



Proven Expertise & Integrity

August 5, 2024

Board of Commissioners
Chittenden Solid Waste District
19 Gregory Drive, Suite 204
South Burlington, Vermont 05403

We have audited the financial statements of the business-type activities of the Chittenden Solid Waste District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the business-type activities of the Chittenden Solid Waste District's financial statements were:

- Fair value of investments
- Allowance for uncollectible accounts
- Depreciation expense which is based on the estimated useful lives of capital assets
- Accrued compensation
- Post-closure costs payable

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. A schedule of any uncorrected misstatements has been presented to management with the management representation letter. We identified and proposed adjustments of misstatements as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

However, we noted certain other matters that we reported to management of the Chittenden Solid Waste District in a separate letter dated April 22, 2024.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Chittenden Solid Waste District and is not intended to be and should not be, used by anyone other than these specified parties.

Very Best,

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

RHR Smith & Company, CPAs

Audited Financial Statements
and Other Financial Information

Chittenden Solid Waste District

June 30, 2023



Proven Expertise & Integrity

CHITTENDEN SOLID WASTE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Chittenden Solid Waste District
South Burlington, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Chittenden Solid Waste District, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Chittenden Solid Waste District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Chittenden Solid Waste District as of June 30, 2023 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chittenden Solid Waste District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Chittenden Solid Waste District's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2024 on our consideration of the Chittenden Solid Waste District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Chittenden Solid Waste District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chittenden Solid Waste District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
August 5, 2024

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

(UNAUDITED)

The following management's discussion and analysis of Chittenden Solid Waste District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements.

Financial Statement Overview

The Chittenden Solid Waste District's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements.

Basic Financial Statements

The basic financial statements include financial information in the government-wide financial statements. There are no fund financial statements as the District only has one fund. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

The District's financial statements provide a broad view of the District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The District's financial statements include the following statements:

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

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

Statement of Cash Flows - this statement presents information on the effects changes in assets, deferred outflows of resources, liabilities, deferred inflows of resources and operations have on cash during the course of the fiscal year.

All of the above-mentioned financial statements have been presented for the District's one type of activity:

- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. This activity for the District includes all the activities of the District.

There are no fund financial statements presented as all activity for the District is enterprise in nature and is presented for only one activity. The activity of the District is presented for the following:

Proprietary Funds: The Chittenden Solid Waste District maintains one enterprise fund, the Waste Management General Fund. Enterprise financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements as they are presented on the same basis of accounting and therefore only shown in the District's financials.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

Financial Analysis of the District as a Whole

Our analysis below focuses on the net position and changes in net position of the District's business-type activities. The District's total net position increased by \$102,991 from \$29,973,243 to \$30,076,234.

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 - decreased to a balance of \$14,135,021 at the end of this year.

Table 1
Chittenden Solid Waste District
Net Position
June 30,

	2023	2022 (Restated)
Assets:		
Current Assets	\$ 26,638,106	\$ 17,816,527
Noncurrent Assets - Capital Assets	16,153,364	14,129,646
Total Assets	42,791,470	31,946,173
Liabilities:		
Current Liabilities	1,707,123	1,339,272
Noncurrent Liabilities	11,008,113	633,658
Total Liabilities	12,715,236	1,972,930
Net Position:		
Net Investment in Capital Assets	15,652,364	14,129,646
Restricted	288,849	288,849
Unrestricted	14,135,021	15,554,748
Total Net Position	\$ 30,076,234	\$ 29,973,243

Revenues and Expenses

Revenues for the District's business-type activities decreased by 17.46%, while total expenses increased by 8.77%. The largest decreases in revenues were in material sales and other. The largest in expenses were in materials recovery facility.

Table 2
Chittenden Solid Waste District
Change in Net Position
For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
Revenues		
Tipping fees	\$ 7,484,640	\$ 7,567,356
Solid waste management fees	3,476,118	3,409,238
Material sales and other	2,266,822	5,049,702
Total Revenues	<u>13,227,580</u>	<u>16,026,296</u>
Expenses		
Materials recovery facility	3,395,402	2,180,265
Outreach and communications	934,829	918,473
Organics diversion facility	1,061,727	1,108,926
Drop-off centers	2,937,885	3,081,371
Hazardous waste program	827,560	796,617
Biosolids program	1,295,185	1,278,154
Special projects	108,345	188,911
Future project development	122,055	125,872
Finance	570,466	584,973
Administration and unclassified	911,566	856,181
Enforcement	175,088	168,291
Property management and unallocated maintenance	74,953	64,211
Change in estimated future landfill post-closure costs	51,359	63,145
Depreciation	1,044,313	1,006,251
Total Expenses	<u>13,510,733</u>	<u>12,421,641</u>
Nonoperating revenues (expenses)	<u>386,144</u>	<u>530,819</u>
Change in Net Position	102,991	4,135,474
Net Position - July 1, Restated	<u>29,973,243</u>	<u>25,837,769</u>
Net Position - June 30	<u>\$ 30,076,234</u>	<u>\$ 29,973,243</u>

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the District increased by \$2,023,718 from the prior year. This increase is the result of current year additions of \$3,080,046, less net disposals of \$12,015 and depreciation expense of \$1,044,313.

Table 3
Chittenden Solid Waste District
Capital Assets (Net of Depreciation)
June 30,

	2023	2022 (Restated)
Land	\$ 5,290,801	\$ 5,290,801
Construction in progress	2,577,514	313,940
Land and building improvements	3,397,163	3,784,549
Vehicles, machinery and equipment	4,317,671	4,657,830
Software	69,215	82,526
Right of use lease assets	501,000	-
Total	<u>\$ 16,153,364</u>	<u>\$ 14,129,646</u>

Debt

At June 30, 2023, the District had \$10,501,000 in a bond and lease payable versus \$0 in the prior fiscal year. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

- The rate set for the Solid Waste Management Fee (SWMF) remains unchanged for FY23 at \$27.00 per ton - the rate that has been in effect since September 2013. We are still experiencing price increases and lag of purchases (particularly large equipment). The Finance Committee has continued the process of exploring alternatives for a long-term sustainable revenue stream to supplement or replace the SWMF in the future.
- The tip fee for food scraps will increase in FY24 and again in FY25.

- Tipping Fees in the Materials Recovery Facility will increase in FY24 in order to compensate for contractual increases in third-party operating costs.
- The FY24 operating expense budget for the District shows an increase due to inflation and Hauling Services for PGA.
- The FY24 capital budget includes funding for Phase 2 Site Expansion Project at the Organics Diversion Facility.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors 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 questions about this report or need additional financial information, contact the Director of Finance at 19 Gregory Drive, South Burlington, Vermont 05403 or at finance@cswd.net.

CHITTENDEN SOLID WASTE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2023

	2023	2022 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,719,785	\$ 15,316,428
Investments	3,474,737	54,592
Accounts receivable (net of allowance for uncollectibles)	2,130,672	1,962,949
Bond proceeds receivable	10,000,000	-
Inventories	200,664	404,233
Prepaid items	112,248	78,325
Total current assets	<u>26,638,106</u>	<u>17,816,527</u>
Noncurrent assets:		
Capital assets:		
Land and other assets not being depreciated	7,868,315	5,604,741
Buildings, improvements and equipment, net of accumulated depreciation	7,784,049	8,524,905
Right of use lease asset	501,000	-
Total noncurrent assets	<u>16,153,364</u>	<u>14,129,646</u>
TOTAL ASSETS	<u>\$ 42,791,470</u>	<u>\$ 31,946,173</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,176,440	\$ 918,501
Accrued expenses	36,824	37,394
Accrued payroll and benefits payable	80,692	59,664
Accrued compensation time	-	16,181
Unearned revenue	110,083	98,061
Security deposits payable	7,350	7,350
Current portion of accrued compensated absences	57,233	63,820
Current portion of lease and bond payable	100,200	-
Post-closure costs payable - current portion	138,301	138,301
Total current liabilities	<u>1,707,123</u>	<u>1,339,272</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Bond payable	10,000,000	-
Capital lease payable	400,800	-
Accrued compensated absences	228,934	255,279
Post-closure costs payable - noncurrent portion	378,379	378,379
Total noncurrent liabilities	<u>11,008,113</u>	<u>633,658</u>
TOTAL LIABILITIES	<u>12,715,236</u>	<u>1,972,930</u>
NET POSITION		
Net investment in capital assets	15,652,364	14,129,646
Restricted	288,849	288,849
Unrestricted	14,135,021	15,554,748
TOTAL NET POSITION	<u>30,076,234</u>	<u>29,973,243</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 42,791,470</u>	<u>\$ 31,946,173</u>

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

CHITTENDEN SOLID WASTE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Tipping fees	\$ 7,484,640	\$ 7,567,356
Solid waste management fees	3,476,118	3,409,238
Sale of materials	2,138,487	4,820,322
License fees	15,423	15,834
Miscellaneous	190	517
Product stewardship and reimbursement	112,722	213,029
TOTAL OPERATING REVENUES	<u>13,227,580</u>	<u>16,026,296</u>
OPERATING EXPENSES		
Materials recovery facility	3,395,402	2,180,265
Outreach and communications	934,829	918,473
Organics diversion facility	1,061,727	1,108,926
Drop-off centers	2,937,885	3,081,371
Hazardous waste program	827,560	796,617
Biosolids program	1,295,185	1,278,154
Special projects	108,345	188,911
Future project development	122,055	125,872
Finance	570,466	584,973
Administration and unclassified	911,566	856,181
Enforcement	175,088	168,291
Property management and unallocated maintenance	74,953	64,211
Change in estimated future landfill post-closure costs	51,359	63,145
Depreciation	1,044,313	1,006,251
TOTAL OPERATING EXPENSES	<u>13,510,733</u>	<u>12,421,641</u>
OPERATING INCOME (LOSS)	<u>(283,153)</u>	<u>3,604,655</u>
NONOPERATING REVENUES (EXPENSES)		
Rental income	73,500	71,400
Investment income	211,231	12,719
Grant income	106,850	277,801
Net gain (loss) on disposal of assets	(5,437)	168,899
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>386,144</u>	<u>530,819</u>
CHANGE IN NET POSITION	102,991	4,135,474
NET POSITION - JULY 1, RESTATED	<u>29,973,243</u>	<u>25,837,769</u>
NET POSITION - JUNE 30	<u>\$ 30,076,234</u>	<u>\$ 29,973,243</u>

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

CHITTENDEN SOLID WASTE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 13,071,879	\$ 16,202,714
Payments for wages and benefits	(4,639,104)	(4,591,184)
Payments for goods and services	(7,428,386)	(7,064,365)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,004,389</u>	<u>4,547,165</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest and dividends	211,231	12,719
Net proceeds (purchases) of investments	(3,420,145)	(369)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,208,914)</u>	<u>12,350</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on lease payable	(25,050)	-
Bond proceeds	10,000,000	-
Bond proceeds receivable	(10,000,000)	-
Lease proceeds	526,050	-
Proceeds from sale of capital assets	6,578	224,238
(Purchase) of capital assets	(3,080,046)	(1,046,549)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,572,468)</u>	<u>(822,311)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants	106,850	277,801
Rental income	73,500	71,400
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>180,350</u>	<u>349,201</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,596,643)	4,086,405
CASH AND CASH EQUIVALENTS - JULY 1	<u>15,316,428</u>	<u>11,230,023</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 10,719,785</u>	<u>\$ 15,316,428</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (283,153)	\$ 3,604,655
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,044,313	1,006,251
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(167,723)	125,980
(Increase) decrease in inventories	203,569	67,515
(Increase) decrease in prepaid items	(33,923)	151,939
Increase (decrease) in accounts payable	257,939	(359,154)
Increase (decrease) in accrued expenses	(570)	37,394
Increase (decrease) in accrued payroll and benefits payable	21,028	(82,296)
Increase (decrease) in accrued compensation time	(16,181)	16,181
Increase (decrease) in unearned revenue	12,022	50,438
Increase (decrease) in settlement payable	-	(79,536)
Increase (decrease) in interest payable	-	(1,099)
Increase (decrease) in accrued compensated absences	(32,932)	(54,248)
Increase (decrease) in post-closure costs payable	-	63,145
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,004,389</u>	<u>\$ 4,547,165</u>

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

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Chittenden Solid Waste District (the “District”) is a union municipal district in Chittenden County, Vermont, chartered under the laws of the State of Vermont. The District, which had its inception March 6, 1987, was created for the purpose of providing for the efficient, economical and environmentally sound management of solid waste generated by member municipalities and their residents.

The District’s governing board (the “Board”) is comprised of one representative appointed by the elected governing body of each of the 18 member municipalities. The Board meets monthly to set policy and make major decisions for the District.

The accounting policies adopted by the District conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for accounting and financial reporting principles for governmental units. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

Reporting Entity

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

Implementation of New Accounting Standards

During the year ended June 30, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Statement No. 99 “Omnibus 2022”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

Measurement Focus - Basic Financial Statements

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the enterprise activity. Nonoperating revenues are any revenues which are generated outside of the general enterprise activity, i.e. interest income. The following is a description of the enterprise funds of the District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

Budget

The District follows these procedures in establishing its budget:

The General Manager submits a proposed preliminary operating budget each December for the fiscal year commencing the following July 1 to the Board, for the purpose of determining whether member assessments will be levied. The operating budget includes proposed expenditures and the means of financing them.

During the period of January through April of each year, District staff, together with the Board's Finance Committee, prepares a detailed operating and capital budget for the coming fiscal year. The budget is then considered and adopted by the Board at a meeting typically in April or May. Within 45 days of the approval of the budget by the District's Board, the legislative body of each of the member municipalities shall act to approve or disapprove the budget. A legislative body that disapproves the budget must file with the Board a written statement of objections identifying the specific items to be changed. A legislative body that fails to take action on the budget within the forty-five day period is deemed to have approved the budget. Unless a petition for a vote on the question of disapproving the budget signed by at least 5 percent of the qualified voters of the District is filed pursuant to the District Charter, the budget becomes effective 45 days after its adoption by the Board.

The General Manager has the authority to modify line items within the approved budget but may not change the overall total approved budget amount.

The budget of the District is generally prepared on the accrual basis - that is, revenue is budgeted when it is expected to be earned and expenses are budgeted when expected to be incurred - except that changes in inventories, capital asset depreciation,

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and gains/losses on the disposal of assets are not budgeted, and changes in noncurrent assets and liabilities (for example, acquisition of capital assets and payments on long-term obligations) are budgeted as current year expenditures or revenues.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investment Committee: The Investment Committee, comprised of the Board's appointed Finance Committee, the Board Chair, the General Manager, and the Director of Finance, is responsible for periodic review and re-allocation of investments as needed to meet stated objectives.

Permitted Investments: "Permitted Investments" include the following securities, if and to the extent the same are at the time legal for investment of District funds:

1. Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States: (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.
2. Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior obligations of the Student Loan Marketing Association.
3. SEC-registered money market mutual funds conforming to Rule 2a-7 that invest primarily in direct obligations issued by the United States Treasury and repurchase agreements backed by those obligations rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Certificates of deposit of any bank trust company or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation or any other similar United States governmental deposit insurance program.
5. Commercial paper rated, at the time of purchase, P-1 or better by Moody's Investors Service and A-1+ or better by Standard & Poor's Corporation.
6. Equity Securities
 - a. Diversification: The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. No more than 10% of the entire District investment portfolio shall be invested in equities securities.
 - b. Quality and Marketability. The equity portion of the portfolio shall be invested in well diversified Mutual Funds or Managed Accounts with an investment record of at least 5 years.
 - c. Concentration by Issuer:
 - i. No more than 5% of the equity portfolio, at cost, shall be invested in the securities of anyone issuing corporation at the time of purchase.
 - ii. Investments in any corporation may not exceed 5% of the outstanding shares of the corporation.
7. Corporate Fixed Income Securities Purchase of investments in this category shall be limited to those securities that are classified in one of the top four rating categories by Standard & Poor's or Moody's Investor's Services. No purchases shall be made which would cause holdings of any one issue to exceed 5% on a cost basis or 7½ % on a market value basis of the total funds under management.

The District may invest any funds that are held and pledged to secure outstanding bonds or similar debt instruments of the District in accordance with the bond resolution or similar approving documents that authorized and established the terms for the issuance of such bonds or debt obligations.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prohibitions: The District is prohibited from investing in commodities, private placements, letter stock, and real estate or engaging in short sales. The Investment Committee may, from time to time, further direct that the Investment Manager not invest in any securities or investments of specific companies or issuers where the investment presents the potential for a conflict of interest (or apparent conflict of interest), or where the company or issuer engages in business practices or activities that are inconsistent with the goals and purpose of the District.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$1,357 as of June 30, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$12,130,672 for the year ended June 30, 2023.

Inventories

Inventory quantities are determined by physical count and are valued at the lower of cost or market, using the FIFO method. Inventories consist of compost products, containers and recyclable materials held for resale.

Prepaid Items

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$25,000 or more and a estimated useful life greater than one (1) year are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A right of use lease asset is required to be reported at the present value of payments expected to be made during the lease term including and any/all other required financial lease obligations in accordance with the terms of the lease and excluding interest. A lease asset will be amortized on a straight-line basis over the lease term or the useful life of the underlying asset (whichever is shorter).

Estimated useful lives are as follows:

Land improvements	5 - 20 years
Buildings and improvements	15 - 30 years
Vehicles, machinery and equipment	5 - 20 years

Long-term Obligations

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

All long-term obligations to be repaid from business-type resources are reported as liabilities in the financial statements. The long-term obligations consist of a bond payable, lease payable, accrued compensated absences and post-closure costs payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Unearned Revenue

Unearned revenue reported is comprised of proceeds from grants and permit fee revenues received in advance of eligible expenses.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The District utilizes encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's investment policies, which follow state statutes, authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all District funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy covering custodial credit risk. However, the District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF.

At June 30, 2023, the District's cash balance amounting to \$10,719,785 were comprised of bank deposits of \$10,877,183. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash balance. The deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account type</u>	<u>Bank Balance</u>
Checking accounts	\$ 5,697,868
Money market savings	4,399,401
Cash equivalents	<u>779,914</u>
	<u>\$ 10,877,183</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the District does not have a policy for custodial credit risk for investments however, the City seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. The District's investments were covered up to \$500,000 by Securities Investor Protection Corporation (SIPC). The remaining investments of \$2,974,737 were uncollateralized and uninsured.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2023, the District had the following investments and maturities:

Investment Type	Fair Value	N/A	<1 Year	<1-5 Years	5+ Years
Debt securities:					
US Treasuries	\$ 3,474,737	\$ -	\$ 3,474,737	\$ -	\$ -

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as June 30, 2023:

Investment by fair value level	June 30, 2023			
	Total	(Level I)	(Level II)	(Level III)
Debt securities:				
US Treasuries	\$ 3,474,737	\$ 3,474,737	\$ -	\$ -
Total investments by fair value level	3,474,737	\$ 3,474,737	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market funds	779,914			
Total cash equivalents measured at the NAV	779,914			
Total investments and cash equivalents measured at fair value	\$ 4,254,651			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The District has no Level II or Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2023 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Vermont authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The District does not have an investment policy on credit risk. Generally, the District invests excess funds in various savings accounts and certificates of deposit.

NOTE 3 - CAPITAL ASSETS

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

	Balance, 7/1/22 (Restated)	Additions	Disposals	Balance, 6/30/23
Non-depreciated assets:				
Land	\$ 5,290,801	\$ -	\$ -	\$ 5,290,801
Construction in progress	313,940	2,263,574	-	2,577,514
	<u>5,604,741</u>	<u>2,263,574</u>	<u>-</u>	<u>7,868,315</u>
Depreciated assets:				
Land improvements	4,008,051	-	(54,904)	3,953,147
Building and improvements	7,184,071	-	(14,781)	7,169,290
Vehicles, machinery and equipment	10,357,120	290,422	(111,291)	10,536,251
Software	93,174	-	-	93,174
Right of use lease asset	-	526,050	-	526,050
	<u>21,642,416</u>	<u>816,472</u>	<u>(180,976)</u>	<u>22,277,912</u>
Less: accumulated depreciation:				
Land improvements	(2,174,249)	(124,057)	52,556	(2,245,750)
Building and improvements	(5,233,324)	(259,138)	12,938	(5,479,524)
Vehicles, machinery and equipment	(5,699,290)	(622,757)	103,467	(6,218,580)
Software	(10,648)	(13,311)	-	(23,959)
Right of use lease asset	-	(25,050)	-	(25,050)
	<u>(13,117,511)</u>	<u>(1,044,313)</u>	<u>168,961</u>	<u>(13,992,863)</u>
Net depreciated capital assets	<u>8,524,905</u>	<u>(227,841)</u>	<u>(12,015)</u>	<u>8,285,049</u>
Net capital assets	<u>\$ 14,129,646</u>	<u>\$ 2,035,733</u>	<u>\$ (12,015)</u>	<u>\$ 16,153,364</u>

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - LONG-TERM DEBT

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

	Balances 7/1/22	Additions	Reductions	Balances 6/30/23	Current Portion
Bond payable	\$ -	\$10,000,000	\$ -	\$10,000,000	\$ -
Lease payable	-	526,050	(25,050)	501,000	100,200
	<u>\$ -</u>	<u>\$10,526,050</u>	<u>\$ (25,050)</u>	<u>\$10,501,000</u>	<u>\$ 100,200</u>

The following is a summary of the bonds payable as of June 30, 2023:

Bond payable:

General Obligation Bond, Payable to U.S. Bank Trust Company, issued March 16, 2023 with annual principal payment of \$454,555 beginning in 2028 and payments of \$454,545 due annually thereafter, with a fixed rate of 3.914% per annum through 2049

\$ 10,000,000

Lease payable:

On November 16, 2022 the District entered into a lease agreement with the City of South Burlington for office space for annual rental of \$100,200 (adjusted annually) to be paid monthly starting February 15, 2023. The lease term is for five years and three months with an option to extend for five additional years.

501,000

Total bond payable and lease payable

\$ 10,501,000

The following is a summary of outstanding bond, notes from direct borrowings and lease liability principal and interest requirements for the fiscal years ending June 30:

	Bond Payable		Lease Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2024	\$ -	\$ 391,400	\$ 100,200	\$ -	\$ 491,600
2025	-	391,400	100,200	-	491,600
2026	-	391,400	100,200	-	491,600
2027	-	391,400	100,200	-	491,600
2028	454,555	382,504	100,200	-	937,259
2029-2033	2,272,725	1,645,657	-	-	3,918,382
2034-2038	2,272,725	1,200,885	-	-	3,473,610
2039-2043	2,272,725	756,113	-	-	3,028,838
2044-2048	2,272,725	311,341	-	-	2,584,066
2049-2053	454,545	8,895	-	-	463,440
	<u>\$ 10,000,000</u>	<u>\$ 5,870,995</u>	<u>\$ 501,000</u>	<u>\$ -</u>	<u>\$ 16,371,995</u>

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The right of use lease assets associated with these lease liabilities (including amortization/depreciation applicable to the same) are presented as a separate category of Capital Assets and are grouped accordingly on the Statement of Net Position.

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

NOTE 5 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2023 is as follows:

	Balances 7/1/22	Additions	Reductions	Balances 6/30/23	Current Portion
Accrued compensated absences	\$ 319,099	\$ -	\$ (32,932)	\$ 286,167	\$ 57,233
Post-closure costs payable	516,680	-	-	516,680	138,301
	<u>\$ 835,779</u>	<u>\$ -</u>	<u>\$ (32,932)</u>	<u>\$ 802,847</u>	<u>\$ 195,534</u>

Please see Notes 6 and 7 for detailed information on each of the other long-term obligations.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and compensatory time, up to specified limits established in the policy. The District records a liability for the total value of these vested accumulated leave hours, based on current pay rates. The liability for these compensated absences is recorded as long-term obligations in the financial statements. As of June 30, 2023, the District's liability for compensated absences is \$286,167.

NOTE 7 - ACCRUED POST-CLOSURE COSTS

State and federal laws and regulations required the District to place a final cover on the closed Phase I, II and III landfill sites and to perform certain maintenance and monitoring functions at each site for thirty years after closure. Phase I and II were closed subsequent to the District's opening of Phase III on December 22, 1992. Phase III stopped accepting waste on August 19, 1995. As of June 30, 2023, the District has estimated that it will cost \$516,680 for the remaining post-closure costs of the Phase I, II and III landfills, through the year 2025, which is the end of the required 30-year period.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - ACCRUED POST-CLOSURE COSTS (CONTINUED)

The District has expended \$2,736,300 in closure and post-closure costs for the fiscal years ended June 30, 1996 through June 30, 2023. The \$516,680 and \$541,943 reported as accrued post-closure costs liability at June 30, 2023 and 2022, respectively, represent the present value of the estimate.

These amounts are based on actual costs to date and engineering estimates of what it will cost to perform all post-closure maintenance for the required period. The District's engineer reviews and updates the projected estimates no less frequently than annually. Actual costs may vary due to changes in cost of living, changes in technology, changes in regulations, or variances between actual and estimated costs.

The District expects that future inflation costs will be paid from interest earnings on funds set aside for this purpose. However, if interest earnings are inadequate or additional post-closure requirements arise (due to changes in technology or applicable laws or regulations, for example) these unanticipated costs may need to be covered through deposits from future District revenues.

The District provides an annual update to the State of Vermont on both the historical and prospective costs to maintain the closed Phase I, II and III landfills, in compliance with State regulations. The District also maintains a separate cash reserve designated for the purpose of meeting the current and future obligations associated with long-term post-closure costs.

The post-closure costs estimates and the balances in the designated Landfill Post-closure Reserve account as of June 30, 2023 and 2021 are as follows:

	<u>2023</u>	<u>2022</u>
Total post-closure costs estimated for the 30-year period ending in 2025 (including projection for inflation)	\$ 3,081,184	\$ 3,173,317
Total of actual post-closure costs paid through June 30	<u>(2,736,300)</u>	<u>(2,627,955)</u>
Remaining Balance of post-closure costs estimated expected to be incurred through 2025, including 2.5% inflation factor	<u>\$ 344,884</u>	<u>\$ 545,362</u>
Present value of estimate, discounted at 2.5%	\$ 331,384	\$ 516,680
Net position in designated reserve account at June 30	<u>\$ 516,680</u>	<u>\$ 541,943</u>
Surplus (deficit) in reserve balance as of June 30	<u>\$ 185,296</u>	<u>\$ 25,263</u>

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

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

Invested in capital assets	\$ 30,146,227
Accumulated depreciation	(13,992,863)
Outstanding capital related debt	(10,501,000)
Bond proceeds receivable	10,000,000
	<u>\$ 15,652,364</u>

NOTE 9 - RESTRICTED NET POSITION

The District's restricted net position at June 30, 2023 was as follows:

Capital improvement - biosolids program	\$ 288,849
Landfill post-closure reserve (in excess of liability)	185,296
Total restricted	<u>\$ 474,145</u>

NOTE 10 - UNRESTRICTED NET POSITION

The District's unrestricted net position at June 30, 2023 was as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted net position:		
Designated for capital items:		
Capital improvements - general	\$ 4,814,185	\$ 4,814,185
Total designated for capital items	<u>4,814,185</u>	<u>4,814,185</u>
Designated for other purposes:		
Facilities closure reserve	1,464,178	1,464,178
Community cleanup fund	95,000	95,000
SWMF rate stabilization reserve	1,000,000	1,000,000
Total designated for other purposes	<u>2,559,178</u>	<u>2,559,178</u>
Total designated	<u>7,373,363</u>	<u>7,373,363</u>
Undesignated	6,761,658	8,181,385
Total unrestricted net position	<u>\$ 14,135,021</u>	<u>\$ 15,554,748</u>

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 11 - CONTINGENT LIABILITIES

The District entered into a Memorandum of Understanding (MOU) with the City of Burlington in September 2016 concerning a potential lease-purchase arrangement for 0.91 acres and a three-unit commercial building as well as 2.87 undeveloped acres on Flynn Avenue. The MOU outlines a potential lease-purchase agreement where the District would apply annual rental payments of \$25,000 for a period of 25 years towards the City of Burlington's purchase of the properties. A formal lease-purchase agreement has not yet been executed as of the date of this report. The City of Burlington has made payments of \$83,335 to the District in accordance with this MOU as part of the option to enter into a lease-purchase agreement, which the District has classified as unearned revenues.

NOTE 12 - DEFERRED COMPENSATION PLANS

The District maintains a defined contribution retirement plan under Internal Revenue Code Section 457 for employees, through MissionSquare. To be eligible to participate, the employee must be at least twenty-one (21) years of age, work at least a regular 30-hour per week schedule (0.75 FTE), and have at least one (1) year of service. The District contributes 6% of each eligible employee's base wages to the plan. In addition, employees are permitted to defer a portion of their wages on a tax-sheltered basis until future years, up to IRS-mandated limits. Deferred compensation is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee. Total salaries for the years ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018 were \$3,236,495, \$3,163,688, \$3,068,147, \$2,629,595, \$2,847,840, and \$2,762,347, while covered salaries for the retirement plan were \$2,682,878, \$2,375,917, \$2,364,143, \$2,265,767, and \$1,948,818, respectively. Contributions of \$180,181, \$160,973, \$142,555, \$141,849, \$136,453, and \$116,929 were paid by the District for the years ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018, respectively.

NOTE 13 - 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; and natural disasters for which the District either carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Vermont League of Cities and Towns (VLCT). Based on the coverage provided by the insurance purchased, the District is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2023. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - RISK MANAGEMENT (CONTINUED)

The District is a member of VLCT and utilizes two of their established insurance trusts: the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance and the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability. Members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

The District provides health insurance and other employee insurance benefits to eligible employees by purchasing private coverage through various providers.

NOTE 14 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the District's financial position.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 16 - CONCENTRATION

Accounts receivable from one customer accounted for approximately 44%, 43%, 61%, 43% and 46% of the total accounts receivable balance reported as of June 30, 2023, 2022, 2021, 2020 and 2019, respectively.

NOTE 17 - RESTATEMENT

During fiscal year 2023, the District determined that certain transactions were incorrectly posted or omitted. This resulted in the restatement of the capital assets and accumulated depreciation beginning balances and the beginning net position for business-type activities. The net capital assets beginning balance increased by \$421,642 from \$13,708,004 to \$14,129,646. The current liabilities decreased by \$376,704 and increase net position by the same amount.

The impact of these restatements on the business-type activities net position was an increase of \$44,938 from \$29,928,305 to \$29,973,243.



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

Board of Commissioners
Chittenden Solid Waste District
South Burlington, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Chittenden Solid Waste District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Chittenden Solid Waste District's basic financial statements and have issued our report thereon dated August 5, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Chittenden Solid Waste District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chittenden Solid Waste District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chittenden Solid Waste District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chittenden Solid Waste District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Chittenden Solid Waste District in a separate letter dated April 22, 2024.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
August 5, 2024



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April 22, 2024

Board of Commissioners
Chittenden Solid Waste District
1021 Redmond Road
Williston, VT 05495

MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the business-type activities of the Chittenden Solid Waste District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Chittenden Solid Waste District's internal control over financial reporting or compliance.

During our audit we became aware of several matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating efficiencies of the Chittenden Solid Waste District. The following pages summarize our comments and suggestions on those matters.

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

These matters do not modify our opinion on the financial statements for the year ended June 30, 2023, where we expressed an unmodified opinion on our independent auditor's report dated August 5, 2024.

Bank Reconciliations:

While performing the audit for the above-mentioned fiscal year, we noted that bank reconciliations are not reviewed and signed off on by an employee other than the preparer. We recommend that all bank reconciliations be reviewed, dated and signed off on by another employee with knowledge of the fiscal operations to provide complete oversight.

Cash Receipts:

While performing the audit for the above-mentioned fiscal year, we noted that deposits are not deposited to the financial institution of the District within a consistent time frame to help reduce security risks to those funds. We recommend that management review and revise its procedures concerning how long deposits remain on site at the District to help reduce the risk of fraud and to help ensure accuracy and completeness of transactions in the correct reporting period. We also recommend that management consider any and all applicable federal/state statutes and regulations concerning this timeline to help ensure compliance with all applicable regulatory requirements.

We would like to thank Nola and all of the staff at the Chittenden Solid Waste District for their cooperation throughout this audit process.

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

Very Best,

A handwritten signature in cursive script that reads "RHR Smith & Company".

RHR Smith & Company, CPAs