



NVDA
*Northeastern Vermont
Development Association*

~ MINUTES ~
BOARD OF DIRECTORS' MEETING
For the Love of Food Venue | Barton, VT
March 21, 2024 6:00 PM

THOSE ATTENDING:

Directors: Stephen Amos, Keith Ballek, Eileen Boland, Farley Brown, James Brown, Paul Brouha, William Davis, Martha Feltus, Mike Gonyaw, Mike Metcalf, Alan Robertson, Fred Saar, Brent Smith, Grant Spates, Mark Whitworth

Guests: Mark Simakaski

NVDA Staff: Tina Gonyaw, Jesse Noone, David Snedeker

The meeting was called to order by President Fred Saar at 6:25 PM

Updates to Agenda

None

Minutes

A motion by Brent Smith, seconded by Paul Brouha, to accept the minutes of the December 14, 2023 meeting as presented carried unanimously on a voice vote.

Financials

A motion to approve the January Financial Statements subject to audit was made Mike Metcalf and seconded by Grant Spates. The motion was approved unanimously 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 FY2023 Audit

A motion by Paul Brouha, seconded by Martha Feltus, to approve the FY2023 Audit Reports carried unanimously on a voice vote following discussion. There were questions about the length of engagement with our auditors (3-year agreements), and the Board was reminded that this was the final year of the agreement.

Amend Corporate Resolution

Fred Saar explained the need to amend the Corporate Resolution to authorize the Director to apply for and receive state and federal grants that further the mission of the organization as this was not explicitly stated in the 2016 Resolution.

A motion to amend the Corporate Resolution to allow the Executive Director to apply for grants was made Paul Brouha and seconded by Mike Metcalf. The motion was approved unanimously on a voice vote.

Guest Speaker – Mark Simakaski – Ellipsis, Inc.

David introduced Mark Simakaski, a beverage manufacturer that NVDA is working to assist financially through grants and loans. In 2022, NVDA sold a lot in the St. Johnsbury Industrial Park to Ellipsis, LLC, a beverage manufacturing business currently located in Groton, VT. Due to business growth, they would like to build a new 12,000+ sf bottling plant in the park that would create up to ten new jobs in the region. Mark spoke on the products they are currently bottling and the companies they work with in the state. He answered questions on the growth of the company. The Board expressed positive support for their efforts. NVDA will move forward to pursue VEDA financing and a state grant to support the project.

Approval of Barnet, Brownington, Lunenburg and Lowell Plan

David Snedeker presented to the Board the recommendation of the NVDA Town Plan Approval committee for the Barnet, Browning, Lunenburg and Lowell Town Plans.

A motion by Paul Brouha, seconded by Al Robertson, to grant regional approval of the Newport City Plan carried unanimously.

Public Hearing

A motion was made by Mike Metcalf, seconded by Al Roberston, to open a Public Hearing to confirm the municipal planning efforts of the Towns of Barnet, Brownington, Canaan, Granby, Lunenburg and Lowell.

David Snedeker explained that regional confirmation now only needs to occur twice within an eight-year period, whereas NVDA used to confirm eligible municipalities annually.

A motion by Paul Brouha, seconded by James Brown, to confirm the municipal planning efforts of Barnet, Brownington, Canaan, Granby, Lunenburg and Lowell carried unanimously.

Motion to close the public hearing by James Brown, seconded by Grant Spates, approved unanimously

Legislator Updates

None

Director's Updates

David gave a brief update on the Regional Plan. The Energy, Community Facilities, and Land Use sections will be in draft form for public comment near the end of April. Also, the Board was notified that the Twin States Clean Energy Project was pulled from consideration by National Grid and reasons were enumerated. NVDA and National Grid had signed an MOU for the project that would have provided local community and regional benefits. Lastly, it was noted that the Yellow Barn Business Accelerator Project construction is nearly 50% complete.

Any other Business

None

There being no further business, a motion by Grant Spates; seconded by Paul Brouha to adjourn the meeting carried unanimously.

President Fred Saar adjourned the meeting at 7:06 PM

Afterward, the Board was introduced to Casey Moulton, owner of the For Love of Food business that provided the excellent meal for the group.

Federal Compliance Audit

**Northeastern Vermont Development
Association**

June 30, 2023



Proven Expertise & Integrity

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

CONTENTS

JUNE 30, 2023

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13
STATEMENT B - STATEMENT OF ACTIVITIES	14 - 15
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	16
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT G - STATEMENT OF NET POSITION - FIDUCIARY FUNDS	20
STATEMENT H - STATEMENT OF CHANGES IN NET POSTION - FIDUCIARY FUNDS	21
NOTES TO FINANCIAL STATEMENTS	22 - 36
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	37
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	38

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	39
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	40
SCHEDULE B - SCHEDULE OF INDIRECT COSTS	41 - 45
<u>FEDERAL COMPLIANCE</u>	
FEDERAL COMPLIANCE DESCRIPTION	46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	47 - 48
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	49
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 <i>GOVERNMENT AUDITING STANDARDS</i>	50 - 51
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	52 - 55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	56 - 57



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023 and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

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, 2023 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northeastern Vermont Development Association's internal control. Accordingly, no such opinion is expressed.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Schedule of Indirect Costs and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of Northeastern Vermont Development Association's internal control over financial reporting and on 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 the effectiveness of the Northeastern Vermont Development Association's 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
January 19, 2024

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

(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, 2023. 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: All 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 Changes in 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 increased by \$257,302 from \$2,923,898 to \$3,181,200.

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 \$584,888 from \$1,127,042 to a balance of \$1,711,930 at the end of this year.

Table 1
Northeastern Vermont Development Association
Net Position
June 30,

	Governmental Activities	
	2023	2022
Assets		
Current Assets	\$ 2,513,834	\$ 1,916,564
Noncurrent Assets:		
Capital Assets	988,266	1,530,960
Other	545,106	588,503
Total Assets	<u>\$ 4,047,206</u>	<u>\$ 4,036,027</u>
Liabilities		
Current Liabilities	\$ 181,926	\$ 167,039
Noncurrent Liabilities	466,942	765,332
Total Liabilities	<u>\$ 648,868</u>	<u>\$ 932,371</u>
Deferred Inflows of Resources		
Unearned Revenue	<u>\$ 217,138</u>	<u>\$ 179,758</u>
Total Deferred Inflows of Resources	<u>\$ 217,138</u>	<u>\$ 179,758</u>
Net Position		
Net Investment in Capital Assets	\$ 556,842	\$ 779,665
Restricted	912,428	1,017,191
Unrestricted	1,711,930	1,127,042
Total Net Position	<u>\$ 3,181,200</u>	<u>\$ 2,923,898</u>

Revenues and Expenses

Revenues for the Association's governmental activities increased by 27.13%, while total expenses increased by 12.96%. All revenue categories saw increases with the exception of charges for services. The largest increase in expenses was in regional planning offset by a decrease in change in unallocated indirect costs.

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

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Operating grants and contracts	\$ 2,051,860	\$ 1,557,797
Charges for services	204,737	233,483
General revenues:		
Interest	21,066	9,057
Miscellaneous	83,462	56,917
Total revenues	<u>2,361,125</u>	<u>1,857,254</u>
Expenses		
Regional planning	1,367,406	1,020,459
Transportation	429,382	236,493
Regional development	394,160	463,541
Change in unallocated indirect costs	(105,635)	116,973
Interest on long-term debt	18,510	24,952
Total expenses	<u>2,103,823</u>	<u>1,862,418</u>
Change in Net Position	257,302	(5,164)
Net Position - July 1	<u>2,923,898</u>	<u>2,929,062</u>
Net Position - June 30	<u>\$ 3,181,200</u>	<u>\$ 2,923,898</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,

	<u>2023</u>	<u>2022</u>	<u>Increase / (Decrease)</u>
Major Fund:			
General Fund:			
Nonspendable	\$ 24,971	\$ 22,560	\$ 2,411
Restricted	912,428	1,017,191	(104,763)
Unassigned	<u>1,304,516</u>	<u>744,909</u>	<u>559,607</u>
Total General Fund	<u>\$ 2,241,915</u>	<u>\$ 1,784,660</u>	<u>\$ 457,255</u>

The changes to total fund balances for the general fund occurred due to the regular activity of operations.

Budgetary Highlights

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

The general fund revenues were receipted in excess of budgeted revenues by \$336,029. This was mainly a result of federal revenues coming in above budgeted amounts.

The general fund actual expenditures were in excess of budgeted amounts by \$80,907. This was due to all expenditure categories being expended in excess of budgeted amounts with the exception of regional development and change in unallocated indirect costs.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Association decreased by \$542,694 when compared to the prior year. This decrease was due to current year additions of \$43,511, less net disposals of \$518,429 and depreciation expense of \$67,776.

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

	Governmental Activities	
	2023	2022
Land	\$ 24,358	\$ 54,698
Land improvements	2,682	5,359
Buildings and improvements	909,947	1,443,029
Furniture and equipment	51,279	27,874
Total	\$ 988,266	\$ 1,530,960

Debt

At June 30, 2023, the Association had \$431,402 in notes from direct borrowings payable versus \$751,295 last year, a decrease of 42.58%. 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. NVDA serves the largest geographic area of any regional planning or development organization in Vermont, and 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 and Community Development (regional land use planning and economic development services); Vermont Agency of Transportation (transportation planning); Vermont Department of Emergency Management and Homeland Security (emergency management planning and coordination); Vermont Agency of Natural Resources (water quality planning); Vermont Department of Public Service (energy planning); Vermont Agency of Administration (municipal technical assistance program), Department of Buildings and General Services (municipal energy resilience program) 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 has approval to incrementally increase the per capital rate for municipal dues over the next five years to more accurately reflect the cost of services provided to its member communities.

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 12 Commission Grant funds; EDA Planning funds; EPA Brownfield 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. NVDA saw a funding increase in RPC funding for FY2023 as well as ARPA funding to provide technical assistance to municipalities for their ARPA funds, energy planning and implementation funding that is expected for a full three years ending in FY2024 and some other likely federal funds with the passage of the federal infrastructure bill(s).

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, 2023

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 603,273
Investments	758,418
Accounts receivable (net of allowance for uncollectibles):	
Other	100,324
Due from other governments	209,471
Prepaid items	24,971
Notes receivable, net of allowance of \$119,351	450,055
Industrial Park land for sale	367,322
Total current assets	2,513,834
Noncurrent assets:	
Restricted cash and cash equivalents	545,106
Capital assets:	
Nondepreciable assets	24,358
Buildings and equipment, net of accumulated depreciation	963,908
Total noncurrent assets	1,533,372
TOTAL ASSETS	\$ 4,047,206
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 135,832
Accrued expenses	8,174
Escrow and security deposits	5,826
Current portion of noncurrent liabilities	32,094
Total current liabilities	181,926
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes from direct borrowings payable, net of current portion	405,099
Accrued interest	9,923
Accrued compensated absences	51,920
Total noncurrent liabilities	466,942
TOTAL LIABILITIES	648,868
DEFERRED INFLOWS OF RESOURCES	
Unearned grant revenue	217,138
TOTAL DEFERRED INFLOWS OF RESOURCES	217,138
NET POSITION	
Net investment in capital assets	556,842
Restricted	912,428
Unrestricted	1,711,930
TOTAL NET POSITION	3,181,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,047,206

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Contracts and Contributions	Total Governmental Activities
Governmental activities				
Regional planning	\$ 1,367,406	\$ -	\$ 2,051,860	\$ 684,454
Transportation	429,382	-	-	(429,382)
Regional development	394,160	204,737	-	(189,423)
Change in unallocated indirect costs	(105,635)	-	-	105,635
Interest on long-term debt	18,510	-	-	(18,510)
Total governmental activities	<u>\$ 2,103,823</u>	<u>\$ 204,737</u>	<u>\$ 2,051,860</u>	<u>152,774</u>

STATEMENT B (CONTINUED)
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>152,774</u>
General revenue:	
Interest	21,066
Miscellaneous	<u>83,462</u>
Total general revenue	<u>104,528</u>
Change in net position	257,302
NET POSITION - JULY 1	<u>2,923,898</u>
NET POSITION - JUNE 30	<u><u>\$ 3,181,200</u></u>

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

STATEMENT C

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 603,273
Investments	758,418
Accounts receivable (net of allowance for doubtful accounts):	
Other	100,324
Due from other governments	209,471
Notes receivable, net of allowance of \$119,531	450,055
Prepaid items	24,971
Industrial Park land for sale	367,322
Restricted cash and cash equivalents	545,106
TOTAL ASSETS	\$ 3,058,940
LIABILITIES	
Accounts payable	\$ 135,832
Accrued expenses	8,174
Escrow and security deposits	5,826
TOTAL LIABILITIES	149,832
DEFERRED INFLOWS OF RESOURCES	
Unearned grant revenue	217,138
Deferred notes receivable	450,055
TOTAL DEFERRED INFLOWS OF RESOURCES	667,193
FUND BALANCES	
Nonspendable	24,971
Restricted	912,428
Committed	-
Assigned	-
Unassigned	1,304,516
TOTAL FUND BALANCES	2,241,915
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,058,940

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

STATEMENT D

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,241,915
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	988,266
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred notes receivable	450,055
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(9,923)
Notes from direct borrowings payable	(431,424)
Accrued compensated absences	<u>(57,689)</u>
Net position of governmental activities	<u>\$ 3,181,200</u>

See accompanying independent auditor's 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, 2023

	General Fund
REVENUES	
Federal revenue	\$ 1,050,853
State revenue	823,647
Municipal/private funded contracts	127,964
Town appropriations	49,396
Rental income	204,737
Interest earned - banks	16,778
Interest earned - loan programs	4,288
Notes receivable collected	61,739
Other revenue	601,891
TOTAL REVENUES	<u>2,941,293</u>
EXPENDITURES	
Current:	
Regional planning	1,339,928
Transportation	429,382
Regional development	337,381
Change in unallocated indirect costs	(105,635)
Notes receivable issued	100,000
Capital outlay	43,511
Debt service:	
Principal	319,871
Interest	19,600
TOTAL EXPENDITURES	<u>2,484,038</u>
NET CHANGE IN FUND BALANCE	457,255
FUND BALANCE - JULY 1	<u>1,784,660</u>
FUND BALANCE - JUNE 30	<u><u>\$ 2,241,915</u></u>

See accompanying independent auditor's 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, 2023

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 457,255</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	43,511
Capital asset disposals	(518,429)
Depreciation expense	<u>(67,776)</u>
	<u>(542,694)</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>30,090</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>319,871</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	1,090
Accrued compensated absences	<u>(8,310)</u>
	<u>(7,220)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 257,302</u></u>

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

STATEMENT G

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Fund
	St. Johnsbury/Lyndon Industrial Park Board Fund
ASSETS	
Cash and cash equivalents	\$ 683,091
TOTAL ASSETS	\$ 683,091
LIABILITIES	
Accounts payable	\$ -
TOTAL LIABILITIES	-
NET POSITION	
Restricted	683,091
TOTAL NET POSITION	683,091
TOTAL LIABILITIES AND NET POSITION	\$ 683,091

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Fund</u> <u>St. Johnsbury/Lyndon</u> <u>Industrial Park</u> <u>Board Fund</u>
ADDITIONS	
Intergovernmental	\$ 1,208,237
Interest income	4,560
Total additions	<u>\$ 1,212,797</u>
DEDUCTIONS	
Withdrawals	<u>\$ 1,122,620</u>
Total deductions	<u>1,122,620</u>
Change in net position	90,177
NET POSITION, JULY 1	<u>592,914</u>
NET POSITION, JUNE 30	<u>\$ 683,091</u>

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and regional development, etc.) except for fiduciary activities. The functions are also supported by general government revenues (certain intergovernmental revenues, charges for services, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (certain intergovernmental revenues and charges for services, etc.).

The 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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the 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.

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or custodial 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 (custodial). 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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

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

2. Modified Accrual

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

Budget

The 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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$309,795 for the year ended June 30, 2023. The allowance for uncollectible accounts for notes receivable is estimated to be \$119,531 as of June 30, 2023. Notes receivable netted with allowances for uncollectible accounts were \$450,055 for the year ended June 30, 2023.

Prepaid Items

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

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. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Land improvements	10-50 years
Buildings and improvements	10-50 years
Machinery and equipment	5-20 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 statement 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).

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.

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 by NVDA's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

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 committed funds, then assigned funds and finally unassigned funds, as needed, unless the Association meeting vote has provided otherwise in its commitment or assignment actions.

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.

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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 that were exposed to custodial credit risk.

At June 30, 2023, the Association's cash balances of \$1,831,470 were comprised of bank deposits amounting to \$1,836,995. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Association's cash balance. Of these bank deposits, \$1,194,964 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining deposits of \$642,031 were collateralized by a letter of credit in the Association's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 623,345
Savings accounts	51
ICS accounts	464,833
Money market accounts	748,766
	<u>\$ 1,836,995</u>

Investments:

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

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. Certificates of deposit held with local financial institutions for \$758,418 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2023, the Association's investments of \$758,418 in certificates of deposit were insured for \$250,000 by federal depository insurance and consequently was not exposed to custodial credit risk. The remainder of \$508,418 was collateralized by a letter of credit in the amount in the Association's name.

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.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance 7/1/22	Additions	Disposals	Balance 6/30/23
<u>Governmental activities</u>				
Capital assets not depreciated:				
Land	\$ 54,698	\$ -	\$ (30,340)	\$ 24,358
Depreciated assets:				
Land improvements	64,150	-	-	64,150
Buildings and improvements	2,654,872	-	(1,180,762)	1,474,110
Furniture and equipment	261,971	43,511	-	305,482
	<u>2,980,993</u>	<u>43,511</u>	<u>(1,180,762)</u>	<u>1,843,742</u>
Less: accumulated depreciation:				
Land improvements	(58,791)	(2,677)	-	(61,468)
Buildings and improvements	(1,211,843)	(44,993)	692,673	(564,163)
Furniture and equipment	(234,097)	(20,106)	-	(254,203)
	<u>(1,504,731)</u>	<u>(67,776)</u>	<u>692,673</u>	<u>(879,834)</u>
Net depreciated assets	<u>1,476,262</u>	<u>(24,265)</u>	<u>(488,089)</u>	<u>963,908</u>
Net capital assets	<u>\$ 1,530,960</u>	<u>\$ (24,265)</u>	<u>\$ (518,429)</u>	<u>\$ 988,266</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - LONG-TERM DEBT

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

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Current Portion
<u>Governmental activities:</u>					
Notes from direct borrowings payable	\$ 751,295	\$ -	\$ (319,871)	\$ 431,424	\$ 26,325

The following is a summary of notes from direct borrowings payable outstanding as of June 30, 2023:

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, 2027. \$ 106,455

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% per annum, due in November of 2032. 324,969

\$ 431,424

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

	Principal	Interest	Total Debt Service
2024	\$ 26,325	\$ 15,040	\$ 41,365
2025	27,543	13,822	41,365
2026	28,817	12,548	41,365
2027	30,149	11,216	41,365
2028	137,999	9,821	147,820
2029-2033	180,591	25,825	206,416
	<u>\$ 431,424</u>	<u>\$ 88,272</u>	<u>\$ 519,696</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - LONG-TERM DEBT (CONTINUED)

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, 2023:

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 49,379	\$ 8,310	\$ -	\$ 57,689	\$ 5,769

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 a long-term obligation in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2023, the Association's liability for compensated absences is \$57,689.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Association at June 30, 2023:

Invested in capital assets	\$ 1,868,100
Accumulated depreciation	(879,834)
Outstanding capital related debt	(431,424)
	<u>\$ 556,842</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - RESTRICTED NET POSITION AND RESTRICTED FUND BALANCES

At June 30, 2023, the Association had the following restricted net position and restricted fund balances which are made up of the following account balances carried forward into the subsequent year's budget:

General fund:	
Land held for sale	\$ 367,322
Regional development - restricted cash	545,106
	<u>\$ 912,428</u>

NOTE 9 - NONSPENDABLE FUND BALANCE

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

Prepaid items	<u>\$ 24,971</u>
---------------	------------------

NOTE 10 - 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, 2023 were \$32,546 on covered payroll of \$361,622.

NOTE 11 - IRREVOCABLE STANDBY LETTER OF CREDIT

At June 30, 2023, the Association has two third-party deposit pledge and agency agreements issued by the Federal Home Loan Bank of Pittsburgh serving as collateral for its deposits held at TD Bank. These pledges, which expire at the close of business on September 6, 2023, authorize securities to be held up to the total amount of \$1,900,000. There were no draws for the year ended June 30, 2023.

NOTE 12 - 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.

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - RISK MANAGEMENT (CONTINUED)

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, 2023. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 13 - 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.

NOTE 14 - OPERATING LEASES

The Association entered into a postage meter lease agreement with Pitney Bowes. Quarterly installments of \$110 are to be made through October 2024.

Required Supplementary Information

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

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Resources (Inflows):				
Federal revenue	\$ 790,663	790,663	\$ 1,050,853	\$ 260,190
State revenue	763,660	763,660	823,647	59,987
Municipal/private funded contracts	120,308	120,308	127,964	7,656
Town appropriations	49,842	49,842	49,396	(446)
Rental income	253,507	253,507	204,737	(48,770)
Interest earned - banks	4,104	4,104	16,778	12,674
Interest earned - loan programs	20,924	20,924	4,288	(16,636)
Assignment to NCDO RLF	-	-	16,636	16,636
Other revenue	22,088	22,088	66,826	44,738
Amounts Available for Appropriation	<u>2,025,096</u>	<u>2,025,096</u>	<u>2,361,125</u>	<u>336,029</u>
Charges to Appropriations (Outflows):				
Current:				
Regional planning	1,185,110	1,185,110	1,367,406	(182,296)
Transportation	344,658	344,658	429,382	(84,724)
Regional development	495,328	495,328	414,850	80,478
Change in unallocated indirect costs	-	-	(105,635)	105,635
Total Charges to Appropriations	<u>2,025,096</u>	<u>2,025,096</u>	<u>2,106,003</u>	<u>(80,907)</u>
Excess of Revenues Over (Under)				
Appropriations	<u>\$ -</u>	<u>\$ -</u>	255,122	<u>\$ 255,122</u>
Reconciliation to Statement E				
Notes receivable collected			61,739	
Notes receivable issued			(100,000)	
Change in allowance for bad debt			8,171	
Change in accrued compensated absences			8,310	
Change in accrued interest payable			1,090	
Remove depreciation			67,776	
Add capital outlays			(43,511)	
Remove capital deletions			518,429	
Add debt principal			<u>(319,871)</u>	
Net Change in Fund Balance			<u>\$ 457,255</u>	

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

Other Supplementary Information

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

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

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Expenditures			
Regional planning:			
Salaries	\$ 233,742	\$ 282,205	\$ (48,463)
Fringe benefits	109,966	142,379	(32,413)
Advertising/promotion	1,550	1,754	(204)
Consultants	274,279	576,872	(302,593)
Depreciation	14,887	19,168	(4,281)
Legal and professional	1,500	1,180	320
Office	9,938	22,171	(12,233)
Training	3,000	156	2,844
Travel	9,961	5,651	4,310
Indirect costs	221,122	243,635	(22,513)
Furniture, fixtures and equipment	-	(25,757)	25,757
Miscellaneous	1,300	10,186	(8,886)
Grant pass through	208,250	87,806	120,444
To/from reserves	95,615	-	95,615
Total regional planning	<u>1,185,110</u>	<u>1,367,406</u>	<u>(182,296)</u>
Transportation:			
Salaries	115,951	140,448	(24,497)
Fringe benefits	54,547	70,858	(16,311)
Advertising/promotion	400	-	400
Consultants	57,000	51,050	5,950
Office	5,400	4,165	1,235
Travel	1,671	5,553	(3,882)
Training	-	540	(540)
Furniture, fixtures and equipment	-	35,515	(35,515)
Indirect costs	109,689	121,253	(11,564)
Total transportation	<u>344,658</u>	<u>429,382</u>	<u>(84,724)</u>
Regional development:			
Salaries	63,763	65,029	(1,266)
Fringe benefits	29,999	32,802	(2,803)
Advertising/promotion	500	709	(209)
Consultants	9,700	38,443	(28,743)
Grant pass through	45,000	-	45,000
Bad debt	8,255	8,171	84
Depreciation	56,662	48,608	8,054
Insurance	4,240	2,907	1,333
Interest	23,954	20,690	3,264
Legal and professional	2,200	2,175	25
Maintenance	54,950	38,233	16,717
Office	4,355	6,833	(2,478)
Real estate taxes	48,300	39,108	9,192
Travel	936	1,274	(338)
Utilities	64,418	53,590	10,828
Indirect costs	60,321	56,141	4,180
Miscellaneous	150	137	13
To/from reserves	17,625	-	17,625
Total regional development	<u>495,328</u>	<u>414,850</u>	<u>80,478</u>
Change in unallocated indirect costs	-	(105,635)	105,635
Total Departmental Operations	<u>\$ 2,025,096</u>	<u>\$ 2,106,003</u>	<u>\$ (80,907)</u>

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

SCHEDULE B

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS
JUNE 30, 2023

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 2025. The accounting system produced the following actual results for fiscal year 2023.

SCHEDULE B (CONTINUED)
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS
JUNE 30, 2023

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 FY2023 was 16.53%. Actual leave costs for the year ended June 30, 2023 are shown below:

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 11	Totals
Annual Leave	\$ 29,947	\$ -	\$ -	\$ 2,191	\$ -	\$ -	\$ 10,138	\$ -	\$ 42,276
Comp Used	1,113	195	-	-	-	-	3,951	-	5,259
Funeral Leave	-	-	-	-	-	-	645	-	645
Holiday Leave	19,954	545	-	1,750	855	100	8,102	660	31,966
Sick Leave	9,461	339	-	245	-	-	4,095	-	14,140
Total Leave Costs	60,475	1,079	-	4,186	855	100	26,931	660	94,286
Regular Time Salaries	351,555	14,408	3,400	30,354	5,310	2,359	115,536	14,463	537,385
Comp Earned	3,233	198	-	84	-	-	6,062	-	9,577
	354,788	14,606	3,400	30,438	5,310	2,359	121,598	14,463	546,962
Total Salaries & Leave	\$ 415,263	\$ 15,685	\$ 3,400	\$ 34,624	\$ 6,165	\$ 2,459	\$ 148,529	\$ 15,123	\$ 641,248
Compute Leave Pool									
Leave Taken Charges	\$ 60,474	\$ 1,079	\$ -	\$ 4,186	\$ 855	\$ 100	\$ 26,930	\$ 660	\$ 94,284
Less: Comp Used	(1,113)	(195)	-	-	-	-	(3,951)	-	(5,259)
Plus: AL Accrued									
Current Liability	30,049	423	-	1,464	-	-	14,506	1,305	47,747
Less: Opening Liability	29,859	-	-	458	84	515	13,238	-	44,154
AL Liability Change	190	423	-	1,006	(84)	(515)	1,268	1,305	3,593
Total Leave Costs	\$ 59,551	\$ 1,307	\$ -	\$ 5,192	\$ 771	\$ (415)	\$ 24,247	\$ 1,965	\$ 92,618
Total Leave Cost	\$ 59,551	\$ 1,307	\$ -	\$ 5,192	\$ 771	\$ (415)	\$ 24,247	\$ 1,965	\$ 92,618
Total Base	354,788	14,606	3,400	30,438	5,310	2,359	121,598	14,463	\$ 546,962
Total Leave Rate	16.78%	8.95%	0.00%	17.06%	14.52%	-17.59%	19.94%	13.59%	16.93%
Fixed Leave Rate	16.53%	16.53%	0.00%	16.53%	16.53%	16.53%	16.53%	16.53%	16.53%
Leave Allocated	58,647	2,414	-	5,031	878	390	20,100	2,391	89,851
Under(Over) Cost	904	(1,107)	-	161	(107)	(805)	4,147	(426)	2,767
Accrued Comp at 06/30/23									6,289
Less Accrued Comp at 06/30/22									(1,847)
Comp Used									5,259
Comp Earned									(9,577)
Additional Adjustment									460
Total Under(Over) Cost									\$ 3,351

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, \$94,284.58 was charged among all programs operated during the fiscal year. The underage of \$3,351.11 will be carried forward as an adjustment to the fringe benefit rate computation in the Cost Allocation Plan for fiscal year 2025.

SCHEDULE B (CONTINUED)

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS
JUNE 30, 2023

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 FY2023 was 50.17%. The fringe eligibility matrix and actual fringe benefit costs for the year ended June 30, 2023, are shown below:

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 11	
Addt Salary and Fringe	Y	Y	Y	Y	Y	Y	Y	Y	
FICA and Medicare	Y	Y	Y	Y	Y	Y	Y	Y	
Unemployment	Y	Y	Y	Y	Y	Y	Y	Y	
WC Admin Fee	Y	Y	Y	Y	Y	Y	Y	Y	
Health Insurance	Y	Y	N	Y	Y	N	Y	Y	
SEP IRA	Y	N	N	Y	N	Y	Y	N	
Dental Insurance	Y	Y	N	Y	Y	N	Y	Y	
Vision Insurance	Y	Y	N	Y	Y	N	Y	Y	
									Totals
FICA and Medicare	\$31,574	\$1,300	\$260	\$2,709	\$473	\$210	\$10,821	\$1,287	\$48,634
Unemployment	670	28	6	57	10	4	230	27	1,032
WC Admin Fee	241	10	2	21	4	2	83	10	373
Health Insurance	110,932	4,567	-	9,517	1,660	-	38,020	-	164,696
SEP IRA	37,283	-	-	3,199	-	248	12,778	1,520	55,028
Dental Insurance	2,738	113	-	235	41	-	938	-	4,065
Vision Insurance	983	40	-	84	15	-	337	-	1,459
Adjustment - FY2021	<u>14,149</u>	<u>582</u>	<u>116</u>	<u>1,214</u>	<u>212</u>	<u>94</u>	<u>4,849</u>	<u>577</u>	<u>21,793</u>
Class Totals	198,570	6,640	384	17,036	2,415	558	68,056	3,421	297,080
Total Base	413,435	17,020	3,400	35,469	6,188	2,748	141,698	16,854	636,812
Actual Rate	48.03%	39.01%	11.29%	48.03%	39.03%	20.31%	48.03%	20.30%	46.65%
Fixed Rate	50.17%	50.17%	50.17%	50.17%	50.17%	50.17%	50.17%	50.17%	50.17%
Amount Applied	<u>207,420</u>	<u>8,539</u>	<u>1,706</u>	<u>17,795</u>	<u>3,105</u>	<u>1,379</u>	<u>71,090</u>	<u>8,456</u>	<u>319,490</u>
Under(Over) Cost	\$ (8,850)	\$ (1,899)	\$ (1,322)	\$ (759)	\$ (690)	\$ (821)	\$ (3,034)	\$ (5,035)	\$ (22,410)

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, \$297,078.65 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 \$22,410.23 will be carried forward as an adjustment to the fringe benefit rate computation in the Cost Allocation Plan for fiscal year 2025.

SCHEDULE B (CONTINUED)
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS
JUNE 30, 2023

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 FY2023 was 57.49%.

DESCRIPTION	INDIRECT	INDIRECT COST DESCRIPTION
EXECUTIVE DIRECTOR	\$ 7,181	
BUSINESS MANAGER	36,975	
OFFICE MANAGER	41,184	
SENIOR PLANNER	178	
SENIOR PLANNER	1,379	
PROJECT MANAGER	18,392	
GIS SPECIALIST	12,675	
ECONOMIC DEVELOPMENT SPECIALIST	93	
BOOKKEEPER	9,918	
TOTAL SALARIES	127,975	CENTRAL SUPPORT FUNCTIONS
LEAVE COSTS	21,154	CENTRAL SUPPORT FUNCTIONS
FRINGE BENEFITS	74,819	CENTRAL SUPPORT FUNCTIONS
FRINGE-WORKERS COMP	250	CENTRAL SUPPORT FUNCTIONS
ACCOUNTING/AUDIT	20,925	ALL PROGRAMS
BANK SERVICE CHARGE	240	ALL PROGRAMS
COMPUTER EXPENSE	17,100	ALL PROGRAMS
COPIER EXPENSE	1,894	ALL PROGRAMS
DEPRECIATION EXPENSE	854	CENTRAL FUNCTIONS
DUES/PUBLICATIONS/SUBSCRIPTIONS	3,310	ORGANIZATIONAL DUES/PUB/SUB
FF&E	5,764	ALL PROGRAMS
INSURANCE	5,281	ALL PROGRAMS
LEGAL FEES	115	ALL PROGRAMS
LICENSE/PERMITS	1,605	ALL PROGRAMS
MAINTENANCE CONTRACTS	5,696	CENTRAL SUPPORT FUNCTIONS
MEETING EXPENSE	2,242	CENTRAL FUNCTIONS
OFFICE RENTAL	47,280	ALL PROGRAMS
OFFICE SUPPLIES	3,272	ALL PROGRAMS
POSTAGE EXPENSE	1,765	ALL PROGRAMS
PRINTING	475	ALL PROGRAMS
RUBBISH REMOVAL	264	ALL PROGRAMS
TELEPHONE EXPENSE	11,240	ALL PROGRAMS
TRAINING/SEMINARS	428	CENTRAL SUPPORT FUNCTIONS
TRAVEL EXPENSE	118	CENTRAL SUPPORT FUNCTIONS
PRIOR YEAR UNRECOVERED OVERHEAD COSTS	399	
TOTALS	\$ 354,465	

COMPUTATION OF INDIRECT COST RATE

Indirect Cost Pool	\$ 354,465
Base for Distribution*	732,352
Year to Date Indirect Cost Rate	48.40%
Fixed Indirect Cost Rate	57.49%
Fixed Indirect Costs applied	421,029
Under(Over) applied	(\$ 66,564)

SCHEDULE B (CONTINUED)
NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF INDIRECT COSTS
JUNE 30, 2023

*Description of base for distribution - Base is comprised of Regular Time Salaries, Comp Earned, Leave Allocated and Fringe Benefits less Indirect (Salaries, Leave and Fringe Benefits) [+537,384+9,578+89,851+319,489-127,976-21,154-74,849]
Any difference caused by rounding.

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 Association'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 \$421,029.44 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 \$66,564.91 will be carried forward as an adjustment to the indirect rate computation in the Cost Allocation Plan for fiscal year 2025.

Financial Reporting - The total overage of \$19,059.12 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 2025 and is shown as the change in the unallocated leave, salary & fringe costs on Schedule A. The total overage of \$66,564.91 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 2025 and is shown as the change in the unallocated indirect costs on Schedule A.

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

Federal Compliance

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

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

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

Federal Grantor Pass-through Grantor Program Title	AL Number	Pass-Through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:				
Direct program:				
Rural Business Development Grant	10.351	Broadband #2	\$ 45,687	\$ -
Rural Business Development Grant	10.351	Broadband #2	88,575	-
			<u>134,262</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>134,262</u>	<u>-</u>
U.S. DEPARTMENT OF COMMERCE:				
Direct program:				
Economic Development - Support for Planning Organizations	11.302	N/A	<u>21,000</u>	<u>-</u>
Total U.S. Department of Commerce			<u>21,000</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through the State of Vermont Agency of Transportation:				
Highway Planning and Construction	20.205	1494	25,126	-
Highway Planning and Construction	20.205	1662	121,446	-
Highway Planning and Construction	20.205	1756	222,061	-
			<u>368,633</u>	<u>-</u>
Total U.S. Department of Transportation			<u>368,633</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct program:				
Water Quality Management Planning	66.454	2022-604B-01	<u>3,636</u>	<u>-</u>
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	BF-00A01042-0	<u>273,957</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>277,593</u>	<u>-</u>
NORTHERN BORDER REGIONAL COMMISSION				
Direct program:				
Northern Border Regional Development	90.601	NBRC19GVT04	95,194	-
Passed through the Agency of Commerce and Community Development:				
Northern Border Regional Development	90.601	07120-22-08	<u>10,000</u>	<u>-</u>
Total Northern Border Regional Commission			<u>105,194</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program:				
Environmental Public Health and Emergency Response	93.070	N/A	<u>16,625</u>	<u>-</u>
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	N/A	<u>13,995</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>30,620</u>	<u>-</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

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

Federal Grantor Pass-through Grantor Program Title	AL Number	Pass-Through Grantor Number	Federal Expenditures	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the Vermont Department of Public Safety:				
Hazard Mitigation Grant Program	97.039	02140-34000-061	1,847	-
Hazard Mitigation Grant Program	97.039	02140-34000-106F	33,906	-
Hazard Mitigation Grant Program	97.039	02140-34000MC-106F	214	-
			<u>35,967</u>	<u>-</u>
Emergency Management Performance Grant	97.042	02140-30139C-008	62,713	-
Emergency Management Performance Grant	97.042	02140-31030C-008	14,870	-
			<u>77,583</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>113,550</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,050,852</u>	<u>\$ -</u>

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Northeastern Vermont Development Association under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Northeastern Vermont Development Association, it is not intended to and does not present the financial position, changes in net position or cash flows of the Northeastern Vermont Development Association.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Northeastern Vermont Development Association has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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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 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, 2023 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 January 19, 2024.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*. We noted certain other matters that we reported to management of Northeastern Vermont Development Association in a separate letter dated January 19, 2024.

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
January 19, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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

Qualified Opinion on Highway Planning and Construction (20.205)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Northeastern Vermont Development Associations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Highway Planning and Construction (20.205) for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Northeastern Vermont Development Associations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit

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requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

We are required to be independent of Northeastern Vermont Development Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northeastern Vermont Development Association's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Highway Planning and Construction (20.205)

As described in the accompanying schedule of findings and questioned costs, Northeastern Vermont Development Association did not comply with requirements regarding Highway Planning and Construction (20.205) as described in finding number 2023-001 for Procurement, Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for Northeastern Vermont Development Association to comply with the requirements applicable to that program.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northeastern Vermont Development Association's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northeastern Vermont Development Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the

judgment made by a reasonable user of the report on compliance about Northeastern Vermont Development Association's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northeastern Vermont Development Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northeastern Vermont Development Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Northeastern Vermont Development Association's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2023-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on Northeastern Vermont Development Association's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Northeastern Vermont Development Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 19, 2024

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
66.818	Brownfield Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

NORTHEASTERN VERMONT DEVELOPMENT ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2023

Section III - Findings and Questioned Costs for Federal Awards

MATERIAL WEAKNESSES

2023-01 - Procurement, Suspension and Debarment

Federal Program Information:

U. S. Department of Transportation

Passed through the State of Vermont Agency of Transportation:

ALN - 20.205 - Highway Planning and Construction

Criteria: The following CFR(s) apply to this finding: 2 CFR 200.318 to 327 and 2 CFR 180.300.

Condition: During audit procedures, it was identified that the Northeastern Vermont Development Association did not include some of the required contract provisions as specified in the criteria above for two contracts.

Cause: The Association does not have the necessary internal controls to ensure compliance with the Uniform Guidance.

Effect: Procurement contracts were not executed in compliance with the criteria above.

Identification of Questioned Costs: None identified.

Context: Three procurement contracts were reviewed out of a population of three. It was determined that one of the contracts reviewed did not include any of the required contract provisions and one contract did not include the contract provision for suspension and debarment. The two contracts lacking the suspension and debarment contract provision also did not include either the SAM exclusion check or a suspension and debarment certification from the vendor. This was a not a statistically valid sample.

Repeat Finding: This is not a repeat finding.

Recommendation: It is recommended that the Northeastern Vermont Development Association update its procurement policy and implement internal control processes and procedures to ensure that they are following both the criteria above.

Views of Responsible Officials and Corrective Action Plan: Client agrees with the finding. Please see the Corrective Action Plan issued by the Northeastern Vermont Development Association.



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January 19, 2024

Board of Directors
Northern Vermont Development Association
36 Eastern Avenue
St. Johnsbury, Vermont 05819

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Northeastern Vermont Development Association as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Association's internal control over financial reporting or compliance.

Management is responsible for the selection and use of appropriate accounting policies and procedures. The significant accounting policies and procedures practiced by the Association are described in Note 1 of Notes to Financial Statements. In performing our test work and other auditing procedures, we noted no transactions of the Association for the above-mentioned year end audited, for which there was a lack of authoritative guidance or consensus or deviation from best practice.

This report is intended solely for the information and use of the Board of Directors, management and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2023 where we expressed an unmodified opinion on our independent auditor's report dated January 19, 2024.

We would like to thank Judy and the rest of the staff at Northeastern Vermont Development Association for their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

RHR Smith & Company

RHR Smith & Company, CPAs

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Proven Expertise & Integrity

January 19, 2024

Board of Directors
Northeastern Vermont Development Association
P.O. Box 630
St. Johnsbury, Vermont 05819-0630

We have audited the financial statements of the governmental activities and each major fund of the Northeastern Vermont Development Association for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 7, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Northeastern Vermont Development Association are described in Note 1 of Notes to Financial Statements. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of Notes to Financial Statements, the Northeastern Vermont Development Association changed accounting policies related to Governmental Accounting Standards Board (GASB Statement) No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", No. 96, "*Subscription-Based Information Technology Arrangements*" and No. 99, "*Omnibus 2022*" in 2023. There was no impact in the financial statements based on the cumulative effect of these accounting changes.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities and each major fund of the Northeastern Vermont Development Association's financial statements were:

- Allowance for uncollectible accounts
- Depreciation expense which is based on the estimated useful lives of capital assets
- Accrued compensated absences

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of both historical and future events. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are reflected in the capital assets and other long-term obligations footnotes.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. A schedule of any uncorrected misstatements has been presented to management with the management representation letter. We did not identify or propose any adjustments of misstatements as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Northeastern Vermont Development Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Northeastern Vermont Development Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

However, we noted certain other matters that we reported to management of the Northeastern Vermont Development Association in a separate letter dated January 19, 2024.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Departmental Operations - General Fund, Schedule of Indirect Costs and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Northeastern Vermont Development Association and is not intended to be and should not be, used by anyone other than these specified parties.

Very Best,

A handwritten signature in black ink that reads "RHR Smith & Company". The signature is written in a cursive, flowing style.

RHR Smith & Company, CPAs