chelsea:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	7,610
Passed through the Town of Plymouth:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	8,989
Passed through the Town of Royalton:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	1,021
Passed through the Town of Stockbridge:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	7,609
Passed through the Town of Strafford:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	1,116
Passed through the Town of Woodstock:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	7,926
Subtotal BRIC: Building Resilient Infrastructure and Communities			-	45,921
Total U.S. Department of Homeland Security			-	134,877
Total Federal Expenditures			\$ 625,281	\$ 1,599,612

See accompanying independent auditor's 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, 2022

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, 2022. 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

3. Expenditures to Subrecipients

Federal Assistance Listing Number	CARES Act Subrecipients*	Vermont Mountain Bike Association	Goman & York	Mt. Ascutney Regional Commission	Totals
11.307	\$ -	\$ -	\$ 15,000	\$ 1,775	\$ 16,775
14.228	456,025	-	-	-	456,025
90.601	-	148,481	-	4,000	152,481
					<u>\$ 625,281</u>

* Please see the detailed subrecipient listing for the CARES Act Funding, Federal Assistance Listing #14.228 on the following page.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

3. Expenditures to Subrecipients (Continued)

Subrecipients for Federal Assistance Listing #14.228
Community Development Block Grant - CARES ACT

	<u>Amount</u>
Anneliesje Smith	\$ 1,500
Annise Wohland	10,000
Aymen Yahya	6,500
Beli Wagley	10,000
Belle Savon Vermont	10,000
Benjamin K. Lepesqueur	10,000
Birdhous L3C	10,000
Craig E. Mason	8,800
Dana Rocheleau	9,700
Doherty Plumbing & Hearing	10,000
Drewski's on the River	10,000
Elite Health and Wellness LLC	9,325
Elizabeth A. Guenther	10,000
Gordon Auchincloss	9,600
Green Dream Farm	10,000
Green Mountain Pizza Company	9,900
Greg Garceau	10,000
H2GO Brands, LLC	10,000
Haseebullah Moheb	6,400
Health Matters, LLC	10,000
Heather McFadden	4,600
Hope Films LLC	10,000
Jamaican Supreme	8,200
Jennifer Fabiano	9,900
Jennifer R. Esposito	10,000
Jessica Juliana Deyne	9,100
Jill A. Delaney	10,000
John S. Rodgers	10,000
JS Rodgers Masonry, Inc.	10,000
Kirsten DeLuca	9,400
Lago Rental LLC	10,000
Laila Lakshamair	10,000
Law Office of Siobhan M. McCloskey, PLCC	10,000
Madame Archetypes Panoply	10,000
Mark A. Keppel	9,700
NEK Dental	10,000
Noor Duale	2,000

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

3. Expenditures to Subrecipients (Continued)

	<u>Amount</u>
Paquette Construction & Cleaning	9,200
Rachel Capobianco	7,100
Resourceful Recordings Inc.	10,000
Richard M. Chase	10,000
Robert J. Stahl	10,000
Shajen, Inc.	10,000
Suzanne E. Fay	9,000
Tabitha Dunbar	10,000
T-Golden Tax Service Inc.	10,000
The Harvest House, LLC	6,100
The Jay Cloud RLLP	10,000
The Mansfield Barn LLC	10,000
Wolfgaard Productions, LLC	10,000
	<u>\$ 456,025</u>



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S 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, the discretely presented component unit and each major fund of Two Rivers-Ottawaquechee Regional Commission as of and for the year ended June 30, 2022, 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 October 5, 2022.

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-Ottawquechee 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-Ottawquechee Regional Commission in a separate letter dated September 27, 2022.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 5, 2022



INDEPENDENT AUDITOR'S 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, 2022. 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, 2022.

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
October 5, 2022

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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>AL Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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