

**WATER FUND OF VILLAGE OF
NORTH BENNINGTON, VERMONT**

Financial Statements – Modified Cash Basis

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)

Love, Cody & Company, CPAs

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT

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Independent Auditor's Report

Board of Water Commissioners
Village of North Bennington
North Bennington, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Fund of Village of North Bennington, Vermont, which comprise the statements of net position – modified cash basis as of December 31, 2021 and 2020, and the related statement of revenues, expenses and changes in net position – modified cash basis and cash flows – modified cash basis for the years 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. 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 the Water Fund of Village of North Bennington, Vermont at December 31, 2021 and 2020, and the changes in financial position – modified cash basis and cash flows – modified cash basis, thereof for the years 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.

As also described in Note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position and results of operations of the Village of North Bennington, Vermont in conformity with the modified cash basis of accounting.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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

Love, Cody & Company, CPA, P.C.

February 18, 2022

Vt. Reg. #357

Love, Cody & Company, CPAs

**WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

The management's discussion and analysis of the Water Fund's financial performance is required by Governmental Accounting Standards Board Statement No. 34 (GASB 34) and it provides an overview of the Water Fund's financial activities for the year ended December 31, 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights for 2021

1. The Water Fund had cash balances totaling \$459,325 at December 31, 2021. Capital assets, net of accumulated depreciation, amounted to \$5,186,485.
2. Long-term debt, consisting of general obligation bonds, amounted to \$2,154,695 at December 31, 2021.
3. Operating revenues amounted to \$519,591 in 2021. Operating expenses were \$704,200.
4. The increase in the Water Fund's budgeted expenses from 2020 to 2021 was 5.5%.

Overview of the Financial Statements

This annual report consists of two parts: Management's Discussion and Analysis and the Basic Financial Statements. These statements reflect only the activity and balances of the Water Fund of the Village of North Bennington. They do not present the finances of the Village as a whole.

Required Financial Statements

The Financial Statements of the Water Fund report information using the modified cash basis of accounting. The Statement of Net Position – Modified Cash Basis provides information on the Water Fund's assets and net position. The Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis identifies the Water Fund's revenues and expenses for the years ended December 31, 2021 and 2020. The third basic financial statement is the Statement of Cash Flows – Modified Cash Basis. This statement provides information on the Water Fund's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

Financial Analysis of the Water Fund

This section summarizes information and data as related to the financial statements for the years ended December 31, 2021 and 2020.

The Statement of Net Position – Modified Cash Basis and the Statement of Revenues and Expenses – Modified Cash Basis provide an indication of the Water Fund's financial condition and changes in its financial condition. Table 1 presents a condensed Statement of Net Position – Modified Cash Basis. Capital assets were the largest component of the Water Fund's assets at approximately \$5.2 million at December 31, 2021.

**WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

Table 1 Condensed Statement of Net Position - Modified Cash Basis		
	2021	2020
Assets:		
Current assets	\$ 459,325	458,822
Capital assets, net	<u>5,186,485</u>	<u>5,458,124</u>
Total assets	<u>5,645,810</u>	<u>5,916,946</u>
Liabilities:		
Current liabilities	66,954	80,083
Long-term liabilities	<u>2,113,781</u>	<u>2,154,695</u>
Total liabilities	<u>2,180,735</u>	<u>2,234,778</u>
Net position:		
Net position invested in capital assets, net of debt	3,031,790	3,240,686
Unrestricted net position	<u>433,285</u>	<u>441,482</u>
Total net position	<u>\$ 3,465,075</u>	<u>3,682,168</u>

The following table presents condensed information from the Water Fund's operating statement. Operating expenses exceeded operating revenues by \$184,609 in 2021. In 2020, operating expenses exceeded operating revenues by \$193,224. Depreciation expense included in operating expenses amounted to \$300,641 and \$234,214 in 2021 and 2020, respectively. Non-operating revenues consisting of interest income and capital grants, amounted to \$393 in 2021 and \$359,782 in 2020. In total, net position decreased by \$217,093 in 2021 and increased by \$166,558 in 2020.

Table 2 Condensed Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis		
	2021	2020
Operating revenues:		
Charges for services	\$ 441,271	340,914
Other operating revenue	<u>78,320</u>	<u>81,738</u>
Total operating revenues	<u>519,591</u>	<u>422,652</u>
Operating expenses:		
Personnel costs	207,783	203,824
Other operating costs	195,776	177,838
Depreciation	<u>300,641</u>	<u>234,214</u>
Total operating expenses	<u>704,200</u>	<u>615,876</u>
Nonoperating revenue (expense)	(32,484)	359,782
Change in net position	(217,093)	166,558
Net position - beginning	3,682,168	3,515,610
Net position - ending	\$ <u>3,465,075</u>	<u>3,682,168</u>

**WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021**

Capital Assets

The following table presents capital assets as of December 31, 2021 and 2020, 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)		
	2021	2020
Land	\$ 187,985	187,985
Buildings and improvements	16,131	13,082
Equipment	32,484	16,276
Water lines	4,949,885	5,240,781
	\$ 5,186,485	5,458,124

Long-Term Debt

The Water Fund had long-term debt outstanding of \$2,154,695 at December 31, 2021, consisting of General obligation bonds.

Economic Factors and Next Year's Budget and Rates

The 2021 budget for Water Fund expenditures shows an increase of 5.5%.

Additional Financial Information

This financial report is designed to provide the Water Fund's customers and other interested parties with an overview of the Water Fund'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 Bennington Water Department at 802-442-3883.

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
Statements of Net Position - Modified Cash Basis

	<i>December 31,</i>	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 459,325	458,822
Total current assets	459,325	458,822
Noncurrent assets:		
Capital assets:		
Land	187,985	187,985
Other capital assets, net of accumulated depreciation	4,998,500	5,270,139
Total noncurrent assets	5,186,485	5,458,124
Total assets	\$ 5,645,810	5,916,946
Liabilities		
Current liabilities:		
Payroll withholdings	\$ 26,040	17,340
General obligation bonds payable	40,914	62,743
Total current liabilities	66,954	80,083
Noncurrent liabilities:		
General obligation bonds payable	2,113,781	2,154,695
Total noncurrent liabilities	2,113,781	2,154,695
Total liabilities	2,180,735	2,234,778
Net Position		
Invested in capital assets, net of debt	3,031,790	3,240,686
Unrestricted	433,285	441,482
Total net position	3,465,075	3,682,168
Total liabilities and net position	\$ 5,645,810	5,916,946

See accompanying notes to financial statements.

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
Statements of Revenues, Expenses and Changes in Net Position - Modified Cash Basis

	<i>Year Ended December 31,</i>	
	2021	2020
<i>Operating revenues:</i>		
Fees and charges for services	\$ 441,271	340,914
System improvement assessment	78,320	81,738
<i>Total operating revenues</i>	519,591	422,652
<i>Operating expenses:</i>		
Salaries and wages	133,675	130,397
Payroll taxes and employee benefits	20,131	21,280
Bookkeeping services	19,872	19,308
Depreciation expense	300,641	234,214
General insurance	12,573	10,605
Health insurance	53,977	52,147
Heat, fuel and light	21,207	24,886
Office expenses	11,581	10,870
Operating supplies	20,022	19,357
Other operating expenses	45,748	29,554
Professional fees	23,211	10,190
Repairs and maintenance	41,562	53,068
<i>Total operating expenses</i>	704,200	615,876
<i>Operating loss</i>	(184,609)	(193,224)
<i>Nonoperating revenues (expenses):</i>		
Interest income	393	1,098
Capital grants	-	358,684
Interest expense	(32,877)	-
<i>Total nonoperating revenues (expenses)</i>	(32,484)	359,782
<i>Increase (decrease) in net position</i>	(217,093)	166,558
<i>Net position, beginning of year</i>	3,682,168	3,515,610
<i>Net position, end of year</i>	\$ 3,465,075	3,682,168

See accompanying notes to financial statements.

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT
Statements of Cash Flows - Modified Cash Basis

	<i>Year Ended December 31,</i>	
	2021	2020
<i>Cash flows from operating activities:</i>		
Cash received from customers	\$ 519,591	422,652
Cash paid to employees	(124,975)	(121,156)
Cash paid to suppliers	(269,884)	(251,265)
<i>Net cash provided by operating activities</i>	124,732	50,231
<i>Cash flows from capital and related financing activities:</i>		
Principal payments on notes and bonds payable	(62,743)	(2,221,533)
Advances on bond anticipation note	-	615,514
Proceeds from issuance of bonds	-	2,195,000
Capital grants	-	358,684
Purchase of property and equipment	(29,002)	(794,054)
Interest paid on bonds	(32,877)	-
<i>Net cash provided by (used) in capital and related financing activities</i>	(124,622)	153,611
<i>Cash flows from investing activities:</i>		
Interest on cash investments	393	1,098
<i>Net cash provided by investing activities</i>	393	1,098
<i>Net increase in cash</i>	503	204,940
<i>Cash balance, beginning of year</i>	458,822	253,882
<i>Cash balance, end of year</i>	\$ 459,325	458,822
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>		
Operating income (loss)	\$ (184,609)	(193,224)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	300,641	234,214
Increase (decrease) in payroll withholdings	8,700	9,241
<i>Net cash provided by operating activities</i>	\$ 124,732	50,231

See accompanying notes to financial statements.

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies*

(a) *Definition of Entity*

The Water Fund is a fund of the Village of North Bennington, Vermont, which is a unit of local government created by charter in 1904. The Village operates under a Board of Trustees form of government and provides services as outlined in its charter. The Water Fund is governed by the Board of Water Commissioners, whose members are appointed by the Village of North Bennington Trustees.

The accompanying financial statements include only the activity of the Water Fund and, accordingly, they are not intended to present fairly the financial position and results of operations of the Village of North Bennington, Vermont.

(b) *Basis of Presentation - Fund Accounting Proprietary Funds*

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water Fund is an enterprise fund. The Water Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

(c) *Basis of Accounting*

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

The Water Fund is maintained on the modified cash basis; with no recognition being given to assets and liabilities or revenues and expenditures or expenses until cash has been received or disbursed. Under generally accepted accounting principles the Water Fund would follow the accrual basis of accounting. Such basis would require recognition of assets and liabilities which are not recognized in the accompanying financial statements. It is not practicable to determine the amounts of such assets and liabilities.

(d) *Capital Assets*

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. 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. Interest costs incurred on borrowings used to finance the construction of facilities are capitalized during the period of construction.

(continued)

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT

Notes to Financial Statements

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

(d) *Capital Assets (continued)*

The amount capitalized is reduced by any interest earned on related temporary investments. Certain assets acquired prior to 1970, including the chlorinator building, metering station and pumping station are not recorded in the financial statements due to the lack of historical cost information.

(e) *Compensated Absences*

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

(f) *Risk Management*

The Water Fund is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Water Fund purchases commercial insurance coverage for the risks of losses to which it is exposed, with the exception for environmental liabilities for which coverage is not available.

(g) *Use of Accounting Estimates*

The preparation of financial statements 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 expenditures or expenses during the reporting period. Actual results could differ from those estimates.

(2) *Cash*

Deposits are maintained in more than one financial institution and are carried at cost. There are no legal or contractual restrictions with respect to the types of investments the Water Fund may make.

The carrying amount of the Water Fund's cash balances was \$459,325 at December 31, 2021 with a corresponding bank balance of \$462,987.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Water Fund of the Village of North Bennington, Vermont deposits may not be returned to it. At December 31, 2021, \$363,312 of the bank balance was insured by the Federal Deposit Insurance Corporation and \$99,675 was uninsured.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Water Fund of the Village of North Bennington Board of Commissioners reduces this risk by structuring the certificates of deposit so that the certificates mature to meet cash needs for ongoing operations, thus avoiding the need to cash in the certificates prior to maturity.

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT

Notes to Financial Statements

(3) Capital Assets

Capital assets consisted of the following:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Land	\$ 187,985	-	-	187,985
Buildings and improvements	26,112	4,610	-	30,722
Equipment	148,054	24,392	(18,179)	154,267
Water meter system	61,490	-	-	61,490
Water lines and hydrants	5,852,471	-	-	5,852,471
Water filtration plant	2,046,261	-	-	2,046,261
Totals at historical cost	8,322,373	29,002	(18,179)	8,333,196
Accumulated depreciation	(2,864,249)	(300,641)	18,179	(3,146,711)
	\$ 5,458,124	(271,639)	-	5,186,485

(4) Notes and Bonds Payable

Long-term debt consisted of the following:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation bonds	\$ 2,217,438	-	62,743	2,154,695	40,914

On March 14, 2019 the Water Department issued a bond anticipation note which provided for advances of up to \$2,195,000. Advances under the bond anticipation note amounted to \$615,514 and \$1,579,486 in 2020 and 2019, respectively. The note was retired in August 2020 when it was replaced with long-term bonds bearing interest at 1.5 percent per annum and maturing August 20, 2060. Bonds payable are secured by the general revenue raising powers of the Village.

Debt service requirements are as follows:

	Principal	Interest	Total
2022	\$ 40,914	32,268	73,182
2023	41,531	31,651	73,182
2024	42,159	31,023	73,182
2025	42,796	30,386	73,182
2026	43,442	29,740	73,182
2027-2031	227,253	138,657	365,910
2032-2036	244,941	120,969	365,910
2037-2041	264,005	101,905	365,910
2042-2046	284,554	81,356	365,910
2047-2051	306,702	59,208	365,910
2052-2056	330,573	35,337	365,910
2057-2061	285,825	9,838	295,663
	\$ 2,154,695	702,338	2,857,033

WATER FUND OF VILLAGE OF NORTH BENNINGTON, VERMONT

Notes to Financial Statements

(5) Retirement Plan

The Water Fund makes discretionary contributions to individual retirement accounts on behalf of all full-time employees. Contributions for the years ended December 31, 2021 and 2020 amounted to \$8,481 and \$9,923, respectively.

(6) Contingency

The Village of North Bennington, acting through the Board of Water Commissioners, has filed suit in Vermont Superior Court seeking to recover certain disputed and unpaid water charges from the Town of Shaftsbury. The Town has entered a motion seeking to compel arbitration in this matter and the Court has yet to grant or deny that motion. It is not possible to determine the ultimate outcome of this litigation, however the Water Fund's exposure is limited to potential forgone revenues.

(7) Subsequent Events

The Water Fund has evaluated subsequent events through February 18, 2022, the date on which the financial statements were available to be issued. There were no reportable subsequent events.