

**TOWN OF VOLUNTOWN/TOWN OF STERLING
TRANSFER STATION**

FINANCIAL STATEMENTS

with

SUPPLEMENTAL SCHEDULE

and

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED

JUNE 30, 2021

Sandra E. Welwood, LLC

Certified Public Accountants

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis (Unaudited)	3

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Governmental Fund Financial Statements:	
Governmental Funds – Balance Sheet.....	10
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	11
General Fund – Statement of Revenues and Expenditures – Budgetary Basis – Budget and Actual.....	12
Notes to Financial Statements.....	13

SUPPLEMENTAL SCHEDULE

General Fund:	
Statement of Revenues and Expenditures – Budget and Actual.....	21

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Town of Voluntown/Town of Sterling Transfer Station

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Voluntown/Town of Sterling Transfer Station (the "Transfer Station"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Transfer Station'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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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, each major fund, and the aggregate remaining fund information of the Transfer Station as of June 30, 2021, and the respective changes in financial position and the respective 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 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 principally 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 did not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transfer Station's basic financial statements. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021, on our consideration of the Transfer Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transfer Station's internal control over financial reporting and compliance.



Danbury, Connecticut
August 12, 2021

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021

As management of the Town of Voluntown/Town of Sterling Transfer Station (the "Transfer Station") we offer readers of the Transfer Station's financial statements this narrative overview and analysis of the financial activities of the Transfer Station for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets of the Transfer Station exceeded its liabilities at the close of the most recent fiscal year by \$62,578. Of this amount, \$10,250 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$8,914. This increase is attributable to a decrease in expenditures.
- As of the close of the current fiscal year, the Transfer Station's governmental funds reported combined ending fund balances of \$10,250. The Transfer Station strives to maintain a fund balance of \$0.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund fund balance was zero and the assigned fund balance was \$10,250, which relates to encumbrances.
- The Transfer Station does not have any debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Transfer Station's basic financial statements. The Transfer Station's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Transfer Station's finances, in a manner similar to a private-sector business. All of the resources the Transfer Station has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Transfer Station's overall financial status.

The Statement of Net Position presents information on all of the Transfer Station's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator that the Transfer Station's financial position is either improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in future fiscal periods, earned but unused vacation leave is an example.

**Town of Voluntown/Town of Sterling Transfer Station
Management's Discussion and Analysis (Unaudited) (continued)**

The governmental activities of the Transfer Station include general government services. Assessments to the Town of Voluntown and Town of Sterling finance most of these activities. The Transfer Station reports substantially all of its activities as general government, as it is a political subdivision of the Transfer Station providing services.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Transfer Station, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Transfer Station can be divided into one category: governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Transfer Station reports one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund.

The Transfer Station adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 20 of this report.

Other Information

The supplemental schedule referred to earlier is presented immediately following the notes to the financial statements on page 21 of this report.

**Town of Voluntown/Town of Sterling Transfer Station
Management's Discussion and Analysis (Unaudited) (continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Transfer Station, assets exceed liabilities by \$62,578 at the close of the fiscal year ended June 30, 2021.

By far the largest portion of the Transfer Station's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Transfer Station uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 73,173	\$ 74,393
Capital assets, net	<u>52,328</u>	<u>53,664</u>
Total assets	<u>125,501</u>	<u>128,057</u>
Other liabilities	<u>62,923</u>	<u>74,393</u>
Total liabilities	<u>62,923</u>	<u>74,393</u>
Net position:		
Net investment in capital assets	52,328	53,664
Unrestricted	<u>10,250</u>	<u>-</u>
Total net position	<u>\$ 62,578</u>	<u>\$ 53,664</u>

Governmental Activities

Governmental activities increased Transfer Station's net position by \$8,914. Key elements of this decrease are increase in expenditures:

	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 101,810	\$ 98,013
General Revenues:		
Member contributions	133,757	111,953
Miscellaneous income	-	40
Interest income	<u>3</u>	<u>3</u>
Total revenues	<u>235,570</u>	<u>210,009</u>
Expenses:		
General government	<u>226,656</u>	<u>211,990</u>
Total expenses	<u>226,656</u>	<u>211,990</u>
Change in net position	8,914	(1,981)
Net position, beginning of year	<u>53,664</u>	<u>55,645</u>
Net position, end of year	<u>\$ 62,578</u>	<u>\$ 53,664</u>

**Town of Voluntown/Town of Sterling Transfer Station
Management's Discussion and Analysis (Unaudited) (continued)**

Major revenue factors include:

- Member contributions increased \$21,804 due to increases in member contributions as compared to the prior year.
- Charges for services increased \$3,797 due to increases in recycling and fees revenues.

Major expenditure factors include:

- No bag purchases because none were available from suppliers.
- No costs related to hazardous waste day as the service was cancelled for the year.
- Purchase of new container for \$10,250.
- Increased Bulky waste disposal/hauling costs.

FUND FINANCIAL ANALYSIS

As noted earlier, the Transfer Station uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Transfer Station's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Transfer Station's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Transfer Station's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Transfer Station's governmental funds reported combined ending fund balances of \$10,250, an increase of \$10,250 in comparison with the prior year.

GENERAL FUND

The General Fund is the chief operating fund of the Transfer Station. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$0 and total fund balance was \$10,250. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 0% of the total General Fund expenditures.

The fund balance of the Transfer Station's General Fund is \$10,250, an increase from \$0 in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget contained \$10,250 of additional appropriations approved during the year. In addition, total revenues were \$13,360 greater than budget and total expenditures were \$3,110 greater than budget for the year.

**Town of Voluntown/Town of Sterling Transfer Station
Management's Discussion and Analysis (Unaudited) (continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Transfer Station's investment in capital assets for its governmental activities as of June 30, 2021, was \$52,328 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- During the fiscal year there were no capital assets purchased or disposed.

Additional information on the Transfer Station's capital assets can be found in Note 4 on page 18 of the audit report.

Long-Term Liabilities

At the end of the current fiscal year, the Transfer Station's had total debt outstanding of \$0.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The management of the Transfer Station considered many factors in preparing the Transfer Station's budget for the 2021-2022 fiscal year. The goal was to maximize efficiencies to keep expenditures in check, while providing the desired level of services to the residents of the Towns of Voluntown and Sterling.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Transfer Station's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Town of Voluntown/Town of Sterling Transfer Station, 514 Brown Road, Voluntown, Connecticut, 06384.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

**STATEMENT OF NET POSITION
JUNE 30, 2021**

Assets

Cash and cash equivalents	\$ 73,173
Noncurrent assets:	
Capital assets, not being depreciated	50,000
Capital assets, net of accumulated depreciation	<u>2,328</u>
Total assets	<u>125,501</u>

Liabilities

Accounts payable and accrued expenses	7,015
Due to:	
Town of Voluntown	24,577
Town of Sterling	<u>31,331</u>
Total liabilities	<u>62,923</u>

Net Position

Net investment in capital assets	52,328
Unrestricted	<u>10,250</u>
Total net position	<u><u>\$ 62,578</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ (226,656)	\$ 101,810	\$ -	\$ -	\$ (124,846)
Total governmental activities	<u>\$ (226,656)</u>	<u>\$ 101,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(124,846)</u>
General Revenues:					
Member contributions					133,757
Unrestricted interest earnings					<u>3</u>
Total general revenues					<u>133,760</u>
Change in net position					8,914
Net position, beginning of year					<u>53,664</u>
Net position, end of year					<u>\$ 62,578</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Total
<u>Assets</u>		
Cash and cash equivalents	\$ 73,173	\$ 73,173
Total assets	<u>\$ 73,173</u>	<u>\$ 73,173</u>
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 7,015	\$ 7,015
Due to:		
Town of Voluntown	24,577	24,577
Town of Sterling	<u>31,331</u>	<u>31,331</u>
Total liabilities	<u>62,923</u>	<u>62,923</u>
<u>Fund Balances</u>		
Assigned - encumbrances	10,250	10,250
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>10,250</u>	<u>10,250</u>
Total liabilities and fund balances	<u>\$ 73,173</u>	

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>52,328</u>
Net position	<u>\$ 62,578</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Total
Revenues:		
Charges for services	\$ 101,810	\$ 101,810
Town of Voluntown	54,840	54,840
Town of Sterling	78,917	78,917
Miscellaneous income	-	-
Interest income	3	3
Total revenues	<u>235,570</u>	<u>235,570</u>
Expenditures:		
Current:		
General government	<u>225,320</u>	<u>225,320</u>
Total expenditures	<u>225,320</u>	<u>225,320</u>
Excess of revenues over (under) expenditures	10,250	10,250
Fund balances, beginning of year	<u>-</u>	
Fund balances, end of year	<u><u>\$ 10,250</u></u>	

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (net of disposals) and depreciation expense in the current year are not reported in the funds.

Change in net position	<u>(1,336)</u>
	<u><u>\$ 8,914</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

**GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>				Variance With
	<u>Original</u>	<u>Additional Appropriations</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
Revenues:					
Charges for services	\$ 96,405	\$ -	\$ 96,405	\$ 101,810	\$ 5,405
Town of Voluntown	51,580	-	51,580	54,840	3,260
Town of Sterling	74,225	-	74,225	78,917	4,692
Interest income	-	-	-	3	3
Total revenues	<u>222,210</u>	<u>-</u>	<u>222,210</u>	<u>235,570</u>	<u>13,360</u>
Expenditures:					
Current:					
General government	<u>222,210</u>	<u>10,250</u>	<u>232,460</u>	<u>235,570</u>	<u>(3,110)</u>
Total expenditures	<u>222,210</u>	<u>10,250</u>	<u>232,460</u>	<u>235,570</u>	<u>(3,110)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (10,250)</u>	<u>\$ (10,250)</u>	<u>\$ -</u>	<u>10,250</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Town of Voluntown/Town of Sterling Transfer Station (the “Transfer Station”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Transfer Station are described below.

Reporting Entity

The Transfer Station is a joint venture established in 1994 per an interlocal agreement between the Towns of Voluntown and Sterling. The purpose of the entity is to provide a transfer station for municipal waste for the citizens of both towns. The Board of Commissioners consists of eight total appointed individuals, the First Selectman of the Town in alternating years with three electors from that town and in that year four electors from the town where the First Selectman is not on the Commission.

Accounting principles generally accepted in the United States of America require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board have been considered and there are no entities that should be presented as component units of the Transfer Station.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Transfer Station. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Transfer Station has no business-type activities.

The Statement of Net Position presents the Transfer Station’s assets and liabilities, with the difference reported as net position. Net position is reported in two categories:

Net Investment in Capital Assets – This category consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those capital assets.

Unrestricted – This category consists of net position which does not meet the definition of the preceding category.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or purpose. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member contributions and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Transfer Station has one fund and it is described below:

General Fund – The General Fund is the primary operating fund for the Transfer Station. This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from charges for services, member contributions, and interest income.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Transfer Station considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when cash is received.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Cash Equivalents

The Transfer Station's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

State statutes authorize the Transfer Station to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments.

Capital Assets

Capital assets, which include land and related improvements, buildings and related improvements, and equipment, and vehicles are reported in the government-wide financial statements.

Capital assets used in governmental fund operations are accounted for as capital outlays in the fund financial statements upon acquisition.

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Transfer Station as assets with an initial, individual cost of more than \$5,000 with an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Transfer Station are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Machinery and equipment	7-10

Fund Equity – Fund Financial Statements

In the fund financial statements, fund balances of governmental funds are classified in the following separate categories:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either (a) not in spendable form-such as inventory or prepaid items, or (b) legally or contractually required to be maintained intact-such as a trust that must be maintained in perpetuity.

Restricted Fund Balance – represents amounts that are constrained for a specific purpose by external parties such as grantors, creditors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board of Commissioners).

Assigned Fund Balance – represents amounts intended to be used by the Transfer Station for a specific purpose, but are neither restricted nor committed. Intent is expressed by a governing board or body or official that has been delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

Unassigned Fund Balance – represents General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Transfer Station has not established a formal policy for its use of restricted, committed, and unassigned fund balance. However, the Transfer Station generally uses restricted, then committed fund balances first if the expenditure meets the restricted or committed purpose.

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 the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

The Transfer Station establishes an annual budget for the General Fund. The operating budget includes proposed expenditures and the means of financing them. Formal budgetary integration is employed as a management control device during the year for the General Fund. All General Fund appropriations lapse at year end.

The Transfer Station follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgets are established in accordance with the interlocal agreement. Annually, the Board adopts a final budget including appropriations from the two towns. The annual budget must be approved by both towns' governing bodies. All unexpended and unencumbered appropriations lapse at year-end. Periodically, a portion of fund balance is designated for capital expenditures.

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. The budget is for control and estimated cost purposes for each town. Expenditures can exceed appropriations.

No officer of the Transfer Station shall expend or enter into any contract by which the Transfer Station shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in case of necessity connected with the repair of the facility and the care of the Town poor, and then not more than \$1,000.

The Transfer Station's budgeting system requires accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major difference between the budget and GAAP basis are as follows:

- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. The Transfer Station had \$10,250 encumbrances at June 30, 2021.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

Budget – GAAP Reconciliation

A reconciliation of the General Fund revenues, expenditures, and fund balance between the accounting treatment required by GAAP and budgetary requirement is as follows:

	<u>Fund Balance Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance Ending</u>
GAAP basis	\$ -	\$ 235,570	\$ (225,320)	\$ 10,250
Encumbrances at June 30, 2021	<u>-</u>	<u>-</u>	<u>(10,250)</u>	<u>(10,250)</u>
Budgetary basis	<u>\$ -</u>	<u>\$ 235,570</u>	<u>\$ (235,570)</u>	<u>\$ -</u>

Note 3 – Cash and Cash Equivalents

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). Deposits may be invested in any “qualified public depository” as defined by State Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit, in an “out of state bank”, as defined by the State Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies’ (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) shares or other interest in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net assets values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations.

The following is a summary of cash and cash equivalents at June 30, 2021:

Deposits:	
Demand and savings accounts	\$ <u>73,173</u>
Total cash and cash equivalents	\$ <u>73,173</u>

Deposits

At June 30, 2021, the carrying amount of the Transfer Station’s deposits with financial institutions was \$73,173 and the bank balance was \$81,053.

Custodial credit risk is the risk that, in the event of a bank failure, the Transfer Station would not be able to recover its deposits or would not be able to recover collateral securities that are in possession of an outside party. The Transfer Station does not have a policy for custodial credit risk. Of the June 30, 2021 bank balance, \$81,053 was covered by Federal Depository Insurance.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2021, is as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated	50,000	-	-	50,000
Capital assets being depreciated:				
Buildings and improvements	9,770	-	-	9,770
Machinery and equipment	335,469	-	-	335,469
Total capital assets being depreciated	345,239	-	-	345,239
Less accumulated depreciation:				
Buildings and improvements	8,799	326	-	9,125
Machinery and equipment	332,776	1,010	-	333,786
Total accumulated depreciation	341,575	1,336	-	342,911
Capital assets being depreciated, net of depreciation	3,664	(1,336)	-	2,328
Total governmental activities	\$ 53,664	\$ (1,336)	\$ -	\$ 52,328

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 1,336

Note 5 – Risk Management

The Transfer Station is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, workers compensation, and natural disasters for which the Transfer Station carries commercial insurance. During the year ended June 30, 2021, deductibles paid by the Transfer Station were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during the past three fiscal years.

The Transfer Station is currently a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Connecticut General Statutes for workers compensation. The Transfer Station pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

Note 6 – Commitments and Contingencies

The Transfer Station is not a defendant in any lawsuits that, in the opinion of Transfer Station management in consultation with counsel, will have a material adverse effect on the Transfer Station's financial position.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

Note 7 – Defined Contribution Plan

The Transfer Station provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees. The Commissioners have oversight and fiduciary responsibility for the plan.

All eligible employees who have completed 1 year of service with a minimum of 1,000 hours during the year and who have reached age 21 are eligible for inclusion in the plan. The plan provides that benefits 100% vested at all times with respect to all of the amounts allocated to employees accounts. The Transfer Station contributes an amount equal to 4% of each eligible employee's base compensation. During the year, the Transfer Station's contributions totaled \$5,478.

Note 8 – Interlocal Agreement

The interlocal transfer station agreement between the Towns of Voluntown and Sterling defines each town's responsibilities regarding the Transfer Station and its operation. Some important sections of this agreement not discussed otherwise in these footnotes are as follows:

The site, which is located on a large tract of land in Voluntown, owned by the Town of Voluntown, formerly was a farm. All previous ground contamination as defined is the responsibility of the Town of Voluntown.

The ownership and cost of equipment, equipment repair, improvements, insurance and the annual audit will be shared equally. Net operating expenses are shared on a population per capita basis.

Both towns would share equally all costs of potential environmental litigation except as discussed regarding previous ground contamination.

Both towns will share equally any and all costs associated with permitting, re-permitting, closure and post-closure of the station.

Both towns are jointly responsible for all liabilities resulting from the joint operation of the Transfer Station.

Note 9 – Recent Accounting Standards Not Yet Implemented

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the Transfer Station as to the impact to the financial statements.

GASB Statement No. 87, Leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Transfer Station is aware of this Statement and will assess its impact to ensure timely implementation.

Town of Voluntown/Town of Sterling Transfer Station
Notes to Financial Statements
June 30, 2021 (continued)

GASB Statement No. 92, Omnibus 2020. Statement 92 includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The issues covered by GASB Statement No. 92, Omnibus 2020, include:

- Modification of the effective date of Statement No. 87, Leases, as well as associated implementation guidance, to fiscal years beginning after December 15, 2019, to address concerns regarding interim financial reports;
- Reporting intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan;
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for pensions and OPEB;
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to pension and OPEB arrangements; and
- Measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement postpones the effective dates of the following GASB Statements and Implementation Guides for one year from their original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The GASB encourages and permits earlier application of these standards to the extent specified in each pronouncement as originally issued.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, Leases. It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset — an intangible asset — and a corresponding subscription liability (with an exception for short-term SBITAs — those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.
- The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 10 – Subsequent Events

Management has evaluated subsequent events from the financial statement date of June 30, 2021 through August 12, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

SUPPLEMENTAL SCHEDULE

TOWN OF VOLUNTOWN/TOWN OF STERLING TRANSFER STATION

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Additional Appropriations	Final		
Revenues					
Town of Voluntown	\$ 51,580	\$ -	\$ 51,580	\$ 54,840	\$ 3,260
Town of Sterling	74,225	-	74,225	78,917	4,692
Permits and fees	36,500	-	36,500	34,310	(2,190)
Recycling and fees	8,000	-	8,000	7,422	(578)
Disposal bags	44,040	-	44,040	50,250	6,210
Bulky waste	6,765	-	6,765	8,290	1,525
CFC removal	400	-	400	758	358
Tire disposal fee	700	-	700	780	80
Interest income	-	-	-	3	3
Total revenues	<u>222,210</u>	<u>-</u>	<u>222,210</u>	<u>235,570</u>	<u>13,360</u>
Expenditures					
Bag purchases	8,000	-	8,000	-	8,000
Bookkeeping	6,100	-	6,100	6,335	(235)
Bulky waste disposal/hauling	42,000	-	42,000	52,302	(10,302)
Equipment purchase	-	10,250	10,250	10,250	-
Diesel fuel	500	-	500	354	146
Hazardous waste day	2,000	-	2,000	-	2,000
Insurance - workers' compensation	5,500	-	5,500	5,547	(47)
Insurance - bonds	117	-	117	117	-
Insurance - stipends	1,500	-	1,500	1,500	-
Miscellaneous expense	300	-	300	168	132
MSW disposal fee	32,500	-	32,500	32,926	(426)
Waste oil	500	-	500	1,276	(776)
Postage	111	-	111	166	(55)
Payroll	93,442	-	93,442	95,667	(2,225)
Payroll taxes	6,950	-	6,950	7,363	(413)
Payroll expense	2,536	-	2,536	2,536	-
Permit & sticker purchase	1,325	-	1,325	1,381	(56)
Professional fee - audit	5,080	-	5,080	5,600	(520)
Professional fee - storm water testing	602	-	602	-	602
Repairs and maintenance	2,000	-	2,000	807	1,193
Retirement contribution	5,197	-	5,197	5,478	(281)
Security services	300	-	300	300	-
Subcontracted services	1,000	-	1,000	391	609
Supplies	350	-	350	153	197
Tires	1,000	-	1,000	1,737	(737)
Utilities - electric	1,600	-	1,600	1,426	174
Utilities - propane	500	-	500	565	(65)
Utilities - telephone	1,200	-	1,200	1,225	(25)
Total expenditures	<u>222,210</u>	<u>10,250</u>	<u>232,460</u>	<u>235,570</u>	<u>(3,110)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (10,250)</u>	<u>\$ (10,250)</u>	<u>\$ -</u>	<u>\$ 10,250</u>

See accompanying Independent Auditors' Report.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

To the Board of Commissioners
Town of Voluntown/Town of Sterling Transfer Station

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Voluntown/Town of Sterling Transfer Station (the "Transfer Station"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Transfer Station's basic financial statements, and have issued our report thereon dated August 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transfer Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transfer Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transfer Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transfer Station's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Transfer Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transfer Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sandra E. Welwood, LLC

Danbury, Connecticut
August 12, 2021