

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

November 3, 2011

To the Board of Supervisors  
Lamoille Regional Solid Waste Management District  
Morrisville, Vermont

We have audited the accompanying financial statements of the governmental activities and the major fund of Lamoille Regional Solid Waste Management District, as of and for the year ended June 30, 2011, which collectively comprise Lamoille Regional Solid Waste Management District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Lamoille Regional Solid Waste Management District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Lamoille Regional Solid Waste Management District, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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*

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

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

Our discussion and analysis of Lamoille Regional Solid Waste Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements which begin on Exhibit A.

***Financial Highlights***

- The District's net assets increased by \$61,892 in fiscal year 2011 compared to an increase of \$38,156 in fiscal year 2010.
- The cost of all of the District's programs was \$1,094,629 in fiscal year 2011 compared to \$1,098,098 in fiscal year 2010, with no new programs this year.
- The General Fund reported a net increase of \$42,366 in fiscal year 2011 compared to a net decrease of \$26,290 in fiscal year 2010.
- The unassigned fund balance for the General Fund was \$91,468 as of June 30, 2011. This amount represents the amount of resources available for future budgets. The nonspendable fund balance for prepaid expenses is \$15,407. The restricted fund balance for the General Fund was \$135,982. This amount is restricted for future payments of the bond. Assigned for FY2012 expenditures is \$62,777. Assigned for future education programs is \$9,000. Assigned for the removal of all solid wastes and recyclable materials upon the closure of the drop-off centers is \$33,250. Assigned for capital items is \$10,000.

This annual report consists of a series of financial statements. The Statement of Net Assets 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 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 by providing information about the District's most significant funds.

***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 Assets 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 assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 Assets and the Statement of Activities, we report all the District's activities as governmental activities.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

*Reporting the District's Most Significant Funds – 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 the 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 (like grants received from the State of Vermont).

- Governmental funds – The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are 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 Assets and the Statement of Activities) and governmental funds in Exhibits D and F.

**The District as a Whole**

During the year, the District's net assets increased by \$61,892, from \$506,895 to \$568,787. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Table 1  
Statement of Net Assets

	2011	2010	Net Change
Current and other assets	\$ 397,853	\$ 367,981	\$ 29,872
Capital assets, net	374,661	377,664	(3,003)
Total assets	<u>772,514</u>	<u>745,645</u>	<u>26,869</u>
Long term liabilities	163,758	186,287	(22,529)
Other liabilities	39,969	52,463	(12,494)
Total liabilities	<u>203,727</u>	<u>238,750</u>	<u>(35,023)</u>
Net assets:			
Invested in capital assets, net of debt	358,368	357,516	852
Restricted for bond payments	982	1,395	(413)
Unrestricted	209,437	147,984	61,453
Total net assets	<u>\$ 568,787</u>	<u>\$ 506,895</u>	<u>\$ 61,892</u>

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) changed from \$147,984 at June 30, 2010 to \$209,437 at June 30, 2011.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

Table 2  
Statement of Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$1,127,726	\$1,107,740	\$ 19,986
State grants and contributions	28,333	27,896	437
General revenues:			
Earnings on investments	462	618	(156)
Total revenues	<u>1,156,521</u>	<u>1,136,254</u>	<u>20,267</u>
<b>PROGRAM EXPENSES</b>			
Disposal and C&D related services	991,323	969,273	22,050
Recycling services	54,219	65,341	(11,122)
Interest on long term debt	9,570	10,003	(433)
Wolcott billing	0	22,473	(22,473)
Household hazardous waste	39,517	31,008	8,509
Total program expenses	<u>1,094,629</u>	<u>1,098,098</u>	<u>(3,469)</u>
Increase (decrease) in net assets	<u>\$ 61,892</u>	<u>\$ 38,156</u>	<u>\$ 23,736</u>

**Governmental Activities**

Table 3 highlights the cost of each of the District's largest governmental activities as well as each activity'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

	<u>Total Cost of Services 2011</u>	<u>Net Revenue (Expense) of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Revenue (Expense) of Services 2010</u>
Disposal and C&D related services	\$ 991,323	\$ 101,632	\$ 969,273	\$ 82,573
Recycling services	54,219	(19,448)	65,341	(31,740)
Interest on long-term debt	9,570	(1,521)	10,003	(853)
Wolcott billing	0	0	22,473	(180)
Household hazardous waste	39,517	(19,233)	31,008	(12,262)
Totals	<u>\$ 1,094,629</u>	<u>\$ 61,430</u>	<u>\$ 1,098,098</u>	<u>\$ 37,538</u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

The District's Funds

As the District completed the year, its governmental fund (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$357,884, which is more than last year's total of \$315,518. This year's total change in fund balance is a net increase of \$42,366 in the District's General Fund.

*General Fund Budgetary Highlights*

The explanation on some of the larger variances in the budget reflected on Exhibit G are as follows:

Revenues

C&D disposal income at Stowe is primarily derived from small construction companies and do-it-yourselfers since the site is not set up to accept C&D from large trucks. The C&D disposal income was lower than anticipated this year which suggests that the construction industry, often among the first to be affected by economic downturns, was down this year. The 2010 C&D revenue went down from 2009 levels rather than up as anticipated at the time the budget was written.

The MSW *surcharge* revenues were down significantly but the increase in *MSW disposal income* appears to account for that. This suggests fewer households are using haulers (*surcharge*) and more are opting to self haul (*MSW disposal income*).

Expenditures

Tire disposal income was greater than expected as tire recycling increased as well with a new contract guaranteeing favorable rates. Recyclables processing fees were lower than anticipated as the MRF has enjoyed high prices for commodities which they pass on through reduced tipping fees. Hauling of recyclables was not as nearly as high as anticipated as the increased cost of garbage disposal was not enough to drive more recycling. HHW events continue to increase in cost due to rising price of contractors and strong community participation. These events are subsidized with a grant from the State of Vermont however, costs and participation rise faster than the grant.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2011, the District had \$374,661 invested in capital assets. (See Table 4 below)

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

	2011	2010
Machinery and equipment	\$ 142,346	\$ 146,908
Trucks	247	316
Drop-off centers	232,068	230,440
Totals	\$ 374,661	\$ 377,664

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011  
(Continued)

The year's major additions which were capitalized included:

Sea container	\$ 2,600
Copier, fax and scanner	6,708
2 40 yd compactors	5,200
8' dump body insert	2,500
Security cameras	2,728
Stowe transfer renovations	4,004
Morrisville drop off station	1,745
	<u>\$ 25,485</u>

*Debt Administration*

At June 30, 2011, the District has \$151,293 in one outstanding bond and one outstanding lease. Bond payments of \$20,000 and lease principal of \$3,855 and interest of \$9,570 were paid from the General Fund during the year. An escrow agreement that was established in 1999 provides an escrow account to provide funds for the yearly payment of the bond.

**Economic Factors and Next Year's Budget**

The Districts capital budget plan was established to provide for long term planned repairs and purchases. The 2011 budget includes a deposit of \$40,000 into the capital budget fund in anticipation of funding aging equipment and also to allow the District to add capacity for a permanent HHW facility and expanded reuse. Economic recovery will be essential to achieve the revenues necessary to fund such a plan yet the speed at which it is expected to improve is clearly unknown. The value of recyclables and the amount of C&D received at Stowe are directly affected by changes to the economy.

**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 Lamoille Regional Solid Waste District, 29 Sunset Drive, Suite 5, Morrisville, VT 05661-8331.

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Total Governmental Activities	
<b>ASSETS</b>		
Cash	\$ 159,329	
Cash on hand	3,937	
Investments - restricted	135,982	
Accounts receivable - customers	83,198	
Prepaid expenses	15,407	
Capital assets - net of accumulated depreciation of \$318,676	<u>374,661</u>	
Total assets		772,514
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	39,494	
Accrued payroll liabilities	475	
Bond payable - due in one year	25,000	
Lease payable - due in one year	4,094	
Accrued compensated absences - due after one year	12,465	
Bond payable - due after one year	110,000	
Lease payable - due after one year	<u>12,199</u>	
Total liabilities		<u>203,727</u>
<b>NET ASSETS</b>		
Unrestricted	209,437	
Restricted net assets	982	
Invested in capital assets, net of related debt	<u>358,368</u>	
Total net assets (Exhibit B)		<u>\$ 568,787</u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT . EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

<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 Assets Governmental Activities</u>
Governmental Activities:				
Disposal and C&D related services	\$ 991,323	\$ 1,092,955	\$ 0	\$ 101,632
Recycling services	54,219	34,771	0	(19,448)
Interest on long-term debt	9,570	0	8,049	(1,521)
Household hazardous waste	39,517	0	20,284	(19,233)
Total governmental activities	<u>\$ 1,094,629</u>	<u>\$ 1,127,726</u>	<u>\$ 28,333</u>	<u>61,430</u>
General Revenues:				
Earnings on investments				<u>462</u>
Total general revenues				<u>462</u>
Change in net assets				61,892
Net assets - July 1, 2010				<u>506,895</u>
Net assets - June 30, 2011 (Exhibit A)				<u>\$ 568,787</u>

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

## BALANCE SHEET

## GOVERNMENTAL FUND

JUNE 30, 2011

	<u>General Fund</u>	
<b>ASSETS</b>		
Cash	\$ 159,329	
Cash on hand	3,937	
Investments	135,982	
Accounts receivable - customers	83,198	
Prepaid expenses	<u>15,407</u>	
Total assets		<u><u>\$ 397,853</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 39,494	
Accrued payroll liabilities	<u>475</u>	
Total liabilities		39,969
<b>FUND BALANCES</b>		
Nonspendable-prepays	15,407	
Restricted for yearly bond payments	135,982	
Assigned for FY2012 expenditures	62,777	
Assigned for future education programs	9,000	
Assigned for closure of drop-off centers	33,250	
Assigned for capital assets	10,000	
Unassigned	<u>91,468</u>	
Total fund balances (Exhibit E)		<u><u>357,884</u></u>
Total liabilities and fund balances		<u><u>\$ 397,853</u></u>

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 357,884
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Amounts reported for governmental activities in the statement of net assets are different because:

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, 2011 are \$693,337 and the accumulated depreciation is \$318,676.	374,661
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Long-term liabilities, including bonds and lease 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:

Bonds and lease payable	(151,293)	
Accrued compensated absences	(12,465)	
Subtotal	(163,758)	(163,758)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 568,787
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STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2011

	General Fund
REVENUES	
Surcharge income	\$ 292,403
Disposal income	544,391
C & D income	80,669
Other disposal	59,786
Miscellaneous programs	19,376
Other income	502
Interest	8,511
Grant income	20,284
Recycling	34,771
Bottle redemption income	95,828
Total revenues	<u>1,156,521</u>
EXPENDITURES	
Current	
Disposal and related services	
Salaries and wages	346,067
Payroll taxes	33,648
Pension plan	5,339
Professional services	56,737
Advertising	5,924
Bottle redemption payouts	52,493
Clerk stipend	1,167
Compost bins	6,062
Conferences	347
Disposal	200,919
Electric - transfer station	6,065
Equipment - maintenance	14,393
Freon removal	3,552
Fuel	6,536
Green-Up Day	2,980
Heat	7,175

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2011

EXPENDITURES (Continued)	General Fund
Hauling - special events	20,877
Hauler - audit	916
Insurance	116,216
Meetings	1,058
Maintenance	2,010
Memberships	2,842
Office supplies	3,825
Permits	150
Postage	2,068
Recycling - tire disposal	8,655
Rent - office	10,333
Sales tax	395
Signage	894
Snow removal	2,295
Software	374
Subscriptions & publications	488
Supplies	7,021
Telephone	6,068
Training	225
Treasurer stipend	2,700
Toilet rental	3,710
Transfer station maintenance	3,022
Travel/meals	4,218
Uniforms	5,410
Work crews	1,332
Other expenses	5,003
Recycling services	
Hauling - recycling	38,906
Processing fees - recycling	15,313

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

## GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2011

	General Fund
EXPENDITURES (Continued)	
Household hazardous waste	
HHW collection costs	27,439
Consumer education expense	1,186
Printing and newsletter	10,892
Debt service	
Principal	23,855
Interest	9,570
Capital outlays	25,485
Total expenditures	<u>1,114,155</u>
NET CHANGE IN FUND BALANCE	42,366
FUND BALANCE - JULY 1, 2010	<u>315,518</u>
FUND BALANCE - JUNE 30, 2011 (Exhibit C)	<u><u>\$ 357,884</u></u>

LAMOILLE REGIONAL 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, 2011

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$	42,366
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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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$28,488 exceeds capital outlays net of disposals of \$25,485 in the period.		(3,003)
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Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		23,855
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In the statement of activities, certain operating expenses - accrued compensated absences are measured by the amounts earned by employees during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts incurred exceeded the compensated absences paid by \$1,326.		<u>(1,326)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	61,892
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## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

EXHIBIT G

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - COMPARED TO BUDGET

## GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Adjustments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Surcharge income	\$ 278,000	\$ 26,900	\$ 304,900	\$ 292,403	\$ (12,497)
Disposal income	480,000	42,627	522,627	544,391	21,764
C & D income	90,000	12,300	102,300	80,669	(21,631)
Other disposal	38,700	4,200	42,900	59,786	16,886
Miscellaneous programs	21,400	1,300	22,700	19,376	(3,324)
Other income	3,500	50	3,550	502	(3,048)
Interest	500	0	500	8,511	8,011
Grant income	18,500	0	18,500	20,284	1,784
Recycling	30,000	7,000	37,000	34,771	(2,229)
Bottle redemption income	90,000	9,000	99,000	95,828	(3,172)
Total revenues	<u>1,050,600</u>	<u>103,377</u>	<u>1,153,977</u>	<u>1,156,521</u>	<u>2,544</u>
<b>EXPENDITURES</b>					
Current					
Disposal and related services					
Salaries and wages	322,500	16,500	339,000	346,067	(7,067)
Payroll taxes	24,300	3,000	27,300	33,648	(6,348)
Pension plan	5,500	(200)	5,300	5,339	(39)
Professional services	48,500	8,600	57,100	56,737	363
Advertising	8,500	0	8,500	5,924	2,576
Bottle redemption donations	42,000	9,000	51,000	52,493	(1,493)
Clerk stipend	1,400	0	1,400	1,167	233
Compost bins	6,000	3,100	9,100	6,062	3,038
Conferences	500	500	1,000	347	653
Disposal & hauling MSW	225,000	(30,200)	194,800	200,919	(6,119)
Electric - transfer station	7,000	(1,500)	5,500	6,065	(565)
Equipment - maintenance	17,750	(5,000)	12,750	14,393	(1,643)
Freon removal	4,000	0	4,000	3,552	448
Fuel	7,000	(800)	6,200	6,536	(336)
Green-Up Day	2,800	1,000	3,800	2,980	820
Heat	5,000	0	5,000	7,175	(2,175)
Hauling - special events	18,000	0	18,000	20,877	(2,877)
Hauler - audit	2,500	(500)	2,000	916	1,084
Illegal dump cleanup	0	500	500	0	500
Insurance	105,650	8,000	113,650	116,216	(2,566)
Maintenance	150	1,950	2,100	2,010	90
Meetings	500	300	800	1,058	(258)
Memberships	2,500	500	3,000	2,842	158
Office supplies	2,000	500	2,500	3,825	(1,325)
Permits	200	0	200	150	50

See Notes to Financial Statements.

## LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

EXHIBIT G

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - COMPARED TO BUDGET

## GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Adjustments	Final Budget	Actual	Variance Favorable (Unfavorable)
Postage	3,000	0	3,000	2,068	932
Recycling - tire disposal	12,500	(7,500)	5,000	8,655	(3,655)
Rent - office	11,000	0	11,000	10,333	667
Sales tax	350	(150)	200	395	(195)
Signage	500	1,000	1,500	894	606
Snow removal	4,200	(1,200)	3,000	2,295	705
Software	0	500	500	374	126
Subscriptions & publications	600	(100)	500	488	12
Supplies	8,000	(2,500)	5,500	7,021	(1,521)
Telephone	8,000	(1,000)	7,000	6,068	932
Toilet rental	3,000	700	3,700	3,710	(10)
Training	1,000	0	1,000	225	775
Transfer station maintenance	2,000	(700)	1,300	3,022	(1,722)
Travel/meals	5,700	(700)	5,000	4,218	782
Treasurer stipend	2,700	0	2,700	2,700	0
Uniforms	5,500	1,000	6,500	5,410	1,090
Work crews	1,500	0	1,500	1,332	168
Other expenses	6,000	1,500	7,500	5,003	2,497
Recycling services					
Hauling - recycling	40,000	9,000	49,000	38,906	10,094
Processing fees - recycling	24,100	(5,200)	18,900	15,313	3,587
Household hazardous waste					
HHW collection costs	24,000	(3,000)	21,000	27,439	(6,439)
Consumer education expense	5,000	0	5,000	1,186	3,814
Printing and newsletter	9,500	2,000	11,500	10,892	608
Debt service					
Principal	0	0	0	23,855	(23,855)
Interest	0	0	0	9,570	(9,570)
Capital outlays	71,000	500	71,500	25,485	46,015
Total expenditures	<u>1,108,400</u>	<u>9,400</u>	<u>1,117,800</u>	<u>1,114,155</u>	<u>3,645</u>
NET CHANGE IN FUND BALANCE	<u>\$ (57,800)</u>	<u>\$ 93,977</u>	<u>\$ 36,177</u>	42,366	<u>\$ 6,189</u>
FUND BALANCE - JULY 1, 2010				<u>315,518</u>	
FUND BALANCE - JUNE 30, 2011				<u>\$ 357,884</u>	

# LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Lamoille Regional Solid Waste Management District was formed under Act 78 of Vermont Statute, Solid Waste Bill in 1989. 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 user disposal fees.

The District is exempt from federal income 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. The criteria for including organizations as component units within the District's reporting entity are set forth in GASB 14 as amended by GASB 39, Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, 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). The government-wide financial statements categorize activities as either governmental or business type. All of the District's program services are classified as governmental activities.

The government-wide Statement of Net Assets 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011  
(Continued)

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

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 (investment income, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of charges for services, and operating grants and contributions. Program revenue must be directly associated with the governmental function (specific services or programs). Operating grants include operating-specific and discretionary grants.

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 assets resulting from the current year's activities.

*Basic Financial Statements – Fund Financial Statements*

The financial statements 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, revenue 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 categories. 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 shown as a major fund.

**Governmental Funds**

The funds used by the District are 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 funds 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.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

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

*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 assets). Fund equity (i.e. net total assets) is segregated into invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e. revenues) and decreases (i.e., expenses) in net total assets.

*Basis of Accounting*

Basis of accounting refers to the point at which revenue 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.

Accrual

The financial activity 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.

*Investments*

Investments are stated at fair value, (quoted market price, or the best available estimate).

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

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

*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	5-10 years
Trucks	5 years
Drop Off Centers	30 years

*Accrued Compensated Absences*

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

*Fund Equity*

Beginning with fiscal year 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement 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 the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

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

Restricted fund balances – Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances – Indicates the portion of fund equity that is set aside for a specific purpose by the Board. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances – Indicates the portion of fund equity that is set aside with the intent to be used for specific purpose by the Board or official that has been given authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances – Indicates the portion of fund equity that has been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.

*Net Assets*

Net assets represent the difference between assets and liabilities in the statement of net assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

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

*Budgets*

Budgets are developed using the modified accrual basis of accounting and were approved by the Board of Supervisors on February 9, 2010. On September 14, 2010, the Board approved amending the original budget in accordance with Board policy.

*Use of Estimates*

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

*Deposits*

*Custodial Credit Risk* - 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, 2011 bank balance was uninsured or uncollateralized and therefore wasn't exposed to custodial credit risk.

*Investments*

As of June 30, 2011, the District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>
US Treasury Bonds	<u>\$ 135,982</u>	<u>\$ 25,357</u>	<u>\$ 110,625</u>

*Credit Risk* - The District has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The District places no limit on the amount the District may invest in any one issuer.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 3 – CAPITAL ASSETS**

A summary of changes in capital assets are as follows:

	Balance June 30, 2010	Additions	Disposals	Depreciation	Balance June 30, 2011
Equipment and buildings	\$ 697,059	\$ 25,485	\$ (29,207)	\$ 0	\$ 693,337
Less accumulated depreciation	(319,395)	0	29,207	(28,488)	(318,676)
Total capital assets, net of depreciation	<u>\$ 377,664</u>	<u>\$ 25,485</u>	<u>\$ 0</u>	<u>\$ (28,488)</u>	<u>\$ 374,661</u>

Depreciation of \$28,488 was charged to Disposal and C&D related services.

**NOTE 4 - LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2011 consisted of the following:

Bond payable with Vermont Municipal Bond Bank, interest ranging between 3.5% and 5.8%, due 12/01/15, principal payments due annually ranging from \$10,000 to \$30,000.	\$ 135,000
Equipment lease payable with GE Capital Solutions, interest of 6.025%, due 2/15/15. Monthly payments of \$413.61.	16,293
Accrued Compensated Absences	<u>12,465</u>
Total long-term liabilities	<u>\$ 163,758</u>

Principal and interest payments on bond and lease payable debt are due as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 29,094	\$ 8,029	\$ 37,123
2013	29,347	6,320	35,667
2014	29,616	4,588	34,204
2015	33,236	2,706	35,942
2016	30,000	878	30,878
	<u>\$ 151,293</u>	<u>\$ 22,521</u>	<u>\$ 173,814</u>

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE 4 - LONG-TERM LIABILITIES (Continued)**

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

	Balance			Balance June 30, 2011	Amounts Due within One Year
	July 1, 2010	Additions	(Deductions)		
Bond payable	\$ 155,000	\$ 0	\$ (20,000)	\$ 135,000	\$ 25,000
Lease payable	20,148	0	(3,855)	16,293	4,094
Accrued compensated absences	11,139	1,326	0	12,465	0
Long-term liabilities	<u>\$ 186,287</u>	<u>\$ 1,326</u>	<u>\$ (23,855)</u>	<u>\$ 163,758</u>	<u>\$ 29,094</u>

Interest paid on the bond and lease for the year ended June 30, 2011 was \$9,570.

**NOTE 5 - PENSION PLAN**

The District has a SIMPLE-IRA pension plan. It requires a contribution for eligible employees of 2% of compensation. Employees are eligible to participate in the plan for any calendar year in which they are reasonably expected to receive any compensation from the District. Of the total wages of \$346,067, \$289,873 was covered wages under this plan. The District's contribution for fiscal year 2011 was \$5,339.

**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 - CONCENTRATION**

The District charges disposal fees to various haulers in Lamoille County. One hauler made up 75% of the total fees charged during fiscal year 2011 and 51% of the accounts receivable at June 30, 2011.

LAMOILLE REGIONAL SOLID WASTE MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011  
(Continued)

**NOTE 8 – RELATED PARTY TRANSACTION**

The District has an agreement for the hauling of recyclables and loose waste services with Sweet Trucking, whose owner, Dana Sweet, is on the Board of Supervisors. The agreement runs from July 1, 2009 to June 30, 2012. This agreement was approved by the Board with Sweet abstaining from the vote.

**NOTE 9 – COMMITMENTS**

The District entered into a hauling contract with Sweet Trucking as discussed in Note 9. The District also entered into a contract with Casella Waste Management, Inc. for recycling and disposal services. The contract period is from July 1, 2009 through June 30, 2012. In addition, the District entered into a contract with Moretown Landfill, Inc. for hauling and disposal services. The contract period is from July 1, 2009 through June 30, 2012.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 3, 2011, the date which the financial statements were available for issue. Management is only aware of the following subsequent events that require disclosure.

On July 14, 2011, the District entered into a lease purchase with Ford Motor Credit Company for \$34,947, interest at 5.853%, 60 monthly payments of \$669.93. The proceeds were used to purchase a truck. Future minimum payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,337	\$ 1,700	\$ 8,037
2013	6,538	1,500	8,038
2014	6,931	1,110	8,041
2015	7,348	691	8,039
2016	7,793	250	8,043
	<u>\$ 34,947</u>	<u>\$ 5,251</u>	<u>\$ 40,198</u>