

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2020

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# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



## **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, 2020, 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, 2020, 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*

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

October 17, 2020

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

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, 2020. Please read it in conjunction with the District's financial statements which begin on Exhibit A.

**Financial Highlights**

- The District's net position increased by \$3,689 in fiscal year 2020, increasing from net position of \$988,635 to net position of \$992,324 as of June 30, 2020.
- The cost of all of the District's programs was \$1,658,713 in fiscal year 2020, compared to \$1,667,188 in 2019.
- The General Fund reported a net decrease of \$79,349 in fiscal year 2020, decreasing from a fund balance of \$608,234 to a fund balance of \$528,885 as of June 30, 2020.
- During fiscal year 2020, expenditures exceeded revenues by \$79,349, which was worse than the budget by \$79,349.
- The unassigned fund balance for the General Fund was \$437,204 as of June 30, 2020. This amount represents the amount of resources available for future budgets. The nonspendable fund balance for prepaid expenses is \$3,819. Assigned for capital items is \$87,862.

**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, 2020  
(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 increased by \$3,689, from \$988,635 to \$992,324. 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

	2020	2019
Current and other assets	\$ 609,992	\$ 672,870
Capital assets, net	482,041	394,071
Total assets	1,092,033	1,066,941
Long term liabilities	18,602	13,670
Other liabilities	81,107	64,636
Total liabilities	99,709	78,306
Net assets:		
Invested in capital assets, net of debt	482,041	394,071
Unrestricted	510,283	594,564
Total net position	\$ 992,324	\$ 988,635

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 \$594,564 at June 30, 2019 to \$510,283 at June 30, 2020.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

Table 2  
Statement of Changes in Net Position

	2020	2019
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$1,619,362	\$1,605,667
State grants and contributions	28,676	44,725
General revenues:		
Earnings on investments	1,771	1,931
Gain on disposal	12,593	117
Total revenues	<u>1,662,402</u>	<u>1,652,440</u>
<b>PROGRAM EXPENSES</b>		
Solid waste related services	1,448,979	1,435,176
Recycling services	175,522	187,907
Household hazardous waste	34,212	44,105
Total program expenses	<u>1,658,713</u>	<u>1,667,188</u>
Increase (Decrease) in net position	<u>\$ 3,689</u>	<u>\$ (14,748)</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 2020	Net Revenue (Expense) of Services 2020	Total Cost of Services 2019	Net Revenue (Expense) of Services 2019
Solid waste related services	\$ 1,448,979	\$ (20,957)	\$ 1,435,176	\$ 12,606
Recycling services	175,522	17,870	187,907	(11,933)
Household hazardous waste	34,212	(7,588)	44,105	(17,469)
Totals	<u>\$ 1,658,713</u>	<u>\$ (10,675)</u>	<u>\$ 1,667,188</u>	<u>\$ (16,796)</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 \$528,885, which is less than last year's total of \$608,234. This year's total change in fund balance is a net decrease of \$79,349 in the District's General Fund.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

*General Fund Budgetary Highlights*

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES:</b>			
Disposal income	\$ 698,000	\$ 726,296	\$ 28,296
C & D Income	120,000	96,575	(23,425)
Miscellaneous programs	44,500	22,235	(22,265)
Other income	48,800	10,753	(38,047)
Recycling	165,800	193,392	27,592
<b>EXPENDITURES:</b>			
Salaries and wages	528,800	499,306	29,494
Insurance	178,650	198,272	(19,622)
Capital outlay	8,000	151,780	(143,780)

Revenues:

Disposal income is more than budgeted due to the collection of more waste than what was budgeted due to home and garage cleaning during COVID.

C & D income was down due to shift because of COVID.

Miscellaneous programs income was down due to the budgeting for the collection of food scraps service which was not provided in FY20.

Other income is less than budgeted due to compost product sales being budgeted but the service did not start when anticipated.

Recycling income is more than budgeted due to more recycling.

Expenditures:

Salaries and wages were less than budgeted due to a small interruption during COVID and employees not working as much overtime as anticipated.

Insurance is more than budgeted due to an increase for workers comp insurance.

Capital outlay was over budget due to the fact that the majority of capital purchases were planned and paid for using reserve funds.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2020, the District had \$482,041 invested in capital assets compared to \$394,071 at June 30, 2019. (See Table 4 below)

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

	2020	2019
Machinery and equipment	\$ 226,150	\$ 202,959
Trucks	82,090	29,103
Drop-off centers	173,801	162,009
Totals	\$ 482,041	\$ 394,071

The year's major additions which were capitalized include:

Shed	\$ 5,112
Two 40 yard dumpsters	13,555
Compactor refurbishment	15,283
Rails on Stowe scales	7,353
Compactor refurbishment	16,364
2020 Ford F550	49,300
Stake body for Ford	18,813
Stormwater collection system	26,000
	\$ 151,780

**Economic Factors and Next Year's Budget**

The Board passed the FY21 budget which was built prior to the COVID-19 crisis addressed in Note 11 in the Notes to Financial Statements. The budget was passed with the intention of reassessment after the first quarter in order to provide data to give a clearer picture of how the economy and trends were moving and will be changed if needed. The Board is applying for a grant in hopes to alleviate some of the additional unanticipated expenses that were not budgeted for due to COVID-19.

**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, 2020

	Total Governmental Activities	
<b>ASSETS</b>		
Cash	\$ 537,580	
Cash on hand	3,655	
Accounts receivable - customers	49,750	
Accounts receivable - State of Vermont	15,188	
Prepaid expenses	3,819	
Capital assets - net of accumulated depreciation of \$599,824	<u>482,041</u>	
Total assets		1,092,033
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	65,407	
Accrued payroll liabilities	15,700	
Accrued compensated absences - due after one year	<u>18,602</u>	
Total liabilities		<u>99,709</u>
<b>NET POSITION</b>		
Unrestricted	510,283	
Invested in capital assets, net of related debt	<u>482,041</u>	
Total net position (Exhibit B)		<u><u>\$ 992,324</u></u>

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT EXHIBIT B

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<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	\$ 1,448,979	\$ 1,425,970	\$ 2,052	\$ (20,957)
Recycling services	175,522	193,392	0	17,870
Household hazardous waste	34,212	0	26,624	(7,588)
Total governmental activities	<u>\$ 1,658,713</u>	<u>\$ 1,619,362</u>	<u>\$ 28,676</u>	<u>(10,675)</u>
General Revenues:				
Earnings on investments				1,771
Gain on sale & disposal of capital assets				12,593
Total general revenues				<u>14,364</u>
Change in net position				3,689
Net position - July 1, 2019				<u>988,635</u>
Net position - June 30, 2020 (Exhibit A)				<u>\$ 992,324</u>

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

## BALANCE SHEET

## GOVERNMENTAL FUND

JUNE 30, 2020

	<u>General Fund</u>	
<b>ASSETS</b>		
Cash	\$ 537,580	
Cash on hand	3,655	
Accounts receivable - customers	49,750	
Accounts receivable - State of Vermont	15,188	
Prepaid expenses	<u>3,819</u>	
Total assets		<u>\$ 609,992</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 65,407	
Accrued payroll liabilities	<u>15,700</u>	
Total liabilities		81,107
 <b>FUND BALANCES</b>		
Nonspendable-prepays	3,819	
Assigned for capital assets	87,862	
Unassigned	<u>437,204</u>	
Total fund balances		<u>528,885</u>
Total liabilities and fund balances		<u>\$ 609,992</u>

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

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

JUNE 30, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 528,885
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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, 2020 are \$1,081,865 and the accumulated depreciation is \$599,824.	482,041
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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	(18,602)	
Subtotal		(18,602)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 992,324
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STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2020

	General Fund
REVENUES	
Surcharge income	\$ 380,177
Disposal income	726,296
C & D income	96,575
Other disposal	104,369
Miscellaneous programs	22,235
Other income	10,753
Interest	1,771
Grant income	28,676
Recycling	193,392
Bottle redemption income	98,565
Total revenues	<u>1,662,809</u>
EXPENDITURES	
Current	
Solid waste related services	
Salaries and wages	499,306
Payroll taxes	40,134
Pension plan	7,995
Professional services	95,484
Advertising	463
Bottle redemption payouts	45,980
Clerk stipend	1,050
Compost bins	5,207
Conferences	1,187
Disposal and hauling MSW	311,579
Electric - transfer station	10,415
Equipment - maintenance	10,425
Feedstocks	875
Freon removal	6,161
Fuel	5,856
Green-Up Day	1,200
Heat	3,555
Hauler - audit	915
Insurance	198,272
Meetings	295

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2020

	General Fund
EXPENDITURES (Continued)	
Maintenance agreements	4,659
Memberships	5,037
Office supplies	3,540
Outreach	5,383
Permits	175
Postage	1,789
Recycling - tire disposal	16,745
Rent - office	16,047
Sales tax	346
Signage	1,165
Snow removal	6,875
Software	3,283
Subscriptions & publications	1,572
Supplies	7,428
Telephone	9,754
Treasurer stipend	2,700
Toilet rental	6,675
Transfer station maintenance	4,952
Travel/meals	5,462
Uniforms	7,065
Work crews	708
Other expenses	22,930
Recycling services	
Hauling - recycling	50,358
Processing fees - recycling	114,088
Printing and newsletter	11,076
Household hazardous waste	
HHW collection costs	34,212
Capital outlays	151,780
Total expenditures	<u>1,742,158</u>
NET CHANGE IN FUND BALANCE	(79,349)
FUND BALANCE - JULY 1, 2019	<u>608,234</u>
FUND BALANCE - JUNE 30, 2020 (Exhibit C)	<u>\$ 528,885</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, 2020

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	(79,349)
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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 \$63,403 and the difference between the trade proceeds on the disposal of assets of \$13,000 and the actual gain of \$12,593 on the disposal of assets is less than the capital outlays net of \$151,780 in the period.

87,970

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 incurred exceeded the amounts paid by \$4,932.

(4,932)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>3,689</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, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Surcharge income	\$ 363,000	\$ 380,177	\$ 17,177
Disposal income	698,000	726,296	28,296
C & D income	120,000	96,575	(23,425)
Other disposal	118,800	104,369	(14,431)
Miscellaneous programs	44,500	22,235	(22,265)
Other income	48,800	10,753	(38,047)
Interest	1,500	1,771	271
Grant income	28,100	28,676	576
Recycling	165,800	193,392	27,592
Bottle redemption income	115,000	98,565	(16,435)
Total revenues	<u>1,703,500</u>	<u>1,662,809</u>	<u>(40,691)</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
<b>Solid waste related services</b>			
Salaries and wages	528,800	499,306	29,494
Payroll taxes	52,400	40,134	12,266
Pension plan	8,400	7,995	405
Professional services	92,900	95,484	(2,584)
Advertising	2,000	463	1,537
Bottle redemption payouts	62,000	45,980	16,020
Clerk stipend	1,100	1,050	50
Compost bins	400	5,207	(4,807)
Conferences	3,000	1,187	1,813
Disposal & hauling MSW	322,000	311,579	10,421
Electric - transfer station	9,900	10,415	(515)
Equipment - maintenance	23,400	10,425	12,975
Feedstocks	10,100	875	9,225
Freon removal	7,300	6,161	1,139
Fuel	8,000	5,856	2,144
Green-Up Day	2,200	1,200	1,000

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

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

## GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Heat	4,500	3,555	945
Hauler - audit	1,000	915	85
Insurance	178,650	198,272	(19,622)
Maintenance agreements	5,000	4,659	341
Meetings	1,200	295	905
Memberships	3,800	5,037	(1,237)
Office supplies	2,450	3,540	(1,090)
Outreach	10,400	5,383	5,017
Permits	200	175	25
Postage	3,100	1,789	1,311
Recycling - tire disposal	16,500	16,745	(245)
Rent - office	24,200	16,047	8,153
Sales tax	200	346	(146)
Signage	300	1,165	(865)
Snow removal	6,000	6,875	(875)
Software	2,400	3,283	(883)
Subscriptions & publications	1,700	1,572	128
Supplies	7,800	7,428	372
Telephone	8,400	9,754	(1,354)
Toilet rental	4,000	6,675	(2,675)
Training	2,100	0	2,100
Transfer station maintenance	8,700	4,952	3,748
Travel/meals	5,700	5,462	238
Treasurer stipend	2,700	2,700	0
Uniforms	6,500	7,065	(565)
Work crews	1,500	708	792
Other expenses	12,400	22,930	(10,530)
Recycling services			
Hauling - recycling	68,000	50,358	17,642
Processing fees - recycling	114,200	114,088	112
Printing and newsletter	18,000	11,076	6,924

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

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

## GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Household hazardous waste			
HHW collection costs	40,000	34,212	5,788
Capital outlays	8,000	151,780	(143,780)
Total expenditures	<u>1,703,500</u>	<u>1,742,158</u>	<u>(38,658)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	(79,349)	<u>\$ (79,349)</u>
FUND BALANCE - JULY 1, 2019		<u>608,234</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 528,885</u>	

# LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020  
(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, 2020  
(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, 2020  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 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, 2020

(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, 2020  
(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, 2020.

FDIC insured	\$ 541,529
Uninsured	<u>0</u>
Total bank balance	<u><u>\$ 541,529</u></u>

**NOTE 3 – CAPITAL ASSETS**

A summary of changes in capital assets are as follows:

	Balance June 30, 2019	Additions	Disposals	Depreciation	Balance June 30, 2020
Equipment and buildings	\$ 942,644	\$ 151,780	\$ (12,559)	\$ 0	\$ 1,081,865
Less accumulated depreciation	(548,573)	0	12,152	(63,403)	(599,824)
Total capital assets, net of depreciation	<u>\$ 394,071</u>	<u>\$ 151,780</u>	<u>\$ (407)</u>	<u>\$ (63,403)</u>	<u>\$ 482,041</u>

Depreciation of \$63,403 was charged to Solid Waste related services.

**NOTE 4 - LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2020 consisted of the following:

Accrued Compensated Absences	<u><u>\$ 18,602</u></u>
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LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020  
(Continued)

**NOTE 4 - LONG-TERM LIABILITIES (Continued)**

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

	Balance			Balance	Amounts
	July 1, 2019	Additions	(Deductions)	June 30, 2020	Due within One Year
Accrued compensated absences	\$ 13,670	\$ 25,457	\$ (20,525)	\$ 18,602	\$ 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 \$499,306, \$391,192 was covered wages under this plan. The District's contribution for fiscal year 2020 was \$7,995.

**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 18% of the total fees charged during fiscal year 2020.

**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, 2020, expenditures exceed appropriations in the General Fund by \$38,658. 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, 2020  
(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 anticipated funds required 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, 2020 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 October 17, 2020, the date which the financial statements were available for issue.

Due to the ongoing COVID-19 crisis, the District has experienced adverse effects on the operations during 2020. Not all waste was being accepted and some stations were closed or operated on a rotating basis. All stations, except Eden and the Stowe Redemption Center and ReUse Room, are operating at full capacity and service as of October 17, 2020, or until further notice.