

RUTLAND COUNTY SOLID WASTE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

RUTLAND COUNTY SOLID WASTE DISTRICT

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O'BRIEN SHORTLE REYNOLDS & SABOTKA, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Rutland County Solid Waste District
Rutland, Vermont

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Rutland County Solid Waste District, as of and for the year ended December 31, 2017, 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 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 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 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 business-type activities of the Rutland County Solid Waste District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information 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.

O'Brien Malloy Reynolds & Malloy PC

Lic. No. 92-0000260

Rutland, Vermont
January 28, 2019

RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Exhibit A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash			
Accounts Receivable	Note 2 \$ 343,334	\$ 5,125	\$ 348,459
Grants Receivable	109,207	-	109,207
Property, Plant, and Equipment, Net of Accumulated Depreciation	-	-	-
	Note 4 <u>344,254</u>	<u>1,712,789</u>	<u>2,057,043</u>
Total Assets	<u>\$ 796,795</u>	<u>\$ 1,717,914</u>	<u>\$ 2,514,709</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts Payable	\$ 50,816	\$ -	\$ 50,816
Accrued Employee Pension Plan	6,413	-	6,413
Accrued Expenses	1,432	-	1,432
Accrued Vacation	18,216	-	18,216
Deferred Revenue	Note 6 104,662	-	104,662
Note Payable - Current	75,000	-	75,000
Prepaid MRF Lease - Current	-	48,839	48,839
Prepaid MRF Lease - Non-Current	-	Note 3 129,831	129,831
Total Liabilities	<u>256,539</u>	<u>178,670</u>	<u>435,209</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	344,254	842,336	1,186,590
Restricted	-	870,453	870,453
Unrestricted	Note 5 <u>196,002</u>	<u>(173,545)</u>	<u>22,457</u>
Total Net Assets	<u>540,256</u>	<u>1,539,244</u>	<u>2,079,500</u>
Total Liabilities and Net Assets	<u>\$ 796,795</u>	<u>\$ 1,717,914</u>	<u>\$ 2,514,709</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues		Net Revenues and Changes in Net Assets		Total	
	Expenses	Charges for Services	Grants	Governmental Activities		Business-Type Activities
Governmental Activities:						
Administration	\$ 205,605	\$ 836,325	\$ 2,828	\$ 633,548	\$ -	\$ 633,548
Transfer Station	1,059,881	751,827	-	(308,054)	-	(308,054)
Hazardous Household Waste	188,783	43,666	(4,073)	(149,170)	-	(149,170)
Recycling	154,742	153,765	29,138	28,161	-	28,161
Construction and Demolition Debris	48,082	45,362	-	(2,720)	-	(2,720)
Food Waste	12,754	-	-	(12,754)	-	(12,754)
Depreciation	9,641	-	-	(9,641)	-	(9,641)
	<u>1,679,468</u>	<u>1,830,945</u>	<u>27,893</u>	<u>179,370</u>	<u>-</u>	<u>179,370</u>
Business-Type Activities:						
Material Recovery Facility	85,903	47,161	-	-	(38,742)	(38,742)
Total Primary Government	<u>\$1,765,371</u>	<u>\$1,878,106</u>	<u>\$ 27,893</u>	<u>179,370</u>	<u>(38,742)</u>	<u>140,628</u>
General Revenues and Expenses:						
Interest Income				-	6	6
Depreciation on Fixed Assets Acquired by Government Grants				-	(36,619)	(36,619)
Transfers - Note 10				(25,492)	25,492	-
Total General Revenues and Transfers				<u>(25,492)</u>	<u>(11,121)</u>	<u>(36,613)</u>
Change in Net Assets				<u>153,878</u>	<u>(49,863)</u>	<u>104,015</u>
Net Assets, January 1, 2017				<u>386,378</u>	<u>1,589,107</u>	<u>1,975,485</u>
Net Assets, December 31, 2017				<u>\$ 540,256</u>	<u>\$ 1,539,244</u>	<u>\$2,079,500</u>

The Accompanying Notes are an integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

Exhibit C

		<u>Governmental Fund Types</u>
<u>Assets</u>		<u>General Fund</u>
Cash		
Accounts Receivable	Note 2	\$ 343,334
Grants Receivable		109,207
		<hr/>
Total Assets		\$ 452,541
		<hr/>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable		\$ 50,816
Accrued Employee Pension Plan		6,413
Accrued Expenses		1,432
Deferred Revenue		104,662
Note Payable - Current	Note 6	75,000
		<hr/>
Total Liabilities		238,323
		<hr/>
Fund Balances:		
Fund Balance - Unassigned		214,218
		<hr/>
Total Liabilities and Fund Balances		\$ 452,541
		<hr/>

Amounts reported for Governmental Activities in the Statements of Net Assets are different because:

Fund Balance for Governmental Funds		\$ 214,218
Capital Assets (net of accumulated depreciation) used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		344,254
Accrued vacation is not due and payable in the current period, therefore, it is not reported in the funds.		<hr/> (18,216)
Net Assets of Governmental Activities		<hr/> \$ 540,256

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Transfer Station Fees	\$ 697,895	\$ 748,957	\$ 51,062
Surcharge - Waste Haulers	625,000	699,673	74,673
Miscellaneous	276,700	136,652	(140,048)
Compost	103,400	68,095	(35,305)
Construction and Demolition Debris Fees	47,000	45,362	(1,638)
Sales of Recycling Materials	35,000	85,670	50,670
Hazardous Household Waste	35,000	43,666	8,666
Grants	35,000	27,893	(7,107)
Municipal Transfer Station	4,230	2,870	(1,360)
Total Revenues	1,859,225	1,858,838	(387)
Expenses:			
District Transfer Station	926,832	1,059,881	(133,049)
General, Administrative, and Central Office	501,202	513,696	(12,494)
Hazardous Household Waste	161,539	188,763	(27,224)
Recycling	66,072	78,551	(12,479)
Construction and Demolition Debris	53,763	48,082	5,681
Food Waste	46,932	12,754	34,178
Compost	30,000	57,258	(27,258)
Town Services	17,000	18,933	(1,933)
Enforcement	9,785	8,558	1,227
Total Expenses	1,813,125	1,986,476	(173,351)
Net Change in Fund Balances Before Other Financing Uses	46,100	(127,638)	(173,738)
Other Financing Uses:			
Fund Transfer to Proprietary Fund	(46,100)	(25,492)	20,608
Net Change in Fund Balances	\$ -	(153,130)	\$ (153,130)
Fund Balance, January 1, 2017		367,348	
Fund Balance, December 31, 2017		\$ 214,218	

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Amounts reported for Governmental Activities in the Statement of Activities (Exhibit B) are different because:

Net Change in Fund Balance - Total Government Funds (Exhibit D)	\$(153,130)
Capital outlays are reported in governmental funds as expenses; however, in the Statement of Activities, only the cost of capital outlays not meeting the threshold for capitalization are expensed. Capitalized assets are not expensed, but rather depreciated over their estimated useful lives.	295,727
Depreciation expense deducted on the Statement of Activities, but not from Governmental Funds.	(9,641)
Accrued long-term liabilities for vacation pay are expensed as paid in Governmental Funds, but expensed as accrued in the Statement of Activities. The increase in the expense in the Statement of Activities represents the net increase in the accrued expense.	1,640
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 134,596</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
DECEMBER 31, 2017**

Exhibit F

<u>Assets</u>	<u>Material Recovery Facility</u>
Current Assets:	
Cash	Note 2 \$ 5,125
Total Current Assets	5,125
Property, Plant, and Equipment Net of Accumulated Depreciation	Note 4 <u>1,712,789</u>
Total Assets	<u>\$1,717,914</u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities:	
Prepaid MRF Lease - Current	\$ 48,839
Total Current Liabilities	48,839
Prepaid MRF Lease - Non-Current	Note 3 <u>129,831</u>
Total Liabilities	<u>178,670</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt:	
Unrestricted	842,336
Restricted	870,453
Unrestricted	Note 5 <u>(173,545)</u>
Total Net Assets	<u>1,539,244</u>
Total Liabilities and Net Assets	<u>\$1,717,914</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Material Recovery Facility</u>
Operating Revenues:	
Lease Income - Casella	\$ 47,161
Operating Expenses:	
Depreciation	62,374
Other	23,529
Total Operating Expenses	<u>85,903</u>
Operating Loss	<u>(38,742)</u>
Non-Operating Income and Expense:	
Interest Income	6
Non-Operating Income	<u>6</u>
Loss Before Operating Transfers	(38,736)
Transfers from General Fund	25,492
Net Loss	<u>(13,244)</u>
Depreciation on Fixed Assets Acquired by Grants from Government Units	<u>(36,619)</u>
Decrease in Net Assets	<u>(49,863)</u>
Net Assets, January 1, 2017	<u>1,589,107</u>
Net Assets, December 31, 2017	<u>\$ 1,539,244</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**RUTLAND COUNTY SOLID WASTE DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Material Recovery Facility</u>
Cash Flows From Operating Activities:	
Cash Paid to Suppliers	<u>\$ (23,529)</u>
Cash Flows From Capital and Related Financing Activities:	
Interest Earned	<u>6</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers from Other Funds	<u>25,492</u>
Net Increase in Cash and Equivalents	1,969
Cash and Equivalents, January 1, 2017	<u>3,156</u>
Cash and Equivalents, December 31, 2017	<u><u>\$ 5,125</u></u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (38,742)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization	62,374
Decrease in Prepaid Lease	<u>(47,161)</u>
Total Adjustments	<u>15,213</u>
Net Cash Used by Operating Activities	<u><u>\$ (23,529)</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

RUTLAND COUNTY SOLID WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

Rutland County Solid Waste District (the District) operates as a union municipal district under the authority of the laws of the State of Vermont.

The District was formed April 14, 1980, to manage solid waste for its member municipalities through collection, removal, transportation, disposal, recovery, or recycling. The legal provisions of the District are described in Vermont Statutes Annotated Chapter 121.

The District is governed by a Board of Supervisors composed of three representatives from the City of Rutland and one representative from each of the other member municipalities. Rutland County Solid Waste District, for financial reporting purposes, consists only of the funds and account groups of the District. The District's elected Board of Supervisors has no oversight responsibility for any other governmental entity. Control or dependence on the Board is determined by budget adoptions, designation of management, influence over operations, and accountability for fiscal matters. The District is not includable as a component unit within any other reporting entity.

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

Except where noted, the accounting policies of the Rutland County Solid Waste District conform to GAAP (generally accepted accounting principles), as applicable to governments. The following is a summary of the more significant policies.

Basis of Presentation

The accounts of the District are organized on the basis of funds, where each fund is a separate entity with its own self-balancing accounts consisting of assets, liabilities, fund equity, revenue and expenditures as appropriate. Resources are accounted for in individual funds, based upon the purpose for which they are to be spent and any restrictions there may be on resource spending.

The basic financial statements of the District include both government-wide statements and fund financial statements. The focus of the government-wide statements is to report the operating results and financial position of the District as a whole and to present a long-term view of the District's finances. The focus of the fund financial statements is a short-term view of the operating results and financial position of the most significant funds comprising the District.

Note 1 Summary of Significant Accounting Policies – (Continued)

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities provide information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize double counting activities between funds. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed by grants and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for each segment of the District's business-type activities. Direct expenses are those specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those where each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports on the following major governmental and enterprise funds:

Governmental Fund Types:

General Fund – General Fund, a governmental fund, is used to account for all financial resources of the District.

Proprietary Fund Type:

Material Recovery Facility – The Material Recovery Facility accounts for activities similar to those found in a private sector, where the determination of net income is necessary or useful for sound financial administration.

Budgets

Budgets are developed using the modified accrual or accrual basis of accounting and are approved by the Board of Supervisors. Any amendments to the budget are also approved by the Board of Supervisors.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. As of December 31, 2017, they were not aware of any that should be disclosed.

Note 1 Summary of Significant Accounting Policies – (Continued)

Basis of Accounting

Basis of accounting refers to the point where revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, where the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Grant revenue and donations are recognized in the fiscal year all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, where they are recognized as expenditures in governmental funds when paid. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Measurement Focus

The accounting and financial reporting treatment 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 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 investment 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.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means only current assets and current liabilities are generally reported on their balance sheets. The fund balance is reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent the restricted classifications and Committed, Assigned, and Unassigned represent the unrestricted classifications.

Note 1 Summary of Significant Accounting Policies – (Continued)

Nonspendable fund balance includes amounts that cannot be spent because they are either 1) not in a spendable form, such as inventory or prepaid items, or 2) legally or contractually required to be maintained intact. Restricted fund balance is externally (outside the District) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation. Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely the Board of Directors. The Board of Supervisors' approval is required to commit resources or to rescind the commitment.

Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the District Manager for approval/non-approval. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spending resources during a specific time period.

Concentration of Risk

The District receives a significant portion of its revenues from tipping surcharges from one hauler (see Note 3). Additionally, the District receives revenues from the State of Vermont as capital improvement grants.

Credit Risk

The District grants credit to customers consisting primarily of municipalities and haulers. A substantial portion of the haulers' ability to honor their obligations may be dependent upon the waste management economy in New England. The District does not require collateral for its receivables.

Use of Estimates

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

Note 1 Summary of Significant Accounting Policies – (Continued)

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of zero at December 31, 2017. Accounts receivable are substantially all due from municipalities and local haulers.

Capital Assets

Capital assets are reported at actual cost. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs not adding to the value of the asset or materially extending the assets' lives are not capitalized.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order to charge the cost of these assets to expense over their estimated service lives, using the straight-line method of calculating depreciation. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Estimated Life</u>	<u>Capitalization Threshold</u>
Facility	40 years	\$1,000
Equipment, Furniture and Fixtures	5 - 10 years	\$500

Fund Balances

Fund balances are classified based on any restrictions placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balances represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

Tipping/Surcharge Tax

The District General Fund assesses a tax to residents, businesses and municipalities based on the weight of solid waste generated.

Capitalization of Interest Costs

The District capitalizes interest costs incurred during construction. During 2017, no such interest costs were incurred.

Note 1 Summary of Significant Accounting Policies – (Continued)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick time. Unused vacation time must be used within the next succeeding fiscal year, and is paid to the employee upon termination of their employment if they have been employed by the District for at least six months. The accrual for unused vacation time, based on current pay rates, is recorded in the government-wide financial statements. Payments for unused vacation time are recorded as expenditures in the year they are paid. No liability is recorded for earned but unused sick time because it is not a vested benefit.

Date of Management's Review

Subsequent events were evaluated through January 28, 2019, which is the date the financial statements were available to be issued.

Note 2 Cash and Investments

There is one category of credit risk applicable to the District's bank balance:

FDIC insured or collateralized with securities held by the District or by the District's agent in the District's name.

Balances held in each category as of December 31, 2017, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
General Funds Accounts	\$ 343,334	\$ 358,706
MRF Accounts	5,125	5,125
Total Cash	<u>\$ 348,459</u>	<u>\$ 363,831</u>

The FDIC insures accounts to \$250,000 per financial institution. The District held its cash accounts in two financial institutions during the year. At year end all of the District's cash accounts were fully insured.

Note 3 Concentration of Services

Since July 24, 2001, Casella Waste Management has not been considered a related party. At that time, the District and Casella amended the original agreement stating Casella shall assume full responsibility for the operation of the facility. The new twenty-year prepaid lease agreement states Casella will incur all operational and occupancy costs associated with the facility and the District will occupy and maintain the existing administrative space, be responsible for the debt service and only costs associated with scales, leased equipment and property taxes, if any.

Note 3 Concentration of Services – (Continued)

Terms specify the prepaid rent is equal to the net non-current payables due to Casella as of July 24, 2001. This amount is included in deferred revenue of the Proprietary Fund and will be recognized as rental income on a discounted basis assuming an average inflation rate of 3.5% over the term of the lease. Rental income for the next five years and in aggregate is:

2018	\$ 48,839
2019	50,576
2020	52,375
2021	26,880
	<u>\$ 178,670</u>

A new contract with Casella was approved during the fiscal year ending 2017, whereby their commercial lease was renewed for a term of ten additional years, from September 5, 2021 through September 4, 2031, for \$5,091 per month.

Note 4 Property, Plant and Equipment

The following is a summary of the general fund and proprietary fund fixed assets and bond costs:

	<u>January 1, 2017</u>	<u>Net Additions/Disposals</u>	<u>December 31, 2017</u>
<u>General Fund Fixed Assets:</u>			
Equipment	\$1,023,533	\$ 295,727	\$ 1,319,260
Less Accumulated Depreciation	(984,647)	9,641	(975,006)
Net	<u>\$ 38,886</u>	<u>\$ 305,368</u>	<u>\$ 344,254</u>
<u>Proprietary Fund Fixed Assets:</u>			
Facility	\$3,775,188	\$ -	\$ 3,775,188
Equipment	183,550	-	183,550
Furniture and Fixtures	8,700	-	8,700
	3,967,438	-	3,967,438
Less Accumulated Depreciation	(2,155,656)	(98,993)	(2,254,649)
Net	<u>\$1,811,782</u>	<u>\$ (98,993)</u>	<u>\$ 1,712,789</u>

Note 4 Property, Plant and Equipment – (Continued)

Depreciation expense for the year ended December 31, 2017, was \$9,641 due to asset disposal for the governmental-activity fund and \$62,374 for the business-type activity fund. Depreciation on those assets acquired with restricted net assets was \$36,619.

Note 5 Restricted – Proprietary Fund

The balance sheet account Net Assets - Restricted represents financial contributions from governmental units. The contributed capital for the year ended December 31, 2017, is as follows:

Net Assets - Restricted at January 1, 2017	\$ 907,072
Less: Depreciation on Items Purchased Net Assets - Restricted	<u>(36,619)</u>
Net Assets - Restricted at December 31, 2017	<u>\$ 870,453</u>

Note 6 Operating Lease – District as Lessor

The District entered into a long-term lease agreement with Casella commencing January 1, 2001, and ending December 31, 2025. The District leases premises located off Gleason Road in Rutland, Vermont from the City of Rutland. The District then subleases this property to Casella. Under the terms of the sublease, Casella prepaid the \$250,000 rent for the entire term. This amount is included in deferred revenue of the General Fund and will be recognized as rental income on a discounted basis assuming an average inflation rate of 3.5% over the term of the lease.

Rental income for the next five years and in the aggregate is:

2018	\$	11,540
2019		11,950
2020		12,375
2021		12,815
2022		13,271
Thereafter		<u>42,711</u>
	\$	<u>104,662</u>

Note 7 Retirement Plan

The District administers the Rutland County Solid Waste District Retirement Plan, a defined contribution plan. The Plan was established January 1, 1995, by a vote of the Board of Supervisors. The Plan requires the District to contribute 5% of eligible employee compensation. Employee contributions are not permitted. During 2017, the District's retirement expense under this plan was \$25,918. Total payroll for all employees for the year was \$496,887. The payroll eligible for the retirement plan was \$479,997. Vesting is 100% after one year. The employees must work more than 1,000 hours to qualify for a contribution on their behalf.

Note 8 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 fiscal years.

Note 9 Contingencies

The District's operations are subject to Federal and State provisions regulating the discharge of materials into the environment. Compliance with those provisions has not had, nor does the District expect such compliance to have, any material effect upon the financial condition of the District. Management believes its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

Note 10 Other Required Disclosures

The Governmental Fund within the General Fund has an unrestricted fund balance of \$347,492 at December 31, 2017. The Proprietary Fund has a retained deficit of \$222,675 at December 31, 2017. The General Fund transferred \$25,492 in 2017 to the Proprietary Fund to pay for general operating expenses incurred during the year.

Note 11 Reconciliation of Expenditures Per Budget and Actual Schedule to Expenses Per Government Wide Statement of Activities

Total Expenditures per Statement of Revenues, Expenses and Changes in Fund Balance Budget and Actual - General Fund	\$ 1,986,476
Capital outlays are reported in governmental funds as expenses; however, in the Statement of Activities, only the cost of capital outlays not meeting the threshold for capitalization are expensed. Capitalized assets are not expensed, but rather depreciated over their estimated useful lives.	(295,727)
Depreciation recognized in government-wide financial statements not included in the Budget and Actual Statement.	9,641
Vacation pay expensed as paid in government-wide financial statements, but expensed as accrued in the Statement of Activities.	(1,640)
Total Expenditures per Statement of Activities	<u>\$ 1,698,750</u>

Note 12 Deferred Compensation

During 2017, four employees had income deferred to an investment account under Internal Revenue Code Section 457. The plan assets remain the property of the employer until paid into the selected fund, subject only to claims of the employer's general creditors. The District has the responsibility to use the plan assets for no other purpose.