

CHITTENDEN SOLID WASTE DISTRICT

AUDIT REPORT

JUNE 30, 2020 AND 2019

CHITTENDEN SOLID WASTE DISTRICT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019

	<u>Page #</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statement of Net Position	Exhibit I 7
Statement of Revenues, Expenses and Changes in Net Position	Exhibit II 8
Statement of Cash Flows	Exhibit III 9
Notes to the Financial Statements	10-24
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"	25-26
Schedule of Findings and Deficiencies in Internal Control	27
Response to the Deficiencies in Internal Control	

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Chittenden Solid Waste District as of and for the year ended June 30, 2020, 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, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

Opinion

In our opinion, the 2020 financial statements referred to previously present fairly, in all material respects, the respective financial position of the Chittenden Solid Waste District as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Chittenden Solid Waste District as of June 30, 2019 were audited by other auditors whose report dated October 1, 2020, expressed an unmodified opinion on those statements.

Other Matters

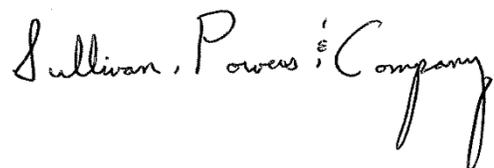
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 September 2, 2021 on our consideration of the Chittenden Solid Waste District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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.

September 2, 2021
Montpelier, Vermont
VT Lic. #92-000180



CHITTENDEN SOLID WASTE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020. The basic financial statements are comprised of the Statement of Net Position (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, 2020 as compared with its financial position as of June 30, 2019, and any financial developments during the fiscal years 2020, 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, 2020 AND 2019

Financial Highlights

Statement of Net Position (Exhibit I)

	2020	2019	2018	2020 Net Change	2019 Net Change
Current assets	\$12,228,864	\$11,579,957	\$10,358,871	\$ 648,907	\$1,221,086
Capital assets, net	<u>12,035,649</u>	<u>12,216,881</u>	<u>12,576,656</u>	(181,232)	(359,775)
Total assets	<u>\$24,264,513</u>	<u>\$23,796,838</u>	<u>\$22,935,527</u>	<u>\$ 467,675</u>	<u>\$ 861,311</u>
Long-term liabilities	\$ 733,992	\$ 1,032,125	\$ 940,292	\$(298,133)	\$ 91,833
Other liabilities	<u>1,517,270</u>	<u>1,302,838</u>	<u>1,193,473</u>	<u>214,432</u>	<u>109,365</u>
Total liabilities	<u>2,251,262</u>	<u>2,334,963</u>	<u>2,133,765</u>	<u>(83,701)</u>	<u>201,198</u>
Net position:					
Net investment in capital assets	12,026,799	12,169,355	12,491,516	(142,556)	(322,161)
Unrestricted	<u>9,986,452</u>	<u>9,292,520</u>	<u>8,310,246</u>	<u>693,932</u>	<u>982,274</u>
Total net position	<u>22,013,251</u>	<u>21,461,875</u>	<u>20,801,762</u>	<u>551,376</u>	<u>660,113</u>
Total liabilities and net position	<u>\$24,264,513</u>	<u>\$23,796,838</u>	<u>\$22,935,527</u>	<u>\$467,675</u>	<u>861,311</u>

The District's total net position, defined as the amount by which the assets exceeded the liabilities, was \$22,013,251 at June 30, 2020 – representing an increase during FY20 of \$551,376. The primary components of the FY20 increase in net position was the increase in Unrestricted Funds (\$693,932) generated through operations for the year, offset by a decrease (\$142,556) in net investment in capital assets.

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

	2020	2019	2018	2020 Net Change	2019 Net Change
Operating revenues:					
Tipping fees	\$6,929,937	\$6,242,860	\$ 4,852,236	\$ 687,077	\$1,390,624
Solid waste management fees	3,327,711	3,421,566	3,363,221	(93,855)	58,345
Material sales and other	<u>2,084,010</u>	<u>2,236,978</u>	<u>3,153,679</u>	(152,968)	(916,701)
Total operating revenues	12,341,658	11,901,404	11,369,136	440,254	532,268
Operating expenses	<u>11,693,561</u>	<u>11,595,211</u>	<u>10,852,869</u>	<u>98,350</u>	<u>742,342</u>
Income from operations	648,097	306,193	516,267	341,904	(210,074)
Nonoperating revenues (expenses)	(96,721)	353,920	195,179	(450,641)	158,741
Capital contributions	<u>0</u>	<u>0</u>	<u>10,983</u>	<u>0</u>	<u>(10,983)</u>
Increase in net position	<u>\$ 551,376</u>	<u>\$ 660,113</u>	<u>\$ 722,429</u>	<u>\$(108,737)</u>	<u>\$(62,316)</u>

CHITTENDEN SOLID WASTE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019

Operating revenues. The District's total operating revenues remained relatively flat compared with FY19. This largely due to similar sales in all revenue sources. This is largely due to gains in Tipping Fees which were offset by slightly lower Solid Waste Management Fees and Material Sales.

The largest increase in tipping fees was at the Materials Recovery Facility (\$881,955).

The collection of Solid Waste Management Fee decreased 2.7% (\$93,855).

Material Sales and other fell slightly by \$152,968 (6.8%).

Operating expenses. The District's operating expenses increased slightly (\$98,350) for FY20.

The most significant changes were as follows:

- The Materials Recovery Facility expenses increased by \$274,488 which is primarily due to increase in the recycling processing fee of \$262,811.
- The Estimated Future Landfill Post-Closure Costs was reduced by \$308,292 based on future projections.

Significant Changes in Specific Line Items

- Current assets – The increase of \$648,907 in current assets is associated with the overall net increase in cash and cash equivalent investments of 1,083,657 with a decrease in accounts receivable of \$206,231 and a decrease of \$243,544 in inventories.
- Capital assets, net – The net value of capital assets decreased slightly this fiscal year due to a lower investment in new equipment in the current year.
- Current liabilities – Current liabilities increased due to additional compensated absences payable.
- Long-term liabilities – Long-term liabilities decreased due to the maturity of equipment leases and the decrease in projected Landfill Post Closure costs.

Additional Analytics

	FY20	FY19	FY18
Ratio of total liabilities to total assets	9%	10%	9%
Undesignated net position at end of year	\$1,420,401	\$1,566,990	\$1,555,091
Undesignated net position divided by operating expenses	12.1%	13.5%	14.3%

CHITTENDEN SOLID WASTE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019

Economic Factors and Next Year's Budget 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 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 financial information, contact the Director of Finance, 1021 Redmond Road, Williston, Vermont 05495 or at finance@cswd.net

CHITTENDEN SOLID WASTE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 9,862,869	\$ 8,606,742
Investments	53,412	225,882
Receivables (Net of Allowance for Uncollectibles)	1,900,392	2,106,623
Inventories	235,738	479,282
Prepaid Expenses	176,453	161,428
Total Current Assets	12,228,864	11,579,957
Noncurrent Assets:		
Capital Assets:		
Land	5,290,801	5,290,801
Construction in Progress	90,264	0
Other Capital Assets (Net of Accumulated Depreciation)	6,654,584	6,926,080
Total Noncurrent Assets	12,035,649	12,216,881
Total Assets	24,264,513	23,796,838
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	1,034,307	1,129,785
Accrued Payroll and Benefits Payable	43,333	149,798
Unearned Revenue	30,688	14,246
Security Deposits Payable	7,450	7,910
Settlement Payable	400,393	0
Accrued Interest Payable	1,099	1,099
Capital Leases Payable - Current Portion	8,850	38,363
Post-Closure Costs Payable - Current Portion	70,651	89,983
Total Current Liabilities	1,596,771	1,431,184
Noncurrent Liabilities:		
Compensated Absences Payable	211,340	162,505
Capital Leases Payable - Noncurrent Portion	0	9,163
Post-Closure Costs Payable - Noncurrent Portion	443,151	732,111
Total Noncurrent Liabilities	654,491	903,779
Total Liabilities	2,251,262	2,334,963
<u>NET POSITION</u>		
Net Investment in Capital Assets	12,026,799	12,169,355
Unrestricted	9,986,452	9,292,520
Total Net Position	\$ 22,013,251	\$ 21,461,875

The accompanying notes are an integral part of this financial statement.

CHITTENDEN SOLID WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues:		
Tipping Fees	\$ 6,929,937	\$ 6,242,860
Solid Waste Management Fees	3,327,711	3,421,566
Sale of Materials	2,008,841	2,206,793
License Fees	14,827	14,854
Miscellaneous	60,342	15,331
Total Operating Revenues	12,341,658	11,901,404
Operating Expenses:		
Materials Recovery Facility	3,119,471	2,844,983
Waste Reduction Program	847,999	685,763
Green Mountain Compost Facility	1,130,662	1,060,769
Drop-off Centers	2,551,375	2,572,609
Hazardous Waste Program	804,398	856,358
Biosolids Program	1,122,775	1,131,973
Special Projects	179,954	77,844
Future Project Development	135,660	119,945
Finance	275,859	295,046
Administration	700,695	710,253
Enforcement	144,010	158,410
Property Management	67,619	63,320
Change in Estimated Future Landfill Post-Closure Costs	(308,292)	148,980
Depreciation	921,376	868,958
Total Operating Expenses	11,693,561	11,595,211
Operating Income	648,097	306,193
Non-Operating Revenues/(Expenses):		
Rental Income	87,446	96,820
Investment Income	94,730	120,554
Interest Expense	(1,007)	(1,287)
Grant Income	108,673	106,470
Other Income	0	16,667
Glass Disposal Enforcement Settlement	(400,000)	0
Net Gain on Disposal of Assets	13,437	14,696
Total Non-Operating Revenues/(Expenses)	(96,721)	353,920
Change in Net Position	551,376	660,113
Net Position - Beginning of Year	21,461,875	20,801,762
Net Position - End of Year	\$ 22,013,251	\$ 21,461,875

The accompanying notes are an integral part of this financial statement.

CHITTENDEN SOLID WASTE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts from Customers and Users	\$ 12,564,331	\$ 11,343,295
Payments for Goods and Services	(3,902,200)	(6,669,173)
Payments for Wages and Benefits	<u>(7,102,473)</u>	<u>(3,920,412)</u>
Net Cash Provided by Operating Activities	<u>1,559,658</u>	<u>753,710</u>
Cash Flows From Noncapital Financing Activities:		
Operating Grants	108,673	106,470
Rental Income	87,446	96,820
Return of Security Deposit	(460)	0
Other Income	<u>0</u>	<u>16,667</u>
Net Cash Provided by Noncapital Financing Activities	<u>195,659</u>	<u>219,957</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(747,007)	(722,904)
Proceeds from Sale of Capital Assets	20,300	228,418
Principal Paid on Capital Leases Payable	(38,676)	(37,614)
Interest Paid on Capital Leases Payable	<u>(1,007)</u>	<u>(2,077)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(766,390)</u>	<u>(534,177)</u>
Cash Flows From Investing Activities:		
Receipt of Interest and Dividends	94,730	88,477
Net Proceeds/(Purchases) of Investments	<u>172,470</u>	<u>816,758</u>
Net Cash Provided by Investing Activities	<u>267,200</u>	<u>905,235</u>
Net Increase in Cash and Cash Equivalents	1,256,127	1,344,725
Cash and Cash Equivalents - Beginning of the Year	<u>8,606,742</u>	<u>7,262,017</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,862,869</u>	<u>\$ 8,606,742</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 648,097	\$ 306,193
Depreciation	921,376	868,958
(Increase)/Decrease in Receivables	206,231	(565,230)
(Increase)/Decrease in Inventories	243,544	(104,616)
(Increase)/Decrease in Prepaid Expenses	(15,025)	8,803
Increase/(Decrease) in Accounts Payable	(95,085)	83,818
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(106,465)	19,216
Increase/(Decrease) in Unearned Revenue	16,442	7,121
Increase/(Decrease) in Compensated Absences Payable	48,835	(19,533)
Increase/(Decrease) in Post-Closure Costs Payable	<u>(308,292)</u>	<u>148,980</u>
Net Cash Provided by Operating Activities	<u>\$ 1,559,658</u>	<u>\$ 753,710</u>

The District sold capital assets with a cost and accumulated depreciation of \$75,005 and \$68,142, respectively, for \$20,300 during fiscal year 2020.

The District sold capital assets with a cost and accumulated depreciation of \$454,613 and \$241,532, respectively, for \$228,417 during fiscal year 2019.

The District traded-in capital assets with a cost and accumulated depreciation of \$382,801 and \$349,661, respectively, during fiscal year 2019.

The accompanying notes are an integral part of this financial statement.

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

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 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, 2020 AND 2019

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>Estimated Service Life</u>
Land	Not Depreciated
Site Improvements	5-20 Years
Buildings and Building Improvements	15-30 Years
Vehicles, Machinery and Equipment	5-20 Years

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 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, 2020 AND 2019

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, 2020 and 2019 consist of the following:

	2020	2019
Deposits with Financial Institutions	\$ 5,522,690	\$ 8,603,758
Cash on Hand	3,033	2,984
Money Market Deposits with Financial Institutions	4,337,146	1,443
Investments - Certificates of Deposit	53,412	224,294
Investments - Accrued Interest on Certificates of Deposit	0	145
Total Cash and Cash Equivalents and Investments	\$ 9,916,281	\$ 8,832,624
Reported as:		
Current Assets - Cash and Cash Equivalents	\$ 9,862,869	\$ 8,606,742
Current Assets - Investments	53,412	225,882
Total Cash and Cash Equivalents and Investments	\$ 9,916,281	\$ 8,832,624

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 Director of Finance, is responsible for periodic review and re-allocation of investments as needed to meet stated objectives.

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

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

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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.

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.

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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, 2020:	Remaining Maturity				Total
	Less Than 1 Year	1 to 2 Years	2 to 3 Years	Greater than 3 Years	
Certificates of Deposit	\$ 0	\$ 53,412	\$ 0	\$ 0	\$ 53,412

As of June 30, 2019:	Remaining Maturity				Total
	Less Than 1 Year	1 to 2 Years	2 to 3 Years	Greater than 3 Years	
Certificates of Deposit	\$ 224,294	\$ 0	\$ 0	\$ 0	\$ 224,294

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, 2020 or 2019.

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, 2020 or 2019.

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, 2020 AND 2019

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

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

As of June 30, 2020:	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 531,334	\$ 531,612
Uninsured, Collateralized by U.S. Government Agencies Securities, Held by the Pledging Financial Institution's Agent	9,381,914	9,303,746
Total	\$ 9,913,248	\$ 9,835,358
As of June 30, 2019:	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 562,576	\$ 609,152
Uninsured, Collateralized by U.S. Government Agencies Securities, Held by the Pledging Financial Institution's Agent	8,267,064	8,195,443
Total	\$ 8,829,640	\$ 8,804,595

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable of \$1,900,392 and \$2,106,623 as of June 30, 2020 and 2019, respectively, consist of amounts due from customers, haulers, and other service partners. The allowance for uncollectible accounts of \$6,074 and \$6,600, as of June 30, 2020 and 2019, respectively, are based on management's judgment regarding collectability of outstanding accounts.

NOTE 4 – INVENTORIES

Inventories on hand as of June 30, 2020 and 2019 consist of materials held for sale as follows:

	2020	2019
Materials Recovery Facility - Recyclables	\$ 9,510	\$ 49,951
Green Mountain Compost - Compost Material	191,953	381,597
Composting Bins and Pails for Resale	34,275	47,734
Total	\$ 235,738	\$ 479,282

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets activity for the years ended June 30, 2020 and 2019:

	Year Ended June 30, 2020			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 5,290,801	\$ 0	\$ 0	\$ 5,290,801
Construction in Progress	0	90,264	0	90,264
Total Capital Assets, Not Being Depreciated	5,290,801	90,264	0	5,381,065
Capital Assets, Being Depreciated:				
Site Improvements	3,311,731	0	0	3,311,731
Buildings and Building Improvements	6,568,916	0	0	6,568,916
Vehicles, Machinery and Equipment	8,120,244	656,743	75,005	8,701,982
Totals	18,000,891	656,743	75,005	18,582,629
Less Accumulated Depreciation for:				
Site Improvements	2,074,338	83,367	0	2,157,705
Buildings and Building Improvements	4,532,597	234,097	0	4,766,694
Vehicles, Machinery and Equipment	4,467,876	603,912	68,142	5,003,646
Totals	11,074,811	921,376	68,142	11,928,045
Total Capital Assets, Being Depreciated	6,926,080	(264,633)	6,863	6,654,584
Capital Assets, Net	\$ 12,216,881	\$ (174,369)	\$ 6,863	\$ 12,035,649
Year Ended June 30, 2019				
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 5,290,801	\$ 0	\$ 0	\$ 5,290,801
Total Capital Assets, Not Being Depreciated	5,290,801	0	0	5,290,801
Capital Assets, Being Depreciated:				
Site Improvements	3,280,797	30,934	0	3,311,731
Buildings and Building Improvements	6,568,916	0	0	6,568,916
Vehicles, Machinery and Equipment	8,233,188	724,470	837,414	8,120,244
Totals	18,082,901	755,404	837,414	18,000,891
Less Accumulated Depreciation for:				
Site Improvements	1,991,433	82,905	0	2,074,338
Buildings and Building Improvements	4,298,366	234,231	0	4,532,597
Vehicles, Machinery and Equipment	4,507,247	551,822	591,193	4,467,876
Totals	10,797,046	868,958	591,193	11,074,811
Total Capital Assets, Being Depreciated	7,285,855	(113,554)	246,221	6,926,080
Capital Assets, Net	\$ 12,576,656	\$ (113,554)	\$ 246,221	\$ 12,216,881

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 – LONG-TERM LIABILITIES

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

	Year Ended June 30, 2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases Payable	\$ 47,526	\$ 0	\$ 38,676	\$ 8,850	\$ 8,850
Compensated Absences Payable	162,505	48,835	0	211,340	0
Post-Closure Costs Payable	822,094	0	308,292	513,802	70,651
Total	\$ 1,032,125	\$ 48,835	\$ 346,968	\$ 733,992	\$ 79,501
	Year Ended June 30, 2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases Payable	\$ 85,140	\$ 0	\$ 37,614	\$ 47,526	\$ 38,363
Compensated Absences Payable	182,038	0	19,533	162,505	0
Post-Closure Costs Payable	673,114	148,980	0	822,094	89,983
Total	\$ 940,292	\$ 148,980	\$ 57,147	\$ 1,032,125	\$ 128,346

Capital leases payable as of June 30, 2020 and 2019 related to acquisition of certain District equipment assets are detailed as follows:

	2020	2019
SunTrust Leasing, Interest at 2.21%, Payments of \$30,609 Payable on July 15 Annually, Due and Paid July, 2019	\$ 0	\$ 30,048
KeyBank Leasing, Interest at 2.55%, Payments of \$9,074 Payable on July 15 Annually, Due and Paid July, 2020	8,850	17,478
Total	\$ 8,850	\$ 47,526
Current Portion	\$ 8,850	\$ 38,363
Noncurrent Portion	0	9,163
Total	\$ 8,850	\$ 47,526

Future payments for the capital leases are as follows:

Year Ending June 30	Capital Leases
2021	\$ 9,074
Total	9,074
Less: Imputed Interest	(224)
Total	\$ 8,850

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$558,882 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 \$2,432,653 in closure and post-closure costs for the fiscal years ended June 30, 1996 through June 30, 2020. The \$513,802 and \$822,094 reported as accrued post-closure costs liability at June 30, 2020 and 2019, respectively, represent the present value of the estimate.

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

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

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

The post-closure costs estimates and the balances in the designated Landfill Post-closure Reserve account as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total Post-Closure Costs Estimated for the 30-Year Period Ending in 2025 (Including Projection for Inflation)	\$ 2,991,535	\$ 3,262,944
Total of Actual Post-Closure Costs Paid Through June 30	<u>(2,432,653)</u>	<u>(2,358,896)</u>
Remaining Balance of Post-Closure Costs Expected to be Incurred through 2025, Including 2.5% Inflation Factor	<u>\$ 558,882</u>	<u>\$ 904,048</u>
Present Value of Estimate, Discounted at 2.5%	\$ 513,802	\$ 822,094
Fund Balance in Designated Reserve Account at June 30	<u>\$ 818,174</u>	<u>\$ 891,514</u>
Surplus in Reserve Balance as of June 30	<u>\$ 304,372</u>	<u>\$ 69,420</u>

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 - NET POSITION

The following schedule provides details of the Unrestricted Net Position balances as of June 30, 2020 and 2019:

	2020	2019
Unrestricted Net Position:		
Designated - Facilities Improvement Reserve (FIR):		
Materials Recovery Facility (MRF)	\$ 1,836,944	\$ 1,647,415
Special Waste Facility	218,687	218,687
Drop-Off Centers	2,073,095	1,882,792
Environmental Depot	238,436	204,910
Biosolids Program	154,086	108,586
Property Management & Administration	164,703	164,703
Compost Program Facilities	330,713	124,103
Maintenance	103,680	103,680
Total Designated for Capital Items	5,120,344	4,454,876
Designated for Other Purposes:		
Landfill Post-Closure Reserve (In Excess of Liability)	304,372	69,420
Facilities Closure Reserve	502,953	502,953
Community Cleanup Fund	68,182	69,718
Drop-Off Center Rate Stabilization Reserve	263,535	263,535
SWMF Rate Stabilization Reserve	2,306,665	2,365,028
Total Designated for Other Purposes	3,445,707	3,270,654
Total Designated	8,566,051	7,725,530
Undesignated	1,420,401	1,566,990
Total Unrestricted Net Position	\$ 9,986,452	\$ 9,292,520

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, 2020 AND 2019

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, 2020, 2019 and 2018 were \$2,629,595, \$2,847,840, and \$2,762,347, while covered salaries for the retirement plan were \$2,364,143, \$2,265,767, and \$1,948,818, respectively. Contributions of \$141,849, \$136,453, and \$116,929 were paid by the District for the years ended June 30, 2020, 2019 and 2018, 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 Intermunicipal 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 is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the District to make additional assessments to its members. The District has only elected unemployment coverage with the Trust.

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 43% and 46% of the total accounts receivable balance reported as of June 30, 2020 and 2019, respectively.

CHITTENDEN SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to year-end, the District reached a settlement with the State of Vermont for the disposal of processed glass. The agreement requires the District to pay \$78,000 in penalties, \$393 in enforcement costs and \$322,000 to account for the economic benefit that accrued to the District from avoiding costs of properly recycling the glass. Of the \$400,393 settlement, the District will pay \$178,393 directly to the State of Vermont and will pay the remaining \$222,000 in economic benefit over six months to fund one or more supplemental environmental projects that will more directly benefit the public.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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
1021 Redmond Road
Williston, Vermont 05495

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, as of and for the year ended June 30, 2020, 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 September 2, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Chittenden Solid Waste District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chittenden Solid Waste 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".

We also noted certain other matters that we reported in a separate letter to the management of the Chittenden Solid Waste District dated September 2, 2021.

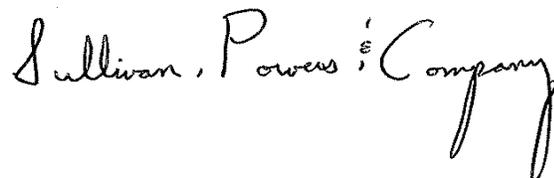
Chittenden Solid Waste District's Response to Deficiency in Internal Control

The Chittenden Solid Waste District's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Chittenden Solid Waste District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Chittenden Solid Waste District'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 Chittenden Solid Waste District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 2, 2021
Montpelier, Vermont
VT Lic. #92-000180



CHITTENDEN SOLID WASTE DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2020

Deficiencies in Internal Control:

Material Weakness:

2020-001 Drop Off Center Revenues

Criteria:

Internal controls should be in place at drop off centers to ensure completeness of revenues.

Condition:

The District does not have adequate internal controls over drop off centers revenues. The drop off centers do not consistently require that a receipt be given for all cash collected. In addition, there is no consistent documented review of voided transactions.

Cause:

Unknown.

Effect:

The District has left itself open to the threat of misappropriation of its assets.

Recommendation:

We recommend that the District enforce the requirement to require prenumbered cash receipts to be issued to all customers for all sales at the drop off centers. In addition, management and accounting staff should evaluate point of sale reports from the system and implement procedures to monitor voided transactions.



ADMINISTRATIVE OFFICE

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To: Board of Commissioners
From: Nola Ricci, Director of Finance
Date: September 2, 2021
RE: Response Letter to Fiscal Year Audit for Year Ended June, 30, 2020

On August 20, 2021, a draft of the Fiscal Year 2020 Audit Report was issued from independent accounting firm Sullivan, Powers & Company. The auditors issued an unmodified opinion to the Chittenden Solid Waste District Fiscal Year 2020 financial statements.

When performing an audit of major financial systems and accounting processes, auditors often detect certain matters involving internal controls that do not rise to a level of seriousness to be reflected in the auditor's opinion report. These findings are communicated in a management letter. This memorandum transmits a copy of the *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"* and *Schedule of Findings and Deficiencies in Internal Control*, that reports on such matters. This letter does not affect the auditors' unmodified opinion on the financial statements.

Within this letter two recommendations to improve financial operations and internal controls were suggested:

1. As a result of the pandemic, Drop Off Center operators were no consistently requiring customers to accept receipts for cash sales. However, this deficiency has since been addressed at Chittenden Solid Waste District Drop Off Centers.
2. The Finance Department is currently working in conjunction with the Drop Off Center Managers to implement a procedure to monitor and review voided transactions as they occur.

Should this memo result in any questions the Board would like to discuss, please contact me.