



**NVDA**  
*Northeastern Vermont  
Development Association*

~ MINUTES ~  
**BOARD OF DIRECTORS' MEETING**  
**Zoom Meeting**  
**December 17, 2020 6:00 PM**

**THOSE ATTENDING:**

**Directors:** Stephen Amos, Lynn Batchelor, Paul Brouha, James Brown, Rudy Chase, William Davis, Laura Dolgin, Louisa Dotoli, Marty Feltus, David Gallup, Tomasz Jankowski, Marcia Martel, Paul Monette, Ed O'Leary, Woodman Page, Thomas Robinson, Fred Saar, Brian Smith, Brent Smith, Grant Spates, Cynthia Stuart, Gina Vigneault, Terri Williams

**Guests:** Bob Amos

**NVDA Staff:** Judy Butson, Tina Gonyaw, Lorna Higgs, David Snedeker

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The meeting was called to order by President Feltus at 6:02 PM

**Updates to Agenda**

None

**Minutes**

A motion by Fred Saar, seconded by Paul Monette, to accept the minutes of the June 25, 2020 meeting as mailed, carried unanimously.

**November 2020 Financials**

A motion November Financial Statements were reviewed and subject to audit was made by Paul Brouha and seconded by Laura Dolgin. The motion was approved on a voice vote.

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The regional planning and development commission serving The Northeast Kingdom: Caledonia, Essex and Orleans Counties  
NVDA is an Equal Opportunity lender, provider and employer

### **Approval FY2020 Audit**

A motion by Fred Saar, seconded by Steve Amos, to approve the FY2020 Audit Reports, carried unanimously. Board members offered compliments to Judy Butson for her consistently good work and her ability to manage a very complex budget.

### **Bob Amos**

Marty Feltus introduced musician Bob Amos to the Board. From his home studio, Bob thanked NVDA and the board for working to make the NEK a better place. He proceeded to perform on guitar some NEK-inspired songs that he had written over the years – “The Hills That I Call Home”, “Mr. Beauford’s Barn”, “Cry of the Catamount”, and “Reunion” – and closed his performance with “I’ll Be Home for Christmas”.

### **Executive Director Updates**

See attached below.

### **Other Business**

None

President Feltus adjourned the meeting at 6:37 PM



December 17, 2020

To: NVDA Board of Directors

From: David Snedeker, Executive Director

Re: Director Updates – NVDA Executive Committee Meeting, via Zoom

A large majority of NVDA staff continue to work remotely as per the recommendations of Governor Scott. Our downtown St. Johnsbury office building remains closed to the general public, but tenants are operating within the building.

**Funding Applications submitted by/with NVDA:**

USDA Rural Business Development Grant – Business Recovery – *letter of intent submitted*

NBRC Rural Forest Economy Partnership Grant – YBBA project – *decision pending*

EPA Brownfield Assessment Grant – *decision expected in 2021*

**NVDA Brownfields Coalition Partnership – EPA Assessment Activities update**

We have fully utilized the \$600,000 that NVDA and Coalition Partners Newport & St. Johnsbury received, EPA Phase 1 & Phase 2 environmental assessment activities were undertaken at the following locations:

- Albany Community Store/Café – *completed, project under construction*
- Glove Factory building in St. Johnsbury – *completed, project under construction*
- St. Jay Hardware (to be St. Johnsbury Distillery) – *completed, business is open*
- Depot Square Apts. In St. Johnsbury – *completed, project under construction*
- Lyndon Town Garage (for park and recreational use) – *completed, Phase 2 \$ needed*
- Yellow Barn Business Accelerator in Hardwick – *completed, still seeking project financing*
- CN Brown property in St. Johnsbury – *completed, Phase 2 needed*
- Former Bank and adjoining Service Station in Hardwick – *completed Phase 1*
- Fire site in St. Johnsbury – *completed, evaluating corrective action alternatives*
- Gardner Park in Newport – *completed, Phase 2 sampling pending*
- Former Portland Pipeline Pumping Station – *completed, additional Phase 2 work needed*
- Portland St. Gas Station in St. Johnsbury – *completed Phase 1*
- Montpelier Granite Works – *completed Community Outreach Plan*
- North Hyde Park Valley Hotel – *completed Phase 1*

**NVDA Revolving Loan Program**

NVDA has provided applications to two businesses - St. Johnsbury and Burke

### **Industrial Park Lot Sale/Inquiry**

- NVDA has signed a P&S to Maine Energy Systems for Lot 4 in the St. Johnsbury – Lyndon Industrial Park. They plan to construct a storage silo for wood pellet distribution.
- NVDA has signed land contracts with a build-to-suit warehouse developer for NVDA's Orleans industrial park and land in the Lyndon industrial park.
- NVDA has been approached by a local business interested in the possible purchase of our St. Johnsbury office building.

### Other major projects:

NVDA Annual Audit completed

NVDA staff completed summer-fall field work with all NEK towns around road erosion and water quality

NVDA's Executive Committee authorized the creation of a new staff position that will focus on community & business recovery initiatives for a 2-year period

NVDA staff continues to lead the Hardwick Yellow Barn Business Accelerator development project

NVDA continues to provide funding support to the NEK Community Broadband – our region's Communication Union District

NVDA staff are leading the update of the Northern VT Economic Development District's CEDS (Comprehensive Economic Development Strategy) Plan

NVDA completed the ReStart VT Technical Assistance program to support small businesses

NVDA assisted municipalities & organizations with the Local Government Expense Reimbursement program to support communities

Audited Financial Statements  
and Other Financial Information

**Northeastern Vermont Development  
Association**

June 30, 2019



*Proven Expertise & Integrity*

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northeastern Vermont Development Association  
St. Johnsbury, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northeastern Vermont Development Association, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northeastern Vermont Development Association as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeastern Vermont Development Association's basic financial statements. The Schedule of Departmental Operations - General Fund and Schedule of Indirect Costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations - General Fund and Schedule of Indirect Costs are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Departmental Operations - General Fund and Schedule of Indirect Costs 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 November 19, 2019, on our consideration of Northeastern Vermont Development Association'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* and should be read in considering the Northeastern Vermont Development Association's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
November 19, 2019

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**(UNAUDITED)**

The following management's discussion and analysis of the Northeastern Vermont Development Association's financial performance provides an overview of the Association's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Association's financial statements.

**Financial Statement Overview**

The Northeastern Vermont Development Association'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.

**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 Association'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 Association's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Association's activities. The type of activity presented for the Northeastern Vermont Development Association is:

- *Governmental activities* - The activities in this section are mostly supported by intergovernmental revenues (federal and state grants and contracts) and charges for services. All of the Association's basic services are reported in governmental activities, which include regional planning, transportation and regional development.

### **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 Northeastern Vermont Development Association, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Northeastern Vermont Development Association can be divided into two categories: governmental funds and fiduciary funds.

*Governmental funds:* Most of the basic services provided by the Association 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 Association's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Association.

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.

Northeastern Vermont Development Association presents one column in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Association's major governmental fund is the general fund.

The general fund is the only fund for which the Association 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.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Association. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Association's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **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 Statement of Net Position - Fiduciary Funds.

### **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 and indirect cost information for the general fund.

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Association's governmental activities. The Association's total net position decreased by \$42,256 from \$3,038,617 to \$2,996,361 .

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 \$66,452 from \$282,032 to a balance of \$348,484 at the end of this year.

**Table 1**  
**Northeastern Vermont Development Association**  
**Net Position**  
**June 30,**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current Assets	\$ 1,913,734	\$ 2,351,765
Noncurrent Assets	2,219,189	1,835,274
Total Assets	<u>\$ 4,132,923</u>	<u>\$ 4,187,039</u>
<b>Liabilities</b>		
Current Liabilities	\$ 221,198	\$ 151,122
Noncurrent Liabilities	910,331	988,539
Total Liabilities	<u>\$ 1,131,529</u>	<u>\$ 1,139,661</u>
<b>Deferred Inflows of Resources</b>		
Unearned Revenue	\$ 5,033	\$ 8,761
Total Deferred Inflows of Resources	<u>\$ 5,033</u>	<u>\$ 8,761</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 1,760,888	\$ 1,835,274
Restricted	886,989	921,311
Unrestricted	348,484	282,032
Total Net Position	<u>\$ 2,996,361</u>	<u>\$ 3,038,617</u>

### Revenues and Expenses

Revenues for the Association's governmental activities increased by 15.67%, while total expenses increased by 15.98%. The most significant increase in revenues was in operating grants and contracts while the largest increase in expenses was in regional planning.

**Table 2**  
**Northeastern Vermont Development Association**  
**Changes in Net Position**  
**For the Years Ended June 30,**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program revenues:		
Operating grants and contracts	\$ 1,369,503	\$ 1,189,642
Charges for services	217,408	212,907
General revenues:		
Interest	16,838	13,971
Miscellaneous	91,137	48,802
Total revenues	<u>1,694,886</u>	<u>1,465,322</u>
<b>Expenses</b>		
Regional planning	944,168	636,661
Transportation	307,591	320,648
Regional development	462,623	398,835
Change in unallocated indirect costs	(7,265)	112,600
Interest on long-term debt	30,025	29,113
Total expenses	<u>1,737,142</u>	<u>1,497,857</u>
Change in Net Position	(42,256)	(32,535)
Net Position - July 1	<u>3,038,617</u>	<u>3,071,152</u>
Net Position - June 30	<u>\$ 2,996,361</u>	<u>\$ 3,038,617</u>

### **Financial Analysis of the Association's Fund Statements**

*Governmental funds:* The financial reporting focus of the Association'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 Association'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**  
**Northeastern Vermont Development Association**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2019</b>	<b>2018</b>
Major Funds:		
General Fund:		
Nonspendable	\$ 5,661	\$ 5,576
Restricted	886,989	921,311
Unassigned	608,741	601,992
Total General Fund	\$ 1,501,391	\$ 1,528,879

The general fund total fund balance decreased by \$27,488 over the prior fiscal year. This decrease was due to expenditures in excess of revenues.

**Budgetary Highlights**

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

The general fund budgeted revenues exceeded actual receipts by \$110,404 . This was mainly a result of federal and state revenues coming in significantly below budgeted amounts.

The general fund actual expenditures were under budget by \$68,148 . This was due to less than expected expenditures in all expenditure categories.

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2019, the net book value of governmental activities capital assets recorded by the Association decreased by \$74,386 over the prior year. This decrease was comprised of capital additions of \$5,977 less current year depreciation expense of \$80,363 .



**Table 4**  
**Northeastern Vermont Development Association**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 54,698	\$ 54,698
Land improvements	13,390	16,774
Buildings and improvements	1,604,944	1,659,436
Furniture and equipment	87,856	104,366
Total	\$ 1,760,888	\$ 1,835,274

**Debt**

At June 30, 2019, the Association had \$924,961 in notes from direct borrowings payable versus \$1,007,298 last year, a decrease of 8.17%. Refer to Note 4 of Notes to Financial Statements for more detailed information.

**Currently Known Facts, Decisions, or Conditions**

**Economic Factors and Next Year's Budgets and Rates**

Maintaining and strengthening a financial stream that allows NVDA to continue providing quality services and programs to the communities and businesses it serves remains a primary goal today, and in future years. By a significant degree, NVDA serves the largest geographic area of any regional planning or development organization in Vermont, and we are unique in that we provide both planning and economic development services. Requests for services from the communities and businesses we serve continue to grow, as do the requirements and scope of our contracts with state agencies.

At present, NVDA's core funding comes from the Vermont Agency of Commerce & Community Development (regional land use planning and economic development services); Vermont Agency of Transportation (transportation planning); Vermont Department of Emergency Management & Homeland Security (emergency management planning and coordination); Vermont Agency of Natural Resources (water quality planning); Vermont Department of Public Service (energy planning); and, Municipal Dues from our fifty (50) member municipalities. Core funds from state agencies are always subject to statewide budget pressures (and the federal budget in the case of transportation funds provided by the state). NVDA made no request for increased Municipal Dues in FY2019.

NVDA also receives other federal and state funds provided only after competitive application and award. Currently, these include: USDA Rural Business Development Grant funds; FEMA Hazard Mitigation Grant Planning funds; Northern Border Regional

Commission Grant funds; EDA Planning funds; Vermont Regional Economic Development Grants; and other smaller, miscellaneous project funds that NVDA works on independently with municipalities; or, working in concert with other regional planning organizations to ensure statewide coverage.

NVDA and its regional planning and economic development partners continue working to provide a consistent level of professional and technical services to all communities across the state. In Vermont, with an absence of county government, regional organizations like NVDA serve as the logical interface between rural municipalities and state government. However, annual pressures on state and federal budgets will exert pressure on our regional planning and development budgets. We expect that this will be the case in the coming year (FY2020) as the administration continues to promise cost containment. In FY2019, NVDA was level funded across most state-funded programs.

Issues of concern that NVDA will address in the coming year(s) include items that have negatively impacted NVDA's budget to varying degrees over the years - costs associated with real estate ownership and operation; finding an effective way to meet rising costs through the development of other sustainable revenue resources; and, exploring opportunities for business memberships that would allow us to enhance our economic development services.

### **Contacting the Association's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Office at 36 Eastern Avenue, Suite 1, P.O. Box 630, St. Johnsbury, Vermont 05819.

STATEMENT A

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 216,563
Investments	358,230
Accounts receivable (net of allowance for uncollectibles):	
Other	114,824
Due from other governments	74,500
Prepaid items	5,661
Notes receivable, net of allowance of \$64,239	715,268
Industrial Park land for sale	428,688
Total current assets	1,913,734
Noncurrent assets:	
Restricted cash and cash equivalents	458,301
Capital assets:	
Nondepreciable assets	54,698
Buildings and equipment, net of accumulated depreciation	1,706,190
Total noncurrent assets	2,219,189
<b>TOTAL ASSETS</b>	<b>\$ 4,132,923</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 95,171
Accrued expenses	5,609
Accrued interest	13,182
Due to other governments	43,609
Escrow and security deposits	5,954
Current portion of noncurrent liabilities	57,673
Total current liabilities	221,198
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes from direct borrowings payable, net of current portion	869,440
Accrued compensated absences	40,891
Total noncurrent liabilities	910,331
<b>TOTAL LIABILITIES</b>	<b>1,131,529</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned grant revenue	5,033
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,033</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,760,888
Restricted	886,989
Unrestricted	348,484
<b>TOTAL NET POSITION</b>	<b>2,996,361</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 4,132,923</b>

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

## NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Contracts and Contributions	Changes in Net Position
				Total Governmental Activities
Governmental activities				
Regional planning	\$ 944,168	\$ 15,147	\$ 847,991	\$ (81,030)
Transportation	307,591	-	307,590	(1)
Regional development	462,623	202,261	213,922	(46,440)
Change in unallocated indirect costs	(7,265)	-	-	7,265
Interest on long-term debt	30,025	-	-	(30,025)
Total government	<u>\$ 1,737,142</u>	<u>\$ 217,408</u>	<u>\$ 1,369,503</u>	<u>(150,231)</u>

STATEMENT B (CONTINUED)  
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(150,231)</u>
General revenue:	
Interest	16,838
Miscellaneous	<u>91,137</u>
Total general revenue	<u>107,975</u>
Change in net position	(42,256)
NET POSITION - JULY 1	<u>3,038,617</u>
NET POSITION - JUNE 30	<u>\$ 2,996,361</u>

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

STATEMENT C

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 216,563
Investments	358,230
Accounts receivable (net of allowance for doubtful accounts):	
Other	114,824
Due from other governments	74,500
Prepaid items	5,661
Restricted cash and cash equivalents	458,301
Notes receivable, net of allowance of \$64,239	715,268
Industrial Park land for sale	428,688
	\$ 2,372,035
<b>LIABILITIES</b>	
Accounts payable	\$ 95,171
Accrued expenses	5,609
Due to other governments	43,609
Escrow and security deposits	5,954
<b>TOTAL LIABILITIES</b>	<b>150,343</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned grant revenue	5,033
Deferred notes receivable	715,268
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>720,301</b>
<b>FUND BALANCES</b>	
Nonspendable	5,661
Restricted	886,989
Committed	-
Assigned	-
Unassigned	608,741
<b>TOTAL FUND BALANCES</b>	<b>1,501,391</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,372,035</b>

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

## NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,501,391
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	1,760,888
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred notes receivable	715,268
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(13,182)
Notes from direct borrowings payable	(924,961)
Accrued compensated absences	<u>(43,043)</u>
Net position of governmental activities	<u><u>\$ 2,996,361</u></u>

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

## NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>
REVENUES	
Federal revenue	\$ 710,709
State revenue	520,058
Municipal/private funded contracts	89,344
Town appropriations	49,392
Administration and other fees	386
Rental income	217,022
Interest earned - banks	6,986
Interest earned - loan programs	9,852
Notes receivable collected	134,292
Other revenue	91,137
TOTAL REVENUES	<u>1,829,178</u>
EXPENDITURES	
Current:	
Regional planning	916,005
Transportation	307,591
Regional development	403,955
Change in unallocated indirect costs	(7,265)
Capital outlay	5,977
Debt service:	
Principal	82,337
Interest	30,663
TOTAL EXPENDITURES	<u>1,856,666</u>
NET CHANGE IN FUND BALANCE	(27,488)
FUND BALANCE - JULY 1	<u>1,528,879</u>
FUND BALANCE - JUNE 30	<u>\$ 1,501,391</u>

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



STATEMENT F

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (27,488)</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	5,977
Depreciation expense	<u>(80,363)</u>
	<u>(74,386)</u>
Long-term note receivable activity was reported as revenues and/or expenditures in the governmental funds but are reported as a decrease in long-term notes receivable in the statement of net position.	
	<u>(16,889)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>82,337</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued interest expense	638
Accrued compensated absences	<u>(6,468)</u>
	<u>(5,830)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (42,256)</u></u>

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

STATEMENT G  
 NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2019

	Agency Fund
	St. Johnsbury/Lyndon Industrial Park Board Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 587,074
<b>TOTAL ASSETS</b>	\$ 587,074
<b>LIABILITIES</b>	
Deposits held for others	\$ 587,074
<b>TOTAL LIABILITIES</b>	\$ 587,074

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Northeastern Vermont Development Association is a non-profit organization exempt from income taxes under Section 115 of the Internal Revenue Code of 1986. It is an instrumentality of political subdivisions of the State of Vermont.

Membership in the Association is open to all of the cities, towns and gores within Caledonia, Essex and Orleans Counties in Vermont. Municipalities within the region who elect by an act of their voters or their legislative body become members of the Association. The Association is governed by a Board of Directors comprised of representatives from each member municipality, other at-large representatives of citizen interest groups in the region elected by a majority of the Board and State legislators representing the region who accept invitations to membership from the Board. Each member has one vote.

The Association's combined financial statements include all accounts and all operations of the Association. We have determined that the Association has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

**Implementation of New Accounting Standards**

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

The Association's basic financial statements include both government-wide (reporting the Association as a whole) and fund financial statements (reporting the Association's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Association categorizes all activities of the Association as governmental.

In the government-wide Statement of Net Position, the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are 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 Association's net position is reported in three parts - net investment in capital assets; restricted net position and unrestricted net position. The Association 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 Association's functions (regional planning and other programs, transportation, regional development and intermediary relending, etc.) except for fiduciary activities. The functions are also supported by general government revenues

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Association allocates indirect costs. Certain administrative costs are charged indirectly to the corresponding department and the Association has an established and approved indirect cost rate.

The government-wide focus is more on the sustainability of the Association as an entity and the change in the Association's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Association 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 Association:

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 Association:

**Major Fund:**

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Association programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

The Association's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The Association'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 Association 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 Association 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 Association.

**Deposits and Investments**

The Association'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.

The Northeastern Vermont Development Association has a formal investment policy.

**Receivables**

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$189,324 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019. Allowances for uncollectible accounts netted with notes receivable were \$715,268 for the year ended June 30, 2019. The allowance for uncollectible accounts for notes receivable is estimated to be \$64,239 as of June 30, 2019.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets purchased or acquired with an original cost varying from \$5,000 to \$20,000 or more depending on the asset type are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Estimated useful lives are as follows:

Land improvements	10-50 years
Buildings and improvements	10-50 years
Machinery and equipment	5-20 years
Infrastructure	10-50 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 is reported as liabilities in government-wide statements. The long-term obligations consists of notes from direct borrowings payable 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.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consist 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



NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Association or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**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 Association currently does not have any 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 Association has only one type of item, deferred notes receivable, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Unearned grant revenue also qualifies for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow 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).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Association is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Association considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Association considers amounts to have been spent first out of assigned funds, and then unassigned funds, as needed.

**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 Association does not utilize encumbrance accounting for its general fund.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

During the preparation of the Association'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 Association invests cash and investments according to policies established by the Association. These investment policies apply to all Association funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Association 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 Association did not have any balances as of June 30, 2019 that were exposed to custodial credit risk.

At June 30, 2019, the Association's cash balances of \$1,261,938 were comprised of bank balances of \$1,261,888 which were all insured by federal depository insurance or a letter of credit of \$300,000 and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 246,049
Savings accounts	50
Money market accounts	1,015,789
	<u>\$ 1,261,888</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2019, the Town's investments of \$358,230 in certificates of deposits were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Bank Balance</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Certificates of deposit	<u>\$ 358,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,230</u>

Credit risk - The Association'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 Association does not have an investment policy on credit risk. Generally, the Association invests excess funds in various insured certificates of deposit.

Interest rate risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Association does not have a policy related to interest rate risk as the investments that the Association uses are not subject to interest rate risk.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	<u>Balance 7/1/18</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance 6/30/19</u>
<u>Governmental activities</u>				
Capital assets not depreciated:				
Land	<u>\$ 54,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,698</u>
Depreciated assets:				
Land improvements	64,150	-	-	64,150
Buildings and improvements	2,654,872	-	-	2,654,872
Furniture and equipment	255,994	5,977	-	261,971
	<u>2,975,016</u>	<u>5,977</u>	<u>-</u>	<u>2,980,993</u>
Less: accumulated depreciation				
Land improvements	(47,376)	(3,384)	-	(50,760)
Buildings and improvements	(995,436)	(54,492)	-	(1,049,928)
Furniture and equipment	(151,628)	(22,487)	-	(174,115)
	<u>(1,194,440)</u>	<u>(80,363)</u>	<u>-</u>	<u>(1,274,803)</u>
Net depreciated assets	<u>1,780,576</u>	<u>(74,386)</u>	<u>-</u>	<u>1,706,190</u>
Net capital assets	<u>\$ 1,835,274</u>	<u>\$ (74,386)</u>	<u>\$ -</u>	<u>\$ 1,760,888</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance 7/1/18	Additions	Reductions	Balance 6/30/19	Current Portion
<u>Governmental activities:</u>					
Notes from direct borrowings payable	\$ 1,007,298	\$ -	\$ (82,337)	\$ 924,961	\$ 55,521

The following is a summary of notes from direct borrowings payable outstanding as of June 30, 2019:

Governmental activities:

Note from direct borrowing payable to the Town of St. Johnsbury, no interest is charged, the total balance is due in October of 2024.	\$ 28,471
Note from direct borrowing payable to the Vermont Economic Development Authority, no interest is charged, total principal balance due in July of 2017. Effective July 31, 2017 the maturity date was extended to July 31, 2022.	140,225
Note from direct borrowing payable to the United States Department of Agriculture, Rural Economic and Community Development Agency, interest only payments due in January through 2005, with 27 subsequent annual principal and interest payments of \$41,366 due each November 1st, interest charged at a fixed rate of 4.625%, due in November of 2032.	419,157
Note from direct borrowing payable to the VCDP, due on repayment of loan receivable from Pete's Greens, interest charged at a fixed rate ranging from 1.0% to 3.0%, due in June of 2022.	47,241
Note from direct borrowing payable to Passumpsic Savings Bank, annual principal and interest payments of \$2,349, interest charged at a fixed rate of 3.45%, due in April of 2032.	289,867
	<u>\$ 924,961</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to amortize the notes from direct borrowings payable are as follows:

Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 55,521	\$ 30,399	\$ 85,920
2021	57,670	28,250	85,920
2022	200,584	26,036	226,620
2023	45,627	23,924	69,551
2024	75,959	22,062	98,021
2025-2029	268,625	79,226	347,851
2030-2034	220,975	21,133	242,108
	<u>\$ 924,961</u>	<u>\$ 231,030</u>	<u>\$ 1,155,991</u>

All notes from direct borrowings payable are direct obligations of the Association, for which its full faith and credit are pledged. The Association is not obligated for any special assessment debt.

NOTE 5 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2019:

	<u>Balance 7/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/19</u>	<u>Current Portion</u>
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 36,575	\$ 6,468	\$ -	\$ 43,043	\$ 2,152

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

NOTE 6 - ACCRUED COMPENSATED ABSENCES

The Association's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave but not sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Association's liability for compensated absences is \$43,043.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 7 - GENERAL FUND NONSPENDABLE FUND BALANCE

At June 30, 2019, the general fund nonspendable fund balance was made up of the following account balance:

Prepaid items	<u><u>\$ 5,661</u></u>
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NOTE 8 - GENERAL FUND RESTRICTED FUND BALANCE

At June 30, 2019, the general fund restricted fund balance was made up of the following account balances carried forward into the subsequent year's budget:

General fund:	
Land held for sale	\$ 428,688
Regional development	<u>458,301</u>
	<u><u>\$ 886,989</u></u>

NOTE 9 - PENSION PLAN

The Association has a non-contributory defined contribution pension plan covering substantially all of its employees. The plan is a Simplified Employee Pension plan under which 9% of salaries or wages are contributed annually to individual retirement accounts for each employee. Contributions for the fiscal year ended June 30, 2019 were \$46,627 on covered payroll of \$518,081.

NOTE 10 - RISK MANAGEMENT

The Association 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 Association carries commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

Based on the coverage provided by the insurance purchased, the Association feels it is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2019. 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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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 Association's financial position.

The Association participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Association'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.



## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

## NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Resources (Inflows):				
Federal revenue	\$ 828,777	828,777	\$ 710,709	\$ (118,068)
State revenue	558,857	558,857	520,058	(38,799)
Municipal/private funded contracts	50,677	50,677	89,344	38,667
Town appropriations	48,000	48,000	49,392	1,392
Administration and other fees	8,439	8,439	386	(8,053)
Rental income	213,978	213,978	217,022	3,044
Interest earned - banks	5,009	5,009	6,986	1,977
Interest earned - loan programs	6,503	6,503	9,852	3,349
Assignment to NCDO RLF	16,635	16,635	12,477	(4,158)
Other revenue	68,415	68,415	78,660	10,245
Amounts Available for Appropriation	<u>1,805,290</u>	<u>1,805,290</u>	<u>1,694,886</u>	<u>(110,404)</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning	947,001	947,001	944,168	2,833
Transportation	361,510	361,510	307,591	53,919
Regional development	496,779	496,779	492,648	4,131
Change in unallocated indirect costs	-	-	(7,265)	7,265
Total Charges to Appropriations	<u>1,805,290</u>	<u>1,805,290</u>	<u>1,737,142</u>	<u>68,148</u>
Excess of Revenues Over (Under)				
Appropriations	<u>\$ -</u>	<u>\$ -</u>	(42,256)	<u>\$ (42,256)</u>
Reconciliation to Statement E				
Notes receivable collected			185,698	
Notes receivable issued			(117,403)	
Change in allowance for bad debts			(51,406)	
Change in accrued compensated absences			6,468	
Change in accrued interest payable			(638)	
Remove depreciation			80,363	
Add capital outlays			(5,977)	
Add debt principal			(82,337)	
			<u>\$ (27,488)</u>	

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

## Other Supplementary Information

Other supplementary information includes financial statements not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations - General Fund
- Schedule of Indirect Costs

## NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Regional planning:			
Salaries	\$ 216,457	\$ 234,902	\$ (18,445)
Fringe benefits	96,362	104,699	(8,337)
Advertising/promotion	1,670	1,401	269
Consultants	434,186	383,324	50,862
Depreciation	18,700	18,697	3
Legal and professional	800	1,697	(897)
Office	450	2,708	(2,258)
Training	3,000	759	2,241
Travel	5,084	11,561	(6,477)
Indirect costs	159,611	173,213	(13,602)
Miscellaneous	10,681	11,207	(526)
Total regional planning	<u>947,001</u>	<u>944,168</u>	<u>2,833</u>
Transportation:			
Salaries	135,916	101,686	34,230
Fringe benefits	60,510	45,322	15,188
Advertising/promotion	1,000	-	1,000
Consultants	50,000	65,313	(15,313)
Office	-	1,152	(1,152)
Travel	9,412	4,797	4,615
Furniture, fixtures and equipment	-	10,498	(10,498)
Indirect costs	100,222	74,982	25,240
Miscellaneous	4,450	3,841	609
Total transportation	<u>361,510</u>	<u>307,591</u>	<u>53,919</u>
Regional development:			
Salaries	71,365	75,281	(3,916)
Fringe benefits	31,769	33,547	(1,778)
Advertising/promotion	1,300	1,337	(37)
Consultants	80,500	9,438	71,062
Bad debt	8,500	10,164	(1,664)
Depreciation	55,540	58,668	(3,128)
Insurance	3,717	3,717	-
Interest	30,770	30,025	745
Legal and professional	4,000	35	3,965
Maintenance	44,000	38,310	5,690
Office	2,160	2,246	(86)
Real estate taxes	44,500	41,837	2,663
Travel	1,147	1,574	(427)
Utilities	57,000	61,494	(4,494)
Indirect costs	52,623	55,511	(2,888)
Miscellaneous	7,888	69,464	(61,576)
Total regional development	<u>496,779</u>	<u>492,648</u>	<u>4,131</u>
Change in unallocated indirect costs	<u>-</u>	<u>(7,265)</u>	<u>7,265</u>
Total Departmental Operations	<u>\$ 1,805,290</u>	<u>\$ 1,737,142</u>	<u>\$ 68,148</u>

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

SCHEDULE B

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS  
JUNE 30, 2019

The following is a summary of significant cost allocation policies and results used in the preparation of the audited financial statements.

Cost allocation operates in accordance with an Indirect Cost Proposal developed annually. The proposal identifies shared costs and the financial bases for cost-sharing of leave benefits, fringe benefits and indirect costs. Our Cognizant Agency requires that NVDA use a fixed rate for each cost allocation pool. Any overage or underage from the fixed rate to the actual rate calculated by the accounting system in each cost allocation pool will be carried forward as an adjustment to the indirect rate computation in the Indirect Cost Proposal for fiscal year 2020. The accounting system produced the following actual results for fiscal year 2019.

SCHEDULE B (CONTINUED)  
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS  
JUNE 30, 2019

Leave Benefits - consist of accrued annual leave and other types of leave granted, i.e. sick, holiday, funeral and jury. Leave costs are accumulated in an organizational leave pool and distributed to activities based on year-to-date regular time salaries and comp time earned costs. This results in all activities bearing an equitable share of leave costs and diminishes the circumstantial effects of timing associated with leave usage. The fixed rate for Leave Benefits as outlined in the Cost Allocation Plan for FY2019 was 18.37%. Actual leave costs for the year ended June 30, 2019 are shown below:

	Class 1	Class 2	Class 3	Class 4	Class 8	Class 9	Totals
Annual Leave	\$ 31,401	\$ 0	\$ 0	\$ 2,086	\$ 2,074	\$ 0	\$ 35,560
Comp Used	704	0	0	403	0	0	1,107
Funeral Leave	816	0	0	0	0	0	816
Holiday Leave	23,088	0	0	1,036	1,846	0	25,970
Leave W/O Pay	0	0	0	0	0	0	0
Sick Leave	15,052	0	0	172	2,160	0	17,384
Jury Service	0	0	0	0	0	0	0
Office Closure	2,080	0	0	79	147	0	2,306
Total Leave Costs	<u>73,141</u>	<u>0</u>	<u>0</u>	<u>3,775</u>	<u>6,226</u>	<u>0</u>	<u>83,143</u>
Regular Time Salaries	391,848	0	18,222	17,238	25,853	0	453,161
Comp Earned	583	0	0	539	0	0	1,122
	<u>392,431</u>	<u>0</u>	<u>18,222</u>	<u>17,777</u>	<u>25,853</u>	<u>0</u>	<u>454,282</u>
Total Salaries & Leave	\$465,572	\$0	\$18,222	\$21,552	\$32,079	\$0	\$537,425
Compute Leave Pool							
Leave Taken Charges	\$73,141	\$0	\$0	\$3,775	\$6,226	\$0	\$83,143
Less: Comp Used	(704)	0	0	( 403)	0	0	( 1,107)
Plus: AL Accrued							
Current Liability	35,217	0	0	674	4,094	0	39,984
Less: Opening Liability	29,912	0	0	795	3,180	0	33,887
AL Liability Change	<u>5,304</u>	<u>0</u>	<u>0</u>	<u>( 121)</u>	<u>914</u>	<u>0</u>	<u>6,097</u>
Total Leave Costs	<u>\$ 77,742</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,252</u>	<u>\$ 7,140</u>	<u>\$ 0</u>	<u>\$ 88,133</u>
Total Leave Cost	\$ 77,742	\$ 0	\$ 0	\$ 3,252	\$ 7,140	\$ 0	\$ 88,133
Total Base	392,431	0	18,222	17,777	25,853	0	454,282
Total Leave Rate	19.81%	0.00%	0.00%	18.29%	27.62%	0.00%	19.40%
Fixed Leave Rate	18.37%	18.37%	0.00%	18.37%	18.37%	18.37%	18.37%
Leave Allocated	72,090	0	0	3,266	4,749	0	80,104
Under(Over) Cost	5,652	0	0	( 14)	2,391	0	8,029
Accrued Comp at 06/30/19							0
Less Accrued Comp at 06/30/18							( 96)
Comp Used							1,107
Comp Earned							( 1,122)
Total Under(Over) Cost							<u>\$ 7,918</u>

Actual leave rates by employee classification (which reflects leave eligibility) are developed and applied to the year-to-date base of regular time salaries and comp time earned in each project to determine its share of leave costs. In the aggregate, \$88,133.38 was charged among all programs operated during the fiscal year. The underage of \$7,917.92 will be carried forward as an adjustment to the fringe benefit rate computation in the Cost Allocation Plan for fiscal year 2021.

SCHEDULE B (CONTINUED)  
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS  
JUNE 30, 2019

Fringe Benefits - employees are defined by class based upon fringe benefit eligibility. Employee fringe benefits are accumulated in an organizational fringe pool as they are incurred. Fringe costs are prorated by employee class (i.e. eligibility) based on its year-to-date proportionate share of regular time salaries, comp time earned and leave costs to total year-to-date organizational regular time salaries, comp time earned and leave costs. The fixed rate for Fringe Benefits as outlined in the Cost Allocation Plan for FY2019 was 44.02%. The fringe eligibility matrix and actual fringe benefit costs for the year ended June 30, 2019, are shown below:

	Class 1	Class 2	Class 3	Class 4	Class 8	Class 9	Totals
FICA and Medicare	Y	Y	Y	Y	Y	Y	
Unemployment	Y	Y	Y	Y	Y	Y	
WC Admin Fee	Y	Y	Y	Y	Y	Y	
Health Insurance	Y	Y	N	Y	Y	Y	
SEP IRA	Y	N	N	Y	Y	N	
Dental Insurance	Y	Y	N	Y	Y	Y	
Vision Insurance	Y	Y	N	Y	Y	Y	
FICA and Medicare	\$ 36,069	\$ 0	\$ 1,415	\$ 1,634	\$ 2,376	\$ 0	\$ 41,494
Unemployment	363	0	14	16	24	0	418
WC Admin Fee	265	0	10	12	17	0	305
Health Insurance	111,079	0	0	5,032	7,318	0	123,429
SEP IRA	41,962	0	0	1,901	2,764	0	46,627
Dental Insurance	3,678	0	0	167	242	0	4,087
Vision Insurance	1,287	0	0	58	85	0	1,430
Adjustment - FY2017	10,702	0	420	485	705	0	12,312
Class Totals	205,406	0	1,859	9,305	13,532	0	230,102
Total Base	464,521	0	18,222	21,042	30,602	0	534,387
Actual Rate	44.22%	0.00%	10.20%	44.22%	44.22%	0.00%	43.06%
Fixed Rate	44.02%	44.02%	44.02%	44.02%	44.02%	44.02%	44.02%
Amount Applied	204,482	0	8,021	9,263	13,471	0	235,237
Under(Over) Cost	\$ 924	\$ 0	(\$ 6,162)	\$ 42	\$ 61	\$ 0	(\$ 5,135)

These final rates were applied to the year-to-date salaries, comp time earned and leave base by class in each project to determine its share of fringe benefit costs. In the aggregate, \$235,237.03 was charged among all programs operated during the fiscal year. The use of the pool and year-to-date financial activity results in an equitable distribution among all activities regardless of individual contract periods or monthly expenditure levels. The overage of \$5,135.17 will be carried forward as an adjustment to the fringe benefit rate computation in the Cost Allocation Plan for fiscal year 2021.

SCHEDULE B (CONTINUED)

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS  
JUNE 30, 2019

Indirect Costs - consist of salaries and fringe benefits of central organization personnel who perform management and administrative functions necessary and beneficial to all activities. Also included are joint or common costs supporting all programs, or the central administrative portions of these costs. The classification of costs conforms to the organization's Cost Allocation Plan for the year. The fixed rate for Indirect Costs as outlined in the Cost Allocation Plan for FY2019 was 51.20%.

DESCRIPTION	INDIRECT	INDIRECT COST DESCRIPTION
EXECUTIVE DIRECTOR	\$ 8,020	
BUSINESS MANAGER	35,334	
ADMINISTRATIVE ASSISTANT	31,848	
SENIOR PLANNER	50	
SENIOR TRANSPORTATION PLANNER	0	
SENIOR PLANNER	1,577	
PLANNER	0	
PROJECT MANAGER	13,115	
GIS SPECIALIST	13,066	
EMERGENCY MANAGEMENT SPECIALIST	0	
ECONOMIC DEVELOPMENT SPECIALIST	0	
INTERN	585	
TOTAL SALARIES	103,595	CENTRAL SUPPORT FUNCTIONS
LEAVE COSTS	18,923	CENTRAL SUPPORT FUNCTIONS
FRINGE BENEFITS	53,932	CENTRAL SUPPORT FUNCTIONS
FRINGE-WORKERS COMP	381	CENTRAL SUPPORT FUNCTIONS
ACCOUNTING/AUDIT	7,300	ALL PROGRAMS
BANK SERVICE CHARGE	240	ALL PROGRAMS
COMPUTER EXPENSE	9,203	ALL PROGRAMS
CONSULTANTS/CONTRACTUAL	35	ALL PROGRAMS
COPIER EXPENSE	2,108	ALL PROGRAMS
DEPRECIATION EXPENSE	2,998	CENTRAL FUNCTIONS
DUES/PUBLICATIONS/SUBSCRIPTIONS	3,626	ORGANATIONAL DUES/PUB/SUB
ELECTRICITY	724	ALL PROGRAMS
FF&E	5,719	ALL PROGRAMS
COMPUTER SOFTWARE	374	ALL PROGRAMS
INSURANCE	4,864	ALL PROGRAMS
JANITOR SUPPLIES	41	ALL PROGRAMS
LEGAL FEES	35	ALL PROGRAMS
MAINTENANCE CONTRACTS	10,058	CENTRAL SUPPORT FUNCTIONS
MEETING EXPENSE	6,410	CENTRAL FUNCTIONS
OFFICE RENTAL	60,090	ALL PROGRAMS
OFFICE SUPPLIES	4,334	ALL PROGRAMS
POSTAGE EXPENSE	1,972	ALL PROGRAMS
PRINTING	539	ALL PROGRAMS
RECORDING FEES	0	ALL PROGRAMS
RUBBISH REMOVAL	260	ALL PROGRAMS
TELEPHONE EXPENSE	7,818	ALL PROGRAMS
TRAINING/SEMINARS	0	CENTRAL SUPPORT FUNCTIONS
TRAVEL EXPENSE	391	CENTRAL SUPPORT FUNCTIONS
PRIOR YEAR UNRECOVERED OVERHEAD COSTS	( 3,460)	
TOTALS	\$ 302,509	
COMPUTATION OF INDIRECT COST RATE		Indirect Cost Pool
		Base for Distribution
		Year to Date Indirect Cost Rate
		Fixed Indirect Cost Rate
		Fixed Indirect Costs applied
		Under(Over) applied
		\$ 302,509
		593,174
		51.00%
		51.20%
		303,705
		(\$ 1,196)

\*Description of base for distribution - Base is comprised of Regular Time Salaries, Comp Earned, Leave Allocated, Fringe Benefits, less Indirect (Salaries, Leave and Fringe Benefits)



SCHEDULE B (CONTINUED)  
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS  
JUNE 30, 2019

Indirect Costs were accumulated in an organization pool and distributed to activities/programs based on year-to-date direct salaries, comp time earned, leave costs and fringe benefits in conformance with the organization's Cost Allocation Plan.

The fixed rate was applied to the year-to-date base in each project to determine its share of indirect costs. In the aggregate, costs of \$303,705.04 were charged among all programs operated during the fiscal year. The use of year-to-date financial information arrayed costs equitably regardless of individual contract periods or monthly expenditure levels. The overage of \$1,195.91 will be carried forward as an adjustment to the indirect rate computation in the Cost Allocation Plan for fiscal year 2021.

Financial Reporting – The total underage of \$2,782.75 for the leave and fringe benefit cost pools, which resulted from the use of a fixed rate versus the actual rate calculated by the accounting system, will be carried forward as an adjustment to the fringe benefit rate computation in the Cost Allocation Proposal for fiscal year 2021 and is shown as the change in the unallocated leave, salary & fringe costs on Schedule A. The total overage of \$1,195.91 for the indirect cost pool, which resulted from the use of a fixed rate versus the actual rate calculated by the accounting system, will be carried forward as an adjustment to the indirect rate computation in the Cost Allocation Proposal for fiscal year 2021 and is shown as the change in the unallocated indirect costs on Schedule A.

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



Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Northeastern Vermont Development Association  
St. Johnsbury, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities and each major fund of Northeastern Vermont Development Association as of and for the year ended June 30, 2019 and the related notes to the financial statements which collectively comprise Northeastern Vermont Development Association's basic financial statements and have issued our report thereon dated November 19, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northeastern Vermont Development Association'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 Northeastern Vermont Development Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
November 19, 2019