

# CHITTENDEN SOLID WASTE DISTRICT

## Audited Financial Statements and Other Financial Information

June 30, 2016 and 2015



CHITTENDEN SOLID WASTE DISTRICT  
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**CHITTENDEN SOLID WASTE DISTRICT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND JUNE 30, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Chittenden Solid Waste District  
Williston, Vermont:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Chittenden Solid Waste District ("the District") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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## ***Opinion***

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, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, be presented to supplement the 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 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules of revenues, expenditures, and changes in fund balance, facilities improvement reserve designated funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues, expenditures, and changes in fund balance, facilities improvement reserve designated funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
November 8, 2016

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

This Management's Discussion and Analysis (MD&A) provides a general overview and serves as an introduction to the basic financial statements of the Chittenden Solid Waste District (the District) for the fiscal year ending June 30, 2016. The basic financial statements are comprised of the Balance Sheet (Exhibit I), the Statement of Revenues, Expenses and Changes in Net Position (Exhibit II), and the Statement of Cash Flows (Exhibit III), as well as the Notes to Financial Statements which provide additional information that is essential to a full understanding of the data provided in the statements.

This MD&A presents the District's financial position as of June 30, 2016 as compared with its financial position as of June 30, 2015 and June 30, 2014, and any financial developments during fiscal years 2016 and 2015, for all programs combined.

**Reporting the District as a Whole**

One of the most important questions one might ask about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The three financial statements presented as Exhibits I, II, and III report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These three statements report the District's net position and corresponding changes, along with the analysis of cash flows. The amount of the District's net position – the difference between assets and liabilities – is one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether the District's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors to assess the overall health of the District.

Governmental accounting standards prescribe that Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Based on the above definition, the District is accounted for utilizing enterprise fund accounting.

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**Financial Highlights**

Balance Sheet (Exhibit I)

	2016	2015	2014	2016 Net Change	2015 Net Change
Current and other assets	\$ 8,050,259	\$ 7,759,865	\$ 6,938,110	\$ 290,394	\$ 821,755
Capital assets, net	13,020,545	12,978,669	13,309,132	41,876	(330,463)
Total assets	<u>\$21,070,804</u>	<u>\$ 20,738,534</u>	<u>\$ 20,247,242</u>	<u>\$ 332,270</u>	<u>\$ 491,292</u>
Long-term liabilities	\$ 1,137,410	\$ 1,436,563	\$ 1,540,708	\$ (299,153)	\$ (104,145)
Other liabilities	901,012	757,595	712,863	143,417	44,732
Total liabilities	<u>2,038,422</u>	<u>2,194,158</u>	<u>2,253,571</u>	<u>(155,736)</u>	<u>(59,413)</u>
Net position:					
Net investment in capital assets	12,827,784	12,658,912	12,893,044	168,872	(234,132)
Unrestricted	6,204,598	5,885,464	5,100,627	319,134	784,837
Total net position	<u>19,032,382</u>	<u>18,544,376</u>	<u>17,993,671</u>	<u>488,006</u>	<u>550,705</u>
Total liabilities and net position	<u>\$21,070,804</u>	<u>\$ 20,738,534</u>	<u>\$ 20,247,242</u>	<u>\$ 332,270</u>	<u>\$ 491,292</u>

The District's total net position, defined as the amount by which the assets exceeded the liabilities, was \$19,032,382 and \$18,544,376 at June 30, 2016 and 2015, respectively – representing an increase during FY16 of \$488,006 and an increase during FY15 of \$550,705. The FY16 net position increase was associated with an increase in overall cash and investments (\$262,570) as well as a reduction of long-term liabilities (\$299,153), due to principal paid on capital lease obligations and a reduction in the estimate for future landfill post-closure costs. The FY15 increase is associated with the rebuilding of unrestricted net position (designated and undesignated), after the significant investment in capital that occurred during FY14.

Summary of Revenues, Expenses, and Changes in Net Position (Exhibit II)

	2016	2015	2014	2016 Net Change	2015 Net Change
Operating revenues:					
Tipping fees	\$ 4,098,143	\$ 3,484,336	\$ 3,253,035	\$ 613,807	\$ 231,301
Solid waste management fees	3,125,956	3,223,204	3,235,727	(97,248)	(12,523)
Material sales and other	2,979,848	2,836,112	2,569,475	143,736	266,637
Total operating revenues	<u>10,203,947</u>	<u>9,543,652</u>	<u>9,058,237</u>	<u>660,295</u>	<u>485,415</u>
Operating expenses	<u>9,946,647</u>	<u>9,184,028</u>	<u>8,661,170</u>	<u>762,619</u>	<u>522,858</u>
Income from operations	257,300	359,624	397,067	(102,324)	(37,443)
Nonoperating revenues (expenses)	230,706	191,081	403,007	39,625	(211,926)
Capital contributions	-	-	2,250	-	(2,250)
Increase in net position	<u>\$ 488,006</u>	<u>\$ 550,705</u>	<u>\$ 802,324</u>	<u>\$ (62,699)</u>	<u>\$ (251,619)</u>

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

**Operating revenues.** The District's total operating revenues increased by \$660,295 (7%) and \$485,415 (5%) for the 2016 and 2015 fiscal years, respectively, as compared to the respective prior periods. Key factors include:

- *Tipping fees.* **FY16** - The \$613,807 increase in tipping fee revenues for FY16 over FY15 was associated with (1) \$615,938 more tipping fee revenues at the Materials Recovery Facility (MRF), due to an increase in rates at the beginning of FY16. Effective 7/1/15, the per-ton rates at the MRF were increased from \$6 for in-district materials and \$11 for out-of-district to \$21 per ton for all incoming materials. The Drop-Off Centers also generated about 4% more tipping fee revenues in FY16 (\$67,182) due to greater amounts of incoming material for handling and disposal. There was an offsetting decrease in tipping fee revenues in the Biosolids program (\$73,622), as reduced disposal costs were passed through to participant communities in the form of lowered tipping fee collections. **FY15** - The \$231,301 increase in tipping fee revenues for FY15 over FY14 was associated with (1) \$42,000 more tipping fee revenues at Green Mountain Compost (GMC), as incoming tons of food scraps increased by 23% (from 3,577 to 4,413 tons) for FY15 over FY14, and (2) an increase in rates at the Materials Recycling Facility (MRF) at the start of FY15, generating about \$180,000 more revenue in FY15 than FY14. Effective 7/1/14, the MRF rates were increased from the FY14 rates of \$0 per ton for in-district materials and \$10 per ton for out-of-district to \$6 per ton in-district and \$11 per ton out-of-district.
- *Solid Waste Management Fees.* **FY16** - The Solid Waste Management Fee (SWMF) revenue decreased by \$97,248 (3%) in FY16 as compared with FY15, due to a decrease of 3,674 tons of materials disposed and subject to the fee. While the actual overall total tons of materials disposed for FY16 was about 1% higher than FY15, the tons subject to the SWMF was 3% lower, due to a 60% increase (4,964 tons) in the amount of material subject to the District's lower 25% rate – primarily, approved Alternative Daily Cover materials. **FY15** - The SWMF revenue decreased by \$12,523 (0.4%) in FY15 as compared with FY14, due to a decrease of 5,082 tons of materials disposed and subject to the fee.
- *Material sales and other.* **FY16** - The key factors in the \$143,736 increase in this category of revenues for FY16 are (1) \$341,025 increase (81%) in sales revenue for compost products, due to continued operational focus on increasing production volumes as well as heightened marketing efforts in FY16; (2) an offsetting decrease of \$157,638 in revenues from sales of recyclable materials at the MRF due to lower market prices for these materials. **FY15** - The \$266,637 increase in this category of revenues for FY15 is primarily comprised of (1) \$314,000 increase (208%) in sales revenue for compost products, as FY14 sales had been limited due to the herbicide issue; (2) \$131,000 increase in revenues from the statewide paint product stewardship program which began at the end of FY14; (3) partially offset by a decrease of about \$172,000 in sales revenue for recyclable materials at the MRF due to lower commodity prices for these materials.

**Operating expenses.** The District's operating expenses increased by \$762,619 (8%) for FY16, and increased by \$522,858 (6%) for FY15, as compared with the respective prior year's expenses.

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

Primary components in the increased expenses for FY16 vs. FY15 were:

- An increase of \$290,038 (31%) in expenses for the Green Mountain Compost program, due to higher staffing, marketing, and production costs incurred.
- Increases of \$168,223 (8%), \$258,114 (14%), and \$73,871 (9%), respectively, in the Materials Recovery Facility, the Drop-Off Centers, and the Hazardous Waste Program due to higher volumes of materials brought in for disposal in FY16 compared with the previous year.

Primary components in the increased expenses for FY15 vs. FY14 were:

- An increase of \$400,500 (76.1%) in expenses for GMC, as operations in FY15 returned to levels more consistent with what they had been prior to the herbicide situation which was discovered at the end of FY12 and affected operations for FY13 and FY14.
- An increase of \$138,300 (20.7%) in depreciation expense, primarily related to the investment in new recycling equipment at the MRF that was completed in FY15.

Significant Changes in Specific Line Items

- Current and other assets – **FY16** – The increase of \$290,394 for FY16 over FY15 is associated with the overall net increase in cash and investments, as generated by the operating results for the year. **FY15** - The increase of \$821,755 for FY15 over FY14 relates to (1) accounts receivable higher by \$461,500 in FY15, because end-of-year billed revenues in key programs (MRF, GMC, Biosolids, and Solid Waste Management Fees) were higher at yearend FY15 as compared with the prior year; (2) cash, cash equivalents, and investments balance showed a net increase of \$209,000, as results of operations for the year generated more liquid assets than were invested in long-term capital assets; (3) prepaid expenses increased by \$101,200, associated with timing of disbursements for FY16 expenses, primarily for semiannual and quarterly insurance premium payments; and (4) inventory of products for sale increased by \$50,000 – entirely related to compost products.
- Capital assets, net – **FY16** – This category had no significant change for the year. **FY15** - During FY15, the net carrying value of capital assets decreased by \$330,463, as depreciation charged on existing assets (\$805,914) and net book value of retired assets (\$151,404) exceeded the outlays for new capital acquisitions for the year (\$626,855). See Note 5 in the Notes to Financial Statements.
- Long-term liabilities – **FY16** – The \$299,153 decrease in long-term liabilities in FY16 was due to (1) a \$153,979 reduction in the Accrued Post-Closure Costs due to revised estimates, and (2) a reduction of \$126,996 in the capital lease liability, for principal payments made during the year. **FY15** - The \$104,145 net decrease in long-term liabilities in FY15 is primarily associated with the change in capital lease obligations outstanding – a new lease obligation of \$60,000 was added during FY15, while principal payments of \$156,331 were made, resulting in a net decrease of \$96,331. See Note 6 in the Notes to Financial Statements.

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

- Net position, unrestricted – Net position (assets in excess of liabilities) that is not restricted by external parties is reported as Unrestricted. Some of this balance has been designated for capital improvements and for other specified purposes through action by the Board. The designated accounts are:
  - The Facilities Improvement Reserves, designated for future capital improvements or acquisitions, having a total balance of \$2,813,722 and \$3,033,973 as of June 30, 2016 and 2015, respectively.
  - The remaining other designated accounts include: the Landfill Post-Closure Reserve, the Facilities Closure Reserve, the Community Cleanup Fund, the Drop-Off Center Rate Stabilization Reserve, and the Solid Waste Management Fee Rate Stabilization Reserve. The total designated balances in these reserve accounts were \$1,848,098 and \$1,334,547 as of June 30, 2016 and 2015, respectively.

Any action involving these reserve accounts is executed only under the direct authorization of the Board of Commissioners.

**Additional Analytics**

	FY16	FY15	FY14
Ratio of total liabilities to total assets	10%	11%	11%
Bond principal balance outstanding	\$ -	\$ -	\$ -
Annual debt service	\$ -	\$ -	\$ -
Undesignated net position at end of year	\$ 1,542,778	\$ 1,516,944	\$ 1,488,541
Undesignated net position divided by operating expenses	15.5%	16.5%	17.2%

**Economic Factors and Next Year’s Budget and Rates**

- The rate set for the Solid Waste Management Fee (SWMF) remains unchanged for FY17 at \$27.00 per ton – the rate that has been in effect since September 2013. The District’s FY17 budget anticipates a 1.8% reduction in trash subject to the SWMF from the FY16 budgeted level – 108,000 tons budgeted for FY17 vs. 110,000 tons in FY16. With the phased-in enactment of Act 148, Vermont’s “Universal Recycling and Composting Law” over the next several years, and the implementation of Act 175 requirements banning certain construction and demolition debris from the waste stream, the District is expecting a continuing decline in quantities of materials landfilled and subject to the SWMF. The Board has begun the process of exploring alternatives for a long-term sustainable revenue stream to supplement or replace the SWMF in the future.

**CHITTENDEN SOLID WASTE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2016 AND 2015**

- Effective with the start of FY17, the District ceased the practice of using its Solid Waste Management Fee revenues to cover the costs of handling food scraps collected at the Drop-Off Centers. Instead, beginning in FY17, these costs are being paid for through the fees collected on trash disposal (tipping fees). Thus, to pay rising operational costs in addition to covering the food scrap costs, tipping fee rates at the Drop-Off Centers were increased approximately 25% effective with the start of FY17 (7/1/16) – the first increase in this fee in three years.
- Tipping fee rates for organic materials collected at the Green Mountain Compost facility increased from \$40 per ton to \$45 per ton, effective with the start of FY17 – the first increase in three years.
- The FY17 capital budget totals approximately \$1.9 million, primarily for replacement of various items of equipment and rolling stock reaching the end of useful life, as well as facility and site improvements at the Hazardous Waste Depot and at several Drop-Off Centers.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an understanding of the District's finances and to demonstrate the District's accountability for the financial resources it receives and disburses. If you have questions about this report or need additional financial information, contact the Finance Manager, 1021 Redmond Road, Williston, VT 05495, or at [finance@cswd.net](mailto:finance@cswd.net).

**CHITTENDEN SOLID WASTE DISTRICT  
BALANCE SHEET  
AS OF JUNE 30, 2016 AND 2015**

EXHIBIT I

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,922,879	\$ 3,212,041
Investments	3,204,168	2,652,436
Accounts receivables, net	1,442,987	1,423,183
Inventories	339,663	334,733
Prepaid expenses	140,562	137,472
Total current assets	8,050,259	7,759,865
Noncurrent assets - capital assets:		
Capital assets:		
Land	5,290,801	5,290,801
Construction in progress	498,054	119,470
Other capital assets, net of depreciation	7,231,690	7,568,398
Total capital assets, net of depreciation	13,020,545	12,978,669
Total assets	\$ 21,070,804	\$ 20,738,534
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 745,704	\$ 656,334
Accrued salaries and wages	135,313	76,339
Unearned revenue	7,971	11,330
Security deposit payable	7,700	7,700
Accrued interest payable	4,324	5,892
Long-term liabilities, portion due within one year:		
Capital leases payable	53,201	126,995
Accrued compensated absences	180,326	198,504
Accrued post-closure costs	75,055	87,027
Total current liabilities	1,209,594	1,170,121
Noncurrent liabilities (due after one year):		
Capital leases payable	139,560	192,762
Accrued post-closure costs	689,268	831,275
Total noncurrent liabilities	828,828	1,024,037
Total liabilities	2,038,422	2,194,158
Net position:		
Net investment in capital assets	12,827,784	12,658,912
Unrestricted	6,204,598	5,885,464
Total net position	19,032,382	18,544,376
Total liabilities and net position	\$ 21,070,804	\$ 20,738,534

See accompanying independent auditors' report and notes to the financial statements.

**CHITTENDEN SOLID WASTE DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Tipping fees	\$ 4,098,143	\$ 3,484,336
Solid waste management fees	3,125,956	3,223,204
Sale of materials	2,900,479	2,782,518
License fees	13,877	13,010
Miscellaneous	65,492	40,584
Total operating revenues	<u>10,203,947</u>	<u>9,543,652</u>
Operating expenses:		
Materials recovery facility	2,172,928	2,004,705
Waste reduction program	368,496	293,823
Green Mountain Compost facility	1,216,888	926,850
Special waste facility	328,649	329,081
Drop-off centers	2,125,704	1,867,590
Hazardous waste program	885,641	811,770
Biosolids program	1,061,600	1,163,898
Special projects	174,932	149,447
Future project development	23,003	29,475
Finance	72,390	74,747
Administration	139,558	157,684
Marketing and communication	379,707	287,494
Enforcement	85,251	81,322
Property management	117,912	102,213
Expenses for persistent herbicide, compost facility	-	16,020
Small sitework and building construction/repair	53,766	41,213
Change in estimated future landfill post-closure costs	(92,418)	40,782
Depreciation	832,640	805,914
Total operating expenses	<u>9,946,647</u>	<u>9,184,028</u>
Income from operations	<u>257,300</u>	<u>359,624</u>
Non-operating revenues (expenses):		
Rental income	93,608	94,423
Interest income, net	47,289	23,105
Interest expense	(4,523)	(6,068)
Grant income	84,050	75,025
Lawsuit settlement proceeds	-	150,000
Gain (loss) on disposal of assets	10,282	(145,404)
Total non-operating revenues (expenses)	<u>230,706</u>	<u>191,081</u>
Increase in net position	488,006	550,705
Net position - beginning of year	<u>18,544,376</u>	<u>17,993,671</u>
Net position - end of year	<u>\$ 19,032,382</u>	<u>\$ 18,544,376</u>

See accompanying independent auditors' report and notes to the financial statements.

**CHITTENDEN SOLID WASTE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,180,784	\$ 9,081,247
Payments to suppliers	(5,752,002)	(5,327,474)
Payments for wages and benefits	(3,393,838)	(3,163,658)
Net cash provided by operating activities	<u>1,034,944</u>	<u>590,115</u>
Cash flows from noncapital financing activities:		
Operating grants	84,050	75,025
Received from lawsuit settlement	-	150,000
Rental income	93,608	94,423
Net cash provided by noncapital financing activities	<u>177,658</u>	<u>319,448</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(889,960)	(626,855)
Proceeds from sale of capital assets	25,726	6,000
Proceeds from capital lease obligations	-	60,000
Principal paid on capital lease payable	(126,996)	(156,331)
Interest paid on capital lease payable	(6,091)	(6,310)
Net cash used by capital and related financing activities	<u>(997,321)</u>	<u>(723,496)</u>
Cash flows from investing activities:		
Receipt of interest and dividends on investments	26,750	20,081
Purchases of investments	(744,295)	(2,275,156)
Redemptions of investments	213,102	1,426,418
Net cash used by investing activities	<u>(504,443)</u>	<u>(828,657)</u>
Net decrease in cash and cash equivalents	(289,162)	(642,590)
Cash and cash equivalents - beginning of year	3,212,041	3,854,631
Cash and cash equivalents - end of year	<u>\$ 2,922,879</u>	<u>\$ 3,212,041</u>
Adjustments to reconcile operating income to cash flows from operating activities:		
Income from operations	\$ 257,300	\$ 359,624
Depreciation	832,640	805,914
Changes In:		
Receivables	(19,804)	(461,460)
Inventories	(4,930)	(49,968)
Prepaid expenses	(3,090)	(101,155)
Accounts payable	89,370	27,871
Accrued salaries and wages	58,974	18,048
Unearned revenue	(3,359)	(945)
Accrued post-closure costs	(153,979)	(19,236)
Accrued compensated absences	(18,178)	11,422
Net cash provided by operating activities	<u>\$ 1,034,944</u>	<u>\$ 590,115</u>

Non-cash supplemental information:

Machinery and equipment with a cost of \$132,832 and accumulated depreciation of \$117,388 were disposed and/or traded in during the year ended June 30, 2016.

Machinery and equipment with a cost of \$668,119 and accumulated depreciation of \$516,715 were disposed and/or traded in during the year ended June 30, 2015.

See accompanying independent auditors' report and notes to the financial statements.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 criteria of oversight responsibility, special financing relationships and scope of public service were used in determining the agencies or entities which comprise the District for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, there are no other agencies or entities which should be combined with the financial statements of the District. Likewise, the District is not considered a component unit of any other government's reporting entity.

*Basis of Presentation*

Enterprise Funds - Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Based on the above definition, the District is accounted for utilizing enterprise fund accounting.

*Measurement Focus*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise fund financial statements are reported using the economic resources measurement focus; as such, all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Fund equity (i.e., total net position) is segregated into net investment in capital assets, and unrestricted net position. Operating statements present increases (revenues) and decreases (expenses) in total net position.

*Basis of Accounting*

Basis of accounting refers to the timing for recognition of revenues and expenses, regardless of the measurement focus applied. These financial statements are prepared utilizing the accrual basis of accounting. Accordingly, revenues and expenses are recognized at the time goods and services are provided or received, regardless of the timing of cash payment or receipt related to those transactions.

*Operating and Non-operating Revenues/Expenses*

Operating revenues are defined as income received from tipping fees, solid waste management fees, license fees and sale of materials. Non-operating revenues are defined as income received from sources other than that defined above, and include investment income, rental income, grants, capital contributions, proceeds from a lawsuit settlement, and income from the sale of equipment. Operating expenses are defined as the ordinary costs and expenses of the District for operations, maintenance and repairs. Operating expenses include the cost of operating the solid waste programs as well as administrative and general expenses and depreciation and amortization. Non-operating expenses include interest on bonds and other obligations, and losses on disposal of assets.

*Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these statements, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased, such as cash on hand, mutual funds, and demand deposits.

Investments

The District invests in various types of securities in accordance with policies approved by the Board. Investments are reported at fair value, and categorizes its measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in interest revenue.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Receivables

Receivables are shown net of any allowance for estimated uncollectible accounts, as needed. The estimated uncollectible amounts are based on the judgment of management and a review of the current status of existing receivables.

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 Expenses

Prepaid expenses are primarily associated with insurance premiums and equipment service contracts paid in advance of the covered period.

Capital Assets

Capital assets are recorded at cost. The District's capitalization policy specifies that assets will be capitalized when:

1. The total cost to put an item into service amounts to more than \$5,000, and
2. The estimated useful life of the item is greater than one (1) year.

The costs associated with projects under construction as of year-end are reported as Construction in Progress; these costs are transferred to applicable depreciable asset categories when the associated project is complete and placed into service.

The District follows the policy of charging periodic depreciation expense, thereby allocating the cost of capital assets over their estimated useful lives. The District employs the straight-line method for determining the periodic amount for depreciation expense.

The depreciable lives of capital assets are as follows:

<u>Asset Category</u>	<u>Depreciable Lives</u>
Land	N/A
Site improvements	5-20 years
Buildings and improvements	15-30 years
Machinery, equipment and vehicles	5-20 years

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Unearned Revenue

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

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.

Accrued Post-closure Costs

The District owns one landfill, which stopped accepting waste and closed in 1995. State and federal laws and regulations require the District to perform certain maintenance and monitoring functions at the closed landfill site for thirty (30) years after closure, until the year 2025. In accordance with GASB standards, the District has recorded a liability for the estimated post-closure maintenance costs expected over the remaining years of this requirement.

Fund Equity

Net Position is classified in two separate categories, as follows:

Net Investment in Capital Assets – Represents amounts invested in property, plant and equipment, net of obligations remaining outstanding used to finance the acquisition or construction of those assets.

Unrestricted Net Position – Indicates that portion of net position that is available for expenditure in future periods.

*Budgets and Budgetary Accounting*

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 town assessments will be levied. The operating budget includes proposed expenditures and the means of financing them.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

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.

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and Cash Equivalents, and Investments as of June 30, 2016 and 2015 consist of the following:

	2016	2015
Deposits with Financial Institutions	\$ 1,800,095	\$ 1,581,964
Certificates of Deposit	3,197,606	2,647,417
Cash on Hand	2,675	2,575
Money Market Deposits with Investment Institutions	1,120,109	1,150,830
Mutual Funds - Corporate Debt Instruments	-	476,672
Accrued Interest on CDs	6,562	5,019
Total cash and cash equivalents and investments	\$ 6,127,047	\$ 5,864,477
Reported as:		
Current assets - cash and cash equivalents	\$ 2,922,879	\$ 3,212,041
Current assets - investments	3,204,168	2,652,436
Total cash and cash equivalents and investments	\$ 6,127,047	\$ 5,864,477

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investment Policy

Key provisions of the District's investment policy are as follows:

Investment Objectives: The principal investment objectives are as follows:

1. Preservation of capital and protection of principal;
2. Provide the required liquidity;
3. Security of District funds;
4. Diversification to mitigate risks;
5. Maximize return on the portfolio.

Investment Committee: The Investment Committee, comprised of the Board's appointed Finance Committee, the Board Chair, the General Manager, and the Finance Manager, 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, 2016 AND 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (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 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.
8. 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, 2016 AND 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, those investments with longer maturities have greater sensitivity of their fair value to changes in market interest rates. The District's policy does not limit its exposure to interest rate risk.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

**As of June 30, 2016:**

<u>Investment Type</u>	<u>&lt; 1 yr</u>	<u>1-2 yrs</u>	<u>2-3 yrs</u>	<u>&gt; 3 yrs</u>	<u>Totals</u>
CDs - Length to Maturity	\$ 1,383,862	\$ 842,975	\$ 744,253	\$ 226,516	\$ 3,197,606

**As of June 30, 2015:**

<u>Investment Type</u>	<u>&lt; 1 yr</u>	<u>1-2 yrs</u>	<u>2-3 yrs</u>	<u>&gt; 3 yrs</u>	<u>Totals</u>
CDs - Length to Maturity	\$ 213,102	\$ 1,385,088	\$ 840,235	\$ 208,992	\$ 2,647,417
Mutual Funds - Average Duration	202,139	-	-	274,533	476,672
Totals	\$ 415,241	\$ 1,385,088	\$ 840,235	\$ 483,525	\$ 3,124,089

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is generally signified by the assignment of a rating by a nationally recognized statistical rating organization. There were no rated investments in the District's investment portfolio as of June 30, 2016. The ranges of credit quality assigned to the underlying corporate debt held in the mutual funds in the District's investment portfolio as of June 30, 2015 is shown in the following table.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	As of June 30, 2015
Credit Quality Rating:	
AAA to A	\$ 74,234
BBB to B	307,557
Below B	28,880
Not rated	66,001
	<hr/>
Total Mutual Funds	\$ 476,672

Concentration of Credit Risk

The District's investment policy limits the concentration of credit risk for equity securities to 5% of the total portfolio. There were no equity securities in the portfolio at June 30, 2016 or 2015.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agreement with the District's depository bank requires minimum collateralization of daily balances at 105% of deposited balances. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. There are no investments in the District's portfolio subject to custodial credit risk.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The table below shows the custodial credit risk associated with the District's demand deposits and time deposit (certificates of deposit) accounts:

<u><b>June 30, 2016</b></u>	<u>Book</u>	<u>Bank</u>
Insured by federal depository insurance	\$ 3,218,623	\$ 3,217,015
Uninsured - collateralized	<u>1,775,641</u>	<u>1,837,796</u>
Total	<u>\$ 4,994,264</u>	<u>\$ 5,054,811</u>

  

<u><b>June 30, 2015</b></u>	<u>Book</u>	<u>Bank</u>
Insured by federal depository insurance	\$ 2,668,243	\$ 2,666,382
Uninsured - collateralized	<u>1,565,033</u>	<u>1,643,347</u>
Total	<u>\$ 4,233,276</u>	<u>\$ 4,309,729</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, defined as follows:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

Accordingly, the District has the following recurring fair value measurements as of June 30, 2016 and 2015:

Investments by Fair Value Level

	<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	<u>\$ 3,197,606</u>	<u>\$ -</u>	<u>\$ 3,197,606</u>	<u>\$ -</u>

  

	<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 2,647,417	\$ -	\$ 2,647,417	\$ -
Mutual Funds - Corporate Obligations	<u>476,672</u>	<u>476,672</u>		
Totals	<u>\$ 3,124,089</u>	<u>\$ 476,672</u>	<u>\$ 2,647,417</u>	<u>\$ -</u>

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts due from customers, haulers, and other service partners as of the end of the fiscal year. As of June 30, 2016 and 2015, the allowance for uncollectible accounts is set at zero, as all accounts are deemed to be collectible.

**NOTE 4 – INVENTORIES**

Inventories on hand as of June 30, 2016 and 2015 consist of materials held for sale as follows:

	<u>2016</u>	<u>2015</u>
Materials Recovery Facility - recyclables	\$ 23,640	\$ 25,053
Green Mountain Compost - compost material	305,500	302,090
Composting bins and pails for resale	10,523	7,590
Total Inventories	<u>\$ 339,663</u>	<u>\$ 334,733</u>

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**CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of capital assets activity for the years ended June 30, 2016 and 2015:

	Year ended June 30, 2016				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
Capital Assets, Not Being Depreciated:					
Land	\$ 5,290,801	\$ -	\$ -	\$ -	\$ 5,290,801
Construction in Progress	119,470	517,896	-	(139,312)	498,054
Total Capital Assets, Not Being Depreciated	<u>5,410,271</u>	<u>517,896</u>	<u>-</u>	<u>(139,312)</u>	<u>5,788,855</u>
Capital Assets, Being Depreciated:					
Site Improvements	3,063,657	138,203	-	30,694	3,232,554
Buildings and Improvements	6,502,796	59,501	(7,097)	-	6,555,200
Machinery, Equipment and Vehicles	6,676,717	174,360	(125,735)	108,618	6,833,960
Total Capital Assets, Being Depreciated	<u>16,243,170</u>	<u>372,064</u>	<u>(132,832)</u>	<u>139,312</u>	<u>16,621,714</u>
Less Accumulated Depreciation for:					
Site Improvements	(1,746,249)	(81,270)	-	-	(1,827,519)
Buildings and Improvements	(3,599,374)	(233,276)	7,097	-	(3,825,553)
Machinery, Equipment and Vehicles	(3,329,149)	(518,094)	110,291	-	(3,736,952)
Total Accumulated Depreciation	<u>(8,674,772)</u>	<u>(832,640)</u>	<u>117,388</u>	<u>-</u>	<u>(9,390,024)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,568,398</u>	<u>(460,576)</u>	<u>(15,444)</u>	<u>139,312</u>	<u>7,231,690</u>
Capital Assets, Net	<u>\$ 12,978,669</u>	<u>\$ 57,320</u>	<u>\$ (15,444)</u>	<u>\$ -</u>	<u>\$ 13,020,545</u>

	Year ended June 30, 2015				Balance
	Balance	Increases	Decreases	Transfers	
Capital Assets, Not Being Depreciated:					
Land	\$ 5,290,801	\$ -	\$ -	\$ -	\$ 5,290,801
Construction in Progress	1,696,264	331,012	-	(1,907,806)	119,470
Total Capital Assets, Not Being Depreciated	<u>6,987,065</u>	<u>331,012</u>	<u>-</u>	<u>(1,907,806)</u>	<u>5,410,271</u>
Capital Assets, Being Depreciated:					
Site Improvements	3,053,134	21,090	(29,755)	19,188	3,063,657
Buildings and Improvements	6,433,035	33,197	-	36,564	6,502,796
Machinery, Equipment and Vehicles	5,221,471	241,556	(638,364)	1,852,054	6,676,717
Total Capital Assets, Being Depreciated	<u>14,707,640</u>	<u>295,843</u>	<u>(668,119)</u>	<u>1,907,806</u>	<u>16,243,170</u>
Less Accumulated Depreciation for:					
Site Improvements	(1,690,429)	(85,575)	29,755	-	(1,746,249)
Buildings and Improvements	(3,368,412)	(230,962)	-	-	(3,599,374)
Machinery, Equipment and Vehicles	(3,326,732)	(489,377)	486,960	-	(3,329,149)
Total Accumulated Depreciation	<u>(8,385,573)</u>	<u>(805,914)</u>	<u>516,715</u>	<u>-</u>	<u>(8,674,772)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,322,067</u>	<u>(510,071)</u>	<u>(151,404)</u>	<u>1,907,806</u>	<u>7,568,398</u>
Capital Assets, Net	<u>\$ 13,309,132</u>	<u>\$ (179,059)</u>	<u>\$ (151,404)</u>	<u>\$ -</u>	<u>\$ 12,978,669</u>

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 6 – LONG-TERM LIABILITIES**

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

	Fiscal Year 2016				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Capital Lease Payable	\$ 319,757	\$ -	\$ 126,996	\$ 192,761	\$ 53,201
Accrued Compensated Absences	198,504	202,938	221,116	180,326	180,326
Accrued Post-Closure Costs	918,302	-	153,979	764,323	75,055
Totals	<u>\$ 1,436,563</u>	<u>\$ 202,938</u>	<u>\$ 502,091</u>	<u>\$ 1,137,410</u>	<u>\$ 308,582</u>

  

	Fiscal Year 2015				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Capital Lease Payable	\$ 416,088	\$ 60,000	\$ 156,331	\$ 319,757	\$ 126,995
Accrued Compensated Absences	187,082	182,813	171,391	198,504	198,504
Accrued Post-Closure Costs	937,538	40,782	60,018	918,302	87,027
Totals	<u>\$ 1,540,708</u>	<u>\$ 283,595</u>	<u>\$ 387,740</u>	<u>\$ 1,436,563</u>	<u>\$ 412,526</u>

Capital leases payable as of June 30, 2016 and 2015 related to acquisition of certain District equipment assets are detailed as follows:

	2016	2015
SunTrust Leasing, interest at 2.00%, annual payments of \$75,452 due each July 15 through 2015.	\$ -	\$ 73,972
SunTrust Leasing, interest at 2.30%, annual payments of \$17,952 due each July 15 through 2017.	34,701	51,469
SunTrust Leasing, interest at 2.21%, annual payments of \$30,609 due each July 15 through 2019.	115,961	143,401
First Niagara Leasing, interest at 2.55%, annual payments of \$9,075 due each July 15 through 2020.	42,099	50,915
Total Capital Leases Payable	<u>\$ 192,761</u>	<u>\$ 319,757</u>
Current portion	\$ 53,201	\$ 126,995
Noncurrent portion	139,560	192,762
Total Capital Leases Payable	<u>\$ 192,761</u>	<u>\$ 319,757</u>

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 6 – LONG-TERM LIABILITIES (Continued)**

Amortization on assets acquired through capital leases is included with depreciation expense. The gross amount of capital assets recorded under capital leases is \$411,293, and accumulated depreciation on those assets was \$89,962 as of June 30, 2016.

Future payments for the capital leases are as follows:

Year Ending June 30,	Payments
2017	\$ 57,636
2018	57,636
2019	39,684
2020	39,684
2021	9,075
	\$ 203,715
Less: Imputed interest	(10,954)
Net present value of future capital lease payments	\$ 192,761

**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, 2016, the District has estimated that it will cost \$866,826 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 \$2,095,199 in closure and post-closure costs for the fiscal years ended June 30, 1996 through June 30, 2016. The \$764,323 and \$918,302 reported as accrued post-closure costs liability at June 30, 2016 and 2015, 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.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 7 - ACCRUED POST-CLOSURE COSTS (Continued)**

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, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Total post-closure costs estimated for the 30-year period ending in 2025 (including projection for inflation)	\$ 2,962,025	\$ 3,085,031
Total of actual post-closure costs paid through June 30	(2,095,199)	(2,029,886)
Remaining balance of post-closure costs expected to be incurred through 2025, including 2.5% inflation factor	\$ 866,826	\$ 1,055,145
Present value of estimate, discounted at 2.5%	\$ 764,323	\$ 918,302
Fund balance in designated reserve account at June 30	\$ 912,877	\$ 913,759
Surplus (deficit) in reserve balance as of June 30	\$ 148,554	\$ (4,543)

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 8 - NET POSITION**

The following schedule provides details of the Unrestricted Net Position balances as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted Net Position:		
Designated - Facilities Improvement Reserve (FIR):		
Materials Recovery Facility (MRF)	\$ 742,720	\$ 964,092
Special Waste Facility	295,624	294,506
Drop-Off Centers	1,135,605	1,170,201
Environmental Depot	242,864	230,165
Biosolids Program	143,468	100,606
Property Management / Admin Facilities	187,884	247,755
Compost Facility	<u>65,557</u>	<u>26,648</u>
Total Designated for Capital Items (FIR)	<u>2,813,722</u>	<u>3,033,973</u>
Designated for Other Purposes:		
Landfill Post-Closure Reserve (in Excess of Liability)	148,554	-
Facilities Closure Reserve	488,304	488,023
Community Cleanup Fund	67,836	72,507
Drop-Off Center Rate Stabilization Reserve	140,613	148,231
SWMF Rate Stabilization Reserve	<u>1,002,791</u>	<u>625,786</u>
Total Designated for Other Purposes	<u>1,848,098</u>	<u>1,334,547</u>
Total Designated	4,661,820	4,368,520
Undesignated	<u>1,542,778</u>	<u>1,516,944</u>
Total Unrestricted Net Position	<u><u>\$ 6,204,598</u></u>	<u><u>\$ 5,885,464</u></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 2016, 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, 2016 AND 2015

**NOTE 10 - DEFERRED COMPENSATION PLANS**

The District maintains a defined contribution retirement plan under Internal Revenue Code Section 457 for employees, through International City Manager's Association's Retirement Corporation. 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, 2016, 2015, and 2014 were \$2,575,293, \$2,376,251, and \$2,222,963 while covered salaries for the retirement plan were \$2,017,468, \$1,750,728, and \$1,803,281, respectively. Contributions of \$121,048, \$105,044, and \$108,197 were paid by the District for the years ended June 30, 2016, 2015, and 2014, respectively.

**NOTE 11 - RISK MANAGEMENT**

The Chittenden Solid Waste District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Inter-municipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies are established in consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

**NOTE 12 – CONCENTRATION**

Accounts receivable from one customer accounted for approximately 61% and 55% of the total accounts receivable balance reported as of June 30, 2016 and 2015, respectively.

CHITTENDEN SOLID WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**NOTE 13 – SUBSEQUENT EVENTS**

On August 24, 2016, the Board approved a resolution authorizing the District to enter into a capital lease agreement for certain equipment to be used in the compost program, in an amount not to exceed \$370,000, for a term of not more than 9 years, and at an interest rate not to exceed 2.47%. The equipment acquisition through lease-purchase was included as part of the FY17 budget approved by the Board in April 2016.

On September 28, 2016, the Board approved a Memorandum of Understanding between the District and the City of Burlington (City), providing the City a three-year option period relating to certain property owned by the District, with the understanding that during the three-year period the District and the City will negotiate a lease-purchase of the property, along with a sub-lease back to the District of a portion of the property for use in its solid waste management programs.

## **OTHER SUPPLEMENTARY INFORMATION**

The supplementary information contained in this section is presented for purposes of additional analysis and information, and is not a required part of the basic financial statements under standards established by the Governmental Accounting Standards Board. The schedules are prepared using a non-GAAP budgetary basis.

Schedule 1 – Schedule of Revenues, Expenditures, Transfers, and Changes in Fund Balance, Facilities Improvement Reserve Designated Funds – FY16

Schedule 2 - Schedule of Revenues, Expenditures, Transfers, and Changes in Fund Balance, Facilities Improvement Reserve Designated Funds – FY15

**CHITTENDEN SOLID WASTE DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Facilities Improvement Reserve Designated Funds**  
**for the Year Ended June 30, 2016**

<b>RESERVES</b>	<b>FACILITIES IMPROVEMENT RESERVES (FIR)</b>							<b>FIR Total</b>
	<b>MRF</b>	<b>Special Waste Facility</b>	<b>Drop-Off Centers</b>	<b>Environmental Depot</b>	<b>Biosolids Program</b>	<b>Property Mgmt &amp; Admin</b>	<b>Compost Program Facilities</b>	
Revenues:								
Interest Revenue	\$ 9,499	\$ 2,901	\$ 11,528	\$ 2,267	\$ 991	\$ 2,441	\$ -	\$ 29,627
Proceeds, Disposal of Assets	-	750	24,976	-	-	-	-	25,726
Total Revenue	<u>9,499</u>	<u>3,651</u>	<u>36,504</u>	<u>2,267</u>	<u>991</u>	<u>2,441</u>	<u>-</u>	<u>55,353</u>
Expenditures:								
Design and Permitting	7,370	-	-	-	-	-	269	7,639
Sitework	119,956	-	11,077	-	-	-	7,600	138,633
Buildings	32,164	-	38,160	9,881	-	13,292	1,400	94,897
Equipment	531,452	2,533	106,863	-	-	24,308	33,650	698,806
Total Expenditures	<u>690,942</u>	<u>2,533</u>	<u>156,100</u>	<u>9,881</u>	<u>-</u>	<u>37,600</u>	<u>42,919</u>	<u>939,975</u>
Net Revenues (Expenditures)	<u>(681,443)</u>	<u>1,118</u>	<u>(119,596)</u>	<u>(7,614)</u>	<u>991</u>	<u>(35,159)</u>	<u>(42,919)</u>	<u>(884,622)</u>
Transfers And Other Receipts (Disbursements):								
Budgeted Transfers From (To) Operating Funds	253,492	-	85,000	9,624	2,858	(22,363)	94,685	423,296
Yearend Surplus / Deficit Transfers From (To)								
Operating Funds	206,579	-	-	10,689	39,013	(2,349)	-	253,932
Internal Loan Repayment #1 of 7	-	-	-	-	-	-	(12,857)	(12,857)
Total Transfers and Other Receipts (Disbursements)	<u>460,071</u>	<u>-</u>	<u>85,000</u>	<u>20,313</u>	<u>41,871</u>	<u>(24,712)</u>	<u>81,828</u>	<u>664,371</u>
Net Change in Fund Balance	(221,372)	1,118	(34,596)	12,699	42,862	(59,871)	38,909	(220,251)
Fund Balance - 7/1/2015	964,092	294,506	1,170,201	230,165	100,606	247,755	26,648	3,033,973
Fund Balance - 6/30/2016	<u>\$ 742,720</u>	<u>\$ 295,624</u>	<u>\$ 1,135,605</u>	<u>\$ 242,864</u>	<u>\$ 143,468</u>	<u>\$ 187,884</u>	<u>\$ 65,557</u>	<u>\$ 2,813,722</u>

See accompanying independent auditors' report and notes to the financial statements.

**CHITTENDEN SOLID WASTE DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Facilities Improvement Reserve Designated Funds**  
**for the Year Ended June 30, 2015**

	FACILITIES IMPROVEMENT RESERVES (FIR)							FIR Total
	MRF	Special Waste Facility	Drop-Off Centers	Environ- mental Depot	Biosolids Program	Property Mgmt & Admin	Compost Program Facilities	
<b>RESERVES</b>								
Revenues:								
Interest Revenue	\$ 5,226	\$ 1,519	\$ 4,752	\$ 1,216	\$ 796	\$ 2,042	\$ 49	\$ 15,600
Proceeds, Disposal of Assets	6,000	20,000	-	-	-	-	-	26,000
Miscellaneous	8,798	-	-	-	-	-	-	8,798
Total Revenue	<u>20,024</u>	<u>21,519</u>	<u>4,752</u>	<u>1,216</u>	<u>796</u>	<u>2,042</u>	<u>49</u>	<u>50,398</u>
Expenditures:								
Design and Permitting	-	-	4,873	-	-	260	6,793	11,926
Sitework	-	-	-	-	-	21,565	1,880	23,445
Buildings	10,226	1,392	8,089	-	-	60,071	5,200	84,978
Equipment	205,414	88,046	8,198	11,182	64,389	50,046	140,443	567,718
Total Expenditures	<u>215,640</u>	<u>89,438</u>	<u>21,160</u>	<u>11,182</u>	<u>64,389</u>	<u>131,942</u>	<u>154,316</u>	<u>688,067</u>
Net Revenues (Expenditures)	<u>(195,616)</u>	<u>(67,919)</u>	<u>(16,408)</u>	<u>(9,966)</u>	<u>(63,593)</u>	<u>(129,900)</u>	<u>(154,267)</u>	<u>(637,669)</u>
Transfers And Other Receipts (Disbursements):								
Budgeted Transfers From (To) Operating Funds	265,601	-	85,000	19,528	20,300	(6,740)	81,611	465,300
Yearend Surplus / Deficit Transfers From (To) Operating Funds	(97,044)	14,311	152,719	(20,523)	(7,105)	(2,916)	-	39,442
Capital Lease Proceeds	-	60,000	-	-	-	-	-	60,000
Lawsuit Settlement Proceeds	-	-	47,700	10,600	-	-	-	58,300
Internal Loan from Undesignated Funds	-	-	-	-	-	-	90,000	90,000
Total Transfers and Other Receipts (Disbursements)	<u>168,557</u>	<u>74,311</u>	<u>285,419</u>	<u>9,605</u>	<u>13,195</u>	<u>(9,656)</u>	<u>171,611</u>	<u>713,042</u>
Net Change in Fund Balance	(27,059)	6,392	269,011	(361)	(50,398)	(139,556)	17,344	75,373
Fund Balance - 7/1/2014	991,151	288,114	901,190	230,526	151,004	387,311	9,304	2,958,600
Fund Balance - 6/30/2015	<u>\$ 964,092</u>	<u>\$ 294,506</u>	<u>\$ 1,170,201</u>	<u>\$ 230,165</u>	<u>\$ 100,606</u>	<u>\$ 247,755</u>	<u>\$ 26,648</u>	<u>\$ 3,033,973</u>

See accompanying independent auditors' report and notes to the financial statements.

**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***

**INDEPENDENT AUDITORS' REPORT**

To the 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 Chittenden Solid Waste District (the "District") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated November 8, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide 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.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
November 8, 2016