

Vermont Center for Geographic Information, Inc.

Audited Financial Statements,
Other Financial Information and
OMB Circular A-133 Supplemental Reports

*Years ended June 30, 2014 and 2013
with Report of Independent Auditors*

Vermont Center for Geographic Information, Inc.

Audited Financial Statements

Years ended June 30, 2014 and 2013

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Report of Independent Auditors

Board of Directors
Vermont Center for Geographic Information, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Vermont Center for Geographic Information, Inc. (VCGI) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Center for Geographic Information, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the 2013-2014 Legislative Session, the Vermont House of Representatives and Senate passed Bill H.885 which was signed into law as Act 179 by Governor Shumlin of Vermont on June 9, 2014. Under the terms of Act 179, VCGI will become a division within the Vermont Agency of Commerce and Community Development (ACCD), and will become the Vermont Center for Geographic Information (the Center) within ACCD. Act 179, as enacted, calls for this transition into ACCD to be effective July 1, 2014. As a result of the move into state government, the Center will no longer be a non-profit entity after March 30, 2015. On July 2, 2014 the Vermont General Assembly provided a Statement of Legislative Intent that clarified some of the language in Act 179 and enabled all the parties involved to implement an orderly transition of resources, personnel and existing contractual obligations to ACCD by the March 30, 2015 end date. Management does not believe that any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of this transition. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Revenues and Expenses, Schedule of Overhead Calculation and Schedule of Overhead Adjustment References are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Reporting on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014 on our consideration of VCGI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Johnson Lambert LLP".

Burlington, Vermont
August 18, 2014
Firm registration: 092-0000267

Vermont Center for Geographic Information, Inc.

Statements of Financial Position

	June 30,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents - undesignated	\$ 150,863	\$ 192,522
Cash and cash equivalents - designated for capital reserve	30,000	30,000
Certificate of deposit	-	175,000
Accounts receivable	16,757	29,907
Unbilled receivables	18,074	15,157
Prepaid expenses	11,825	10,088
Total current assets	227,519	452,674
Property and equipment, net of accumulated depreciation	20,969	33,689
Total assets	<u>\$ 248,488</u>	<u>\$ 486,363</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 1,437	\$ 89,088
Accrued vacation	10,796	11,045
Accrued wages	16,761	16,902
Accrued expenses	21,684	17,987
Funds held - VT Orthophoto Buy-Up Program	379	78,684
Total current liabilities	51,057	213,706
Net assets:		
Unrestricted - Board-designated for capital reserve	30,000	30,000
Unrestricted - Undesignated	167,431	242,657
Total net assets	197,431	272,657
Total liabilities and net assets	<u>\$ 248,488</u>	<u>\$ 486,363</u>

See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Statements of Activities

	Years ended June 30,	
	2014	2013
Revenue		
State of Vermont grant	\$ 378,700	\$ 378,700
Project income	796,984	719,498
Imagery program income	4,515	5,085
Interest and miscellaneous income	3,525	7,748
GIS exposition income	725	-
Total revenue	1,184,449	1,111,031
Expenses		
Direct costs:		
Direct labor	259,501	272,143
Payroll taxes and employee benefits	111,843	108,806
Subcontract costs	529,163	306,661
Costs of projects and reproductions	23,176	44,269
Cost of imagery program	7,173	3,014
Cost of outreach program	12,063	13,051
Total direct costs	942,919	747,944
Operating expenses:		
Indirect salaries and wages	121,563	110,203
Payroll taxes and employee benefits	52,366	45,476
Rent	31,404	30,789
Computer support and maintenance	11,976	14,799
Office expense	10,646	13,970
Loss on disposal of fixed assets	-	2,913
Professional fees	55,559	60,279
Depreciation	17,756	16,308
Travel and training	5,583	8,566
Insurance	4,166	3,945
Telephone	3,367	3,485
Utility expense	1,963	1,842
Miscellaneous	407	1,306
Total operating expenses	316,756	313,881
Total expenses	1,259,675	1,061,825
Change in unrestricted net assets	(75,226)	49,206
Net assets, beginning of year	272,657	223,451
Net assets, end of year	\$ 197,431	\$ 272,657

See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Statements of Cash Flows

	Years ended June 30,	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (75,226)	\$ 49,206
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	17,756	16,308
Loss on disposal of fixed assets	-	2,913
Changes in operating assets and liabilities:		
Accounts receivable	13,150	9,781
Unbilled receivables	(2,917)	35,402
Prepaid expenses	(1,737)	685
Accounts payable	(87,651)	88,065
Accrued vacation	(249)	(3,185)
Accrued wages	(141)	3,854
Accrued expenses	3,697	(34,003)
Deferred project income	-	(273)
Funds held - VT Orthophoto Buy-Up Program	(78,305)	78,684
Net cash (used in) provided by operating activities	(211,623)	247,437
Cash flows from investing activities		
Purchase of property and equipment	(5,036)	(11,537)
Proceeds from maturity of certificate of deposit	175,000	-
Purchase of certificate of deposit	-	(175,000)
Net cash provided by (used in) investing activities	169,964	(186,537)
Change in cash and cash equivalents	(41,659)	60,900
Cash and cash equivalents, beginning of year	222,522	161,622
Cash and cash equivalents, end of year	<u>\$ 180,863</u>	<u>\$ 222,522</u>

See accompanying notes to the financial statements.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements

Years ended June 30, 2014 and 2013

Note A - Organization and Significant Accounting Policies

Organization

The Vermont Center for Geographic Information, Inc. (VCGI or the Company) is a Vermont non-profit corporation established as an instrumentality of the State of Vermont. VCGI commenced operations on July 1, 1992, and is the successor agency to the Vermont Office of Geographic Information Services. VCGI is organized to construct and maintain public statewide geographic information databases, provide geographic information services to state and local governments, planning commissions and private citizens; and to support geographic information education. VCGI is supported primarily through a Special Fund allocation from the State of Vermont, federal grant funding for the State Broadband Data and Development (SBDD) program, and fees for services provided to private and public organizations.

During the 2013-2014 Legislative Session, the Vermont House of Representatives and Senate passed Bill H.885 which was signed into law as Act 179 by Governor Shumlin of Vermont on June 9, 2014. Under the terms of Act 179, VCGI will become a division within the Vermont Agency of Commerce and Community Development (ACCD), and will become the Vermont Center for Geographic Information (the Center) within ACCD. Act 179, as enacted, calls for this transition into ACCD to be effective July 1, 2014. As a result of the move into state government, the Center will no longer be a non-profit entity after March 30, 2015. On July 2, 2014 the Vermont General Assembly provided a Statement of Legislative Intent that clarified some of the language in Act 179 and enabled all the parties involved to implement an orderly transition of resources, personnel and existing contractual obligations to ACCD by the March 30, 2015 end date. Management does not believe that any adjustments to the carrying values of assets and liabilities as reported in these financial statements are required as a result of this transition.

Basis of Reporting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). Additionally, as required by GAAP, the Company reports its net assets as unrestricted, temporarily, and permanently restricted net assets. Unrestricted net assets represent resources which have met all applicable restrictions and are considered to be available for unrestricted use. VCGI does not have temporarily or permanently restricted net assets as June 30, 2014 or 2013.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Use of Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

VCGI has evaluated subsequent events for disclosure and recognition through August 18, 2014, the date on which these financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Income taxes

VCGI is a non-profit corporation exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. VCGI does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. VCGI's Federal Form 990 is subject to examination by taxing authorities, generally for three years from the date filed. There are currently no examinations being conducted.

Accounts receivable

Accounts receivable represent amounts outstanding for work performed on geographic information service projects for private and public sector organizations. VCGI uses the allowance method of accounting for uncollectible accounts. Due to the current status of accounts receivable, management has not recorded an allowance for doubtful accounts as of June 30, 2014 and 2013. At June 30, 2014 and 2013, 94% and 81%, respectively, of VCGI's accounts receivable were due from one customer.

Unbilled receivables

Unbilled receivables represent amounts due for geographic information services performed that have not been invoiced yet. Due to the current status of unbilled receivables, management has not recorded an allowance for doubtful accounts. At June 30, 2014 and 2013, 94% and 96%, respectively, VCGI's unbilled receivables were from one customer.

Property and equipment

Depreciation on property and equipment is computed on a straight-line basis over the estimated useful lives of the assets, generally three to five years. VCGI's policy is to capitalize items in excess of \$1,000; items of a lesser cost are expensed when purchased. Maintenance and repairs are charged to expense when incurred. Depreciation expense was \$17,756 and \$16,308 for the years ended June 30, 2014 and 2013, respectively.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents

VCGI considers cash on hand, cash deposited in banks and money market funds to be cash equivalents. VCGI maintains its cash in accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit up to limits as prescribed by law. VCGI may hold funds with financial institutions in excess of the FDIC insured limit, however, VCGI has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Certificate of deposit

The certificate of deposit held as of June 30, 2013, with an original maturity of greater than three months, is reported at cost. During the year ended June 30, 2014 the certificate of deposit matured and was not renewed.

Project income revenue recognition

A significant portion of the Company's project income is performed under grants and contracts from federal and state governments. Project income revenue is based on allowable expenses incurred or based on milestones achieved, in accordance with the terms of the respective federal and state grant agreements. Deferred project income consists of contract advances from customers for work to be performed in the next year.

Funds held - VT Orthophoto Buy-Up Program

The VT Orthophotography Buy-up Program (the Buy-Up Program) is an extension of the five year, statewide orthophotography program. VCGI facilitates data acquisition under the statewide orthophotography program. The Buy-Up Program allows local and regional authorities in Vermont to request acquisition of higher resolution orthophotography in an area determined by their needs. It also enables local and regional authorities to piggy-back on the existing statewide orthophotography contract which provides time and cost savings. VCGI provides this service at no cost to the buyer. Funds held as of June 30, 2014 and 2013 represents advance funds received from participants of the Buy-Up Program.

Note B - Property and Equipment

Property and equipment as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Computer hardware	\$ 48,145	\$ 43,109
Computer software	23,747	24,449
Office furniture and equipment	<u>16,698</u>	<u>16,698</u>
	88,590	84,256
Less: accumulated depreciation	<u>(67,621)</u>	<u>(50,567)</u>
Total property and equipment, net	<u>\$ 20,969</u>	<u>\$ 33,689</u>

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note B - Property and Equipment (Continued)

VCGI disposed of fully-depreciated assets in the amounts of \$702 and \$65,556 for the years ended June 30, 2014 and 2013, respectively.

Note C - Line of Credit

VCGI has established a \$35,000 line of credit to provide seasonal working capital. Interest is calculated using the prime rate plus 2%. The amount outstanding under the agreement as of June 30, 2014 and 2013 was \$0.

Note D - Retirement Plan

VCGI has a contributory, defined contribution, 401(k) profit-sharing plan in which VCGI, at its discretion, contributes 10% of an eligible employee's wages to the plan. Employees are 50% vested after two years of service and 100% vested after four years of service. All employees who have completed 1,000 hours of service and attained the age of 21 may participate in the plan. Retirement expense was \$37,679 and \$33,511 for the years ended June 30, 2014 and 2013, respectively.

Note E - Commitments and Contingencies

VCGI is obligated under a lease agreement for office space. The lease agreement became effective on July 1, 2012 for a period of three years with provisions for annual increases. Rent expense was \$31,404 and \$30,789 for the years ended June 30, 2014 and 2013, respectively. VCGI leased office equipment under an operating lease with monthly payments of \$138, which expired in May of 2014 and was not renewed. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	<u>\$ 32,032</u>

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant of contract. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that is a possibility, management deems the contingency remote.

Note F - Board Designated Net Assets

VCGI's Board of Directors has approved creation of a capital reserve fund from unrestricted net assets. The balance of the board-designated net assets was \$30,000 as of June 30, 2014 and 2013.

Vermont Center for Geographic Information, Inc.

Notes to the Financial Statements (Continued)

Note G - Federal Grants

A significant portion of VCGI's revenues are from federal grants. The following is a brief description of the Company's only significant federal grant for the years ended June 30, 2014 and 2013:

The American Recovery and Reinvestment Act (ARRA or the Act) provided the U.S. Department of Commerce, through the National Telecommunications and Information Administration (NTIA) and the U.S. Department of Agriculture's Rural Utilities Service (RUS) with \$7.2 billion to expand access to broadband services in the United States. Of those funds, the Act provided \$4.7 billion to the NTIA to support the deployment of broadband infrastructure, enhance and expand public computer centers, encourage sustainable adoption of broadband service, and develop and maintain a nationwide public map of broadband service capability and availability.

As of June 30, 2014, VCGI has been awarded a total of \$3,542,996 under the SBDD Program, which is a component of the NTIA ARRA project described above. This balance includes the original award of \$1,197,496 and supplemental funding of \$2,345,500. The SBDD is intended to collect, verify, display and update state-level broadband availability information, and to fund initiatives that coalesce and support increased availability and adoption activities at tribal, state, regional, and local levels.

Vermont Center for Geographic Information, Inc.

Schedule of Revenues and Expenses

Year ended June 30, 2014

	Per General Ledger	Overhead Expenses	Not Allowed	Reference
Revenue				
State of Vermont grant	\$ 378,700			
Project income	796,984			
Imagery program income	4,515			
Interest and miscellaneous income	3,525			
GIS exposition income	<u>725</u>			
Total revenue	<u>1,184,449</u>			
Expenses				
Direct costs:				
Direct labor	259,501	\$ -	\$ 259,501	(1)
Payroll taxes and employee benefits	111,843	111,843	-	
Subcontract costs	529,163	-	529,163	(1)
Costs of projects and reproductions	23,176	-	23,176	(1)
Cost of imagery program	7,173	-	7,173	(1)
Cost of outreach program	<u>12,063</u>	<u>-</u>	<u>12,063</u>	(1)
Total direct costs	<u>942,919</u>	<u>111,843</u>	<u>831,076</u>	
Operating expenses:				
Indirect salaries and wages	121,563	121,563	-	
Payroll taxes and employee benefits	52,366	52,366	-	
Rent	31,404	31,404	-	
Computer support and maintenance	11,976	11,976	-	
Office expense	10,646	10,646	-	
Professional fees	55,559	55,559	-	
Depreciation	17,756	17,756	-	
Travel and training	5,583	5,583	-	
Insurance	4,166	4,166	-	
Telephone	3,367	3,367	-	
Utility expense	1,963	1,963	-	
Miscellaneous	<u>407</u>	<u>407</u>	<u>-</u>	
Total operating expenses:	<u>316,756</u>	<u>316,756</u>	<u>-</u>	
Total expenses	<u>1,259,675</u>	<u>\$ 428,599</u>	<u>\$ 831,076</u>	
Change in unrestricted net assets	<u>\$ (75,226)</u>			

Vermont Center for Geographic Information, Inc.

Schedule of Overhead Calculation

Year ended June 30, 2014

	<u>Amount</u>	<u>%</u>
Direct labor	\$ 259,501	100.0 %
Overhead expenses	<u>428,599</u>	<u>165.2 %</u>
Total direct labor and overhead expenses	688,100	265.2 %
Less: Direct labor	<u>259,501</u>	<u>100.0 %</u>
Overhead rate	<u>\$ 428,599</u>	<u>165.2 %</u>

Vermont Center for Geographic Information, Inc.

Schedule of Overhead Adjustment References

Year ended June 30, 2014

References are to Attachment B of *OMB Circular A-122, Cost Principles for Nonprofit Organizations*.

- (1) These items are direct costs billed to individual projects or consumers.

Vermont Center for Geographic Information, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Grantor or Other Identifying Numbers	Federal Expenditures
U.S. Department of Commerce			
<i>Direct Funding</i>			
ARRA - State Broadband Data and Development Grant	11.558-ARRA	50-50-M09004	<u>\$ 751,547</u>
Total U.S. Department of Commerce			751,547
U.S. Department of Homeland Security			
<i>Passed through Vermont Department of Public Safety, Division of VT Emergency Management</i>			
Emergency Management Performance Grant	97.042	02140-31014C-018	11,469
Emergency Management Performance Grant	97.042	02140-31021C-027	<u>21,729</u>
Subtotal - Emergency Management Performance Grant			<u>33,198</u>
Total U.S. Department of Homeland Security			33,198
U.S. Department of Agriculture			
<i>Passed through Northern Border Regional Commission</i>			
Municipal GIS Mapping	10-Unknown	NBRC-13-G-VT- 00001	<u>5,047</u>
Total U.S. Department of Agriculture			<u>5,047</u>
Total Expenditures of Federal Awards			<u><u>\$ 789,792</u></u>

Vermont Center for Geographic Information, Inc.

Note to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Vermont Center for Geographic Information, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

**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***

Report of Independent Auditors

Board of Directors
Vermont Center for Geographic Information, Inc.

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 Vermont Center for Geographic Information, Inc. (VCGI), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VCGI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VCGI's internal control. Accordingly, we do not express an opinion on the effectiveness of VCGI'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 VCGI'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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Johnson Lambert LLP".

Burlington, Vermont

August 18, 2014

Firm registration: 092-0000267

**Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance with OMB Circular A-133**

Report of Independent Auditors

Board of Directors
Vermont Center for Geographic Information, Inc.

Report on Compliance for Major Federal Program

We have audited Vermont Center for Geographic Information, Inc.'s (VCGI) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 (OMB Circular A-133) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2014. VCGI's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for VCGI's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VCGI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of VCGI's compliance.

Opinion on Major Federal Program

In our opinion, VCGI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of VCGI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VCGI's internal control over compliance with requirements that could have a direct and material effect on the major federal program as a basis for designing our compliance auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the VCGI's internal control over compliance.

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

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

Restricted Use

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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Burlington, Vermont

August 18, 2014

Firm registration: 092-0000267

Vermont Center for Geographic Information, Inc.

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for the major program:	Unmodified
Internal control over the major program compliance: Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Any audit findings disclosed that are required to be reported in accordance with Circular A 133, Section .510(a)?	No
Identification of major program:	
<u>CFDA Number:</u> 11.558-ARRA	<u>Name of Federal Program</u> ARRA - U.S. Department of Commerce, State Broadband Data and Development
Dollar threshold used to distinguish between Type A and B programs:	\$300,000
Auditee qualified as low risk auditee?	Yes

Section II - Financial Statement Findings

No findings reported.

Section III - Federal Awards Findings and Questioned Costs

No findings reported.