

MOUNT ASCUTNEY REGIONAL COMMISSION

AUDIT REPORT

JUNE 30, 2021

MOUNT ASCUTNEY REGIONAL COMMISSION
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2021

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Statement of Net Position	Exhibit A 9
Statement of Activities	Exhibit B 10
Governmental Funds:	
Balance Sheet	Exhibit C 11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit D 12
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit E 13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	Exhibit F 14
Notes to the Financial Statements	15-34
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 1 35
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 2 36

MOUNT ASCUTNEY REGIONAL COMMISSION
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2021

	<u>Page #</u>
Other Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	Schedule 3 37-39
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"	40-41
Schedule of Findings and Deficiencies in Internal Control	42
Response to Deficiencies in Internal Control	

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Independent Auditor's Report

Board of Commissioners
Mount Ascutney Regional Commission
38 Ascutney Park Road
P.O. Box 320
Ascutney, VT 05030

Report on the Financial Statements

We have audited the accompanying financial statements of the Mount Ascutney Regional Commission as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Mount Ascutney Regional Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Mount Ascutney Regional Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mount Ascutney Regional Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Mount Ascutney Regional Commission as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplemental Information

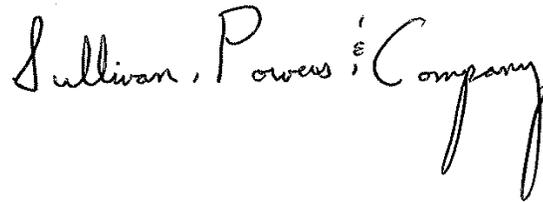
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 8, the Schedule of Proportionate Share of the Net Pension Liability – VMERS on Schedule 1 and the Schedule of Contributions – VMERS on Schedule 2 be presented 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ascutney Regional Commission's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – General Fund – Budget and Actual is presented for additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to the auditing procedures applied in the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated September 30, 2021 on our consideration of the Mount Ascutney Regional Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering Mount Ascutney Regional Commission’s internal control over financial reporting and compliance.

September 30, 2021
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

MOUNT ASCUTNEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Our discussion and analysis of Mount Ascutney Regional Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Commission's financial statements which begin on page 9.

Financial Highlights

- The Commission's net position decreased by \$679 this year compared to an increase of \$358,377 in the prior year as most grants and contracts were level funded.
- The cost of all the Commission's programs was \$1,872,820 this year, compared to \$2,051,291 in the prior year due to a decrease in Brownfield projects loans and subgrants.
- The General Fund reported a decrease in fund balance this year of \$31,320 while the budget anticipated no change, which was due to an audit adjustment for uncollected receivables of \$74,581. The prior year had a decrease of \$68 compared to a budgeted change of \$-0-.
- The unassigned fund balance for the General Fund was \$373,730 as of June 30, 2021 compared to \$408,725 at June 30, 2020. The fund balance includes \$20,009 of non-spendable funds for prepaid expenses for fiscal year 2022.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

Reporting the Commission as a Whole

The financial statements of the Commission as a whole begin on page 9. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the Commission's net position and its change in net position. You can think of the Commission's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position is one indicator of whether its financial health is improving or deteriorating. You may need to consider other non-financial factors, however, such as changes in the Commission's program activities as may be mandated by the Federal or state government.

MOUNT ASCUTNEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Reporting the Commission's Most Significant Funds

The fund financial statements begin on page 11 and provide detailed information about the Commission's governmental funds.

The Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called "modified accrual accounting", which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibit D and Exhibit F in the financial statements.

The Commission as a Whole

The Commission's net position decreased by \$679 from \$1,833,990 to \$1,833,311 during the year. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the Commission's governmental activities.

Table 1 – Statement of Net Position

	2021	2020	Change
Current and Other Assets	\$ 2,110,314	\$ 2,042,650	\$ 67,664
Capital Assets	286,955	265,592	21,363
Total Assets	<u>2,397,269</u>	<u>2,308,242</u>	<u>89,027</u>
Deferred Outflows of Resources	<u>161,340</u>	<u>104,102</u>	<u>57,238</u>
Long-Term Liabilities	609,050	512,572	96,478
Other Liabilities	<u>97,888</u>	<u>59,584</u>	<u>38,304</u>
Total Liabilities	<u>706,938</u>	<u>572,156</u>	<u>134,782</u>
Deferred Inflows of Resources	<u>18,360</u>	<u>6,198</u>	<u>12,162</u>
Net Position:			
Investment in Capital Assets	98,735	66,834	31,901
Restricted	1,547,104	1,571,570	(24,466)
Unrestricted	<u>187,472</u>	<u>195,586</u>	<u>(8,114)</u>
Total Net Position	<u><u>\$ 1,833,311</u></u>	<u><u>\$ 1,833,990</u></u>	<u><u>\$ (679)</u></u>

MOUNT ASCUTNEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Table 2 – Statement of Activities

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Program Revenues			
Charges for Services	\$ 392,576	\$ 336,829	\$ 55,747
Operating Grants and Contributions	1,392,675	1,874,622	(481,947)
General Revenues			
Town Contracts	63,653	80,457	(16,804)
Other General Revenue	<u>23,237</u>	<u>117,760</u>	<u>(94,523)</u>
Total Revenues	<u>1,872,141</u>	<u>2,409,668</u>	<u>(537,527)</u>
 Program Expenses			
Governmental Activities:			
Regional Planning and Other Programs	890,278	894,404	(4,126)
Vtrans Cooperative	162,578	164,973	(2,395)
Environmental (Brownfields)	45,452	193,969	(148,517)
Water Quality	766,267	789,970	(23,703)
Interest on Long-Term Debt	<u>8,245</u>	<u>7,975</u>	<u>270</u>
Total Program Expenses	<u>1,872,820</u>	<u>2,051,291</u>	<u>(178,471)</u>
 Change in Net Position	 <u>\$ (679)</u>	 <u>\$ 358,377</u>	 <u>\$ (359,056)</u>

Governmental Activities

Revenues of \$1,872,141 for the Commission's governmental activities decreased by about 22% from \$2,409,668. Total expenses decreased by about 8.7% to \$1,872,820. The Operating Grants and Contributions decrease was due to the reduction in EPA funds being disbursed.

MOUNT ASCUTNEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Table 3 presents the cost of each of the Commission's programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Commission's members by each of these functions.

Table 3 – Governmental Activities

	Total Cost of Services	Net Cost (Benefit) of Services	Total Cost of Services	Net Cost (Benefit) of Services
	2021	2021	2020	2020
Governmental Activities:				
Regional Planning and Other Programs	\$ 890,278	\$ 108,078	\$ 894,404	\$ 228,635
Vtrans Cooperative	162,578	4,017	164,973	18,978
Environmental (Brownfields)	45,452	(38,350)	193,969	(430,115)
Water Quality	766,267	5,579	789,970	14,367
Interest on Long-Term Debt	8,245	8,245	7,975	7,975
	<u>1,872,820</u>	<u>87,569</u>	<u>2,051,291</u>	<u>(160,160)</u>
Total	\$ <u>1,872,820</u>	\$ <u>87,569</u>	\$ <u>2,051,291</u>	\$ <u>(160,160)</u>

The Commission's net benefit of services from the Brownfields program is \$38,350. These funds will be used to fund future Brownfield assessment and clean-up projects.

The Commission's Funds

As the Commission completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$618,146, which is above last year's total of \$593,769.

General Fund Budgetary Variance Highlights

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Water Quality	\$ 242,664	\$ 180,380	\$ (62,284)
Expenditures:			
Professional Services	\$ 293,167	\$ 228,370	\$ 64,797
Salaries and Benefits	\$ 615,767	\$ 567,036	\$ 48,731

Water Quality Revenue was less than expected due to the delay in the implementation of various projects that were anticipated to be constructed during the fiscal year. The delay in the implementation of projects explains the lower than expected expenditures in Professional Services, since these services represent a significant portion of the amount budgeted. Salaries and Wages were lower than budgeted due to the decrease in hours of certain employees due to Covid, and a new employee who was budgeted for the entire year started later than anticipated.

MOUNT ASCUTNEY REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

At June 30, 2021, the Commission had \$286,955 invested in facility costs, computer hardware, computer software, and other office equipment. (See Table 4 below)

Table 4
Capital Assets at Year-End
(net of Accumulated Depreciation)

	2021	2020	Change
Land	\$ 40,000	\$ 40,000	\$ 0
Building and Improvements	221,561	219,020	2,541
Computers and Equipment	25,394	6,572	18,822
	\$ 286,955	\$ 265,592	\$ 21,363

In 2021, the Commission purchased \$25,275 in computers and equipment and \$7,248 in building improvements.

Economic Factors and Next Year's Budget

The Commission's appointed officials considered many factors when setting the fiscal year 2022 budget. One of the factors was the funding level expected to be provided by the State of Vermont through the annual Agency of Commerce and Community Development block grant. Other significant factors were the progress on the various special contracts being performed by the Commission.

The Commission's budgeted unassigned fund balance is anticipated to not change in fiscal year 2022.

Contacting the Commission's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, grantors 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 any questions about this report or need additional financial information, contact the Commission's Office at Mount Ascutney Regional Commission, 38 Ascutney Park Road, Ascutney, VT 05030-0320.

MOUNT ASCUTNEY REGIONAL COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:	
Cash	\$ 343,791
Investments	89,667
Receivables	283,512
Unbilled Receivables	53,636
Prepaid Expenses	20,009
Loans - Due in One Year	87,277
Loans - Due After One Year	1,232,422
Capital Assets, Net of Accumulated Depreciation	<u>286,955</u>
Total Assets	<u>2,397,269</u>
Deferred Outflows of Resources:	
Deferred Outflows of Resources Related to the Planning Commission's Participation in VMERS	<u>161,340</u>
Total Deferred Outflows of Resources	<u>161,340</u>
Liabilities:	
Accounts Payable	80,991
Accrued Payroll Withholdings	1,585
Unearned Grant Revenue	13,912
Tenant Security Deposits	1,400
Noncurrent Liabilities:	
Due within One Year	10,991
Due in More than One Year	<u>598,059</u>
Total Liabilities	<u>706,938</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to the Planning Commission's Participation in VMERS	<u>18,360</u>
Total Deferred Inflows of Resources	<u>18,360</u>
Net Position:	
Invested in Capital Assets	98,735
Restricted for EPA Brownfields	1,547,104
Unrestricted	<u>187,472</u>
Total Net Position	<u>\$ 1,833,311</u>

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Charge for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position
Functions/Programs:				
Governmental Activities:				
Regional Planning and Other Programs	\$ 890,278	\$ 392,576	\$ 389,624	\$ (108,078)
Vtrans Cooperative	162,578	0	158,561	(4,017)
Environment (Brownfields)	45,452	0	83,802	38,350
Water Quality	766,267	0	760,688	(5,579)
Interest on Long-term Debt	8,245	0	0	(8,245)
Total	\$ 1,872,820	\$ 392,576	\$ 1,392,675	(87,569)
General Revenues:				
Town Contracts				63,653
Interest Income				5,112
Other Income				18,125
Total General Revenues				86,890
Change in Net Position				(679)
Net Position - July 1, 2020				1,833,990
Net Position - June 30, 2021				\$ 1,833,311

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>EPA - Brownfields Revolving Loan Fund</u>	<u>Clean Water Block Grant Fund</u>	<u>Totals</u>
Assets:				
Cash and Investments	\$ 198,531	\$ 231,344	\$ 3,583	\$ 433,458
Receivables	238,141	27,272	18,099	283,512
Unbilled Receivables	1,288	0	52,348	53,636
Loans Receivable	0	1,319,699	0	1,319,699
Due from Other Funds	85,751	0	0	85,751
Prepaid Items	20,009	0	0	20,009
	<u>543,720</u>	<u>1,578,315</u>	<u>74,030</u>	<u>2,196,065</u>
Total Assets	\$ 543,720	\$ 1,578,315	\$ 74,030	\$ 2,196,065
Liabilities:				
Accounts Payable	\$ 58,503	\$ 4,389	\$ 18,099	\$ 80,991
Accrued Payroll Liabilities and Withholdings	1,585	0	0	1,585
Tenant Security Deposits	1,400	0	0	1,400
Due to Other Funds	0	26,822	58,929	85,751
Unearned Grant Revenue	13,912	0	0	13,912
	<u>75,400</u>	<u>31,211</u>	<u>77,028</u>	<u>183,639</u>
Total Liabilities	75,400	31,211	77,028	183,639
Deferred Inflows of Resources:				
Unavailable Grant Revenues	74,581	0	0	74,581
Unavailable Loans Receivable	0	1,319,699	0	1,319,699
	<u>74,581</u>	<u>1,319,699</u>	<u>0</u>	<u>1,394,280</u>
Total Deferred Inflows of Resources	74,581	1,319,699	0	1,394,280
Fund Balances:				
Nonspendable	20,009	0	0	20,009
Restricted for EPA Brownfields	0	227,405	0	227,405
Unassigned/(Deficit)	373,730	0	(2,998)	370,732
	<u>393,739</u>	<u>227,405</u>	<u>(2,998)</u>	<u>618,146</u>
Total Fund Balances/(Deficit)	393,739	227,405	(2,998)	618,146
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 543,720	\$ 1,578,315	\$ 74,030	\$ 2,196,065

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2021

Total Fund Balances - Governmental Funds	\$	618,146
Amounts Reported for Governmental Activities in the Statement of Net Position are different Because:		
The Revolving Loans and Unavailable Grants are not Available to Pay for Current Expenditures so they are Deferred in the Fund Statements.		1,394,280
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported as Assets in Governmental Funds. The Cost of the Assets is \$387,071 and the Accumulated Depreciation is \$100,117		286,955
The Deferred Outflows and Inflows of Resources Related to the Planning Commission's Participation in VMERS are Applicable to Future Periods and, Therefore, are not Reported in the Governmental Funds		142,980
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds. Long Term Liabilities at Year end Consist of		
Mortgage Payable		(188,220)
Net Pension Liability		(387,496)
Accrued Compensated Absences		<u>(33,334)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,833,311</u></u>

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	EPA - Brownfields Revolving Loan Fund	Clean Water Block Grant Fund	Totals
Revenues:				
Town Contracts	\$ 63,653	\$ 0	\$ 0	\$ 63,653
ACCD Block Grant	206,311	0	0	206,311
Brownfields - EPA Grants	0	83,802	0	83,802
VTrans Cooperative Grant	158,561	0	0	158,561
Emergency Management Grants	41,347	0	0	41,347
Water Quality Grants	180,380	0	558,249	738,629
Other Grants/Contracts	112,693	0	0	112,693
Interest	1,023	4,089	0	5,112
Management Fees and Consultation	369,327	0	0	369,327
Rent	18,350	0	0	18,350
Other Revenue	0	79,937	0	79,937
Total Revenues	1,151,645	167,828	558,249	1,877,722
Expenditures:				
Regional Planning and Other Programs	842,860	0	0	842,860
VTrans Cooperative	154,526	0	0	154,526
Environmental (Brownfields)	0	43,966	0	43,966
Water Quality	261,589	0	499,098	760,687
Capital Outlay				
Regional Planning and Other Programs	28,487	0	0	28,487
VTrans Cooperative	4,036	0	0	4,036
Debt Service:				
Principal	10,538	0	0	10,538
Interest	8,245	0	0	8,245
Total Expenditures	1,310,281	43,966	499,098	1,853,345
Excess/(Deficiency) of Revenues Over Expenditures	(158,636)	123,862	59,151	24,377
Other Financing Sources/(Uses):				
Transfer from/(to) Other Funds	127,316	(68,166)	(59,150)	0
Total Other Financing Sources/(Uses)	127,316	(68,166)	(59,150)	0
Net Change in Fund Balance	(31,320)	55,696	1	24,377
Fund Balance/(Deficit) - July 1, 2020	425,059	171,709	(2,999)	\$ 593,769
Fund Balance/(Deficit) - June 30, 2021	\$ 393,739	\$ 227,405	\$ (2,998)	\$ 618,146

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balance - Governmental Funds	\$	24,377
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Revolving Loan Repayments are Reported in Governmental Funds as Revenues However, in the Statement of Activities, Repayment Activity is not Reported.		(80,162)
Capital Outlays are Reported in Governmental Funds as Expenditures: However, in the Statement of Activities, the Cost of Those Assets is Allocated over Their Estimated Useful Lives as Depreciation Expense. This is the Amount by Which Capital Outlays (\$32,523) Exceeds Depreciation Expense (\$11,161)		21,362
The repayment of long-term debt uses current financial resources of governmental funds but has no effect on net position.		10,538
Governmental Funds Report Pension Contributions as Expenditures. However, in the Statement of Activities, the Cost of Pension Benefits Earned Net of Employee Contributions is Reported as Pension Expense.		(53,462)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		74,581
In the Statement of Activities, Certain Operating Expenses, Such as Accrued Compensated Absences, are Measured by the Amounts Earned by Employees During the Year. In the Governmental Funds, however, Expenditures for These Items are Measured by the Amount of Financial Resources Used (Essentially, the Amounts Actually Paid). This Year, Compensated Absences Earned Were Less than Amounts Paid by \$2,087.		<u>2,087</u>
Change in Net Position of Governmental Activities	\$	<u><u>(679)</u></u>

The accompanying notes are an integral part of this financial statement.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The Mount Ascutney Regional Commission (the Commission) is a governmental organization chartered under Chapter 117 of Title 24 of Vermont State Statutes to coordinate regional planning activities in ten towns in the southern Windsor County region of Vermont.

The Commission acts as an advocate for the needs of its member towns and helps to bridge the opportunities and concerns that exist between towns and the State. Services provided include local and regional planning; transportation planning; environmental planning; emergency management preparation planning; housing needs analyses; conservation and others.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Commission conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Commission. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Commission.

B. Basis of Presentation

The accounts of the Commission are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The basic financial statements of the Commission include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Commission as a whole and present a longer-term view of the Commission's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Commission and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Commission. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Commission's funds.

The Commission reports on the following major governmental funds:

General Fund – This is the Commission's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

EPA – Brownfields Revolving Loan Fund – This is a Special Revenue fund which accounts for the activity of the EPA – Brownfields Program.

Clean Water Block Grant Fund – This is a Special Revenue Fund used to account for clean water grants received from the State of Vermont.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus. This means that all assets, liabilities and deferred inflows and outflows of resources associated with operations (whether current or noncurrent) are included on the statement of net position. Fund equity (i.e., net total position) is segregated into investment in capital assets, net of related debt, restricted net position, and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. 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.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include assessments, grants and donations. On the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets

Budgets are used by the Commission as a management tool but are not legally required by the Commission's Bylaws. Therefore, no budgetary comparison is shown in the basic financial statements or as required supplementary information.

G. Assets, Liabilities and Equity

1. Cash

The Commission considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. At June 30, 2021, management determined no allowance was necessary.

3. Internal Balances

Balances outstanding at the end of the fiscal year are reported as "due to/from other funds".

These balances are temporary advances that result from charges or reimbursements to other funds.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

4. Prepaid Expenses/Items

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses/items.

Prepaid items of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

5. Pension

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements 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/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes 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. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

7. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased. Contributed assets are recorded at their estimated acquisition value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$1,000. The estimated useful lives of capital assets are as follows:

Building	50 years
Computer Hardware	3-5 years
Computer Software	3-5 years
Other Equipment	5-7 years
Furniture and fixtures	10 years

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

8. Compensated Absences

It is the policy of the Commission to permit employees to accumulate earned but unused vacation benefits but only 50% of each year's unused earned vacation can be carried over to the next year. Upon termination, employees will be paid up to a maximum of 160 hours for unused vacation time. No Commission employees are entitled to a payout of sick benefits upon separation from service. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide financial statements. The liability for unused compensated absences is not reported in the governmental fund type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

9. Long-term Liabilities

Long-term liabilities include bonds and notes payable, compensated absences and the net pension liability. Long-term liabilities are reported in the government-wide financial statements.

Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

10. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in government-wide financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the Board of Commissioners); assigned (reflecting the Commission's intended use of the resources); and unassigned.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Loans receivable differences arise because governmental funds report the issuance of loans receivable as expenditures and repayments of loans receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, respectively.

Capital related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report long-term debt proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Commission’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

MOUNT ASCUTNEY REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments are comprised of the following:

Cash:

Deposits with Financial Institutions	\$	343,763
Petty Cash		<u>28</u>
Total Cash		<u>343,791</u>

Investments:

Certificates of Deposit		<u>89,667</u>
Total Cash and Investments	\$	<u><u>433,458</u></u>

The Commission has a cash account restricted to the EPA-Brownfields with a balance of \$231,344. The remainder of the Commission's cash is unrestricted.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Commission does not have any policy to limit the exposure to custodial credit risk. The Commission's deposits are exposed to custodial credit risk as outlined in the following deposit analysis:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 251,833	\$ 251,833
Uninsured, Collateralized-Held by the Bank's Trust Department - Repurchase Agreement Secured by U.S. Government Securities	181,597	196,408
Petty Cash	<u>28</u>	<u>N/A</u>
Total	<u>\$ 433,458</u>	<u>\$ 448,241</u>

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Commission's investments are held within one security. The Commission does not have any limitations on the amount that can be invested in any one issuer. The Commission's certificate of deposit is exempt from concentration of credit risk analysis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not have any policy to limit the exposure to interest rate risk.

The Commission has one (1) certificate with an interest rate of 1.00%. The certificate of deposit matures during fiscal year 2022.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's certificate of deposit is exempt from the credit risk analysis. The Commission does not have any policy to limit the exposure to credit risk.

B. Receivables

Receivables at June 30, 2021, as reported in the statement of net position, net of applicable allowances for uncollectible accounts (\$-0- as of June 30, 2021) are as follows:

State and Federal Grants	\$ 177,645
Contracts and Consulting	<u>105,867</u>
Total	<u><u>\$ 283,512</u></u>

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

C. Loans Receivable

The Commission has the following loans receivable through its EPA - Brownfields Revolving Loan Fund. The source of these funds is EPA grants. Amounts due from loans receivable are as follows at June 30, 2021:

Artisan Surfaces Loan of \$23,362, Payments of \$194.68 Per Month for 120 Months Until Paid in Full, No Interest Unless in Default	\$ 15,769
Bright Street Limited Partnership, Loan of \$250,000, Payments of \$1,149.74 Per Month at 1% Interest, for 240 Months Until Paid in Full	199,009
One-Hundred River Street, LLC, Payments of \$1,500 Per Month through December 31, 2016, then \$3,000 Per Month through December 31, 2018, then \$4,000 per Month Until Paid in Full by December 31, 2033. The Loan is Non-Interest Bearing and is Secured by the Personal Guarantees of the Three Principals of the LLC	605,114
Woolson Block LP, Loan of \$175,000 in 2020. Payments Deferred for Five (5) Years, then Monthly Payments of \$583.33 Until Paid in Full by June, 2025. The Loan is Non-Interest Bearing and is Secured by a Real Estate Mortgage	175,000
One-Hundred River Street, LLC, Loan of \$39,478, Anticipated Payments of \$328.99 Per Month for 120 Months Until Paid in Full. The Loan is Non-Interest Bearing and is Secured by the Personal Guarantees of the Three Principals of the LLC	29,280
Windsor Improvement Corp., Loan of \$257,686, Payments of \$1,075 Per Month for 240 Months Until Paid in Full. The Loan is Non-Interest Bearing and is Secured by a Real Estate Mortgage	238,456
Precision Valley LLC, Loan of \$49,478, Payments of \$161.59 Per Month of Interest Only at 4% for 59 Months with a Balloon Payment Due May, 2025. Secured by Real Estate Mortgage	49,478
Springfield Regional Development Corporation. Payments of \$102.54 Per Month Beginning September 1, 2020 Until Paid in Full, No Interest Unless in Default	<u>7,593</u>
Total	1,319,699
Less Current Portion	<u>(87,277)</u>
Long-Term Portion	<u>\$ 1,232,422</u>

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

D. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Total Capital Assets, Not Being Depreciated	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>40,000</u>
Capital Assets, Being Depreciated:				
Building and Improvements	223,420	7,248	0	230,668
Computers and Equipment	83,321	25,275	12,463	96,133
Furniture and Fixtures	20,270	0	0	20,270
Totals	<u>327,011</u>	<u>32,523</u>	<u>12,463</u>	<u>347,071</u>
Less Accumulated Depreciation:				
Building and Improvements	4,400	4,707	0	9,107
Computers and Equipment	76,748	6,454	12,463	70,739
Furniture and Fixtures	20,270	0	0	20,270
Totals	<u>101,418</u>	<u>11,161</u>	<u>12,463</u>	<u>100,116</u>
Total Capital Assets, Being Depreciated	<u>225,593</u>	<u>21,362</u>	<u>0</u>	<u>246,955</u>
Total Capital Assets, Net	<u>\$ 265,593</u>	<u>\$ 21,362</u>	<u>\$ 0</u>	<u>\$ 286,955</u>

Depreciation expense of \$11,161 was charged to Regional Planning and Other Programs in the Statement of Activities.

E. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$2,910 from changes in the Commission's proportional share of contributions, \$34,898 from difference between expected and actual experience, \$37,061 from difference between projected and actual earnings and \$51,951 from changes in assumptions related to the Commission's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$34,520 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities is \$161,340.

F. Unearned Grant Revenue

Unearned revenue of \$13,912 consists of grants received in excess of eligible expenses. These funds will be spent in fiscal year 2022 and recognized as revenue.

G. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$1,149 from the difference between actual and expected and experience and \$17,211 from changes in the Commission's proportional share of contributions related to the Commission's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Governmental Activities is \$18,360.

MOUNT ASCUTNEY REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021

Deferred inflows of resources in the General Fund consists of \$74,581 of grant funds to be received after the period of availability.

Deferred inflows of resources in the EPA – Brownfields Revolving Loan Fund consists of \$1,319,699 of loans receivable.

H. Long-term Liabilities

Compensated Absences – It is the policy of the Commission to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Net Pension Liability - The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Commission’s share of the net pension liability is recorded in the government-wide financial statements.

The Commission has a mortgage payable as follows:

Mortgage Loan, Mascoma Bank, \$208,000 with Interest at 4.25%. Monthly Principal and Interest Payments of \$1,565.24, Final Payment Due on July 17, 2034.	\$ 188,220
Less: Current Portion	<u>(10,991)</u>
Long-Term Portion	<u>\$ 177,229</u>

Maturities as follows:

2022	\$ 10,991
2023	11,468
2024	11,964
2025	12,483
2026	13,032
2027-2031	74,136
2032-2035	<u>54,146</u>
	<u>\$188,220</u>

MOUNT ASCUTNEY REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021

Changes in all long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Mortgage Payable	\$ 198,758	\$ 0	\$ 10,538	\$ 188,220	\$ 10,991
Compensated Absences	35,421	0	2,087	33,334	0
Net Pension Liability	<u>288,957</u>	<u>98,539</u>	<u>0</u>	<u>387,496</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 523,136</u>	<u>\$ 98,539</u>	<u>\$ 12,625</u>	<u>\$ 609,050</u>	<u>\$ 10,991</u>

I. Fund Balances/Net Position

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the Board of Commissioners); assigned (reflecting the Commission's intended use of the resources); and unassigned.

Special Revenue Funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Commission does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Commission does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Commission's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

Restricted Net Position

The net position in the governmental activities is restricted as follows:

Restricted for Brownfield Activities	\$ <u>1,547,104</u>
Total Restricted Net Position	\$ <u>1,547,104</u>

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Nonspendable Fund Balances

The fund balance in the following fund is nonspendable as follows:

Nonspendable General Fund Prepaid Items	\$ <u>20,009</u>
Total Nonspendable Fund Balances	\$ <u><u>20,009</u></u>

Restricted Fund Balances

The fund balance in the following fund is restricted as follows:

Restricted for EPA Brownfield Activities – Special Revenue Fund	\$ <u>227,405</u>
Total Restricted Fund Balances	\$ <u><u>227,405</u></u>

The deficit of \$2,998 in the Clean Water Block Grant Fund will be eliminated by future grant revenues.

J. Interfund Transfers

Transfers to the General Fund from the EPA – Brownfields Revolving Loan Fund and the Clean Water Block Grant Fund were \$68,166 and \$59,150, respectively. These transfers were made to cover administrative costs incurred in the General Fund on behalf of the other funds.

IV. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2020, the retirement system consisted of 353 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The deferred outflows of resources resulting from the Commission’s required employer contributions made subsequent to the measurement date in the amount of \$34,520 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as a reduction in pension expense as follows:

Year Ending <u>June 30</u>	
2022	\$ 32,550
2023	31,557
2024	26,145
2025	<u>18,208</u>
Total	<u>\$ 108,460</u>

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Commission elected coverage under Group B provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement – For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

Member Contributions – Group B – 5.375%.

Employer Contributions – Group B – 6.00%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.0%, net of pension plan investment expenses, including inflation.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.5% (includes assumed inflation rate of 2.3%) for all subsequent years.

Mortality:

Pre-Retirement: 40% PubG-2010 General Employee below -median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

Healthy Post-Retirement Retirees: 104% of 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Healthy Post-Retirement Beneficiaries: 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-Retirement:

All Groups – PubNS-2010 Non-Safety Disabled Mortality Table with generational projection using Scale MP-2019.

Spouse’s Age: Females are assumed to be three years younger than males.

Cost-of-Living Adjustments: 1.2%. The January 1, 2020 and January 1, 2021 COLAs are .80% and .40%, respectively.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan or benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

Inflation: 2.30%.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29.00%	7.07%
US-Equity – Large Cap	4.00%	6.19%
US Equity – Small/Mid Cap	3.00%	6.93%
Non-US Equity – Large Cap	5.00%	7.01%
Non-US Equity – Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bond	20.00%	.39%
Private Credit	10.00%	6.03%
US TIPS	3.00%	(.20)%
Core Real Estate	5.00%	4.06%
Non-core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%

Discount Rate:

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1 through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$592,015	\$387,496	\$219,220

MOUNT ASCUTNEY REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

Defined Contribution Plan

Commission employees can participate in a Internal Revenue Code Sec. 457. Deferred compensation plan sponsored by the State of Vermont. The Commission does not contribute to this plan and has no cost.

B. 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; injuries to employees; and natural disasters. The Commission maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this coverage in any of the past three fiscal years.

C. Commitments

The Commission leases a copier for \$265 per month through September, 2025. Total lease payments under this lease were \$2,122 for the 2021 fiscal year.

The Commission leases a postage meter for \$162 per quarter through 2025. Total lease payments for the 2021 fiscal year were \$648.

D. Concentrations

The Commission received the majority of its revenue from State and Federal grants.

E. Contingencies

The Commission participates in a number of Federal and State grant programs which are subject to audit by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2021 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

MOUNT ASCUTNEY REGIONAL COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Commission's Proportion of the Net Pension Liability	0.1532%	0.1666%	0.1712%	0.1697%	0.1505%	0.1304%	0.1259%
Commission's Proportionate Share of the Net Pension Liability	\$ 387,496	\$ 288,957	\$ 240,883	\$ 205,627	\$ 193,681	\$ 100,532	\$ 11,489
Commission's Covered-Employee Payroll	\$ 575,336	\$ 552,105	\$ 568,905	\$ 545,327	\$ 503,945	\$ 415,918	\$ 340,689
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	67.35%	52.34%	42.34%	37.71%	38.43%	24.17%	3.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%
	as of June 30, 2020	as of June 30, 2019	as of June 30, 2018	as of June 30, 2017	as of June 30, 2016	as of June 30, 2015	as of June 30, 2014

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2020 valuation date.

- Assumed inflation was lowered from 2.5% to 2.3%
- Investment return was lowered from 7.5% to 7.0%
- Cost of Living Adjustment was lowered from 1.3% to 1.2%
- Mortality assumptions were changed to PubG-2010 using scale MP-2019, with similar tables for beneficiaries and disabled
- Salary scale revised from 5% flat to varying for service in years 0-10, then 2.2% thereafter plus inflation of 2.3%.
- These and other changes increased Total Pension Liability \$22.6 million

Fiscal Year 2015 was the first year of implementation, therefore, only seven years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.

MOUNT ASCUTNEY REGIONAL COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 34,520	\$ 31,746	\$ 32,001	\$ 29,993	\$ 27,717	\$ 22,873	\$ 18,312
Contributions in Relation to the Contractually Required Contribution	<u>(34,520)</u>	<u>(31,746)</u>	<u>(32,001)</u>	<u>(29,993)</u>	<u>(27,717)</u>	<u>(22,873)</u>	<u>(18,312)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>						
Commission's Covered-Employee Payroll	\$ 575,336	\$ 552,105	\$ 568,905	\$ 545,327	503,945	415,918	340,689
Contributions as a Percentage of Covered-Employee Payroll	6.000%	5.750%	5.625%	5.500%	5.500%	5.499%	5.375%

Notes to Schedule

Valuation Date: June 30, 2020

Fiscal Year 2015 was the first year of implementation, therefore, only seven years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.

MOUNT ASCUTNEY REGIONAL COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Town Contracts:			
Municipal Dues	\$ 30,889	\$ 30,889	\$ 0
Municipal Planning Grants	22,097	19,479	(2,618)
Other Transportation Grants	<u>25,612</u>	<u>13,285</u>	<u>(12,327)</u>
Total Town Contracts	<u>78,598</u>	<u>63,653</u>	<u>(14,945)</u>
Grant Funds:			
ACCD Contract	<u>206,311</u>	<u>206,311</u>	<u>0</u>
Emergency Management:			
Local Emergency Planning Committee	4,841	2,759	(2,082)
Department of Public Safety Grants	<u>60,556</u>	<u>38,588</u>	<u>(21,968)</u>
Total Emergency Management	<u>65,397</u>	<u>41,347</u>	<u>(24,050)</u>
Other Grants:			
Energy Grants	13,738	14,584	846
VTrans Cooperative	178,614	158,561	(20,053)
Water Quality	242,664	180,380	(62,284)
Other	<u>22,715</u>	<u>20,564</u>	<u>(2,151)</u>
Total Other Grants	<u>457,731</u>	<u>374,089</u>	<u>(83,642)</u>
Consultation and Other Income:			
Interest	968	1,023	55
Consultation Services	3,600	5,242	1,642
CDBG Contracts	14,856	1,785	(13,071)
Economic Development District	66,870	53,756	(13,114)
Management Fees-SWWC Solid Waste Mgt District	179,833	166,755	(13,078)
Management Fees-GUV Solid Waste Mgt District	175,267	141,789	(33,478)
Miscellaneous	<u>100</u>	<u>0</u>	<u>(100)</u>
Total Consultation and Other Income	<u>441,494</u>	<u>370,350</u>	<u>(71,144)</u>
Total Revenues	<u>1,249,531</u>	<u>1,055,750</u>	<u>(193,781)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

MOUNT ASCUTNEY REGIONAL COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Current:			
Personnel Services:			
Salaries/Wages	\$ 615,767	\$ 567,036	\$ 48,731
Payroll Taxes	47,106	43,117	3,989
Benefits	134,149	112,097	22,052
Insurance and HRA	40,856	36,850	4,006
Retirement	56,458	58,742	(2,284)
Total Personnel Services	<u>894,336</u>	<u>817,842</u>	<u>76,494</u>
Occupancy:			
Rent	27,036	27,036	0
Insurance	9,000	5,674	3,326
Total Occupancy	<u>36,036</u>	<u>32,710</u>	<u>3,326</u>
Consultants/Legal	<u>293,167</u>	<u>228,370</u>	<u>64,797</u>
Program Development:			
Dues and Reference Materials	5,214	5,819	(605)
Planning Projects	2,000	0	2,000
Workshop/Training Programs	1,000	1,495	(495)
Total Program Development	<u>8,214</u>	<u>7,314</u>	<u>900</u>
Travel:			
Travel and Auto	8,000	3,325	4,675
Meetings and Conferences	2,000	246	1,754
Total Travel	<u>10,000</u>	<u>3,571</u>	<u>6,429</u>
Non-Indirect Expenses	<u>5,956</u>	<u>6,371</u>	<u>(415)</u>
Office Expenses:			
Audit & Other Admin	14,893	22,840	(7,947)
Advertising	500	780	(280)
Computer Support	23,093	24,610	(1,517)
Leasing	3,826	3,500	326
Miscellaneous	200	2,308	(2,108)
Office Cleaning and Maintenance	4,120	3,240	880
Office and Computer Supplies	6,000	4,359	1,641
Postage	1,000	1,089	(89)
Small Office Equipment	1,600	725	875
Telephone	8,000	7,296	704
Total Office Expenses	<u>63,232</u>	<u>70,747</u>	<u>(7,515)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

MOUNT ASCUTNEY REGIONAL COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Direct Expenditures:			
EDD Grant Direct Expenditures	\$ 1,500	\$ 0	\$ 1,500
Net Compliance Investigator	<u>0</u>	<u>21,250</u>	<u>(21,250)</u>
Total Direct Expenditures	<u>1,500</u>	<u>21,250</u>	<u>(19,750)</u>
Capital Outlays:			
Office Equipment	<u>5,000</u>	<u>25,275</u>	<u>(20,275)</u>
Total Capital Outlays	<u>5,000</u>	<u>25,275</u>	<u>(20,275)</u>
Total Expenditures	<u>1,317,441</u>	<u>1,213,450</u>	<u>103,991</u>
Excess Revenues/(Expenditures)	<u>(67,910)</u>	<u>(157,700)</u>	<u>(89,790)</u>
Other Financing Sources/(Uses):			
Transfer from Other Funds:			
Revolving Loan Fund	37,910	68,167	(30,257)
Clean Water Block Grant Fund	<u>30,000</u>	<u>59,150</u>	<u>(29,150)</u>
Total Other Financing Sources/(Uses)	<u>67,910</u>	<u>127,317</u>	<u>(59,407)</u>
	<u>\$ 0</u>	(30,383)	<u>\$ (30,383)</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Ascutney Professional Building Fund Revenue and Other Financing Sources		45,386	
Ascutney Professional Building Fund Expenditures and Other Financing Uses		<u>(46,323)</u>	
		<u>(937)</u>	
Net Change in Fund Balance		(31,320)	
Fund Balance - July 1, 2020		<u>425,059</u>	
Fund Balance - June 30, 2021		<u>\$ 393,739</u>	

The reconciling items are due to combining the Ascutney Professional Building Fund with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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
Mount Ascutney Regional Commission
38 Ascutney Park Road
P.O. Box 320
Ascutney, VT 05030

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Mount Ascutney Regional Commission as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Mount Ascutney Regional Commission's basic financial statements and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Mount Ascutney Regional Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2021-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 also noted certain other matters that we reported in a separate letter to the management of Mount Ascutney Regional Commission dated September 20, 2021.

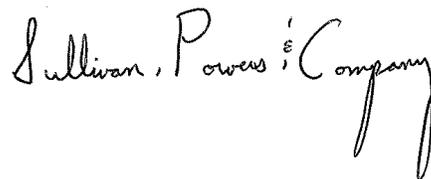
Response to Deficiency in Internal Control

The Mount Ascutney Regional Commission's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Mount Ascutney Regional Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Commission's internal control or on compliance. This report is an integral part of an audit performing in accordance with "Government Auditing Standards" in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 30, 2021
Montpelier, Vermont
VT Lic. #92-000180



MOUNT ASCUTNEY REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2021

Deficiencies in Internal Control:

Material Weaknesses:

Significant Deficiencies:

2021-01 Unavailable Grants

Criteria:

Internal controls should be in place to ensure that the deferred inflows of resources related to unavailable grants are recorded at year end.

Condition:

The deferred inflows of resources related to unavailable grants were not recorded at year end which resulted in various adjustments to revenue.

Cause:

This is an accounting principle unique to governmental accounting.

Effect:

The Commission's deferred inflows of resources related to unavailable grants and related grant revenues were incorrect.

Recommendation:

We recommend that the Commission implement controls to ensure that the deferred inflows of resources related to unavailable grants are recorded at year end.

MEMO

To: The Board of Commissioners and Sullivan and Powers

From: Thomas Kennedy and Cynthia Porter

Date: October 7, 2021

RE: Response to Schedule of Deficiencies in Internal Control and other recommendations

Auditor's Comments

2021-01 Unavailable Grants

Criteria:

Internal controls should be in place to ensure that the deferred inflows of resources related to unavailable grants are recorded at year end.

Condition:

The deferred inflows of resources related to unavailable grants were not recorded at year end which resulted in various adjustments to revenue.

Cause:

This is an accounting principle unique to governmental accounting.

Effect:

The Commission's deferred inflows of resources related to unavailable grants and related grant revenues were incorrect.

Recommendation:

We recommend that the Commission implement controls to ensure that the deferred inflows of resources related to unavailable grants are recorded at year end.

MARC Response:

The Auditor's comments are based upon Accounts Receivables as August 31, 2021, that are at least 61 days old. MARC has made the adjusting entries as requested by the auditor and will implement internal controls that the receivables are properly recorded.

Auditor's Comments:

Interest Bearing Account

The grant agreement with the United States Environmental Protection Agency and 2 CFR 200.305(b) requires advances of grant funds and program income retained to be kept in interest earning accounts. However, 2 CFR 200.305(b)(8) provides an exception if the interest earned would be less than \$500. The cash account for the revolving loan fund contains the EPA program advances and program income but the account is not interest-bearing. While it currently appears unlikely the interest earned on the account would exceed \$500, the Commission should consider opening an interest-bearing account.

MARC's Response

The auditor made a similar comment last year. The EPA requires all interest earned that is greater than \$500 be submitted to them, as the EPA requires that all interest earned over \$500 be reported on a quarterly basis. MARC will open an interest-bearing account in Fiscal Year 2022.

Auditor's Comment

Interfund Activity

The Commission records certain activities in the General Fund that are billed to the Clean Water Block Grant Fund. This resulted in receivables in the General Fund, however, the corresponding payables, expenses and resulting revenue were not recorded in the Clean Water Block Grant Fund. While this had no effect on the net income of the Clean Water Block Grant Fund, it did result in due to/from other funds that did not equal. We recommend that whenever a receivable is recorded in the General Fund that a corresponding payable be recorded in the Clean Water Block Grant Fund.

MARC's Response:

Unfortunately, the final entry for CWBG activity at year end was booked incorrectly and not detected before the records went to the auditors.