

Federal Compliance Audit

**Two Rivers-Ottawaquechee Regional
Commission**

June 30, 2023



Proven Expertise & Integrity

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Two Rivers-Ottawaquechee 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-Ottawaquechee Regional Commission as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Commission'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, the discretely presented component unit and each major fund of the Two Rivers-Ottawaquechee Regional Commission as of June 30, 2023 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-Ottawaquechee 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.

Auditor's 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 35 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 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 the purpose of additional analysis and is 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 18, 2023, 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
October 18, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

(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, 2023. 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-Ottawaquechee 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-Ottawaquechee 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-Ottawaquechee Regional Commission, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Two Rivers-Ottawaquechee Regional Commission are categorized as one fund type: governmental funds.

Governmental funds: All of the basic services provided by the Commission are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Commission's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Commission.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Two Rivers-Ottawaquechee Regional Commission presents one column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Commission's major governmental fund is the general fund.

The general fund is the only fund for which the Commission legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Commission's governmental activities. The Commission's total net position increased by \$208,525 from \$1,207,352 to \$1,415,877.

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 \$208,525 from \$1,207,352 to a balance of \$1,415,877 at the end of this year.

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

	2023	2022
Assets:		
Current Assets	\$ 1,839,205	\$ 1,429,712
Noncurrent Assets - Capital Assets	5,425	-
Total Assets	\$ 1,844,630	\$ 1,429,712
Liabilities:		
Current Liabilities	\$ 56,084	\$ 30,070
Noncurrent Liabilities	35,321	30,241
Total Liabilities	\$ 91,405	\$ 60,311
Deferred Inflows of Resources:		
Deferred Revenue	\$ 337,348	\$ 162,049
Total Deferred Inflows of Resources	\$ 337,348	\$ 162,049
Net Position:		
Unrestricted	\$ 1,415,877	\$ 1,207,352
Total Net Position	\$ 1,415,877	\$ 1,207,352

Revenues and Expenses

Revenues for the Commission's governmental activities decreased by 12.47%, while total expenses decreased by 17.73%. The decreases in both revenues and expenses are from grant-related activity.

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

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues:		
Operating grants and contracts	\$ 1,654,723	\$ 2,155,549
Charges for services	357,353	303,712
General revenues:		
Municipal dues	90,243	85,724
Interest	17,354	8,683
Unrealized gains/(losses) on investments	45,095	(80,619)
Total revenues	<u>2,164,768</u>	<u>2,473,049</u>
Expenses		
Regional planning and other programs	<u>1,956,243</u>	<u>2,377,774</u>
Total expenses	<u>1,956,243</u>	<u>2,377,774</u>
Change in Net Position	208,525	95,275
Net Position - July 1	<u>1,207,352</u>	<u>1,112,077</u>
Net Position - June 30	<u>\$ 1,415,877</u>	<u>\$ 1,207,352</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>2023</u>	<u>2022</u>	<u>Increase/ Decrease</u>
General Fund:			
Nonspendable	\$ 8,628	\$ -	\$ 8,628
Assigned	23,864	23,864	-
Unassigned	1,415,606	1,213,729	201,877
Total General Fund	<u>\$ 1,448,098</u>	<u>\$ 1,237,593</u>	<u>\$ 210,505</u>

The general fund total fund balance increased by \$210,505 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 less than budgeted estimates by \$351,656. This was mainly the result of grant and contract income received during the fiscal year being less than budgeted amounts.

The general fund actual expenditures were under budget by \$562,161. All expenditure categories were under budget with the exception of occupancy/insurances, professional services, travel, office equipment and other expenses.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Commission increased by \$5,425. This increase is due to the addition of the right to use lease asset of \$7,750 less current year depreciation of \$2,325.

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

	2023	2022
Right of use lease asset	\$ 5,425	\$ -
Total	\$ 5,425	\$ -

Debt

At June 30, 2023, the Commission had \$5,425 in lease liability outstanding versus \$0 in the prior year. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The Commission has noted a subsequent event as a currently known fact. Refer to Note 13 of Notes to Financial Statements for more detailed information.

The 2023 - 2024 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2023 - 2024 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 nearly nine 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.

STATEMENT A

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 648,157	\$ 7,873
Investments	833,063	-
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	348,957	-
Employees	400	-
Prepaid items	8,628	-
Total current assets	1,839,205	7,873
Noncurrent assets:		
Capital assets:		
Right of use lease assets, net of accumulated depreciation	5,425	-
Total noncurrent assets	5,425	-
TOTAL ASSETS	\$ 1,844,630	\$ 7,873
LIABILITIES		
Current liabilities:		
Accrued expenses	\$ 43,018	\$ -
Current portion of long-term obligations	13,066	-
Total current liabilities	56,084	-
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Lease liability	3,100	-
Accrued compensated absences	32,221	-
Total noncurrent liabilities	35,321	-
TOTAL LIABILITIES	91,405	-
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	337,348	-
TOTAL DEFERRED INFLOWS OF RESOURCES	337,348	-
NET POSITION		
Unrestricted	1,415,877	7,873
TOTAL NET POSITION	1,415,877	7,873
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,844,630	\$ 7,873

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

STATEMENT B

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 1,956,243	\$ 357,353	\$ 1,654,723	\$ 55,833	\$ -
Total government	<u>\$ 1,956,243</u>	<u>\$ 357,353</u>	<u>\$ 1,654,723</u>	<u>55,833</u>	<u>-</u>
Component unit:					
Two Rivers-Ottauquechee Regional Foundation	\$ 14,644	\$ 250	\$ -	-	(14,394)
	<u>\$ 14,644</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>-</u>	<u>(14,394)</u>
Changes in net position:					
Net (expense) revenue				<u>55,833</u>	<u>(14,394)</u>
General revenue:					
Municipal dues				90,243	-
Interest				17,354	-
Unrealized gains/(losses) on investments				45,095	-
Total general revenue				<u>152,692</u>	<u>-</u>
Change in net position				208,525	(14,394)
NET POSITION - JULY 1				<u>1,207,352</u>	<u>22,267</u>
NET POSITION - JUNE 30				<u>\$ 1,415,877</u>	<u>\$ 7,873</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, 2023

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 648,157	\$ 648,157
Investments	833,063	833,063
Accounts receivable (net of allowance for uncollectibles):		
Intergovernmental	348,957	348,957
Employees	400	400
Prepaid items	8,628	8,628
TOTAL ASSETS	\$ 1,839,205	\$ 1,839,205
LIABILITIES		
Accrued expenses	\$ 53,759	\$ 53,759
TOTAL LIABILITIES	53,759	53,759
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	337,348	337,348
TOTAL DEFERRED INFLOWS OF RESOURCES	337,348	337,348
FUND BALANCES		
Nonspendable	8,628	8,628
Assigned	23,864	23,864
Unassigned	1,415,606	1,415,606
TOTAL FUND BALANCES	1,448,098	1,448,098
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,839,205	\$ 1,839,205

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, 2023

	Total Governmental Funds
Total Fund Balances	\$ 1,448,098
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,425
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Lease liability	(5,425)
Accrued compensated absences	(32,221)
Net position of governmental activities	\$ 1,415,877

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, 2023

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Municipal dues	\$ 90,243	\$ 90,243
Agency of Commerce	463,216	463,216
VT Agency of Transportation	284,149	284,149
HUD sole proprietor grants	159,551	159,551
EPA Brownfields	32,967	32,967
EDA Planning Grant	33,392	33,392
EDA Supplemental	22,900	22,900
EDA Creative Economy	140,797	140,797
VHCB Buyouts	99,763	99,763
State/federal/other grants and contracts	417,988	417,988
Municipal contracts	356,336	356,336
Fee income	1,017	1,017
Interest	17,354	17,354
Unrealized gains/(losses) on investments	45,095	45,095
TOTAL REVENUES	<u>2,164,768</u>	<u>2,164,768</u>
EXPENDITURES		
Current:		
Regional planning and other programs	<u>1,954,263</u>	<u>1,954,263</u>
TOTAL EXPENDITURES	<u>1,954,263</u>	<u>1,954,263</u>
NET CHANGE IN FUND BALANCES	210,505	210,505
FUND BALANCE - JULY 1	<u>1,237,593</u>	<u>1,237,593</u>
FUND BALANCE - JUNE 30	<u>\$ 1,448,098</u>	<u>\$ 1,448,098</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, 2023

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 210,505</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	7,750
Depreciation expense	<u>(2,325)</u>
	<u>5,425</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:	
Lease liability	(5,425)
Accrued compensated absences	<u>(1,980)</u>
	<u>(7,405)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 208,525</u>

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

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". 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 and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

terminology used in Statement 53 to refer to resource flows statements. 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 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$349,357 for the year ended June 30, 2023.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

A right of use lease asset is required to be reported at the present value of payments expected to be made during the lease term including and any/all other required financial lease obligations in accordance with the terms of the lease and excluding interest. A lease asset will be amortized in a straight-line basis over the lease term or the useful life of the underlying asset (whichever is shorter).

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 leases and 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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 netposition 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.

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.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The members of the Commission through Board meetings are the highest level of decision-making authority of the Commission. Commitments may be established, modified or rescinded only through a Board meeting vote.

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.

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 May 11, 2022, the Commission adopted an updated 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, 2023

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, 2023 that were exposed to custodial credit risk.

At June 30, 2023, the Commission's cash and cash equivalents balances of \$648,157 were comprised of bank deposits and cash equivalents of \$690,357. 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. All bank deposits were insured by federal depository insurance or collateralized with securities held in the Commission's name and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 669,378
Savings accounts	102
Cash and cash equivalents	20,877
	<u>\$ 690,357</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

At June 30, 2023, the Commission's investments amounting to \$833,063 were comprised of certificates of deposit, a loan fund, equity exchange traded funds and fixed income exchange traded funds. The certificates of deposit of \$104,791 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The loan funds of \$108,647 also were not subject to custodial credit risk. And the remaining investments of \$619,625, \$500,000 was covered by the Securities Investor Protection Corporation (SIPC) and \$119,625 was uninsured and uncollateralized.

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, 2023, the Commission had the following investments and maturities:

Investment Type	Fair Value	N/A	<1 Year	1 - 5 Years
Equity ETPs	\$ 453,040	\$ 453,040	\$ -	\$ -
Fixed income ETPs	166,585	166,585	-	-
	\$ 619,625	\$ 619,625	\$ -	\$ -

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, 2023:

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2023 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	\$ 453,040	\$ 453,040	\$ -	\$ -
Total equity securities	<u>453,040</u>	<u>453,040</u>	<u>-</u>	<u>-</u>
Fixed income:				
Mutual funds and exchange traded funds	166,585	166,585	-	-
Total fixed income	<u>166,585</u>	<u>166,585</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>619,625</u>	<u>\$ 619,625</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	20,877			
Total cash equivalents measured at the NAV	<u>20,877</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 640,502</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, 2023 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 \$104,791 and loan funds for \$108,647 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, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Bond Credit Rating</u>	<u>Percentage of Total</u>
Corporate Bonds	AAA	8.683%
Corporate Bonds	AA	23.294%
Corporate Bonds	A	38.473%
Corporate Bonds	BBB	13.792%
Corporate Bonds	BB	0.059%
Corporate Bonds	Unrated	15.698%

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 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, 2023:

	<u>Balance 7/1/22</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/23</u>
Depreciated assets:				
Computer software	\$ 42,680	\$ -	\$ -	\$ 42,680
Computer hardware	57,371	-	-	57,371
Furniture and fixtures	63,827	-	-	63,827
Right of use lease asset	-	7,750	-	7,750
	<u>163,878</u>	<u>7,750</u>	<u>-</u>	<u>171,628</u>
Less: accumulated depreciation				
Computer software	(42,680)	-	-	(42,680)
Computer hardware	(57,371)	-	-	(57,371)
Furniture and fixtures	(63,827)	-	-	(63,827)
Right of use lease asset	-	(2,325)	-	(2,325)
	<u>(163,878)</u>	<u>(2,325)</u>	<u>-</u>	<u>(166,203)</u>
Net capital assets	<u>\$ -</u>	<u>\$ 5,425</u>	<u>\$ -</u>	<u>\$ 5,425</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2023:

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Current Portion
Lease liability	\$ -	\$ 7,750	\$ (2,325)	\$ 5,425	\$ 2,325

The following is a summary of the lease liability outstanding as of June 30, 2023:

Toshiba color copier lease payable to Leaf Capital Funding LLC, in monthly payments of \$194 for 48 months. Maturity in October 2025.

\$ 5,425

The right of use lease asset associated with this lease liability (including amortization/depreciation applicable to the same) are presented as a separate category of Capital Assets and is grouped accordingly on the Statement of Net Position.

The following is a summary of outstanding lease principal and interest requirements for the following fiscal years ending June 30:

	Lease Liability		
	Principal	Interest	Total
2024	\$ 2,325	\$ -	\$ 2,325
2025	2,325	-	2,325
2026	775	-	775
	<u>\$ 5,425</u>	<u>\$ -</u>	<u>\$ 5,425</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Current Portion
Accrued compensated absences	\$ 40,321	\$ 2,641	\$ -	\$ 42,962	\$ 10,741
		2023	2022	Change	
Current portion		\$ 10,741	\$ 10,080	\$ 661	
Long-term portion		32,221	30,241	1,980	
		<u>\$ 42,962</u>	<u>\$ 40,321</u>	<u>\$ 2,641</u>	

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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, 2023, the Commission's liability for compensated absences is \$42,692 with the current portion being \$10,741.

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2023, the general fund nonspendable fund balance was made up of the following:

Prepaid items	<u>\$ 8,628</u>
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NOTE 8 - ASSIGNED FUND BALANCES

At June 30, 2023, 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>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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 \$106,934 on 100% of the covered wages of \$784,776 in fiscal year 2023.

In 2001, the Commission established a deferred compensation plan under Section 457 of the Internal Revenue Code. The maximum deferred contribution for calendar year 2022 was 100% of gross salary or \$20,500, whichever is less and for calendar year 2023 was 100% of gross salary or \$22,500, whichever is less. Individuals age 50 and older may contribute up to \$27,000 for calendar year 2022 and \$30,000 for calendar year 2023. 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 \$26,201 on 100% of the covered wages of \$652,261 in fiscal year 2023.

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, 2023. 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, 2023

NOTE 11 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

The Commission is presently engaged in fulfilling its fiscal 2023 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. This lease expired on June 30, 2023, but has been extended for an additional year. Effective July 1, 2023, monthly rent became \$3,161 for an annual rent expense of \$37,926. Rent of \$34,476 was paid to Vermont Land Trust in fiscal year 2023 and utility costs of \$9,217 were also reimbursed to the Vermont Land Trust for the year ended June 30, 2023.

NOTE 12 - 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 2023, the Foundation had \$14,644 in expenses and \$250 in revenues.

NOTE 13 - SUBSEQUENT EVENT

At the Board of Commissioners' Annual Meeting on June 21, 2023, it was voted and approved to transfer, in fiscal year 2024, \$20,000 to the Two Rivers-Ottawuechee Regional Foundation. The funds will be used to cover staff time as the Foundation continues to build relationships with other Foundations and responds to funding opportunities.

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, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,237,593	\$ 1,237,593	\$ 1,237,593	\$ -
Resources (Inflows):				
Municipal dues	90,243	90,243	90,243	-
Agency of Commerce	433,633	433,633	463,216	29,583
VT Agency of Transportation	327,955	327,955	284,149	(43,806)
HUD sole proprietor grants	90,000	90,000	159,551	69,551
EPA Brownfields	32,136	32,136	32,967	831
EDA Planning Grant	28,890	28,890	33,392	4,502
EDA Supplemental	24,882	24,882	22,900	(1,982)
EDA Creative Economy	179,613	179,613	140,797	(38,816)
VHCB Buyouts	97,373	97,373	99,763	2,390
State/federal/other grants and contracts	869,444	869,444	417,988	(451,456)
Municipal contracts	336,855	336,855	356,336	19,481
Fee income	400	400	1,017	617
Interest	5,000	5,000	17,354	12,354
Unrealized gains/(losses) on investments	-	-	45,095	45,095
Amounts Available for Appropriation	<u>3,754,017</u>	<u>3,754,017</u>	<u>3,402,361</u>	<u>(351,656)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning and other programs	<u>2,516,424</u>	<u>2,516,424</u>	<u>1,954,263</u>	<u>562,161</u>
Total Charges to Appropriations	<u>2,516,424</u>	<u>2,516,424</u>	<u>1,954,263</u>	<u>562,161</u>
Budgetary Fund Balance, June 30	<u>\$ 1,237,593</u>	<u>\$ 1,237,593</u>	<u>\$ 1,448,098</u>	<u>\$ 210,505</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, 2023

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues			
Municipal dues	\$ 90,243	\$ 90,243	\$ -
Grant and contract income:			
Agency of Commerce	433,633	463,216	29,583
VT Agency of Transportation	327,955	284,149	(43,806)
HUD sole proprietor grants	90,000	159,551	69,551
EPA Brownfields	32,136	32,967	831
EDA Planning Grant	28,890	33,392	4,502
EDA Supplemental	24,882	22,900	(1,982)
EDA Creative Economy	179,613	140,797	(38,816)
VHCB Buyouts	97,373	99,763	2,390
State/federal/other grants and contracts	869,444	417,988	(451,456)
Municipal contracts	336,855	356,336	19,481
Total grant and contract income	<u>2,420,781</u>	<u>2,011,059</u>	<u>(409,722)</u>
Fee income:			
Municipal fees	-	1,017	1,017
Other fees	400	-	(400)
Total fee income	<u>400</u>	<u>1,017</u>	<u>617</u>
Miscellaneous income:			
Interest	5,000	17,354	12,354
Unrealized gains/(losses) on investments	-	45,095	45,095
Total miscellaneous income	<u>5,000</u>	<u>62,449</u>	<u>57,449</u>
Total revenues	<u>\$ 2,516,424</u>	<u>\$ 2,164,768</u>	<u>\$ (351,656)</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, 2023

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Personnel services:			
Salaries and wages	\$ 903,162	\$ 862,322	\$ 40,840
Payroll taxes	69,092	60,437	8,655
Employee assistance service	600	600	-
Workmen's compensation	3,086	3,198	(112)
Unemployment insurance	2,200	877	1,323
Health and dental insurance	173,645	140,731	32,914
Life insurance	5,659	6,250	(591)
Pension fund	146,906	133,135	13,771
Disability insurance	7,957	11,223	(3,266)
Dependent care	-	7,500	(7,500)
Tuition reimbursement	4,500	-	4,500
Total personnel services	<u>1,316,807</u>	<u>1,226,273</u>	<u>90,534</u>
Occupancy/insurances:			
Rent and King Farm utilities	49,876	52,793	(2,917)
Occupancy expense - King Farm	1,500	1,138	362
Professional insurance	10,500	9,674	826
Property insurance	5,000	4,625	375
Total occupancy/insurances	<u>66,876</u>	<u>68,230</u>	<u>(1,354)</u>
Professional services:			
Legal services	2,000	21,738	(19,738)
Accounting services	1,000	-	1,000
Auditing services	12,000	13,100	(1,100)
Total professional services	<u>15,000</u>	<u>34,838</u>	<u>(19,838)</u>
Consultants:			
Planning	658,428	206,472	451,956
HUD sole proprietor funds	70,000	122,949	(52,949)
VHCB buyout pass-thru funds	94,900	97,000	(2,100)
Engineering - Brownfields	107,200	11,802	95,398
Total consultants	<u>930,528</u>	<u>438,223</u>	<u>492,305</u>
Travel:			
Travel	31,250	35,850	(4,600)
Meetings and conferences	29,500	26,947	2,553
Total travel	<u>60,750</u>	<u>62,797</u>	<u>(2,047)</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, 2023

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Office expenses:			
General supplies	\$ 8,000	\$ 12,336	\$ (4,336)
Printing	2,000	2,123	(123)
Advertising	9,500	6,137	3,363
Dues, publications and data	30,613	21,789	8,824
Postage	2,500	1,782	718
Telephone/internet/web	19,000	15,636	3,364
Repairs	500	225	275
Bank/payroll fees	850	351	499
Unallowed direct expenses	-	10,906	(10,906)
Equipment/software service contracts	24,500	22,281	2,219
Total office expenses	<u>97,463</u>	<u>93,566</u>	<u>3,897</u>
Office equipment:			
Computer hardware	6,000	6,392	(392)
Office equipment and furniture	4,500	6,873	(2,373)
Computer software	5,000	2,626	2,374
Total office equipment	<u>15,500</u>	<u>15,891</u>	<u>(391)</u>
Other expenses:			
Scholarship program	10,000	9,000	1,000
Equipment - VAOT	3,500	5,445	(1,945)
Total other expenses	<u>13,500</u>	<u>14,445</u>	<u>(945)</u>
Total expenditures	<u>2,516,424</u>	<u>1,954,263</u>	<u>562,161</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	210,505	<u>\$ 210,505</u>
FUND BALANCE - JULY 1, 2022		<u>1,237,593</u>	
FUND BALANCE - JUNE 30, 2023		<u>\$ 1,448,098</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, 2023

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	ED16PHI3020077	\$ -	\$ 22,410
Economic Adjustment Assistance	11.307	ED23PHI3020008	-	10,952
Economic Adjustment Assistance	11.307	ED20PHI3070063	-	22,900
Subtotal East Central Vermont Economic Development District			<u>-</u>	<u>56,262</u>
Passed through the Economic Development Administration:				
Economic Adjustment Assistance	11.307	01-79-15070	<u>26,461</u>	<u>140,797</u>
Total U.S. Department of Commerce			<u>26,461</u>	<u>197,059</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	59,734	190,405
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Cornerstone Comm Ctr	14.228	07110-PG-2020-Hartford-02	-	5,370
Subtotal Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>59,734</u>	<u>195,775</u>
Total U.S. Department of Housing and Urban Development			<u>59,734</u>	<u>195,775</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

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 2022 Transportation Planning Initiative - TPI	20.205	GR1595	-	79,988
FFY 2023 Transportation Planning Initiative - TPI	20.205	GR1755	-	166,939
Passed through the Town of Bethel:				
Highway Planning and Construction	20.205	CA0720	-	2,291
Passed through the Town of Chelsea:				
Highway Planning and Construction	20.205	BR0908	-	3,125
Passed through the Town of Norwich:				
Highway Planning and Construction	20.205	CA0579	-	9,510
Passed through the Town of Bridgewater:				
Highway Planning and Construction	20.205	CA0580	-	2,035
Passed through the Town of Hartland:				
Highway Planning and Construction	20.205	CA0597	-	14,599
Passed through the Town of Pittsfield:				
Highway Planning and Construction	20.205	CA0561	-	1,741
Passed through the Town of Royalton:				
Highway Planning and Construction	20.205	CA0635	-	2,809
Passed through the Town of Strafford:				
Highway Planning and Construction	20.205	BR0917	-	6,250
Passed through the Town of Tunbridge:				
Highway Planning and Construction	20.205	CA0740	-	1,070
Subtotal Highway Planning and Construction Cluster			-	290,357
Total U.S. Department of Transportation			-	290,357

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

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 State of Vermont Department of Public Safety				
Coronavirus State and Local Fiscal Recovery Funds	21.027	02140-33500-007	12,406	12,406
Coronavirus State and Local Fiscal Recovery Funds	21.027	02140-33500MC-007	-	10,625
Total Coronavirus Relief Fund			<u>12,406</u>	<u>23,031</u>
Total U.S. Department of Treasury			<u>12,406</u>	<u>23,031</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Passed through the Vermont Department of Environmental Conservation:				
Water Quality Management Planning	66.454	2022-604B-01	-	3,636
Direct Program:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	BF-00A00420	-	32,967
Total U.S. Environmental Protection Agency			<u>-</u>	<u>36,603</u>
NORTHERN BORDER REGIONAL COMMISSION				
Direct Program:				
Northern Border Regional Development	90.601	NBRC20GEDA05	84,275	59,910
Total Northern Border Regional Commission			<u>84,275</u>	<u>59,910</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CENTERS FOR DISEASE CONTROL				
Passed through the State of Vermont Department of Health:				
Environmental Public Health and Emergency Response	93.070	03420-09607	-	8,000
Passed through the Lamoille County Planning Commission:				
Preventive Health and Health Services Block Grant	93.991	TRORC_HEALTH EQUITY_FY22	-	16,636
Total U.S. Department of Health and Human Services, Centers for Disease Control			<u>-</u>	<u>24,636</u>

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

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	-	17,155
Subtotal Hazard Mitigation Grant Program			-	17,155
Passed through the State of Vermont Department of Public Safety:				
Emergency Management Performance Grant	97.042	02140-31030C-010	-	3,973
Emergency Management Performance Grant	97.042	02140-31039C-010	-	35,182
Subtotal Emergency Management Performance Grant			-	39,155
Passed through the Town of Bethel:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31237MC-006	-	1,821
Passed through the Town of Strafford:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31234-014	-	6,416
Passed through the Town of Newbury:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31236-02Q	-	7,612
Passed through the Town of Brookfield:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31237MC-014	-	2,255
Passed through the Town of Barnard:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31236-002C	-	5,469
Passed through the Town of Pomfret:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31236-002T	-	7,546
Passed through the Town of Thetford:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31236-002W	-	7,604
Passed through the Town of Bradford:				
BRIC: Building Resilient Infrastructure and Communities	97.047	02140-31236-002E	-	2,357
Subtotal BRIC: Building Resilient Infrastructure and Communities			-	41,080
Total U.S. Department of Homeland Security			-	97,390
Total Federal Expenditures			\$ 182,876	\$ 924,761

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, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Two Rivers-Ottawuechee Regional Commission under programs of the federal government for the year ended June 30, 2023. 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-Ottawuechee Regional Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of Two Rivers-Ottawuechee 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-Ottawuechee 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, 2023

3. Expenditures to Subrecipients

Subrecipient	Federal Assistance Listing Number				Totals
	11.307	14.228	21.027	90.601	
Bear Creek Environmental	\$ -	\$ -	\$ 8,706	\$ -	\$ 8,706
Clover Ridge Media	-	20,000	-	-	20,000
Copy World, Inc.	-	22,000	-	-	22,000
Goman & York	15,000	-	-	-	15,000
Hartgen Archeological	-	-	3,700	-	3,700
Indelible, Inc.	-	3,734	-	-	3,734
Mt. Ascutney Regional Commission	6,486	-	-	-	6,486
Open Door Integrative Wellness	1,225	-	-	-	1,225
Rural Techs LLC	1,250	14,000	-	-	15,250
Think Dynamic Digital	500	-	-	-	500
Vermont Huts Association	-	-	-	84,275	84,275
Vermont State Colleges	2,000	-	-	-	2,000
Totals	<u>\$ 26,461</u>	<u>\$ 59,734</u>	<u>\$ 12,406</u>	<u>\$ 84,275</u>	<u>\$ 182,876</u>



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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-Ottauquechee 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-Ottauquechee Regional Commission as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Two Rivers-Ottauquechee Regional Commission's basic financial statements and have issued our report thereon dated October 18, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Two Rivers-Ottauquechee 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-Ottauquechee Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Two Rivers-Ottauquechee 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 July 28, 2023.

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 18, 2023



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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-Ottawaquechee Regional Commission
Woodstock, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Two Rivers-Ottawaquechee Regional Commission's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Two Rivers-Ottawaquechee Regional Commission's major federal programs for the year ended June 30, 2023. Two Rivers-Ottawaquechee Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

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We are required to be independent of Two Rivers-Ottawaquechee Regional Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Two Rivers-Ottawaquechee Regional Commission's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Two Rivers-Ottawaquechee Regional Commission's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Two Rivers-Ottawaquechee Regional Commission's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Two Rivers-Ottawaquechee Regional Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Two Rivers-Ottawaquechee Regional Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Two Rivers-Ottawaquechee Regional Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Two Rivers-Ottawaquechee Regional Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine

Vermont Registration No. 092.0000697

October 18, 2023

TWO RIVERS-OTTAUQUECHEE REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205, 20.219	
20.224, 23.003	Highway Planning and Construction Cluster

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