

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Financial Statements and Schedule**  
**December 31, 2020**  
**(With Independent Auditor's Report Thereon)**

*Love, Cody & Company, CPAs*

**NORTH BRANCH FIRE DISTRICT NO. 1**

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## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of North Branch Fire District No. 1, which comprise the statement of net position – modified cash basis as of December 31, 2020 and the related statements of revenues, expenses and changes in net position – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of North Branch Fire District No. 1 at December 31, 2020, and the changes in financial position – modified cash basis and cash flows – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### ***Required Supplementary Information***

The management's discussion and analysis on pages 3-6 is not a part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 regarding 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the North Branch Fire District No. 1's basic financial statements. The budgetary comparison information on pages 15–19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information 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 budgetary comparison information 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 31, 2021, on our consideration of North Branch Fire District No. 1'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 North Branch Fire District No. 1's internal control over financial reporting and compliance.

*Love, Cody ; Company, CPAs, P.C.*

August 31, 2021

Vt. Reg. #357

Love, Cody & Company, CPAs

**NORTH BRANCH FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

The management's discussion and analysis of the North Branch Fire District No. 1's financial performance provides an overview of the District's financial activities for the year ended December 31, 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section.

**Financial Highlights for 2020**

1. The Fire District had cash and cash equivalents balances totaling \$2,203,742 at December 31, 2020, representing an increase of \$1,124,788 from 2019 balances.
2. Operating revenues amounted to \$1,509,206 in 2020.
3. 2020 operating expenses amounted to \$1,215,674 inclusive of depreciation and amortization charges totaling \$407,574.

**Overview of the Financial Statements**

This annual report consists of the following three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Other Required Supplementary Information.

**Required Financial Statements**

The Financial Statements of the District report information using the modified cash basis of accounting. The Statement of Net Assets – Modified Cash Basis provides information on the District's assets and net assets. The Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis identifies the District's revenues and expenses for the year ended December 31, 2020. The third basic financial statement is the Statement of Cash Flows – Modified Cash Basis. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

**Financial Analysis of the District**

This section summarizes information and data as related to the financial statements for the year ended December 31, 2020.

The Statement of Net Assets – Modified Cash Basis and the Statement of Revenues and Expenses – Modified Cash Basis provide an indication of the District's financial condition and changes in its financial condition.

Table 1 (see following page) provides a condensed Statement of Net Assets – Modified Cash Basis. Capital assets, net of accumulated depreciation are the largest component at more than \$10.4 million. Cash and cash equivalents are the second largest component of the District's assets at \$2,203,742. Current assets, comprised of unrestricted cash balances, amounted to \$721,098 at December 31, 2020.

**NORTH BRANCH FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**Table 1  
Condensed Statement of Net Position - Modified Cash Basis**

	2020	2019
<b>Assets:</b>		
Current assets	\$ 721,098	413,779
Restricted cash and investments	1,482,644	665,175
Capital assets and deferred financing costs, net	10,442,180	10,358,774
<b>Total assets</b>	<b>\$ 12,645,922</b>	<b>11,437,728</b>
<b>Liabilities:</b>		
Current liabilities	\$ 2,025	13,069
Bond payable	5,552,267	5,743,166
<b>Total liabilities</b>	<b>5,554,292</b>	<b>5,756,235</b>
<b>Net position:</b>		
Invested in capital assets, net of related debt	4,887,539	4,613,085
Restricted net assets	1,482,645	665,175
Unrestricted net assets	721,446	403,233
<b>Total net position</b>	<b>7,091,630</b>	<b>5,681,493</b>
<b>Total liabilities and net position</b>	<b>\$ 12,645,922</b>	<b>11,437,728</b>

Table 2 presents condensed information from the District's operating statement. Operating revenues exceeded operating expenses by \$293,532. Non-operating revenues, inclusive of investment earnings and deposits for future projects, amounted to \$1,116,604. In total, net position increased by \$1,410,136 in 2020.

**Table 2  
Condensed Statement of Revenues, Expenses and  
Changes in Net Assets - Modified Cash Basis**

	2020	2019
<b>Operating revenues:</b>		
Charges for services	\$ 1,465,104	1,140,895
Delinquent collections and other	44,102	33,036
<b>Total operating revenues</b>	<b>1,509,206</b>	<b>1,173,931</b>
<b>Operating expenses:</b>		
Personnel costs	382,581	436,930
Other operating costs	202,257	229,512
Administrative and general	223,262	250,456
Depreciation and amortization	407,574	294,391
<b>Total operating expenses</b>	<b>1,215,674</b>	<b>1,211,289</b>

(continued)

**NORTH BRANCH FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**Table 2 (continued)**

	2020	2019
<i>Operating income (loss)</i>	293,532	(37,358)
<i>Nonoperating revenues</i>	1,116,604	431,513
<i>Change in net assets</i>	1,410,136	394,155
<i>Net assets - beginning</i>	5,681,493	5,287,338
<i>Net assets - ending</i>	\$ 7,091,629	5,681,493

**Capital Assets**

As part of implementing GASB 34 the District established a record of its capital assets based on actual or estimated historical cost. The following table presents capital assets as of December 31, 2020 and 2019, net of related accumulated depreciation. Additional information regarding capital assets is provided in footnote 3 of the accompanying financial statements.

**Table 3  
Capital Assets at Year-end  
(Net of Depreciation)**

	2020	2019
Land and land improvements	\$ 498,555	531,403
Distribution and collection systems	227,236	207,067
Plant, buildings and improvements	9,617,079	9,493,275
Office furniture and equipment	2,547	4,377
Laboratory and process equipment	85,854	106,130
Billing software	-	379
Equipment and vehicles	8,535	13,620
	\$ 10,439,806	10,356,251

**Budgetary Comparison Schedule**

A budgetary comparison schedule accompanies the basic financial statements. The schedule is prepared on the budgetary basis which records expenditures for capital assets as expenses and does not recognize depreciation expense. The following are some of the more significant budget variances for 2020.

**NORTH BRANCH FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2020**

**Revenue Variances:**

Several tax sales and delinquent accounts were received during the fiscal year 2020 more than anticipated. In addition, the balance of the grant was received for the upgrade of the treatment facility that was approved by voters on November 9, 2017.

**Expense Variances:**

There was a temporary reduction in staffing which resulted in lower wages and health insurance.

**Long-Term Debt:**

On December 10, 2010 the Fire District received a \$1,800,000 bond to upgrade the wastewater treatment facility. In 2019 the interest payment was \$54,273, the principal was \$90,000 and the Federal Sequester figure was \$2,937, a grand total paid in 2019 of \$147,209. This bond will be paid in the year 2037.

On November 9, 2017 the voters approved a bond in the amount of \$4,700,000. This too was to upgrade the treatment facility. At this time the construction is substantially finished. We have budgeted \$206,758 in 2020 to make the first payment. The preliminary interest rate of 0.00% per annum and with a preliminary administrative fee of 2.00%, subject to change based on final disbursed value, beginning on June 1, 2020. This bond currently will be paid off in 2039.

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

The Prudential Committee adopted the District's 2021 budget on May 3, 2021. Rates fluctuate depending on the total gallons consumed and the funds voted to raise and appropriate at the Annual Meeting held on the last Tuesday in March. The minimum fee on each bill is \$75.00.

**Additional Financial Information**

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the North Branch Fire District No. 1, Administrations Office at 78 Dorr Fitch Road in West Dover, VT 05356.

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2020**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 721,098
<b>Total current assets</b>	<b>721,098</b>
Noncurrent assets:	
Restricted cash and cash equivalents	1,482,644
Capital assets:	
Land and other non-depreciable capital assets	60,000
Other capital assets, net of accumulated depreciation	10,379,806
Deferred financing costs, net of accumulated amortization	2,374
<b>Total noncurrent assets</b>	<b>11,924,824</b>
<b>Total assets</b>	<b>\$ 12,645,922</b>
<b>Liabilities</b>	
Current liabilities:	
Payroll withholdings	\$ 2,025
Noncurrent liabilities:	
Bonds payable	5,552,267
<b>Total liabilities</b>	<b>5,554,292</b>
<b>Net Position</b>	
Invested in capital assets, net of related debt	4,887,539
Restricted for future expenditures	1,482,644
Restricted for capital projects	319,525
Unrestricted	401,922
<b>Total net position</b>	<b>7,091,630</b>
<b>Total liabilities and net position</b>	<b>\$ 12,645,922</b>

See accompanying notes to financial statements.

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Modified Cash Basis**  
**Year Ended December 31, 2020**

<b>Operating revenues:</b>	
Charges for services	\$ 1,465,104
Delinquent collection	44,102
<b>Total operating revenues</b>	<b>1,509,206</b>
<b>Operating expenses:</b>	
Operations	382,581
Office	152,659
Committee	16,290
Loan interest	54,313
Employee	3,382
Laboratory	43,228
Supplies	34,424
Utilities	25,513
Repairs	18,809
Sludge	34,091
Miscellaneous	7,462
Permits	17,148
Capital projects	18,200
Depreciation and amortization	407,574
<b>Total operating expenses</b>	<b>1,215,674</b>
<b>Operating income</b>	<b>293,532</b>
<b>Nonoperating revenues:</b>	
Investment income	235
Grants	193,272
Debt forgiven	440,049
Deposits for future projects	483,048
<b>Total nonoperating revenues</b>	<b>1,116,604</b>
<b>Change in net position</b>	<b>1,410,136</b>
<b>Net position, beginning of year</b>	<b>5,681,494</b>
<b>Net position, end of year</b>	<b>\$ 7,091,630</b>

See accompanying notes to financial statements.

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Statement of Cash Flows - Modified Cash Basis**  
**Year Ended December 31, 2020**

<b><i>Cash flows from operating activities:</i></b>	
Cash received from customers	\$ 1,509,206
Cash paid to employees	(393,624)
Cash paid to suppliers	(425,519)
<b><i>Net cash provided by operations</i></b>	<b>690,063</b>
<b><i>Cash flows from capital and related financing activities:</i></b>	
Proceeds from issuance of long-term debt	486,834
Principal payments on bonds	(237,684)
Grants	193,272
<b><i>Net cash provided by capital and related financing activities</i></b>	<b>442,422</b>
<b><i>Cash flows from investing activities:</i></b>	
Purchase of capital assets	(490,980)
Investment income	235
Deposits received for future projects	483,048
<b><i>Net cash used in investing activities</i></b>	<b>(7,697)</b>
<b><i>Net increase in cash and cash equivalents</i></b>	<b>1,124,788</b>
<b><i>Beginning cash and cash equivalents</i></b>	<b>1,078,954</b>
<b><i>Ending cash and cash equivalents</i></b>	<b>\$ 2,203,742</b>
<b><i>Reconciliation of operating income to net cash provided by operating activities:</i></b>	
Operating income	\$ 293,532
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in payroll withholdings	(11,043)
Depreciation and amortization	407,574
<b>Net cash provided by operating activities</b>	<b>\$ 690,063</b>

See accompanying notes to financial statements.

# NORTH BRANCH FIRE DISTRICT NO. 1

## Notes to Financial Statements

### (1) **Summary of Significant Accounting Policies**

#### (a) **Definition of Entity**

The North Branch Fire District No. 1 (the District) was chartered April 20, 1972, and is the basic level of government that has oversight responsibility over 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, and is not includable in any other governmental "reporting entity" as defined by authoritative guidance issued by the Governmental Accounting Standards 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.

#### (b) **Basis of Accounting**

Basis of accounting refers to when revenues and expenses 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.

North Branch Fire District No. 1 presents its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. Under the modified cash basis of accounting no recognition is given to assets and liabilities or revenues and expenses until cash has been received or disbursed, other than recording depreciation expense for capital assets.

#### (c) **Plant and Waste Water Treatment System**

The District's capital assets consist of a sewage treatment plant, related distribution systems, various furniture and equipment, and vehicles. 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 income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Beginning in 2004 these assets are recorded in the District's financial statements.

#### (d) **Annual Budget**

The District follows these procedures in establishing its annual budget.

1. The Administrative Manager and Chief Operator prepare the budget for the District's year ended December 31 and present it to the Prudential Committee for review and approval. The operating budget includes proposed expenditures and the means of financing them.

(continued)

# NORTH BRANCH FIRE DISTRICT NO. 1

## Notes to Financial Statements

### (1) *Summary of Significant Accounting Policies (continued)*

#### (d) *Annual Budget (continued)*

2. Prior to the District annual meeting, the District distributes to its citizens a "District Report" which contains the warning for the annual meeting and the proposed operating budget for the year.
3. In March, an annual District meeting is held and the budget is legally enacted by a majority of voters present at the meeting.
4. Budget revisions must be approved by the Prudential Committee.
5. The budget is adopted on the cash basis.

#### (e) *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 the investment accounts.

#### (f) *Investments*

Investments are reported at cost, which approximates market.

#### (g) *Compensated Absences*

The District does not record liabilities for accumulated unpaid vacation pay and compensatory leave because its records are maintained on the modified cash basis.

### (2) *Cash*

Deposits are maintained in five financial institutions and are carried at cost. The carrying amount of the District's cash and cash equivalent balances at December 31, 2020 was \$2,203,742 with a corresponding bank balance of \$2,369,737.

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Of the District's bank balance at December 31, 2020, \$1,035,369 was insured by the Federal Deposit Insurance Corporation, and \$1,334,368 was uninsured.

**NORTH BRANCH FIRE DISTRICT NO. 1**

**Notes to Financial Statements**

**(3) Capital Assets**

Capital assets consist of the following:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 60,000	-	-	60,000
Subtotal of nondepreciable asset cost	60,000	-	-	60,000
Land improvements	821,210	-	-	821,210
Distribution and collection systems	523,374	50,703	-	574,077
Plant, buildings and improvements	10,616,560	440,277	-	11,056,836
Office furniture and equipment	46,696	-	-	46,696
Laboratory and process equipment	285,803	-	-	285,803
Billing software	24,807	-	-	24,807
Equipment and vehicles	201,054	-	-	201,054
Subtotal of depreciable asset cost	12,519,504	490,980	-	13,010,483
Totals at historical cost	12,579,504	490,980	-	13,070,483
Less accumulated depreciation for:				
Land Improvements	349,807	32,848	-	382,655
Distribution and collection systems	316,307	30,534	-	346,841
Plant, buildings and improvements	1,123,285	316,473	-	1,439,757
Office furniture and equipment	42,319	1,830	-	44,149
Laboratory and process equipment	179,674	20,277	-	199,949
Billing software	24,428	379	-	24,807
Equipment and vehicles	187,434	5,084	-	192,519
Total accumulated depreciation	2,223,254	407,425	-	2,630,677
Capital assets, net	\$ 10,356,250	83,555	-	10,439,806

**(4) Deferred Financing Costs**

Bond issuance costs are deferred and amortized over the repayment period of the bonds. Amortization expense for the year ended December 31, 2020 amounted to \$149.

**(5) 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 percent; however, the U.S. Treasury subsidizes these bonds by paying 45 percent 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. Projects financed with bonds issued through the RZED program must meet the requirements of the Davis-Bacon Act.

(continued)

**NORTH BRANCH FIRE DISTRICT NO. 1**

**Notes to Financial Statements**

**(5) Debt (continued)**

During 2020, 2019 and 2018 the District received advances of \$486,834, \$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 non-interest bearing but is subject to 2 percent administrative fees. The current year reductions below of \$677,733 include \$440,049 of principal forgiveness and \$237,64 of principal payments.

Debt activity for the year ended December 31, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	\$ 5,743,166	486,834	(677,733)	5,552,267

Payments required for principal and interest for future years are listed below.

	Principal	Interest	Administrative Fees	Total
2021	\$ 90,000	49,406	-	139,406
2022	240,638	46,626	82,245	369,509
2023	243,651	43,846	79,233	366,730
2024	246,724	41,066	76,160	363,950
2025	249,858	38,162	73,025	361,045
2026-2030	1,298,548	144,002	315,870	1,758,420
2031-2035	1,386,865	64,207	227,552	1,678,624
2036-2040	1,124,375	3,266	130,043	1,257,684
2041-2045	671,608	-	27,041	
	\$ 5,552,267	430,581	1,011,169	6,295,368

**(6) Restricted Net Position**

While no formal policy is in place, the District first uses restricted resources for expenditures for which both restricted and unrestricted net position are available.

**(7) Sewer Fees**

The District's sewer fees are levied on the first day of May and the first day of November based upon metered water consumption and estimated consumption. The applied rates for assessments, per 1,000 gallons, were \$23.72 and \$28.80 for May 2020 and November 2020, respectively.

The applicable rate charged is calculated based upon the budgeted usage revenue approved by the voters. Sixty percent of this annual amount is assessed for the May billing, and forty percent for the November billing. Total usage is calculated for the semi-annual period, and then the pro-rata share of each ratepayer is assessed based upon the projected revenue approved in the budget.

Sewer fees attach as an enforceable lien upon property as of 30 days from the due date of assessment (June 15 and December 15, respectively). The lien is foreclosable, as governing law permits, two years from the due date if the assessment remains unpaid.

## NORTH BRANCH FIRE DISTRICT NO. 1

### Notes to Financial Statements

**(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 Employees Retirement System. Employer contributions to these plans for 2020 totaled \$15,737.

**(9) Risk Management**

The District is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The District purchases commercial insurance coverage for the risks of losses to which it is exposed.

**(10) Budgetary Comparison Schedules**

The budgetary comparison schedules accompanying the financial statements are presented on the budgetary basis, which records expenditures for capital assets as expenses and does not recognize depreciation expense.

**(11) Contingent liabilities**

The District receives escrow deposits from customers for system expansion related to planned development. In the event that projects are ultimately not pursued, a portion of the deposits are refunded to the customer. The balance of deposits subject to potential refund amounted to \$473,044 at December 31, 2020.

**(12) Subsequent Events**

The District has evaluated subsequent events through August 31, 2021, the date on which the financial statements were available to be issued. There were no reportable subsequent events.

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Schedule of Revenues, Expenses and Changes in**  
**Net Position - Budget and Actual - Budgetary Basis**  
**Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue collected:</b>			
Operations:			
Usage	\$ 1,279,065	1,307,957	28,892
Clerical fees	1,500	300	(1,200)
Other	14,900	46,789	31,889
Miscellaneous income	30	662	632
Fines	250	-	(250)
Money market interest	4,830	41	(4,789)
Tax sales (reimbursements)	46,750	109,396	62,646
	1,347,325	1,465,145	117,820
Delinquent collection:			
Interest collected	9,000	16,326	7,326
Penalties	11,200	27,776	16,576
	20,200	44,102	23,902
Capital:			
DEC-SRF Grant	-	193,272	193,272
Debt forgiven	-	440,049	440,049
Hookup fees	135,000	74,400	(60,600)
Inspection	100	(2,375)	(2,475)
Capital investment interest	5	306	301
Meters	1,750	7,374	5,624
Capital bond tax	407,968	402,144	(5,824)
Bond account interest	-	121	121
Capital raised by users	500,000	500,000	-
Miscellaneous income	1,000	1,078	78
Reimbursements - Grant #RF1-197-2.0	393,344	-	(393,344)
	1,439,167	1,616,369	177,202
Escrow:			
"A" Priority interest	115	194	79
As-built investment interest	5	-	(5)
	120	194	74
<b>Total revenue collected</b>	<b>2,806,812</b>	<b>3,125,810</b>	<b>318,998</b>

(continued)

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Schedule of Revenues, Expenses and Changes in**  
**Net Assets - Budget and Actual - Budgetary Basis (Continued)**  
**Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenses paid:</b>			
Operations:			
Wages	\$ 288,780	258,122	30,658
Employee insurance	107,638	75,936	31,702
Worker's compensation	18,000	15,072	2,928
Social Security/Medicare	22,500	17,576	4,924
Unemployment taxes	1,500	138	1,362
Retirement	18,500	15,737	2,763
	456,918	382,581	74,337
Office:			
Property taxes	3,300	5,716	(2,416)
Office supplies	7,500	9,488	(1,988)
Copier lease	1,650	1,627	23
Postage	6,500	3,639	2,861
Dues	1,425	1,729	(304)
Annual meeting	300	-	300
Insurance	23,550	11,278	12,272
Electricity	96,050	95,740	310
Office cleaning	1,700	1,660	40
Computer and internet	6,501	13,149	(6,648)
External auditor	9,500	8,000	1,500
Service charges	100	61	39
Other	1,950	572	1,378
	160,026	152,659	7,367
Committee:			
Legal	45,000	9,524	35,476
Miscellaneous	650	265	385
Advertising	5,000	6,501	(1,501)
	50,650	16,290	34,360
Unbudgeted:			
Loan repayments	-	291,997	(291,997)
	-	291,997	(291,997)
Employee:			
Travel	3,200	1,809	1,391
Training	3,000	1,020	1,980
Uniforms	2,400	553	1,847
	8,600	3,382	5,218

(continued)

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Schedule of Revenues, Expenses and Changes in**  
**Net Assets - Budget and Actual - Budgetary Basis (Continued)**  
**Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenses paid (continued):</b>			
Laboratory:			
Water quality bio/mon well	39,000	38,089	911
Supplies	3,500	5,139	(1,639)
	42,500	43,228	(728)
Supplies:			
Chemicals	17,000	18,000	(1,000)
Materials and supplies	3,850	3,816	34
Safety equipment	1,000	1,202	(202)
Meter general maintenance	1,700	5,606	(3,906)
Sludge field/pipe supplies	4,300	5,800	(1,500)
	27,850	34,424	(6,574)
Utilities:			
Electricity	1,000	2,909	(1,909)
Vehicle fuel	4,175	2,905	1,270
Fuel heat	14,000	10,562	3,438
Vehicle expenses	2,500	1,131	1,369
Telephone/lines	9,000	6,490	2,510
Alarm systems	1,650	1,516	134
	32,325	25,513	6,812
Repairs:			
Equipment repairs	23,100	14,705	8,395
Manhole/line repairs	3,500	532	2,968
Engineering	5,000	1,967	3,033
Building maintenance	1,600	1,605	(5)
Pump station maintenance	4,000	-	4,000
	37,200	18,809	18,391
Sludge:			
Sludge disposal	59,000	34,091	24,909
Capital funding	500,000	500,000	-
	559,000	534,091	24,909
Miscellaneous:			
Reimbursements	10,000	7,277	2,723
Landscaping administration	200	185	15
	10,200	7,462	2,738

(continued)

**NORTH BRANCH FIRE DISTRICT NO. 1**  
**Schedule of Revenues, Expenses and Changes in**  
**Net Assets - Budget and Actual - Budgetary Basis (Continued)**  
**Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenses paid (continued):</b>			
Permits:			
Discharge permit	16,800	17,148	(348)
Solid waste permit	800	-	800
Permits - other	400	-	400
	18,000	17,148	852
Capital projects:			
Fed Mandated Audit	4,000	-	4,000
Capital Project Engineering	25,000	-	25,000
Capital Reimbursements	-	18,200	(18,200)
Route 100 Pump and Check Valves	21,855	2,841	19,014
Mount Snow Grinder	16,391	25,165	(8,774)
Pond Transfer Pump, Rails	-	22,696	(22,696)
Recirculating Pump	-	6,237	(6,237)
Project Upgrade	-	419,435	(419,435)
Pond Project	-	2,843	(2,843)
Pond Project Engineering	-	11,763	(11,763)
	67,246	509,180	(441,934)
<b>Total expenses paid</b>	1,470,515	2,036,764	(566,249)
<b>Excess of revenue collected over expenses paid, budgetary basis</b>	\$ 1,336,297	1,089,046	(247,251)
<b>Reconciliation to statement of revenues expenses and changes in net position - modified cash basis:</b>			
Excess of revenues collected over expenses paid, budgetary basis			\$ 1,089,046
Add:			
Cash disbursements for noncurrent assets			490,980
Cash disbursement for bond principal payment			237,684
Less:			
Depreciation and amortization expense			(407,574)
<b>Change in net position, modified cash basis</b>			\$ 1,410,136



**Independent Auditor's 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***

Prudential Committee  
North Branch Fire District No. 1

We have audited, in accordance with the 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 statement of net position – modified cash basis as of December 31, 2020 and the related statements of revenues, expenses and changes in net position – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements which collectively comprise the North Branch Fire District No. 1's basic financial statements and have issued our report thereon dated August 31, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered North Branch Fire District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Branch Fire District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Branch Fire District No. 1's internal control over financial reporting.

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 a 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 a 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 North Branch Fire District No. 1's financial statements are free of 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Love, Cody & Company, CPAs, P.C.*

August 31, 2021

Vt. Reg. #357

Love, Cody & Company, CPAs