

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2019

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Lamoille Regional Solid Waste Management District
Morrisville, Vermont

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lamoille Regional Solid Waste Management District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lamoille Regional Solid Waste Management District, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-7 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.

Respectfully submitted,



FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

September 20, 2019

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of Lamoille Regional Solid Waste Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements which begin on Exhibit A.

Financial Highlights

- The District's net position decreased by \$14,748 in fiscal year 2019, decreasing from net position of \$1,003,383 to net position of \$988,635 as of June 30, 2019.
- The cost of all of the District's programs was \$1,667,188 in fiscal year 2019, compared to \$1,441,933 in 2018.
- The General Fund reported a net decrease of \$34,755 in fiscal year 2019, decreasing from a fund balance of \$642,989 to a fund balance of \$608,234 as of June 30, 2019.
- During fiscal year 2019, expenditures exceeded revenues by \$34,755, which was worse than the budget by \$34,755.
- The unassigned fund balance for the General Fund was \$446,283 as of June 30, 2019. This amount represents the amount of resources available for future budgets. The nonspendable fund balance for prepaid expenses is \$36,653. Assigned for capital items is \$125,298.

Using This Annual Report

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

Reporting the District as a Whole

The financial statements of the District as a whole begin on Exhibit A. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of accumulated depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

In the Statement of Net Position and the Statement of Activities, we report all the District's activities as governmental activities.

Reporting the District's Most Significant Funds – Fund Financial Statements

The financial statements of the District's major governmental fund are reflected on Exhibit C through Exhibit G. These fund financial statements provide detailed information about the most significant funds – not the District as a whole. The Board establishes the funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain assessments, grants and other money (like grants received from the State of Vermont).

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

The District as a Whole

During the year, the District's net position decreased by \$14,748, from \$1,003,383 to \$988,635. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities. Comparative information will be presented in future years, when available.

Table 1
Statement of Net Position

	2019	2018
Current and other assets	\$ 672,870	\$ 707,727
Capital assets, net	394,071	374,438
Total assets	1,066,941	1,082,165
Long term liabilities	13,670	14,044
Other liabilities	64,636	64,738
Total liabilities	78,306	78,782
Net assets:		
Invested in capital assets, net of debt	394,071	374,438
Unrestricted	594,564	628,945
Total net position	\$ 988,635	\$ 1,003,383

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) changed from \$628,945 at June 30, 2018 to \$594,564 at June 30, 2019.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Table 2
Statement of Changes in Net Position

	<u>2019</u>	<u>2018</u>
REVENUES		
Program revenues:		
Charges for services	\$1,605,667	\$1,408,355
State grants and contributions	44,725	86,172
General revenues:		
Earnings on investments	1,931	1,298
Gain (Loss) on disposal	117	(4,649)
Total revenues	<u>1,652,440</u>	<u>1,491,176</u>
PROGRAM EXPENSES		
Solid waste related services	1,435,176	1,313,700
Recycling services	187,907	95,145
Household hazardous waste	44,105	33,088
Total program expenses	<u>1,667,188</u>	<u>1,441,933</u>
Increase (Decrease) in net position	<u>\$ (14,748)</u>	<u>\$ 49,243</u>

Governmental Activities

Table 3 highlights the cost of each of the District's largest governmental activities as well as each activity's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the District's members by each of these activities.

Table 3
Governmental Activities

	Total Cost of Services <u>2019</u>	Net Revenue (Expense) of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Revenue (Expense) of Services <u>2018</u>
Solid waste related services	\$ 1,435,176	\$ 12,606	\$ 1,313,700	\$ 145,590
Recycling services	187,907	(11,933)	95,145	(91,877)
Household hazardous waste	44,105	(17,469)	33,088	(1,119)
Totals	<u>\$ 1,667,188</u>	<u>\$ (16,796)</u>	<u>\$ 1,441,933</u>	<u>\$ 52,594</u>

The District's Funds

As the District completed the year, its governmental fund (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$608,234, which is less than last year's total of \$642,989. This year's total change in fund balance is a net decrease of \$34,755 in the District's General Fund.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

General Fund Budgetary Highlights

The explanation on some of the larger variances in the budget reflected on Exhibit G are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Surcharge income	\$ 332,500	\$ 365,304	\$ 32,804
Disposal income	645,000	694,485	49,485
Other disposal	80,200	118,686	38,486
Other income	76,650	6,554	(70,096)
Recycling	3,700	175,974	172,274
EXPENDITURES:			
Salaries and wages	449,500	489,024	(39,524)
Disposal and hauling MSW	275,800	304,891	(29,091)
Equipment - maintenance	16,900	53,596	(36,696)
Hauling - recycling	47,500	66,682	(19,182)
Processing fees - recycling	30,100	102,844	(72,744)
HHW collection costs	22,000	44,105	(22,105)
Capital outlay	0	73,562	(73,562)

Revenues:

The surcharge income and the disposal income is more than budgeted due to the collection of more waste than what was budgeted.

The other disposal income is more than budgeted due to the market value of scrap metal increasing.

Other income is less than budgeted due to income from the new program of compost product sales less than budgeted.

Recycling income is more than budgeted due to charging for recycling again.

Expenditures:

Salaries and wages were more than budgeted due to full-timers working overtime hours during a period the District was short staffed.

Disposal and hauling MSW expenses were more than budgeted because more was collected than expected.

Equipment -- maintenance expense was more than budgeted because more repairs were required than expected.

Hauling -- recycling expense was more than budgeted due to new recycling contract.

HHW collection costs came in over budget this year due to the fact that there was more to haul than budgeted for.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(Continued)

Capital outlay was over budget due to the fact that major purchases were not budgeted for and paid from grant funds and use of the fund balance assigned for capital items.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the District had \$394,071 invested in capital assets compared to \$374,438 at June 30, 2018. (See Table 4 below)

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

	2019	2018
Machinery and equipment	\$ 202,959	\$ 167,785
Trucks	29,103	37,417
Drop-off centers	162,009	169,236
Totals	\$ 394,071	\$ 374,438

The year's major additions which were capitalized include:

3 registers	\$ 3,000
Shed	5,291
Lift Gator	3,965
2019 Belmont skidsteer trailer	7,262
Trommel screen/stacking conveyor	25,050
Minolta copier	6,771
Bucket skid steer attachment	1,497
Toter rover lifter	8,195
Fortigate 60E firewall	4,753
Loxex security system	1,997
Transfer station work	5,781
	\$ 73,562

Economic Factors and Next Year's Budget

The Board does not see any major changes that might occur in FY20 that will have a significant impact on the District's financial position.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, grantors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Office at Lamoille Regional Solid Waste District, 29 Sunset Drive, Suite 5, Morrisville, VT 05661-8331.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Total Governmental Activities</u>	
ASSETS		
Cash	\$ 533,809	
Cash on hand	3,655	
Accounts receivable - customers	83,565	
Accounts receivable - State of Vermont	15,188	
Prepaid expenses	36,653	
Capital assets - net of accumulated depreciation of \$548,573	<u>394,071</u>	
Total assets		1,066,941
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	51,336	
Accrued payroll liabilities	13,300	
Accrued compensated absences - due after one year	<u>13,670</u>	
Total liabilities		<u>78,306</u>
NET POSITION		
Unrestricted	594,564	
Invested in capital assets, net of related debt	<u>394,071</u>	
Total net position (Exhibit B)		<u><u>\$ 988,635</u></u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:				
Solid waste related services	\$ 1,435,176	\$ 1,429,693	\$ 18,089	\$ 12,606
Recycling services	187,907	175,974	0	(11,933)
Household hazardous waste	44,105	0	26,636	(17,469)
Total governmental activities	<u>\$ 1,667,188</u>	<u>\$ 1,605,667</u>	<u>\$ 44,725</u>	<u>(16,796)</u>
General Revenues:				
Earnings on investments				1,931
Gain on sale & disposal of capital assets				117
Total general revenues				<u>2,048</u>
Change in net position				(14,748)
Net position - July 1, 2018				<u>1,003,383</u>
Net position - June 30, 2019 (Exhibit A)				<u>\$ 988,635</u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2019

	<u>General Fund</u>	
ASSETS		
Cash	\$ 533,809	
Cash on hand	3,655	
Accounts receivable - customers	83,565	
Accounts receivable - State of Vermont	15,188	
Prepaid expenses	<u>36,653</u>	
Total assets		<u>\$ 672,870</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 51,336	
Accrued payroll liabilities	<u>13,300</u>	
Total liabilities		64,636
 FUND BALANCES		
Nonspendable-prepays	36,653	
Assigned for capital assets	125,298	
Unassigned	<u>446,283</u>	
Total fund balances		<u>608,234</u>
Total liabilities and fund balances		<u>\$ 672,870</u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 608,234
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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 as assets in governmental funds. The cost of the assets as of June 30, 2019 are \$942,644 and the accumulated depreciation is \$548,573.	394,071
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Accrued compensated absences	<u>(13,670)</u>	
Subtotal		<u>(13,670)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 988,635</u>
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES	
Surcharge income	\$ 365,304
Disposal income	694,485
C & D income	117,575
Other disposal	118,686
Miscellaneous programs	17,666
Other income	6,554
Interest	1,931
Grant income	44,725
Recycling	175,974
Bottle redemption income	110,923
Total revenues	<u>1,653,823</u>
EXPENDITURES	
Current	
Solid waste related services	
Salaries and wages	489,024
Payroll taxes	40,099
Pension plan	7,059
Professional services	87,117
Advertising	222
Bottle redemption payouts	59,791
Clerk stipend	1,050
Compost bins	3,140
Conferences	1,945
Disposal and hauling MSW	304,891
Electric - transfer station	10,190
Equipment - maintenance	53,596
Feedstocks	2,100
Freon removal	7,280
Fuel	7,298
Green-Up Day	1,200
Heat	4,043
Hauler - audit	475
Insurance	181,264
Meetings	926

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2019

	General Fund
EXPENDITURES (Continued)	
Maintenance agreements	4,832
Memberships	3,609
Office supplies	2,834
Outreach	9,989
Permits	425
Postage	1,821
Recycling - tire disposal	16,813
Rent - office	15,936
Sales tax	330
Signage	33
Snow removal	5,145
Software	2,378
Subscriptions & publications	1,669
Supplies	6,435
Telephone	8,876
Training	1,581
Treasurer stipend	2,700
Toilet rental	3,658
Transfer station maintenance	2,370
Travel/meals	6,086
Uniforms	7,926
Work crews	1,392
Other expenses	13,456
Recycling services	
Hauling - recycling	66,682
Processing fees - recycling	102,844
Printing and newsletter	18,381
Household hazardous waste	
HHW collection costs	44,105
Capital outlays	73,562
Total expenditures	<u>1,688,578</u>
NET CHANGE IN FUND BALANCE	(34,755)
FUND BALANCE - JULY 1, 2018	<u>642,989</u>
FUND BALANCE - JUNE 30, 2019 (Exhibit C)	<u><u>\$ 608,234</u></u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (34,755)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$52,546 and the difference between the cash proceeds on the disposal of assets of \$1,500 and the actual gain of \$117 on the disposal of assets is less than the capital outlays net of disposals of \$73,562 in the period.

	19,633
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In the statement of activities, certain operating expenses - accrued compensated absences are measured by the amounts earned by employees during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences paid exceeded the amounts incurred by \$374.

	374
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (14,748)</u>
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LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Surcharge income	\$ 332,500	\$ 365,304	\$ 32,804
Disposal income	645,000	694,485	49,485
C & D income	120,000	117,575	(2,425)
Other disposal	80,200	118,686	38,486
Miscellaneous programs	18,120	17,666	(454)
Other income	76,650	6,554	(70,096)
Interest	1,200	1,931	731
Grant income	27,500	44,725	17,225
Recycling	3,700	175,974	172,274
Bottle redemption income	115,000	110,923	(4,077)
Total revenues	<u>1,419,870</u>	<u>1,653,823</u>	<u>233,953</u>
EXPENDITURES			
Current			
Solid waste related services			
Salaries and wages	449,500	489,024	(39,524)
Payroll taxes	45,550	40,099	5,451
Pension plan	8,300	7,059	1,241
Professional services	86,000	87,117	(1,117)
Advertising	3,000	222	2,778
Bottle redemption payouts	61,000	59,791	1,209
Clerk stipend	1,100	1,050	50
Compost bins	1,500	3,140	(1,640)
Conferences	2,700	1,945	755
Disposal & hauling MSW	275,800	304,891	(29,091)
Electric - transfer station	9,900	10,190	(290)
Equipment - maintenance	16,900	53,596	(36,696)
Feedstocks	15,600	2,100	13,500
Freon removal	5,500	7,280	(1,780)
Fuel	8,500	7,298	1,202
Green-Up Day	2,600	1,200	1,400

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Heat	3,000	4,043	(1,043)
Hauler - audit	1,000	475	525
Insurance	189,950	181,264	8,686
Maintenance agreements	2,900	4,832	(1,932)
Meetings	500	926	(426)
Memberships	2,650	3,609	(959)
Office supplies	1,650	2,834	(1,184)
Outreach	9,800	9,989	(189)
Permits	170	425	(255)
Postage	3,250	1,821	1,429
Recycling - tire disposal	8,000	16,813	(8,813)
Rent - office	20,950	15,936	5,014
Sales tax	200	330	(130)
Signage	300	33	267
Snow removal	5,500	5,145	355
Software	2,000	2,378	(378)
Subscriptions & publications	1,600	1,669	(69)
Supplies	6,300	6,435	(135)
Telephone	8,200	8,876	(676)
Toilet rental	4,200	3,658	542
Training	1,700	1,581	119
Transfer station maintenance	8,000	2,370	5,630
Travel/meals	6,000	6,086	(86)
Treasurer stipend	2,700	2,700	0
Uniforms	6,000	7,926	(1,926)
Work crews	2,000	1,392	608
Other expenses	9,800	13,456	(3,656)
Recycling services			
Hauling - recycling	47,500	66,682	(19,182)
Processing fees - recycling	30,100	102,844	(72,744)
Printing and newsletter	18,500	18,381	119

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Household hazardous waste			
HHW collection costs	22,000	44,105	(22,105)
Capital outlays	0	73,562	(73,562)
Total expenditures	<u>1,419,870</u>	<u>1,688,578</u>	<u>(268,708)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>(34,755)</u>	<u>\$ (34,755)</u>
FUND BALANCE - JULY 1, 2018		<u>642,989</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 608,234</u>	

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Lamoille Regional Solid Waste Management District was formed under Act 78 of Vermont Statute, Solid Waste Bill in 1989. The District is a union municipal corporation whose purpose is to educate and inform the public on solid waste management, to search for alternative solid waste management methods and future landfill sites, and to manage solid waste. It receives state funds and user disposal fees.

The District is exempt from federal income taxation under Internal Revenue Code Section 501(c)(1).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established by GAAP and used by the District are discussed below.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity are set forth in GASB 14 as amended by GASB 39, Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, the District has no component units.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (focusing on the District's major fund). The government-wide financial statements categorize activities as either governmental or business type. All of the District's program services are classified as governmental activities.

The government-wide statements are prepared using the economic resources measurement focus and display information about the District as a whole. The government-wide Statement of Net Position presents all of the District's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's governmental functions. The functions are also supported by general government revenue (investment income, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of charges for services, and operating grants and contributions. Program revenue must be directly associated with the governmental function (specific services or programs). Operating grants include operating-specific and discretionary grants.

The net costs (by governmental function) are normally covered by general revenue.

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental categories. GASB No. 34 and No. 37 set forth minimum criteria for the determination of major funds. The General Fund is the only fund of the District and is shown as a major fund.

Governmental Funds

The funds used by the District are Governmental Funds. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

General Fund is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The financial activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" to the District means collectible within the current period or within six months after year end. 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, are recognized when due.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets, if any, are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery & Equipment	5-10 years
Trucks	5 years
Drop Off Centers	20 years

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Fund Balance

GASB Statement 54 “*Fund Balance Reporting and Governmental Type Definitions*” provides fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

Nonspendable – Amounts that are not in spendable form (such as inventory or prepaids) or are required to be maintained intact.

Restricted - Amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – Amounts constrained to specific purposes by the government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - All amounts not included in other spendable classifications.

The Board of Supervisors is the highest level of decision-making authority and establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purchases.

Government-wide Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Government-wide net position is divided into three components:

Investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation.

Restricted net position – Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Unrestricted net position – all other net position is reported in this category.

Budgets

Budgets are developed using the modified accrual basis of accounting and are approved by the Board of Supervisors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and cash. Accordingly, actual results could differ from those estimates.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have formal deposit or investment policies. The following is a breakdown of the District's deposits at June 30, 2019.

FDIC insured	\$ 592,689
Uninsured	<u>0</u>
Total bank balance	<u><u>\$ 592,689</u></u>

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance June 30, 2018	Additions	Disposals	Depreciation	Balance June 30, 2019
Equipment and buildings	\$ 890,461	\$ 73,562	\$ (21,379)	\$ 0	\$ 942,644
Less accumulated depreciation	<u>(516,023)</u>	<u>0</u>	<u>19,996</u>	<u>(52,546)</u>	<u>(548,573)</u>
Total capital assets, net of depreciation	<u><u>\$ 374,438</u></u>	<u><u>\$ 73,562</u></u>	<u><u>\$ (1,383)</u></u>	<u><u>\$ (52,546)</u></u>	<u><u>\$ 394,071</u></u>

Depreciation of \$52,546 was charged to Solid Waste related services.

NOTE 4 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2019 consisted of the following:

Accrued Compensated Absences	<u><u>\$ 13,670</u></u>
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LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 4 - LONG-TERM LIABILITIES (Continued)

The following is a summary of the changes in long-term liabilities:

	Balance			Balance	Amounts
	July 1, 2018	Additions	(Deductions)	June 30, 2019	Due within One Year
Accrued compensated absences	\$ 14,044	\$ 11,677	\$ (12,051)	\$ 13,670	\$ 0

NOTE 5 - PENSION PLAN

The District has a SIMPLE-IRA pension plan. It requires a contribution for eligible employees of 2% of compensation. Employees are eligible to participate in the plan for any calendar year in which they can be expected to receive at least \$5,000 in compensation from the District and have received at least \$5,000 in compensation from the District in one of the last two years. Of the total wages of \$489,024, \$356,588 was covered wages under this plan. The District's contribution for fiscal year 2019 was \$7,059.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There have been no claims in any of the past three (3) fiscal years.

NOTE 7 - CONCENTRATION

The District charges disposal fees to various haulers in Lamoille County. One hauler made up 17% of the total fees charged during fiscal year 2019.

NOTE 8 – COMMITMENTS

The District entered into a hauling contract with Casella Waste Management, Inc. for recycling and disposal services. The contract period is from August 1, 2015 through July 31, 2025.

NOTE 9 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceed appropriations in the General Fund by \$268,708. The excess expenditures were primarily funded by additional recycling revenue and use of fund balance.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019
(Continued)

NOTE 10 – CLOSURE COSTS

The District is legally responsible for closure costs associated with the District's Solid Waste Facilities. Estimated closure costs are funds assigned for the removal of all solid wastes and recyclable materials that are located at each of the facilities.

These assigned funds are designated by management and the Board of Supervisors to be held for this purpose and are separated out as assigned funds in the financial statements.

The amounts of closure costs were submitted with the site's certification of each facility and approved by the Secretary of State at the time the closure plan was submitted for approval. These closure estimates as of June 30, 2019 were:

<u>Landfill</u>	<u>Closure costs</u>
Johnson	\$ 10,000
Worcester	5,115
Stowe	<u>10,340</u>
Totals	<u>\$ 25,455</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2019, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.