North Branch Fire District No. 1

Financial Statements
(With Independent Auditors' Report)

For the Years Ending June 30, 2024 and 2023

North Branch Fire District No. 1

For the Years Ending June 30, 2024 and 2023

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McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Prudential Committee of
North Branch Fire District No. 1
West Dover, Vermont

Opinion

We have audited the accompanying financial statements of North Branch Fire District No. 1 (the "District"), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Restatement

As discussed in Note 9 to the financial statements, certain property and equipment were not properly include in the financial statements for the period from July 1, 2022 to June 30, 2023. These omissions were identified and subsequently corrected, resulting in adjustments to the reported balances. Additionally, debt repayments were not properly split between principal and interest payments for the period from July 1, 2022 to June 30, 2023. This error was subsequently identified and corrected, resulting in adjustments to the reported balance. Our opinion is not modified with respect to this matter.

Emphasis of Matter – GASB 68

Governmental Accounting Standards Board (GASB) 68 requires employers to present extensive note disclosures and other required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the liability. As discussed in Note 8, the District participates in the Vermont Municipal Employee Retirement System. The District has not determined the impact of adopting GASB 68. Our opinion is not modified in respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

McSOLEY McCOY & CO.

Certified Public Accountants and Business Advisors

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

McSoley McCoy & Co.

South Burlington, Vermont
January 30, 2025
VT Reg. No. 92-349

North Branch Fire District No. 1
Statements of Net Position
June 30, 2024 and 2023

	2024	(restated) 2023
Assets:		
Current assets:		
Cash and cash equivalents	$ 654,202	$ 187,336
Short-term investments	2,376,644	2,608,575
Accounts receivable	158,512	277,650
Prepaid expenses	3,247	2,994
Total current assets	3,192,605	3,076,555
Property and equipment, net	9,463,196	9,613,057
Total assets	12,655,801	12,689,612
Liabilities:		
Current liabilities:		
Current portion of long-term debt	283,574	279,778
Accounts payable	35,721	35,777
Payroll liabilities, net	8,722	17,943
Total current liabilities	328,017	333,498
Long-term debt, net of current portion	4,537,680	4,788,200
Total liabilities	4,865,697	5,121,698
Net position:		
Net investment in property and equipment, net of related debt	4,641,942	4,545,079
Restricted for future expenditures	1,385,791	1,385,791
Restricted for capital projects	457,453	457,453
Unrestricted	1,304,918	1,179,591
Total net position	$ 7,790,104	$ 7,567,914

See accompanying notes to the financial statements.

North Branch Fire District No. 1
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	(restated) 2023
Operating revenues:		
Charges for services	$ 1,331,099	$ 1,399,053
Hookup fees and deposits	201,523	74,177
Delinquent collection	28,956	12,755
Other	58,827	54,632
Total operating revenues	1,620,405	1,540,617
Operating expenses:		
Bond expenses	120,760	126,732
Capital projects	40,894	142,950
Committee	41,385	17,593
Depreciation and amortization	360,973	384,642
Employee	5,800	2,920
Equipment	23,366	34,138
House meters	-	1,097
Laboratory	25,146	25,184
Miscellaneous	6,313	3,120
Office	110,824	77,102
Operations	551,445	476,594
Other, net	-	(39,050)
Permits	18,736	18,635
Repairs	20,803	5,172
Sludge	42,320	42,034
Supplies	36,427	29,279
Utilities	122,991	120,159
Total operating expenses	1,528,183	1,468,301
Operating income	92,222	72,316
Nonoperating revenues:		
Investment income	123,069	7,575
Interest	6,899	5,158
Total nonoperating revenues	129,968	12,733
Change in net position	222,190	85,049
Net position, beginning of year	7,567,914	7,482,865
Net position, end of year	$ 7,790,104	$ 7,567,914

See accompanying notes to the financial statements.

North Branch Fire District No. 1
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	(restated) 2023
Cash flows from operating activities:		
Change in net position	$ 222,190	$ 85,049
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
Depreciation	360,973	384,642
Realized and unrealized gains on investments	(123,069)	(7,575)
(Increase) decrease in assets:		
Accounts receivable	119,138	(122,646)
Prepaid expenses	(253)	(2,994)
Increase (decrease) in liabilities		
Accounts payable	(56)	19,574
Payroll liabilities	(9,221)	18,739
Net cash provided by operating activities	569,702	374,789
Cash flows from capital and related financing activities:		
Cash purchases of investments	(165,000)	(2,601,000)
Sale of investments	520,000	-
Purchases of property and equipment	(211,112)	(118,990)
Net cash provided (used) by capital and related financing activities	143,888	(2,719,990)
Cash flows from financing activities:		
Principal payments on long-term debt	(246,724)	(243,651)
Net increase (decrease) in cash and cash equivalents	466,866	(2,588,852)
Cash and cash equivalents beginning of year	187,336	2,776,188
Cash and cash equivalents end of year	$ 654,202	$ 187,336

See accompanying notes to the financial statements.

(1) Background

The North Branch Fire District No. 1 (the "District") was chartered on April 20, 1972, and is the basic level of government that has oversight responsibility for sewer services to the West Dover, Vermont area as provided by Title 24 Vermont Statutes Annotated. The District is governed by an elected Prudential Committee (the "Committee"), and is not includable in any other governmental "reporting entity" as defined by authoritative guidance issued by the Governmental Accounting Standard Board. The Committee has sufficient authority to levy taxes, power to designate management, ability to significantly influence operations and accountability for fiscal matters. The District's authority is defined by local ordinances and state and federal law.

Specific criteria are used in the determination of which funds are included in the financial statements of the District as a separate reporting entity from any other unit of government. These criteria include: (1) oversight responsibility, which addresses the extent of the governing authority of elected officials, (2) scope of public service, which addresses the type of services· provided in the geographic services area, and (3) the existence of any special financing relationships which exist between the District and other entities. Based upon these criteria, there are no agencies or entities that should be combined with the financial statements of the District.

(2) Significant Accounting Policies

The accounting policies of the District conform with generally accepted accounting principles in the United States of America (U.S. GAAP) as they apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

(a) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The District's revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted sources, as needed.

(b) Basis of Presentation

The District accounts for ongoing operations and activities using proprietary fund accounting, a method developed with the economic resources measurement focus. This focus is similar to accounting methods used in the private sector.

Significant Accounting Policies (continued)

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounts Receivable

On July 1, 2023, the District adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The District adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the District's financial statements but did change how the allowance for credit losses is determined.

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Management uses judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. Accounts receivable balances are written off against the allowance if a final determination of collectability is made. Total receivable balances as of June 30, 2024 and 2023 and July 1, 2022 were $158,512, $227,650, and $155,004, respectively. The District has not recorded an allowance for doubtful accounts as of June 30, 2024 and 2023 as the District believes all amounts are deemed collectible.

(e) Investments

Investments are stated at fair value. The net realized and unrealized gains (losses) on investments are reflected in the statements of revenues, expenses, and changes in net position.

(f) Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Significant Accounting Policies (continued)

(g) Property and Equipment

The District's property and equipment consist of a sewage treatment plant, related distribution systems, vehicles and various furniture and equipment. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years. The cost of maintenance and repairs is charged to expenses as incurred; significant renewals and betterments over $5,000 are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(h) Subsequent Events

The District has evaluated subsequent events through January 30, 2025, the date the financial statements were available for issuance.

(3) Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less except for cash equivalents in investment accounts.

There are three categories of credit risk that apply to the District’s balance:

1. Insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized with securities held by the District or by the District’s agent in the District’s name.

2. Collateralized with securities held by the pledging financial institution’s trust district or agent in the District’s name.

3. Uncollateralized.

The bank balances are categorized below to give an indication of the level of risk assumed by the District at June 30, 2024 and 2023.

	2024	
	Book Balance	Bank Balance
Insured deposits	$ 250,000	$ 250,000
Collateralized with securities	404,202	417,583
Total cash deposits	$ 654,202	$ 667,583

	2023	
	Book Balance	Bank Balance
Insured deposits	$ 187,336	$ 217,135
Collateralized with securities	-	-
Total cash deposits	$ 187,336	$ 217,135

(4) Risk Management

The District is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employees' health and accident, and environmental liability. The District purchases commercial insurance coverage for the risk of losses to which it is exposed. Any claims that may have occurred have not exceeded coverage in any of the last two fiscal years.

(5) Investments and Fair Value Measurements

Generally accepted accounting principles in the United States of America establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2024.

Money Market Funds and Treasury Bills: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments and Fair Value Measurements (continued)

Investments consisted of Level 1 money market and fixed income treasury bills with a cost basis of $2,334,166 and $2,600,847 and unrealized holding gains of $42,478 and $7,728 as of June 30, 2024 and 2023, respectively.

(6) Property and Equipment

Property and equipment consist of the following as of June 30:

	2023	Additions	Retirements	2024
Administration building FF&E	$ 46,697	$ 32,394	$ -	$ 79,091
Laboratory and process equipment	285,803	-	-	285,803
Vehicles and equipment	264,919	100,000	-	364,919
Plant buildings and equipment	11,059,726	-	-	11,059,726
Pump stations and sewer lines	682,051	78,718	-	760,769
Land	60,000	-	-	60,000
Land improvements	821,210	-	-	821,210
Billing software	24,807	-	-	24,807
	13,245,213	211,112	-	13,456,325
Accumulated depreciation	(3,632,156)	(360,973)	-	(3,993,129)
	$ 9,613,057	$ (149,861)	$ -	$ 9,463,196

Depreciation expense amounted to $360,973 and $384,642 for the years ended June 30, 2024 and 2023, respectively.

(7) Long-term Debt

In December 2010 the District issued $1.8 million of bonds through the Vermont Municipal Bond Bank. The bond issuance qualifies for designation as Recovery Zone Economic Development (RZED) Bonds. The interest rate on the bonds is 5.5%; however, the U.S. Treasury subsidizes these bonds by paying 45% of the total interest charged. Interest payments are due every six months beginning June 1, 2011 until maturity. Principal payments of $90,000 began on December 1, 2017 and will continue annually until the bond matures on December 1, 2036.

During 2019 and 2018, the District received advances of $2,365,937 and $1,847,229, respectively, under a $4.7 million, 20-year loan through the Vermont Municipal Bond Bank which is partially funded by the Federal Clean Water State Revolving Fund. The loan is noninterest bearing but is subject to a 2% administrative fee.

Long-term Debt (continued)

Long-term debt as of June 30, 2024 consists of the following:

	Beginning Balance	Increases	Decreases	Current Maturities	Remaining Balance
Vermont State Loan:					
0.0% loan due June 2039 as follows:					
	$ 3,807,978	$ -	$ (156,724)	$ (193,574)	$ 3,457,680
Vermont Municipal Bond Bank:					
3.38% loan due December 2036 as follows:					
	$ 1,260,000	$ -	$ (90,000)	$ (90,000)	$ 1,080,000
Totals	$ 5,067,978	$ -	$ (246,724)	$ (283,574)	$ 4,537,680

Maturities of long-term debt for years ending June 30:

2024	$ 283,574
2025	287,445
2026	291,394
2027	295,422
2028	299,530
Thereafter	3,363,889
	$ 4,821,254

(8) Retirement Plans

District employees may defer a portion of their compensation under the provisions of IRC Section 457. District employees also participate in the Vermont Municipal Employee Retirement System.

(9) Restatement

Management restated the net position by $260,401 as of July 1, 2022 to correct the split of debt repayments between principal payments and interest expense as well as correct the presentation of property and equipment for items that should have been capitalized in past years. This restatement caused an increase in depreciation expense by $176,005, a decrease in capital projects expense by $118,990, an increase in bond expenses by $79,232, and an increase in the property and equipment balance by $125,265 for the year ended June 30, 2023

(10) Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.