



ADMINISTRATIVE OFFICE

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To: Board of Commissioners
From: Nola Ricci, Director of Finance
Date: December 14, 2022
RE: FY21 Audit

The Government Auditing Standards, issued by the Comptroller General of the United States, in conjunction with the Chittenden Solid Waste District charter, requires an annual audit of the CSWD 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. In compliance of those terms, RHR Smith & Company, CPAs was hired to perform as independent auditors for the fiscal year 2021 financial statements.

On July 1, 2022, RHR Smith & Company, CPAs concluded in an audit report that audit evidence obtained from CSWD management was sufficient and appropriate to provide an audit opinion. Thereafter, they expressed the opinion that the financial statements for fiscal year 2021 were presented fairly, in all material respects, and are in accordance with accounting principles generally accepted in the United States.



Proven Expertise & Integrity

July 1, 2022

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

We have audited the financial statements of the business-type activities of the Chittenden Solid Waste District for the year ended June 30, 2021. 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 July 20, 2021. 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. 84, "*Fiduciary Activities*", GASB Statement No. 90, "*Majority Equity Interests*" and GASB Statement No. 93, "*Replacement of Interbank Offered Rates (paragraphs 4-11a)*" in 2021. 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:

- 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 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 July 1, 2022.

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 June 21, 2022.

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,



RHR Smith & Company, CPAs



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June 21, 2022

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, 2021, 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, 2021, where we expressed an unmodified opinion on our independent auditors' report dated July 1, 2022.

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,



RHR Smith & Company, CPAs

Audited Financial Statements
and Other Financial Information

Chittenden Solid Waste District

June 30, 2021



Proven Expertise & Integrity

CHITTENDEN SOLID WASTE DISTRICT

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JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Chittenden Solid Waste District
Williston, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Chittenden Solid Waste District, as of and for the year ended June 30, 2021 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.

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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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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 financial position of the Chittenden Solid Waste District as of June 30, 2021 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.

The financial statements of the Chittenden Solid Waste District as of June 30, 2020 were audited by other auditors whose report dated September 2, 2021, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2022 on our consideration of the Chittenden Solid Waste District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an

opinion on 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
July 1, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(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, 2021. 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 \$3,139,397 from \$22,013,251 to \$25,152,648.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a balance of \$12,135,130 at the end of this year.

Table 1
Chittenden Solid Waste District
Net Position
June 30,

	2021	2020
Assets:		
Current Assets	\$ 14,075,187	\$ 12,228,864
Noncurrent Assets - Capital Assets	13,017,518	12,035,649
Total Assets	27,092,705	24,264,513
Liabilities:		
Current Liabilities	1,217,452	1,596,771
Noncurrent Liabilities	722,605	654,491
Total Liabilities	1,940,057	2,251,262
Net Position:		
Net Investment in Capital Assets	13,017,518	12,026,799
Unrestricted	12,135,130	9,986,452
Total Net Position	\$ 25,152,648	\$ 22,013,251

Revenues and Expenses

Revenues for the District's business-type activities increased by 16.24%, while total expenses increased by 2.35%. The largest increases in revenues were in tipping fees, material sales and other. The largest increase in expenses were in drop-off centers, finance and change in estimated future landfill post-closure costs.

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

	<u>2021</u>	<u>2020</u>
Revenues		
Tipping fees	\$ 7,772,544	\$ 6,929,937
Solid waste management fees	3,263,750	3,327,711
Material sales and other	3,309,482	2,084,010
Total Revenues	<u>14,345,776</u>	<u>12,341,658</u>
Expenses		
Materials recovery facility	3,134,724	3,119,471
Waste reduction program	797,537	847,999
Green Mountain compost facility	1,076,749	1,130,662
Drop-off centers	2,907,470	2,551,375
Hazardous waste program	644,617	804,398
Biosolids program	1,187,806	1,122,775
Special projects	166,545	179,954
Future project development	141,801	135,660
Finance	442,969	275,859
Administration and unclassified	376,577	700,695
Enforcement	130,517	144,010
Property management and unallocated maintenance	65,118	67,619
Change in estimated future landfill post-closure costs	(60,267)	(308,292)
Depreciation	956,316	921,376
Total Expenses	<u>11,968,479</u>	<u>11,693,561</u>
Nonoperating revenues (expenses)	<u>762,100</u>	<u>(96,721)</u>
Change in Net Position	3,139,397	551,376
Net Position - July 1	<u>22,013,251</u>	<u>21,461,875</u>
Net Position - June 30	<u>\$ 25,152,648</u>	<u>\$ 22,013,251</u>

Capital Asset and Long-Term Debt Administration

Capital Assets

As of June 30, 2021, the net book value of capital assets recorded by the District increased by \$981,869 from the prior year. This increase is the result of current year additions of \$1,938,185, less depreciation expense of \$956,316.

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

	<u>2021</u>	<u>2020</u>
Land	\$ 5,290,801	\$ 5,290,801
Construction in progress	161,218	90,264
Land and building improvements	3,565,880	2,956,248
Vehicles, machinery and equipment	3,999,619	3,698,336
Total	<u>\$ 13,017,518</u>	<u>\$ 12,035,649</u>

Debt

As of June 30, 2021, the District had \$0 in notes from direct borrowings payable compared to \$8,850 in the prior year. See Note 4 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Economic Factors and Next Year's Budgets and Rates

- The rate set for the Solid Waste Management Fee (SWMF) remains unchanged for FY21 at \$27.00 per ton – the rate that has been in effect since September 2013. We have budgeted a significant decline in MSW tons disposed in FY21. Strong economic times have historically resulted in an increase in the amount

of trash landfilled, however with the continuation of the COVID19 pandemic, these times are uncertain, and we have accounted for the possibility of a significant decrease in solid waste. 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 remain constant for FY21.
- The Drop-Off Centers will remain constant with no budgeted increased in fees for FY21.
- Tipping Fees in the Materials Recovery Facility increased in March of 2020 to \$80 a ton and will remain at that rate in FY21 in order to compensate from the loss of revenue from the sale of materials.
- The FY20 operating expense budget for the District shows an increase of 87.8% in Hauling Services driven by an increase in PGA material costs.
- The FY21 capital budget includes funding for Phase I 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 1021 Redmond Road, Williston, Vermont 05495 or at finance@cswd.net.

CHITTENDEN SOLID WASTE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,230,023	\$ 9,862,869
Investments	54,223	53,412
Accounts receivable (net of allowance for uncollectibles)	2,088,929	1,900,392
Inventories	471,748	235,738
Prepaid items	230,264	176,453
Total current assets	<u>14,075,187</u>	<u>12,228,864</u>
Noncurrent assets:		
Capital assets:		
Land and other assets not being depreciated	5,452,019	5,381,065
Buildings, improvements and equipment, net of accumulated depreciation	<u>7,565,499</u>	<u>6,654,584</u>
Total noncurrent assets	<u>13,017,518</u>	<u>12,035,649</u>
TOTAL ASSETS	<u>\$ 27,092,705</u>	<u>\$ 24,264,513</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 835,607	\$ 1,034,307
Accrued payroll and benefits payable	141,960	43,333
Unearned revenue	47,623	30,688
Security deposits payable	7,350	7,450
Settlement payable	79,536	400,393
Accrued interest payable	1,099	1,099
Current portion of long-term obligations	-	8,850
Post-closure costs payable - current portion	<u>104,277</u>	<u>70,651</u>
Total current liabilities	<u>1,217,452</u>	<u>1,596,771</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations:		
Accrued compensated absences	373,347	211,340
Post-closure costs payable - noncurrent portion	<u>349,258</u>	<u>443,151</u>
Total noncurrent liabilities	<u>722,605</u>	<u>654,491</u>
TOTAL LIABILITIES	<u>1,940,057</u>	<u>2,251,262</u>
NET POSITION		
Net investment in capital assets	13,017,518	12,026,799
Unrestricted	<u>12,135,130</u>	<u>9,986,452</u>
TOTAL NET POSITION	<u>25,152,648</u>	<u>22,013,251</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,092,705</u>	<u>\$ 24,264,513</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, 2021

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Tipping fees	\$ 7,772,544	\$ 6,929,937
Solid waste management fees	3,263,750	3,327,711
Sale of materials	3,039,401	2,008,841
License fees	15,917	14,827
Miscellaneous	1,843	60,342
Product stewardship and reimbursement	252,321	-
TOTAL OPERATING REVENUES	<u>14,345,776</u>	<u>12,341,658</u>
OPERATING EXPENSES		
Materials recovery facility	3,134,724	3,119,471
Waste reduction program	797,537	847,999
Green Mountain compost facility	1,076,749	1,130,662
Drop-off centers	2,907,470	2,551,375
Hazardous waste program	644,617	804,398
Biosolids program	1,187,806	1,122,775
Special projects	166,545	179,954
Future project development	141,801	135,660
Finance	442,969	275,859
Administration and unclassified	376,577	700,695
Enforcement	130,517	144,010
Property management and unallocated maintenance	65,118	67,619
Change in estimated future landfill post-closure costs	(60,267)	(308,292)
Depreciation	956,316	921,376
TOTAL OPERATING EXPENSES	<u>11,968,479</u>	<u>11,693,561</u>
OPERATING INCOME (LOSS)	<u>2,377,297</u>	<u>648,097</u>
NONOPERATING REVENUES (EXPENSES)		
Rental income	74,183	87,446
Investment income	16,855	94,730
Interest expense	(23)	(1,007)
Grant income	661,336	108,673
Glass disposal enforcement settlement	-	(400,000)
Net gain (loss) on disposal of assets	9,749	13,437
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>762,100</u>	<u>(96,721)</u>
CHANGE IN NET POSITION	3,139,397	551,376
NET POSITION - JULY 1	<u>22,013,251</u>	<u>21,461,875</u>
NET POSITION - JUNE 30	<u>\$ 25,152,648</u>	<u>\$ 22,013,251</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, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 14,174,174	\$ 12,564,331
Payments for wages and benefits	(3,983,554)	(3,902,200)
Payments for goods and services	(7,637,620)	(7,102,473)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,553,000</u>	<u>1,559,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest and dividends	16,855	94,730
Net proceeds (purchases) of investments	(811)	172,470
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>16,044</u>	<u>267,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on notes payable	(8,850)	(38,676)
Interest paid on notes payable	(23)	(1,007)
Proceeds from sale of capital assets	9,749	20,300
(Purchase) of capital assets	(1,938,185)	(747,007)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,937,309)</u>	<u>(766,390)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants	661,336	108,673
Rental income	74,183	87,446
Return of security deposit	(100)	(460)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>735,419</u>	<u>195,659</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,367,154	1,256,127
CASH AND CASH EQUIVALENTS - JULY 1	<u>9,862,869</u>	<u>8,606,742</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 11,230,023</u>	<u>\$ 9,862,869</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,377,297	\$ 648,097
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	956,316	921,376
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(188,537)	206,231
(Increase) decrease in inventories	(236,010)	243,544
(Increase) decrease in prepaid items	(53,811)	(15,025)
Increase (decrease) in accounts payable	(198,700)	(95,085)
Increase (decrease) in accrued payroll and benefits payable	98,627	(106,465)
Increase (decrease) in unearned revenue	16,935	16,442
Increase (decrease) in settlement payable	(320,857)	-
Increase (decrease) in accrued compensated absences	162,007	48,835
Increase (decrease) in post-closure costs payable	(60,267)	(308,292)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,553,000</u>	<u>\$ 1,559,658</u>

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

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a “stay at home” directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. The state of emergency expired on June 15, 2021.

Impact on Finances

The District does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act, American Rescue Plan Act (“ARPA”) funding and applicable Federal and/or State programs.

Expected Federal/State Support

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the District and its users, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

Implementation of New Accounting Standards

During the year ended June 30, 2021, 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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 “Majority Equity Interests”. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 4-11a).” The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the reliability, relevance, consistency, and comparability of reported information. 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.

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:

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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:

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 any one 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.

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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The allowance for uncollectible accounts is estimated to be \$1,479 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$2,088,929 for the year ended June 30, 2021.

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 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 \$5,000 or more and an 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.

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.

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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021, the District's cash balance amounting to \$11,230,023 were comprised of bank deposits of \$11,746,708. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash balance. \$11,728,661 of the deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The balance of \$18,047 were uninsured and exposed to custodial credit risk.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 11,746,708</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. The District's investment in certificates of deposit for \$54,223 were covered by the NCUSIF.

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 \$54,223 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, 2021, the District invested \$54,223 in a certificate of deposit.

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 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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Disposals	Balance, 6/30/21
Non-depreciated assets:				
Land	\$ 5,290,801	\$ -	\$ -	\$ 5,290,801
Construction in progress	90,264	70,954	-	161,218
	<u>5,381,065</u>	<u>70,954</u>	<u>-</u>	<u>5,452,019</u>
Depreciated assets:				
Land improvements	3,311,731	878,394	-	4,190,125
Building and improvements	6,568,916	62,254	-	6,631,170
Vehicles, machinery and equipment	8,701,982	926,583	(59,867)	9,568,698
	<u>18,582,629</u>	<u>1,867,231</u>	<u>(59,867)</u>	<u>20,389,993</u>
Less: accumulated depreciation:				
Land improvements	(2,157,705)	(95,123)	-	(2,252,828)
Building and improvements	(4,766,694)	(235,893)	-	(5,002,587)
Vehicles, machinery and equipment	(5,003,646)	(625,300)	59,867	(5,569,079)
	<u>(11,928,045)</u>	<u>(956,316)</u>	<u>59,867</u>	<u>(12,824,494)</u>
Net depreciated capital assets	<u>6,654,584</u>	<u>910,915</u>	<u>-</u>	<u>7,565,499</u>
Net capital assets	<u>\$ 12,035,649</u>	<u>\$ 981,869</u>	<u>\$ -</u>	<u>\$ 13,017,518</u>

NOTE 4 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Balances 7/1/20	Additions	Reductions	Balances 6/30/21	Current Portion
Note from direct borrowings payable	\$ 8,850	\$ -	\$ (8,850)	\$ -	\$ -

All 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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balances 7/1/20	Additions	Reductions	Balances 6/30/21	Current Portion
Accrued compensated absences	\$ 211,340	\$ -	\$ 162,007	\$ 373,347	\$ -
Post-closure costs payable	513,802	-	(60,267)	453,535	104,277
	<u>\$ 725,142</u>	<u>\$ -</u>	<u>\$ 101,740</u>	<u>\$ 826,882</u>	<u>\$ 104,277</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, 2021, the District's liability for compensated absences is \$373,347 .

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, 2020, the District has estimated that it will cost \$453,535 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. The District has expended \$2,493,027 in closure and post-closure costs for the fiscal years ended June 30, 1996 through June 30, 2021. The \$453,535 and \$513,802 reported as accrued post-closure costs liability at June 30, 2021 and 2020, 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.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - ACCRUED POST-CLOSURE COSTS (CONTINUED)

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Total post-closure costs estimated for the 30-year period ending in 2025 (including projection for inflation)	\$ 2,953,791	\$ 2,991,535
Total of actual post-closure costs paid through June 30	<u>(2,493,027)</u>	<u>(2,432,653)</u>
Remaining Balance of post-closure costs estimated expected to be incurred through 2025, including 2.5% inflation factor	<u>\$ 460,764</u>	<u>\$ 558,882</u>
Present value of estimate, discounted at 2.5%	\$ 453,535	\$ 513,802
Net position in designated reserve account at June 30	<u>\$ 675,414</u>	<u>\$ 818,174</u>
Surplus in reserve balance as of June 30	<u>\$ 221,879</u>	<u>\$ 304,372</u>

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - UNRESTRICTED NET POSITION

The District's unrestricted net position at June 30, 2021 was as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted net position:		
Designated for capital items:		
Materials recovery facility (MRF)	\$ 2,178,882	\$ 1,836,944
Special waste facility	218,687	218,687
Drop-off centers	2,030,284	2,073,095
Environmental depot	193,908	238,436
Biosolids program	226,837	154,086
Property management and administration	175,836	164,703
Compost program facilities	-	330,713
Maintenance	16,588	103,680
	<u>5,041,022</u>	<u>5,120,344</u>
Designated for other purposes:		
Landfill post-closure reserve (in excess of liability)	221,879	304,372
Facilities closure reserve	549,365	502,953
Community cleanup fund	68,890	68,182
Drop-off center rate stabilization reserve	263,535	263,535
SWMF rate stabilization reserve	2,970,836	2,306,665
	<u>4,074,505</u>	<u>3,445,707</u>
Total designated	<u>9,115,527</u>	<u>8,566,051</u>
Undesignated	<u>3,019,603</u>	<u>1,420,401</u>
Total unrestricted net position	<u>\$ 12,135,130</u>	<u>\$ 9,986,452</u>

NOTE 9 - CONTINGENT LIABILITIES

The District negotiated a Memorandum of Understanding (MOU) with the State of Vermont regarding a grant for biosolids processing facilities. The MOU obligates the District to refund 40% of revenues derived from the sale of equipment or facilities purchased under the Biosolids grant agreements. Based on this requirement, during fiscal years 1998 through 2018, the District refunded a total of \$153,707 to the State. Under subsection K of the MOU, once a definitive decision is reached to sell the facility or to use the facility for a purpose not related to solid waste management, the District then would be under obligation to pay the State the grant percentage of the fair market value of the facility at that time as determined by the State. The District has no current plans to change the usage of the facility to a purpose other than solid waste management.

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 10 - 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, 2021, 2020, 2019 and 2018 were \$3,068,147, \$2,629,595, \$2,847,840, and \$2,762,347, while covered salaries for the retirement plan were \$2,375,917, \$2,364,143, \$2,265,767, and \$1,948,818, respectively. Contributions of \$142,555, \$141,849, \$136,453, and \$116,929 were paid by the District for the years ended June 30, 2021, 2020, 2019 and 2018, respectively.

NOTE 11 - 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, 2021. 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.

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

CHITTENDEN SOLID WASTE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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 12 - 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.

NOTE 13 - 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 14 - CONCENTRATION

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



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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
Williston, 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, 2021 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 July 1, 2022.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 June 21, 2022.

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
July 1, 2022