

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	Exhibit A 9
Statement of Activities	Exhibit B 10
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Fund	Exhibit C 11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	Exhibit D 12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	Exhibit E 13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	Exhibit F 14
Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget - General Fund	Exhibit G 15 - 16
NOTES TO FINANCIAL STATEMENTS	17 – 23

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Greater Upper Valley Solid Waste Management District
North Hartland, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Greater Upper Valley Solid Waste Management District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Greater Upper Valley Solid Waste Management District as of June 30, 2019, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

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

☐ date

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of Greater Upper Valley Solid Waste Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements which begin on Exhibit A.

Financial Highlights

- The District's Net Position increased by \$102,019 in fiscal year 2019 compared to an increase of \$186,852 in fiscal year 2018.
- The cost of all of the District's programs was \$576,302 this year, compared to \$582,869 last year, with no new programs added.
- During fiscal year 2019, the General Fund reported a decrease in fund balance of \$8,851 which was \$8,851 worse than budget. The decrease resulted from capital outlays related to the new organics facility. During fiscal year 2018, the General Fund reported an increase in fund balance of \$128,243 which was \$124,552 better than budget.
- The fund balance for the General Fund was \$247,526 as of June 30, 2019, of which \$2,866 is nonspendable for inventory and prepaids and \$244,660 is unassigned.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements are on Exhibit C through Exhibit G. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements.

Reporting the District as a Whole

Our analysis of the District as a whole begins on Exhibit A. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of accumulated depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in them. You can think of the District's Net Position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. You may need to consider other non-financial factors, however, such as changes in the District's program activities as may be mandated by state government.

In the Statement of Net Position and the Statement of Activities, we report all the District's activities as governmental activities.

Reporting the District's Most Significant Fund – Fund Financial Statements

The financial statements of the District's major governmental fund is reflected on Exhibit C through Exhibit G. These fund financial statements provide detailed information about the most significant funds – not the District as a whole. The Board establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain assessments, grants and other money.

Governmental Fund

The District's basic services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using a measurement focus called current financial resources, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in Exhibits D and F.

The District as a Whole

During the year, the District's Net Position increased by \$102,019, from \$1,108,980 to \$1,210,999. Our analysis below focuses on the change in the components of Net Position (Table 1) and changes in Net Position (Table 2) of the District's governmental activities.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Table 1
Statement of Net Position

	2019	2018	Net Change
Current and other assets	\$ 319,913	\$ 330,795	\$ (10,882)
Capital assets, net	2,081,074	2,095,424	(14,350)
Total assets	<u>2,400,987</u>	<u>2,426,219</u>	<u>(25,232)</u>
Long-term liabilities	1,114,604	1,239,184	(124,580)
Other liabilities	75,384	78,055	(2,671)
Total liabilities	<u>1,189,988</u>	<u>1,317,239</u>	<u>(127,251)</u>
Net position:			
Invested in capital assets, net of related debt	966,470	856,240	110,230
Unrestricted	244,529	252,740	(8,211)
Total net position	<u>\$ 1,210,999</u>	<u>\$ 1,108,980</u>	<u>\$ 102,019</u>

Unrestricted Net Position (the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) changed from a balance of \$252,740 at June 30, 2018 to a balance of \$244,529 at June 30, 2019.

Table 2
Statement of Changes in Net Position

	2019	2018	Net Change
REVENUES			
Program revenues:			
Charges for services	\$ 335,990	\$ 354,074	\$ (18,084)
Federal, state & local grants	133,845	122,229	11,616
General revenues:			
Member assessments	200,915	200,915	0
Composting facility	3,185	45,582	(42,397)
Gain on disposal of property	0	39,701	(39,701)
Option income	0	5,000	(5,000)
Earnings on investments	2,892	1,412	1,480
Other income	1,494	808	686
Total revenues	<u>678,321</u>	<u>769,721</u>	<u>(91,400)</u>
PROGRAM EXPENSES			
Waste management programs	389,308	377,997	11,311
Coupon and permit activities	142,696	156,942	(14,246)
Interest on long-term debt	44,298	47,930	(3,632)
Total program expenses	<u>576,302</u>	<u>582,869</u>	<u>(6,567)</u>
Increase in net position	<u>\$ 102,019</u>	<u>\$ 186,852</u>	<u>\$ (84,833)</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Governmental Activities

Table 3 highlights the cost of each of the District's largest governmental activities as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the District's members by each of these activities.

Table 3
Governmental Activities

	Total Cost of Services <u>2019</u>	Net revenue (expense) of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net revenue (expense) of Services <u>2018</u>
Waste management programs	\$ 389,308	\$ (77,870)	\$ 377,997	\$ (76,674)
Coupon and permit activities	142,696	15,701	156,942	18,038
Interest on long-term debt	44,298	(44,298)	47,930	(47,930)
Totals	<u>\$ 576,302</u>	<u>\$ (106,467)</u>	<u>\$ 582,869</u>	<u>\$ (106,566)</u>

The District's Funds

As the District completed the year, its governmental fund (as presented in the Balance Sheet on Exhibit C) reported a fund balance of \$247,526, which is less than last year's balance of \$256,377, a decrease of \$8,851.

Financial Highlights

The General Fund ended the year with a fund balance of \$247,526. Revenues were less than expenditures by \$8,851, which was \$8,851 worse than budget. Exhibit G of the financial statements compares actual results to budget. The largest budget variances are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State grants - District	\$ 18,950	\$ 37,843	\$ 18,893
Enforcement grant	0	96,002	96,002
Composting facility	15,000	3,185	(11,815)
Expenditures:			
Compliance investigator	0	96,002	(96,002)
Household hazardous waste expenditures	32,000	44,195	(12,195)
Capital outlays	0	34,360	(34,360)

The state grant revenue was higher than budget, due in part to additional funding to construct an organics transfer station.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The enforcement grant and associated compliance investigator costs were not included in the budget.

Composting facility revenue was lower than budget due to lower usage than anticipated.

The cost of household hazardous waste expenditures was higher than anticipated due to an increase in collection fees.

Capital outlays were higher than expected due to construction of the organics transfer station, which was not anticipated at the time the budget was approved.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the District had \$2,081,074 invested in capital assets. The District had one new capital asset addition of \$34,360 for the organics transfer station.

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

	2019	2018	Net Change
Equipment	\$ 13,827	\$ 19,357	(5,530)
Bridge	1,501,901	1,540,325	(38,424)
Land	450,000	450,000	0
Compost facility	80,986	85,742	(4,756)
Organics facility	34,360	0	34,360
Totals	<u>\$ 2,081,074</u>	<u>\$ 2,095,424</u>	<u>(\$14,350)</u>

Debt

At June 30, 2019, the District had \$1,114,604 of debt in three outstanding loans.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		
	2019	2018	Net Change
Bond Payable	\$ 750,000	\$ 825,000	\$ (75,000)
Bond Payable	350,000	395,000	(45,000)
Note Payable	14,604	19,184	(4,580)
Totals	<u>\$ 1,114,604</u>	<u>\$ 1,239,184</u>	<u>\$ (124,580)</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Economic Factors and Next Year's Budget

The District is continuing the process of evaluating the effects of reduced waste generation as it pertains to future plans and the budget. Staffing and benefit programs are being analyzed in an effort to reduce the costs to providing services to member towns in the District.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, grantors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Office at Greater Upper Valley Solid Waste Management District, PO Box 320, Ascutney, VT 05030.

DRAFT

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 209,329	
Accounts receivable	68,399	
Due from State of Vermont	39,319	
Inventory	1,540	
Prepaid expenses	1,326	
Capital assets		
Land	450,000	
Organics facility - construction in progress	34,360	
Other capital assets, net of depreciation	<u>1,596,714</u>	
Total assets		2,400,987
LIABILITIES		
Accounts payable	72,387	
Accrued interest	2,997	
Bonds payable - due in one year	124,692	
Bonds payable - due after one year	<u>989,912</u>	
Total liabilities		<u>1,189,988</u>
NET POSITION		
Invested in capital assets, net of related debt	966,470	
Unrestricted	<u>244,529</u>	
Total net position		<u><u>\$ 1,210,999</u></u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:				
Waste management programs	\$ 389,308	\$ 177,593	\$ 133,845	\$ (77,870)
Coupon and permit activities	142,696	158,397	0	15,701
Interest on long-term debt	44,298	0	0	(44,298)
Total governmental activities	<u>\$ 576,302</u>	<u>\$ 335,990</u>	<u>\$ 133,845</u>	<u>(106,467)</u>
General Revenues:				
Member assessments				200,915
Composting facility				3,185
Earnings on investments				2,892
Other income				1,494
Total general revenues				<u>208,486</u>
Change in net position				102,019
Net position - July 1, 2018				<u>\$ 1,108,980</u>
Net position - June 30, 2019				<u>\$ 1,210,999</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2019

	<u>General Fund</u>	
ASSETS		
Cash	\$ 209,329	
Accounts receivable	68,399	
Due from State of Vermont	39,319	
Inventory	1,540	
Prepaid expenses	<u>1,326</u>	
Total assets		<u>\$ 319,913</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable		\$ 72,387
FUND BALANCE		
Nonspendable for inventory and prepaids	2,866	
Unassigned	<u>244,660</u>	
Total fund balances		<u>247,526</u>
Total liabilities and fund balance		<u>\$ 319,913</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUND		\$ 247,526
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets as of June 30, 2019 are \$2,518,935 and the accumulated depreciation is \$437,861.</p>		
		2,081,074
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Bonds payable	1,114,604	
Accrued interest on long term debt	2,997	
Subtotal	(1,117,601)	
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$1,210,999

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES	
Member assessments	\$ 200,915
Waste management fees	164,764
Coupon and permit sales	158,397
State grants - District	37,843
Enforcement grant	96,002
Composting facility	3,185
Household hazardous waste	6,862
Special collections	4,227
Sale of compost and recycling bins	1,740
Interest	2,892
Other income	1,494
Total revenues	<u>678,321</u>
EXPENDITURES	
Waste Management Programs	
Overhead	6,166
Direct expenditures	11,802
Contract services	264,462
Other	58,168
Coupon and permit activities	142,696
Debt service	
Principal	124,580
Interest	44,938
Capital Outlays	34,360
Total expenditures	<u>687,172</u>
NET CHANGE IN FUND BALANCE	(8,851)
FUND BALANCE - July 1, 2018	<u>\$ 256,377</u>
FUND BALANCE - June 30, 2019	<u>\$ 247,526</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (8,851)
--	------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation of \$48,710 exceeds capital outlays net of disposals of \$34,360.

(14,350)

Payments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Likewise, proceeds of bonds are revenues in governmental funds.

Bond payments totalled \$124,580, and there were no bond proceeds.

124,580

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest on bonds payable decreased by \$640.

640

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 102,019

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

COMPARED TO BUDGET - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 200,915	\$ 200,915	\$ 0
Waste management fees	160,150	164,764	4,614
Coupon and permit sales	162,000	158,397	(3,603)
State grants - District	18,950	37,843	18,893
Enforcement grant	0	96,002	96,002
Composting facility	15,000	3,185	(11,815)
Household hazardous waste	7,000	6,862	(138)
Special collections	5,500	4,227	(1,273)
Sale of bins	4,000	1,740	(2,260)
Interest	1,000	2,892	1,892
Other income	132	1,494	1,362
Total revenues	<u>574,647</u>	<u>678,321</u>	<u>103,674</u>
EXPENDITURES			
Waste Management Programs			
Overhead			
Insurance	2,700	1,082	1,618
Real estate taxes	7,000	4,046	2,954
Maintenance/service contracts	3,400	1,038	2,362
Total overhead	<u>13,100</u>	<u>6,166</u>	<u>6,934</u>
Direct Expenditures			
Association memberships	4,800	2,921	1,879
Miscellaneous	360	1,093	(733)
Audit	8,000	7,500	500
Legal	3,000	288	2,712
Total direct expenditures	<u>16,160</u>	<u>11,802</u>	<u>4,358</u>
Contract Services			
Administration/finance	160,905	168,460	(7,555)
Compliance investigator	0	96,002	(96,002)
Total contract services	<u>160,905</u>	<u>264,462</u>	<u>(103,557)</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

COMPARED TO BUDGET - GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<i>EXPENDITURES (Continued)</i>			
Other			
Household hazardous waste expenditures	32,000	44,195	(12,195)
Compost and recycling bins	5,190	1,643	3,547
Special collections	14,000	6,295	7,705
Education programs	5,000	2,562	2,438
WMO enforcement	4,000	3,473	527
Total other	<u>60,190</u>	<u>58,168</u>	<u>2,022</u>
Coupon and permit activities	<u>151,000</u>	<u>142,696</u>	<u>8,304</u>
Debt service			
Principal	125,000	124,580	420
Interest	48,292	44,938	3,354
Total debt service	<u>173,292</u>	<u>169,518</u>	<u>3,774</u>
Capital outlays	<u>0</u>	<u>34,360</u>	<u>(34,360)</u>
Total expenditures	<u>574,647</u>	<u>687,172</u>	<u>(112,525)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>(8,851)</u>	<u>\$ (8,851)</u>
FUND BALANCE - July 1, 2018		<u>\$ 256,377</u>	
FUND BALANCE - June 30, 2019		<u>\$ 247,526</u>	

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Greater Upper Valley Solid Waste Management District was formed under Act 78 of Vermont Statute, Solid Waste Bill in 1990. The District is a union municipal corporation whose purpose is to educate and inform the public on solid waste management, to search for alternative solid waste management methods and future landfill sites and to manage solid waste. It receives State funds and town appropriations.

The District is exempt from federal taxation under Internal Revenue Code Section 501(c)(1).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established by GAAP and used by the District are discussed below.

Reporting Entity

The District's basic financial statements include the accounts of all District operations. Based on the criteria for including organizations as component units within the District's reporting entity, as set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has no component units.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (focusing on the District's major fund). All of the District's activities are classified as governmental activities.

The government-wide Statement of Net Position presents all of the District's activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported as invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's governmental functions. The functions are also supported by general government revenue (surcharge and C&D charges, recycling fees, investment income, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of operating grants, and contributions. Program revenue must be directly associated with the governmental function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net costs (by governmental function) are normally covered by general revenue.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's Net Position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental category. GASB No. 34 and No. 37 set forth minimum criteria for the determination of major funds. The General Fund is the only fund of the District and is a major fund.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

General Fund is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of Net Position). Fund equity (i.e. net total position) is segregated into invested capital assets, net of related debt; restricted Net Position; and unrestricted Net Position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" to the District means collectible within the current period or within six months after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets, if any, are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery & Equipment	5 - 20 years
Buildings and Bridges	20 - 50 years

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Government-wide net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the District's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

The District first utilizes restricted resources to finance qualifying activities.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

GASB Statement 54 “*Fund Balance Reporting and Governmental Type Definitions*” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

Nonspendable – Amounts that are not in spendable form (such as inventory or prepaids) or are required to be maintained intact.

Restricted - Amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - All amounts not included in other spendable classifications.

The District has not established policies or procedures for committing or assigning fund balances.

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

Budgets

Budgets are developed using the modified accrual basis of accounting and were approved by the Board of Supervisors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. None of the District’s June 30, 2019 bank balance was exposed to custodial credit risk.

NOTE 3 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance June 30, 2018	Additions	Depreciation	Balance June 30, 2019
Land	\$ 450,000	\$ 0	\$ 0	\$ 450,000
Bridge	1,921,181	0	0	1,921,181
Building and equipment	27,652	0	0	27,652
Compost facility	85,742	0	0	85,742
Organics facility	0	34,360	0	34,360
Accumulated depreciation	(389,151)	0	(48,710)	(437,861)
Total capital assets, net	<u>\$ 2,095,424</u>	<u>\$ 34,360</u>	<u>\$ (48,710)</u>	<u>\$ 2,081,074</u>

Depreciation expense of \$48,710 was charged to waste management expenses.

NOTE 4 – SHORT-TERM DEBT

On March 6, 2019, the District signed a line of credit with Mascoma Bank for \$170,000 at 2.95% interest which expires on March 6, 2020. No advances were taken during fiscal year 2019, and the balance at June 30, 2019 was zero.

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2019, are as follows:

Bond payable with Vermont Municipal Bond Bank, ranging between 1.90% and 4.65%, due 11/15/28, interest only until 11/15/09, annual principal payments of \$75,000 beginning 11/15/09.	\$ 750,000
Bond payable with Vermont Municipal Bond Bank, ranging between .904% and 4.664%, due 11/15/31, interest only until 5/15/12, annual principal payments of \$45,000 beginning 11/15/12. (see Note 9 for detail of refinancing)	350,000
Note payable with Mascoma Bank, at 2.4% interest to be paid with quarterly principal payments of \$1,237 as well as accrued interest. Due on 12/23/21.	14,604
Total long-term liabilities	<u>\$ 1,114,604</u>

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 124,692	\$ 39,137	\$ 163,829
2021	124,805	34,053	158,858
2022	125,107	29,261	154,368
2023	120,000	24,581	144,581
2024	120,000	19,699	139,699
2025-2029	500,000	30,660	530,660
	<u>\$ 1,114,604</u>	<u>\$ 177,391</u>	<u>\$ 1,291,995</u>

The change in long-term liabilities was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due in</u> <u>one year</u>	<u>Due after</u> <u>one year</u>
Vermont Municipal Bond Bank	\$ 825,000	\$ (75,000)	\$ 750,000	\$ 75,000	\$ 675,000
Vermont Municipal Bond Bank	395,000	(45,000)	350,000	45,000	305,000
Mascoma Savings Bank	19,184	(4,580)	14,604	4,692	9,912
Total	<u>\$ 1,239,184</u>	<u>\$ (124,580)</u>	<u>\$ 1,114,604</u>	<u>\$ 124,692</u>	<u>\$ 989,912</u>

Interest paid on the bonds and notes was \$44,938 for the year ended June 30, 2019.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 7 - CONTINGENCIES

The District participates in a number of State grant programs which are subject to audit by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2019 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

GREATER UPPER VALLEY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations in the General Fund by \$112,525. The excess expenditures were covered by grant and other revenues.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date, the date which the financial statements were available for issue. The District is in the process of constructing the Organics Transfer Station Facility at a cost of approximately \$586,000. Approximately \$34,000 of this work occurred during fiscal year 2019. 40% of eligible costs will be funded by a grant from the State of Vermont (approximately \$216,000) and a \$270,000 loan from Mascoma Bank. The remaining funds will be paid from the District's cash reserves.

DRAFT