



**Appendix F
Raw Water Data**

**Public Protection Classification
(PPC™)
Summary Report**

07/16

Woodstock

VERMONT

Prepared by

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Background Information

Introduction

ISO collects and evaluates information from communities in the United States on their structure fire suppression capabilities. The data is analyzed using our Fire Suppression Rating Schedule (FSRS) and then a Public Protection Classification (PPC™) grade is assigned to the community. The surveys are conducted whenever it appears that there is a possibility of a PPC change. As such, the PPC program provides important, up-to-date information about fire protection services throughout the country.

The FSRS recognizes fire protection features only as they relate to suppression of first alarm structure fires. In many communities, fire suppression may be only a small part of the fire department's overall responsibility. ISO recognizes the dynamic and comprehensive duties of a community's fire service, and understands the complex decisions a community must make in planning and delivering emergency services. However, in developing a community's PPC grade, only features related to reducing property losses from structural fires are evaluated. Multiple alarms, simultaneous incidents and life safety are not considered in this evaluation. The PPC program evaluates the fire protection for small to average size buildings. Specific properties with a Needed Fire Flow in excess of 3,500 gpm are evaluated separately and assigned an individual PPC grade.

A community's investment in fire mitigation is a proven and reliable predictor of future fire losses. Statistical data on insurance losses bears out the relationship between excellent fire protection – as measured by the PPC program – and low fire losses. So, insurance companies use PPC information for marketing, underwriting, and to help establish fair premiums for homeowners and commercial fire insurance. In general, the price of fire insurance in a community with a good PPC grade is substantially lower than in a community with a poor PPC grade, assuming all other factors are equal.

ISO is an independent company that serves insurance companies, communities, fire departments, insurance regulators, and others by providing information about risk. ISO's expert staff collects information about municipal fire suppression efforts in communities throughout the United States. In each of those communities, ISO analyzes the relevant data and assigns a PPC grade – a number from 1 to 10. Class 1 represents an exemplary fire suppression program, and Class 10 indicates that the area's fire suppression program does not meet ISO's minimum criteria.

ISO's PPC program evaluates communities according to a uniform set of criteria, incorporating nationally recognized standards developed by the National Fire Protection Association and the American Water Works Association. A community's PPC grade depends on:

- **Needed Fire Flows**, which are representative building locations used to determine the theoretical amount of water necessary for fire suppression purposes.
- **Emergency Communications**, including emergency reporting, telecommunicators, and dispatching systems.
- **Fire Department**, including equipment, staffing, training, geographic distribution of fire companies, operational considerations, and community risk reduction.
- **Water Supply**, including inspection and flow testing of hydrants, alternative water supply operations, and a careful evaluation of the amount of available water compared with the amount needed to suppress fires up to 3,500 gpm.

Data Collection and Analysis

ISO has evaluated and classified over 48,000 fire protection areas across the United States using its FSRS. A combination of meetings between trained ISO field representatives and the dispatch center coordinator, community fire official, and water superintendent is used in conjunction with a comprehensive questionnaire to collect the data necessary to determine the PPC grade. In order for a community to obtain a grade better than a Class 9, three elements of fire suppression features are reviewed. These three elements are Emergency Communications, Fire Department, and Water Supply.

A review of the **Emergency Communications** accounts for 10% of the total classification. This section is weighted at **10 points**, as follows:

- Emergency Reporting 3 points
- Telecommunicators 4 points
- Dispatch Circuits 3 points

A review of the **Fire Department** accounts for 50% of the total classification. ISO focuses on a fire department's first alarm response and initial attack to minimize potential loss. The fire department section is weighted at **50 points**, as follows:

- Engine Companies 6 points
- Reserve Pumpers 0.5 points
- Pump Capacity 3 points
- Ladder/Service Companies 4 points
- Reserve Ladder/Service Trucks 0.5 points
- Deployment Analysis 10 points
- Company Personnel 15 points
- Training 9 points
- Operational considerations 2 points
- Community Risk Reduction 5.5 points (in addition to the 50 points above)

A review of the **Water Supply** system accounts for 40% of the total classification. ISO reviews the water supply a community uses to determine the adequacy for fire suppression purposes. The water supply system is weighted at **40 points**, as follows:

- Credit for Supply System 30 points
- Hydrant Size, Type & Installation 3 points
- Inspection & Flow Testing of Hydrants 7 points

There is one additional factor considered in calculating the final score – **Divergence**.

Even the best fire department will be less than fully effective if it has an inadequate water supply. Similarly, even a superior water supply will be less than fully effective if the fire department lacks the equipment or personnel to use the water. The FSRS score is subject to modification by a divergence factor, which recognizes disparity between the effectiveness of the fire department and the water supply.

The Divergence factor mathematically reduces the score based upon the relative difference between the fire department and water supply scores. The factor is introduced in the final equation.

PPC Grade

The PPC grade assigned to the community will depend on the community's score on a 100-point scale:

PPC	Points
1	90.00 or more
2	80.00 to 89.99
3	70.00 to 79.99
4	60.00 to 69.99
5	50.00 to 59.99
6	40.00 to 49.99
7	30.00 to 39.99
8	20.00 to 29.99
9	10.00 to 19.99
10	0.00 to 9.99

The classification numbers are interpreted as follows:

- Class 1 through (and including) Class 8 represents a fire suppression system that includes an FSRS creditable dispatch center, fire department, and water supply.
- Class 8B is a special classification that recognizes a superior level of fire protection in otherwise Class 9 areas. It is designed to represent a fire protection delivery system that is superior except for a lack of a water supply system capable of the minimum FSRS fire flow criteria of 250 gpm for 2 hours.
- Class 9 is a fire suppression system that includes a creditable dispatch center, fire department but no FSRS creditable water supply.
- Class 10 does not meet minimum FSRS criteria for recognition, including areas that are beyond five road miles of a recognized fire station.

New PPC program changes effective July 1, 2014

We have revised the PPC program to capture the effects of enhanced fire protection capabilities that reduce fire loss and fire severity in Split Class 9 and Split Class 8B areas (as outlined below). This new structure benefits the fire service, community, and property owner.

New classifications

Through ongoing research and loss experience analysis, we identified additional differentiation in fire loss experience within our PPC program, which resulted in the revised classifications. We based the differing fire loss experience on the fire suppression capabilities of each community. The new PPC classes will improve the predictive value for insurers while benefiting both commercial and residential property owners. Here are the new classifications and what they mean.

Split classifications

When we develop a split classification for a community — for example 5/9 — the first number is the class that applies to properties within 5 road miles of the responding fire station and 1,000 feet of a creditable water supply, such as a fire hydrant, suction point, or dry hydrant. The second number is the class that applies to properties within 5 road miles of a fire station but beyond 1,000 feet of a creditable water supply. We have revised the classification to reflect more precisely the risk of loss in a community, replacing Class 9 and 8B in the second part of a split classification with revised designations.

What's changed with the new classifications?

We've published the new classifications as "X" and "Y" — formerly the "9" and "8B" portion of the split classification, respectively. For example:

- A community currently displayed as a split 6/9 classification will now be a split 6/6X classification; with the "6X" denoting what was formerly classified as "9".
- Similarly, a community currently graded as a split 6/8B classification will now be a split 6/6Y classification, the "6Y" denoting what was formerly classified as "8B".
- Communities graded with single "9" or "8B" classifications will remain intact.

Prior Classification	New Classification
1/9	1/1X
2/9	2/2X
3/9	3/3X
4/9	4/4X
5/9	5/5X
6/9	6/6X
7/9	7/7X
8/9	8/8X
9	9

Prior Classification	New Classification
1/8B	1/1Y
2/8B	2/2Y
3/8B	3/3Y
4/8B	4/4Y
5/8B	5/5Y
6/8B	6/6Y
7/8B	7/7Y
8/8B	8/8Y
8B	8B

What's changed?

As you can see, we're still maintaining split classes, but it's how we represent them to insurers that's changed. The new designations reflect a reduction in fire severity and loss and have the potential to reduce property insurance premiums.

Benefits of the revised split class designations

- To the fire service, the revised designations identify enhanced fire suppression capabilities used throughout the fire protection area
- To the community, the new classes reward a community's fire suppression efforts by showing a more reflective designation
- To the individual property owner, the revisions offer the potential for decreased property insurance premiums

New water class

Our data also shows that risks located more than 5 but less than 7 road miles from a responding fire station with a creditable water source within 1,000 feet had better loss experience than those farther than 5 road miles from a responding fire station with no creditable water source. We've introduced a new classification —10W— to recognize the reduced loss potential of such properties.

What's changed with Class 10W?

Class 10W is property-specific. Not all properties in the 5-to-7-mile area around the responding fire station will qualify. The difference between Class 10 and 10W is that the 10W-graded risk or property is within 1,000 feet of a creditable water supply. Creditable water supplies include fire protection systems using hauled water in any of the split classification areas.

What's the benefit of Class 10W?

10W gives credit to risks within 5 to 7 road miles of the responding fire station and within 1,000 feet of a creditable water supply. That's reflective of the potential for reduced property insurance premiums.

What does the fire chief have to do?

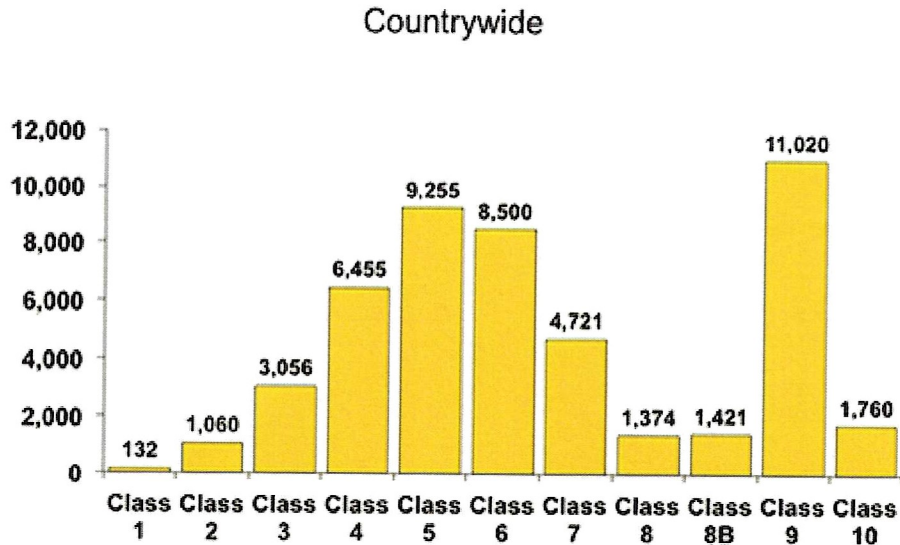
Fire chiefs don't have to do anything at all. The revised classifications went in place automatically effective July 1, 2014 (July 1, 2015 for Texas).

What if I have additional questions?

Feel free to contact ISO at 800.444.4554 or email us at PPC-Cust-Serv@iso.com.

Distribution of PPC Grades

The 2015 published countrywide distribution of communities by the PPC grade is as follows:



Assistance

The PPC program offers help to communities, fire departments, and other public officials as they plan for, budget, and justify improvements. ISO is also available to assist in the understanding of the details of this evaluation.

The PPC program representatives can be reached by telephone at (800) 444-4554. The technical specialists at this telephone number have access to the details of this evaluation and can effectively speak with you about your questions regarding the PPC program. What's more, we can be reached via the internet at www.isomitigation.com/talk/.

We also have a website dedicated to our Community Hazard Mitigation Classification programs at www.isomitigation.com. Here, fire chiefs, building code officials, community leaders and other interested citizens can access a wealth of data describing the criteria used in evaluating how cities and towns are protecting residents from fire and other natural hazards. This website will allow you to learn more about the PPC program. The website provides important background information, insights about the PPC grading processes and technical documents. ISO is also pleased to offer Fire Chiefs Online — a special, secured website with information and features that can help improve your PPC grade, including a list of the Needed Fire Flows for all the commercial occupancies ISO has on file for your community. Visitors to the site can download information, see statistical results and also contact ISO for assistance.

In addition, on-line access to the FSRs and its commentaries is available to registered customers for a fee. However, fire chiefs and community chief administrative officials are given access privileges to this information without charge.

To become a registered fire chief or community chief administrative official, register at www.isomitigation.com.

PPC Review

ISO concluded its review of the fire suppression features being provided for Woodstock. The resulting community classification is **Class 07/7X**.

If the classification is a single class, the classification applies to properties with a Needed Fire Flow of 3,500 gpm or less in the community. If the classification is a split class (e.g., 6/XX):

- The first class (e.g., "6" in a 6/XX) applies to properties within 5 road miles of a recognized fire station and within 1,000 feet of a fire hydrant or alternate water supply.
- The second class (XX or XY) applies to properties beyond 1,000 feet of a fire hydrant but within 5 road miles of a recognized fire station.
- Alternative Water Supply: The first class (e.g., "6" in a 6/10) applies to properties within 5 road miles of a recognized fire station with no hydrant distance requirement.
- Class 10 applies to properties over 5 road miles of a recognized fire station.
- Class 10W applies to properties within 5 to 7 road miles of a recognized fire station with a recognized water supply within 1,000 feet.
- Specific properties with a Needed Fire Flow in excess of 3,500 gpm are evaluated separately and assigned an individual classification.

FIRS Feature	Earned Credit	Credit Available
Emergency Communications		
414. Credit for Emergency Reporting	0.30	3
422. Credit for Telecommunicators	0.00	4
432. Credit for Dispatch Circuits	1.20	3
440. Credit for Emergency Communications	1.50	10
Fire Department		
513. Credit for Engine Companies	4.49	6
523. Credit for Reserve Pumpers	0.00	0.50
532. Credit for Pump Capacity	3.00	3
549. Credit for Ladder Service	1.46	4
553. Credit for Reserve Ladder and Service Trucks	0.00	0.50
561. Credit for Deployment Analysis	4.48	10
571. Credit for Company Personnel	2.08	15
581. Credit for Training	0.61	9
730. Credit for Operational Considerations	2.00	2
590. Credit for Fire Department	18.12	50
Water Supply		
616. Credit for Supply System	14.65	30
621. Credit for Hydrants	2.18	3
631. Credit for Inspection and Flow Testing	5.60	7
640. Credit for Water Supply	22.43	40
Divergence	-3.97	--
1050. Community Risk Reduction	0.00	5.50
Total Credit	38.08	105.50

Emergency Communications

Ten percent of a community's overall score is based on how well the communications center receives and dispatches fire alarms. Our field representative evaluated:

- Communications facilities provided for the general public to report structure fires
- Enhanced 9-1-1 Telephone Service including wireless
- Computer-aided dispatch (CAD) facilities
- Alarm receipt and processing at the communication center
- Training and certification of telecommunicators
- Facilities used to dispatch fire department companies to reported structure fires

	Earned Credit	Credit Available
414. Credit Emergency Reporting	0.30	3
422. Credit for Telecommunicators	0.00	4
432. Credit for Dispatch Circuits	1.20	3
Item 440. Credit for Emergency Communications:	1.50	10

Item 414 - Credit for Emergency Reporting (3 points)

The first item reviewed is Item 414 "Credit for Emergency Reporting (CER)". This item reviews the emergency communication center facilities provided for the public to report fires including 911 systems (Basic or Enhanced), Wireless Phase I and Phase II, Voice over Internet Protocol, Computer Aided Dispatch and Geographic Information Systems for automatic vehicle location. ISO uses National Fire Protection Association (NFPA) 1221, *Standard for the Installation, Maintenance and Use of Emergency Services Communications Systems* as the reference for this section.

Item 410. Emergency Reporting (CER)	Earned Credit	Credit Available
<p>A./B. Basic 9-1-1, Enhanced 9-1-1 or No 9-1-1</p> <p>For maximum credit, there should be an Enhanced 9-1-1 system, Basic 9-1-1 and No 9-1-1 will receive partial credit.</p>	10.00	20
<p>1. E9-1-1 Wireless</p> <p>Wireless Phase I using Static ALI (automatic location identification) Functionality (10 points); Wireless Phase II using Dynamic ALI Functionality (15 points); Both available will be 25 points</p>	0.00	25
<p>2. E9-1-1 Voice over Internet Protocol (VoIP)</p> <p>Static VoIP using Static ALI Functionality (10 points); Nomadic VoIP using Dynamic ALI Functionality (15 points); Both available will be 25 points</p>	0.00	25
<p>3. Computer Aided Dispatch</p> <p>Basic CAD (5 points); CAD with Management Information System (5 points); CAD with Interoperability (5 points)</p>	0.00	15
<p>4. Geographic Information System (GIS/AVL)</p> <p><u>The PSAP uses</u> a fully integrated CAD/GIS management system with automatic vehicle location (AVL) integrated with a CAD system providing dispatch assignments.</p> <p>The individual fire departments being dispatched <u>do not</u> need GIS/AVL capability to obtain this credit.</p>	0.00	15
<p>Review of Emergency Reporting total:</p>	10.00	100

Item 422- Credit for Telecommunicators (4 points)

The second item reviewed is Item 422 "Credit for Telecommunicators (TC)". This item reviews the number of Telecommunicators on duty at the center to handle fire calls and other emergencies. All emergency calls including those calls that do not require fire department action are reviewed to determine the proper staffing to answer emergency calls and dispatch the appropriate emergency response. NFPA 1221, *Standard for the Installation, Maintenance and Use of Emergency Services Communications Systems*, recommends that ninety-five percent of emergency calls shall be answered within 15 seconds and ninety-nine percent of emergency calls shall be answered within 40 seconds. In addition, NFPA recommends that ninety percent of emergency alarm processing shall be completed within 60 seconds and ninety-nine percent of alarm processing shall be completed within 90 seconds of answering the call.

To receive full credit for operators on duty, ISO must review documentation to show that the communication center meets NFPA 1221 call answering and dispatch time performance measurement standards. This documentation may be in the form of performance statistics or other performance measurements compiled by the 9-1-1 software or other software programs that are currently in use such as Computer Aided Dispatch (CAD) or Management Information System (MIS).

Item 420. Telecommunicators (CTC)	Earned Credit	Credit Available
<p>A1. Alarm Receipt (AR) Receipt of alarms shall meet the requirements in accordance with the criteria of NFPA 1221</p>	0.00	20
<p>A2. Alarm Processing (AP) Processing of alarms shall meet the requirements in accordance with the criteria of NFPA 1221</p>	0.00	20
<p>B. Emergency Dispatch Protocols (EDP) Telecommunicators have emergency dispatch protocols (EDP) containing questions and a decision-support process to facilitate correct call categorization and prioritization.</p>	0.00	20
<p>C. Telecommunicator Training and Certification (TTC) Telecommunicators meet the qualification requirements referenced in NFPA 1061, <i>Standard for Professional Qualifications for Public Safety Telecommunicator</i>, and/or the Association of Public-Safety Communications Officials - International (APCO) <i>Project 33</i>. Telecommunicators are certified in the knowledge, skills, and abilities corresponding to their job functions.</p>	0.00	20
<p>D. Telecommunicator Continuing Education and Quality Assurance (TQA) Telecommunicators participate in continuing education and/or in-service training and quality-assurance programs as appropriate for their positions</p>	0.00	20
<p>Review of Telecommunicators total:</p>	0.00	100

Item 432 - Credit for Dispatch Circuits (3 points)

The third item reviewed is Item 432 “Credit for Dispatch Circuits (CDC)”. This item reviews the dispatch circuit facilities used to transmit alarms to fire department members. A “Dispatch Circuit” is defined in NFPA 1221 as “A circuit over which an alarm is transmitted from the communications center to an emergency response facility (ERF) or emergency response units (ERUs) to notify ERUs to respond to an emergency”. All fire departments (except single fire station departments with full-time firefighter personnel receiving alarms directly at the fire station) need adequate means of notifying all firefighter personnel of the location of reported structure fires. The dispatch circuit facilities should be in accordance with the general criteria of NFPA 1221. “Alarms” are defined in this Standard as “A signal or message from a person or device indicating the existence of an emergency or other situation that requires action by an emergency response agency”.

There are two different levels of dispatch circuit facilities provided for in the Standard – a primary dispatch circuit and a secondary dispatch circuit. In jurisdictions that receive 730 alarms or more per year (average of two alarms per 24-hour period), two separate and dedicated dispatch circuits, a primary and a secondary, are needed. In jurisdictions receiving fewer than 730 alarms per year, a second dedicated dispatch circuit is not needed. Dispatch circuit facilities installed but not used or tested (in accordance with the NFPA Standard) receive no credit.

The score for Credit for Dispatch Circuits (CDC) is influenced by monitoring for integrity of the primary dispatch circuit. There are up to 0.90 points available for this Item. Monitoring for integrity involves installing automatic systems that will detect faults and failures and send visual and audible indications to appropriate communications center (or dispatch center) personnel. ISO uses NFPA 1221 to guide the evaluation of this item. ISO's evaluation also includes a review of the communication system's emergency power supplies.

Item 432 “Credit for Dispatch Circuits (CDC)” = 1.20 points

Fire Department

Fifty percent of a community's overall score is based upon the fire department's structure fire suppression system. ISO's field representative evaluated:

- Engine and ladder/service vehicles including reserve apparatus
- Equipment carried
- Response to reported structure fires
- Deployment analysis of companies
- Available and/or responding firefighters
- Training

	Earned Credit	Credit Available
513. Credit for Engine Companies	4.49	6
523. Credit for Reserve Pumpers	0.00	0.5
532. Credit for Pumper Capacity	3.00	3
549. Credit for Ladder Service	1.46	4
553. Credit for Reserve Ladder and Service Trucks	0.00	0.5
561. Credit for Deployment Analysis	4.48	10
571. Credit for Company Personnel	2.08	15
581. Credit for Training	0.61	9
730. Credit for Operational Considerations	2.00	2
Item 590. Credit for Fire Department:	18.12	50

Basic Fire Flow

The Basic Fire Flow for the community is determined by the review of the Needed Fire Flows for selected buildings in the community. The fifth largest Needed Fire Flow is determined to be the Basic Fire Flow. The Basic Fire Flow has been determined to be 3000 gpm.

Item 513 - Credit for Engine Companies (6 points)

The first item reviewed is Item 513 "Credit for Engine Companies (CEC)". This item reviews the number of engine companies, their pump capacity, hose testing, pump testing and the equipment carried on the in-service pumpers. To be recognized, pumper apparatus must meet the general criteria of NFPA 1901, *Standard for Automotive Fire Apparatus* which include a minimum 250 gpm pump, an emergency warning system, a 300 gallon water tank, and hose. At least 1 apparatus must have a permanently mounted pump rated at 750 gpm or more at 150 psi.

The review of the number of needed pumpers considers the response distance to built-upon areas; the Basic Fire Flow; and the method of operation. Multiple alarms, simultaneous incidents, and life safety are not considered.

The greatest value of A, B, or C below is needed in the fire district to suppress fires in structures with a Needed Fire Flow of 3,500 gpm or less: **3 engine companies**

- a) **0 engine companies** to provide fire suppression services to areas to meet NFPA 1710 criteria or within 1½ miles.
- b) **3 engine companies** to support a Basic Fire Flow of 3000 gpm.
- c) **3 engine companies** based upon the fire department's method of operation to provide a minimum two engine response to all first alarm structure fires.

The FSRS recognizes that there are **3 engine companies** in service.

The FSRS also reviews Automatic Aid. Automatic Aid is considered in the review as assistance dispatched automatically by contractual agreement between two communities or fire districts. That differs from mutual aid or assistance arranged case by case. ISO will recognize an Automatic Aid plan under the following conditions:

- It must be prearranged for first alarm response according to a definite plan. It is preferable to have a written agreement, but ISO may recognize demonstrated performance.
- The aid must be dispatched to all reported structure fires on the initial alarm.
- The aid must be provided 24 hours a day, 365 days a year.

FSRS Item 512.D "Automatic Aid Engine Companies" responding on first alarm and meeting the needs of the city for basic fire flow and/or distribution of companies are factored based upon the value of the Automatic Aid plan (up to 1.00 can be used as the factor). The Automatic Aid factor is determined by a review of the Automatic Aid provider's communication facilities, how they receive alarms from the graded area, inter-department training between fire departments, and the fire ground communications capability between departments.

For each engine company, the credited Pump Capacity (PC), the Hose Carried (HC), the Equipment Carried (EC) all contribute to the calculation for the percent of credit the FSRS provides to that engine company.

Item 513 "Credit for Engine Companies (CEC)" = 4.49 points

Item 523 - Credit for Reserve Pumpers (0.50 points)

The item is Item 523 "Credit for Reserve Pumpers (CRP)". This item reviews the number and adequacy of the pumpers and their equipment. The number of needed reserve pumpers is 1 for each 8 needed engine companies determined in Item 513, or any fraction thereof.

Item 523 "Credit for Reserve Pumpers (CRP)" = 0.00 points

Item 532 – Credit for Pumper Capacity (3 points)

The next item reviewed is Item 532 "Credit for Pumper Capacity (CPC)". The total pump capacity available should be sufficient for the Basic Fire Flow of 3000 gpm. The maximum needed pump capacity credited is the Basic Fire Flow of the community.

Item 532 "Credit for Pumper Capacity (CPC)" = 3.00 points

Item 549 – Credit for Ladder Service (4 points)

The next item reviewed is Item 549 "Credit for Ladder Service (CLS)". This item reviews the number of response areas within the city with 5 buildings that are 3 or more stories or 35 feet or more in height, or with 5 buildings that have a Needed Fire Flow greater than 3,500 gpm, or any combination of these criteria. The height of all buildings in the city, including those protected by automatic sprinklers, is considered when determining the number of needed ladder companies. Response areas not needing a ladder company should have a service company. Ladders, tools and equipment normally carried on ladder trucks are needed not only for ladder operations but also for forcible entry, ventilation, salvage, overhaul, lighting and utility control.

The number of ladder or service companies, the height of the aerial ladder, aerial ladder testing and the equipment carried on the in-service ladder trucks and service trucks is compared with the number of needed ladder trucks and service trucks and an FSRS equipment list. Ladder trucks must meet the general criteria of NFPA 1901, *Standard for Automotive Fire Apparatus* to be recognized.

The number of needed ladder-service trucks is dependent upon the number of buildings 3 stories or 35 feet or more in height, buildings with a Needed Fire Flow greater than 3,500 gpm, and the method of operation.

The FSRS recognizes that there are **1 ladder companies** in service. These companies are needed to provide fire suppression services to areas to meet NFPA 1710 criteria or within 2½ miles and the number of buildings with a Needed Fire Flow over 3,500 gpm or 3 stories or more in height, or the method of operation.

The FSRS recognizes that there are **0 service companies** in service.

Item 549 "Credit for Ladder Service (CLS)" = 1.46 points

Item 553 – Credit for Reserve Ladder and Service Trucks (0.50 points)

The next item reviewed is Item 553 “Credit for Reserve Ladder and Service Trucks (CRLS)”. This item considers the adequacy of ladder and service apparatus when one (or more in larger communities) of these apparatus are out of service. The number of needed reserve ladder and service trucks is 1 for each 8 needed ladder and service companies that were determined to be needed in Item 540, or any fraction thereof.

Item 553 “Credit for Reserve Ladder and Service Trucks (CRLS)” = 0.00 points

Item 561 – Deployment Analysis (10 points)

Next, Item 561 “Deployment Analysis (DA)” is reviewed. This Item examines the number and adequacy of existing engine and ladder-service companies to cover built-upon areas of the city.

To determine the Credit for Distribution, first the Existing Engine Company (EC) points and the Existing Engine Companies (EE) determined in Item 513 are considered along with Ladder Company Equipment (LCE) points, Service Company Equipment (SCE) points, Engine-Ladder Company Equipment (ELCE) points, and Engine-Service Company Equipment (ESCE) points determined in Item 549.

Secondly, as an alternative to determining the number of needed engine and ladder/service companies through the road-mile analysis, a fire protection area may use the results of a systematic performance evaluation. This type of evaluation analyzes computer-aided dispatch (CAD) history to demonstrate that, with its current deployment of companies, the fire department meets the time constraints for initial arriving engine and initial full alarm assignment in accordance with the general criteria of in NFPA 1710, *Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments*.

A determination is made of the percentage of built upon area within 1½ miles of a first-due engine company and within 2½ miles of a first-due ladder-service company.

Item 561 “Credit Deployment Analysis (DA)” = 4.48 points

Item 571 – Credit for Company Personnel (15 points)

Item 571 “Credit for Company Personnel (CCP)” reviews the average number of existing firefighters and company officers available to respond to reported first alarm structure fires in the city.

The on-duty strength is determined by the yearly average of total firefighters and company officers on-duty considering vacations, sick leave, holidays, “Kelley” days and other absences. When a fire department operates under a minimum staffing policy, this may be used in lieu of determining the yearly average of on-duty company personnel.

Firefighters on apparatus not credited under Items 513 and 549 that regularly respond to reported first alarms to aid engine, ladder, and service companies are included in this item as increasing the total company strength.

Firefighters staffing ambulances or other units serving the general public are credited if they participate in fire-fighting operations, the number depending upon the extent to which they are available and are used for response to first alarms of fire.

On-Call members are credited on the basis of the average number staffing apparatus on first alarms. Off-shift career firefighters and company officers responding on first alarms are considered on the same basis as on-call personnel. For personnel not normally at the fire station, the number of responding firefighters and company officers is divided by 3 to reflect the time needed to assemble at the fire scene and the reduced ability to act as a team due to the various arrival times at the fire location when compared to the personnel on-duty at the fire station during the receipt of an alarm.

The number of Public Safety Officers who are positioned in emergency vehicles within the jurisdiction boundaries may be credited based on availability to respond to first alarm structure fires. In recognition of this increased response capability the number of responding Public Safety Officers is divided by 2.

The average number of firefighters and company officers responding with those companies credited as Automatic Aid under Items 513 and 549 are considered for either on-duty or on-call company personnel as is appropriate. The actual number is calculated as the average number of company personnel responding multiplied by the value of AA Plan determined in Item 512.D.

The maximum creditable response of on-duty and on-call firefighters is 12, including company officers, for each existing engine and ladder company and 6 for each existing service company.

Chief Officers are not creditable except when more than one chief officer responds to alarms; then extra chief officers may be credited as firefighters if they perform company duties.

The FSRs recognizes **0.00 on-duty personnel** and an average of **10.00 on-call personnel** responding on first alarm structure fires.

Item 571 “Credit for Company Personnel (CCP)” = 2.08 points

Item 581 – Credit for Training (9 points)

Training	Earned Credit	Credit Available
<p>A. Facilities, and Use For maximum credit, each firefighter should receive 18 hours per year in structure fire related subjects as outlined in NFPA 1001.</p>	0.00	35
<p>B. Company Training For maximum credit, each firefighter should receive 16 hours per month in structure fire related subjects as outlined in NFPA 1001.</p>	2.34	25
<p>C. Classes for Officers For maximum credit, each officer should be certified in accordance with the general criteria of NFPA 1021. Additionally, each officer should receive 12 hours of continuing education on or off site.</p>	0.00	12
<p>D. New Driver and Operator Training For maximum credit, each new driver and operator should receive 60 hours of driver/operator training per year in accordance with NFPA 1002 and NFPA 1451.</p>	0.00	5
<p>E. Existing Driver and Operator Training For maximum credit, each existing driver and operator should receive 12 hours of driver/operator training per year in accordance with NFPA 1002 and NFPA 1451.</p>	0.00	5
<p>F. Training on Hazardous Materials For maximum credit, each firefighter should receive 6 hours of training for incidents involving hazardous materials in accordance with NFPA 472.</p>	0.50	1
<p>G. Recruit Training For maximum credit, each firefighter should receive 240 hours of structure fire related training in accordance with NFPA 1001 within the first year of employment or tenure.</p>	3.96	5
<p>H. Pre-Fire Planning Inspections For maximum credit, pre-fire planning inspections of each commercial, industrial, institutional, and other similar type building (all buildings except 1-4 family dwellings) should be made annually by company members. Records of inspections should include up-to date notes and sketches.</p>	0.00	12

Item 580 “Credit for Training (CT)” = 0.61 points

Item 730 – Operational Considerations (2 points)

Item 730 “Credit for Operational Considerations (COC)” evaluates fire department standard operating procedures and incident management systems for emergency operations involving structure fires.

Operational Considerations	Earned Credit	Credit Available
Standard Operating Procedures The department should have established SOPs for fire department general emergency operations	50	50
Incident Management Systems The department should use an established incident management system (IMS)	50	50
Operational Considerations total:	100	100

Item 730 “Credit for Operational Considerations (COC)” = 2.00 points

Water Supply

Forty percent of a community's overall score is based on the adequacy of the water supply system. The ISO field representative evaluated:

- the capability of the water distribution system to meet the Needed Fire Flows at selected locations up to 3,500 gpm.
- size, type and installation of fire hydrants.
- inspection and flow testing of fire hydrants.

	Earned Credit	Credit Available
616. Credit for Supply System	14.65	30
621. Credit for Hydrants	2.18	3
631. Credit for Inspection and Flow Testing	5.60	7
Item 640. Credit for Water Supply:	22.43	40

Item 616 – Credit for Supply System (30 points)

The first item reviewed is Item 616 “Credit for Supply System (CSS)”. This item reviews the rate of flow that can be credited at each of the Needed Fire Flow test locations considering the supply works capacity, the main capacity and the hydrant distribution. The lowest flow rate of these items is credited for each representative location. A water system capable of delivering 250 gpm or more for a period of two hours plus consumption at the maximum daily rate at the fire location is considered minimum in the ISO review.

Where there are 2 or more systems or services distributing water at the same location, credit is given on the basis of the joint protection provided by all systems and services available.

The supply works capacity is calculated for each representative Needed Fire Flow test location, considering a variety of water supply sources. These include public water supplies, emergency supplies (usually accessed from neighboring water systems), suction supplies (usually evidenced by dry hydrant installations near a river, lake or other body of water), and supplies developed by a fire department using large diameter hose or vehicles to shuttle water from a source of supply to a fire site. The result is expressed in gallons per minute (gpm).

The normal ability of the distribution system to deliver Needed Fire Flows at the selected building locations is reviewed. The results of a flow test at a representative test location will indicate the ability of the water mains (or fire department in the case of fire department supplies) to carry water to that location.

The hydrant distribution is reviewed within 1,000 feet of representative test locations measured as hose can be laid by apparatus.

For maximum credit, the Needed Fire Flows should be available at each location in the district. Needed Fire Flows of 2,500 gpm or less should be available for 2 hours; and Needed Fire Flows of 3,000 and 3,500 gpm should be obtainable for 3 hours.

Item 616 “Credit for Supply System (CSS)” = 14.65 points

Item 621 – Credit for Hydrants (3 points)

The second item reviewed is Item 621 “Credit for Hydrants (CH)”. This item reviews the number of fire hydrants of each type compared with the total number of hydrants.

There are a total of 90 hydrants in the graded area.

620. Hydrants, - Size, Type and Installation	Number of Hydrants
A. With a 6 -inch or larger branch and a pumper outlet with or without 2½ - inch outlets	53
B. With a 6 -inch or larger branch and no pumper outlet but two or more 2½ -inch outlets, or with a small foot valve, or with a small barrel	6
C./D. With only a 2½ -inch outlet or with less than a 6 -inch branch	31
E./F. Flush Type, Cistern, or Suction Point	0

Item 621 “Credit for Hydrants (CH)” = 2.18 points

Item 630 – Credit for Inspection and Flow Testing (7 points)

The third item reviewed is Item 630 “Credit for Inspection and Flow Testing (CIT)”. This item reviews the fire hydrant inspection frequency, and the completeness of the inspections. Inspection of hydrants should be in accordance with AWWA M-17, *Installation, Field Testing and Maintenance of Fire Hydrants*.

Frequency of Inspection (FI): Average interval between the 3 most recent inspections.

<u>Frequency</u>	<u>Points</u>
1 year	30
2 years	20
3 years	10
4 years	5
5 years or more	No Credit

Note: The points for inspection frequency are reduced by 10 points if the inspections are incomplete or do not include a flushing program. An additional reduction of 10 points are made if hydrants are not subjected to full system pressure during inspections. If the inspection of cisterns or suction points does not include actual drafting with a pumper, or back-flushing for dry hydrants, 20 points are deducted.

Total points for Inspections = 3.20 points

Frequency of Fire Flow Testing (FF): Average interval between the 3 most recent inspections.

<u>Frequency</u>	<u>Points</u>
5 years	40
6 years	30
7 years	20
8 years	10
9 years	5
10 years or more	No Credit

Total points for Fire Flow Testing = 2.40 points

Item 631 “Credit for Inspection and Fire Flow Testing (CIT)” = 5.60 points

Divergence = -3.97

The Divergence factor mathematically reduces the score based upon the relative difference between the fire department and water supply scores. The factor is introduced in the final equation.

Community Risk Reduction

	Earned Credit	Credit Available
1025. Credit for Fire Prevention and Code Enforcement (CPCE)	0.00	2.2
1033. Credit for Public Fire Safety Education (CFSE)	0.00	2.2
1044. Credit for Fire Investigation Programs (CIP)	0.00	1.1
Item 1050. Credit for Community Risk Reduction	0.00	5.50

Item 1025 – Credit for Fire Prevention Code Adoption and Enforcement (2.2 points)	Earned Credit	Credit Available
Fire Prevention Code Regulations (PCR) Evaluation of fire prevention code regulations in effect.	0.00	10
Fire Prevention Staffing (PS) Evaluation of staffing for fire prevention activities.	0.00	8
Fire Prevention Certification and Training (PCT) Evaluation of the certification and training of fire prevention code enforcement personnel.	0.00	6
Fire Prevention Programs (PCP) Evaluation of fire prevention programs.	0.00	16
Review of Fire Prevention Code and Enforcement (CPCE) subtotal:	0.00	40

Item 1033 – Credit for Public Fire Safety Education (2.2 points)	Earned Credit	Credit Available
Public Fire Safety Educators Qualifications and Training (FSQT) Evaluation of public fire safety education personnel training and qualification as specified by the authority having jurisdiction.	0.00	10
Public Fire Safety Education Programs (FSP) Evaluation of programs for public fire safety education.	0.00	30
Review of Public Safety Education Programs (CFSE) subtotal:	0.00	40

Item 1044 – Credit for Fire Investigation Programs (1.1 points)	Earned Credit	Credit Available
Fire Investigation Organization and Staffing (IOS) Evaluation of organization and staffing for fire investigations.	0.00	8
Fire Investigator Certification and Training (IQT) Evaluation of fire investigator certification and training.	0.00	6
Use of National Fire Incident Reporting System (IRS) Evaluation of the use of the National Fire Incident Reporting System (NFIRS) for the 3 years before the evaluation.	0.00	6
Review of Fire Investigation Programs (CIP) subtotal:	0.00	20

Summary of PPC Review

for

Woodstock

FSRS Item	Earned Credit	Credit Available
Emergency Communications		
414. Credit for Emergency Reporting	0.30	3
422. Credit for Telecommunicators	0.00	4
432. Credit for Dispatch Circuits	1.20	3
440. Credit for Emergency Communications	1.50	10
Fire Department		
513. Credit for Engine Companies	4.49	6
523. Credit for Reserve Pumpers	0.00	0.5
532. Credit for Pumper Capacity	3.00	3
549. Credit for Ladder Service	1.46	4
553. Credit for Reserve Ladder and Service Trucks	0.00	0.5
561. Credit for Deployment Analysis	4.48	10
571. Credit for Company Personnel	2.08	15
581. Credit for Training	0.61	9
730. Credit for Operational Considerations	2.00	2
590. Credit for Fire Department	18.12	50
Water Supply		
616. Credit for Supply System	14.65	30
621. Credit for Hydrants	2.18	3
631. Credit for Inspection and Flow Testing	5.60	7
640. Credit for Water Supply	22.43	40
Divergence	-3.97	--
1050. Community Risk Reduction	0.00	5.50
Total Credit	38.08	105.5

Final Community Classification = 07/7X

INSURANCE SERVICES OFFICE, INC.
HYDRANT FLOW DATA SUMMARY

City Woodstock

County Vermont(Windsor),

VERMONT
 State (44)

Witnessed by: Insurance Services Office

Date: Jan 19, 2016

TEST NO.	TYPE DIST.*	TEST LOCATION	SERVICE	FLOW - GPM $Q=(29.83(C(d^2)p^{0.5}))$				PRESSURE PSI		FLOW -AT 20 PSI		REMARKS***	MODEL TYPE
				INDIVIDUAL HYDRANTS			TOTAL	STATIC	RESID.	NEEDED **	AVAIL.		
1		TAFTSVILLE NEAR PLEASANT RD	Woodstock Aqueduct Company, Main	500	0	0	500	115	73	4000	800	(D)-(1770 gpm)	
10		PLEASANT NEAR CENTRAL	Woodstock Aqueduct Company, Main	820	0	0	820	115	62	1750	1100		
10A		PLEASANT NEAR CENTRAL	Woodstock Aqueduct Company, Main	820	0	0	820	115	62	1000	1100		
1A		TAFTSVILLE NEAR PLEASANT RD	Woodstock Aqueduct Company, Main	500	0	0	500	115	73	1750	800		
2		CENTRAL NEAR ELM	Woodstock Aqueduct Company, Main	1010	0	0	1010	117	59	3500	1300	(C)-(1770 gpm)	
3		ELM ST NEAR BILLINGS MUS.	Woodstock Aqueduct Company, Main	1060	0	0	1060	115	40	3000	1200	(C)-(1770 gpm)	
4		HIGH ST NEAR CROSS	Woodstock Aqueduct Company, Main	530	0	0	530	115	95	1750	1200		
5		SOUTH ST NEAR C.C.	Woodstock Aqueduct Company, Main	400	0	0	400	108	94	2250	1100	(B)-(1770 gpm)	
6		CHURCH ST NEAR ST. JAMES	Woodstock Aqueduct Company, Main	820	0	0	820	110	52	2500	1000	(B)-(1770 gpm)	
7		RTE 4 WEST NEAR HIGH SCHOOL	Woodstock Aqueduct Company, Main	890	0	0	890	100	50	4000	1100	(D)-(1770 gpm)	
7A		RTE 4 WEST NEAR HIGH SCHOOL	Woodstock Aqueduct Company, Main	890	0	0	890	100	50	3000	1100	(C)-(1770 gpm)	
8		RIVER ST NEAR UNION	Woodstock Aqueduct Company, Main	480	0	0	480	120	68	1000	700		
9		SCHOOL ST SOUTH ST	Woodstock Aqueduct Company, Main	950	0	0	950	113	42	2250	1100	(B)-(1770 gpm)	

THE ABOVE LISTED NEEDED FIRE FLOWS ARE FOR PROPERTY INSURANCE PREMIUM CALCULATIONS ONLY AND ARE NOT INTENDED TO PREDICT THE MAXIMUM AMOUNT OF WATER REQUIRED FOR A LARGE SCALE FIRE CONDITION.

THE AVAILABLE FLOWS ONLY INDICATE THE CONDITIONS THAT EXISTED AT THE TIME AND AT THE LOCATION WHERE TESTS WERE WITNESSED.

*Comm = Commercial; Res = Residential.

**Needed is the rate of flow for a specific duration for a full credit condition. Needed Fire Flows greater than 3,500 gpm are not considered in determining the classification of the city when using the Fire Suppression Rating Schedule.

*** (A)-Limited by available hydrants to gpm shown. Available facilities limit flow to gpm shown plus consumption for the needed duration of (B)-2 hours, (C)-3 hours or (D)-4 hours.

Appendix G

2016 ISO Report

WOODSTOCK AQUEDUCT COMPANY

WATER PRODUCTION FROM MOR (Gallons)

YEAR	MONTH												Total	Average Monthly Production	Average Daily Production	Comments and Notes
	January	February	March	April	May	June	July	August	September	October	November	December				
2022	7,050,981	6,642,020	5,959,930	5,799,919	6,815,023	7,976,633	8,170,656	8,095,313	7,136,642	7,135,830	6,347,960	6,884,544	84,015,451	7,001,288	230,179	
2021	8,036,900	8,409,250	8,871,220	7,390,827	8,036,505	6,942,852	7,252,075	7,431,150	7,099,881	7,268,447	6,567,261	6,627,623	89,933,991	7,494,499	246,394	several bad leaks in winter
2020	7,447,100	7,219,100	6,560,200	5,512,500	6,215,700	7,239,900	8,288,000	6,994,800	6,625,500	7,209,500	6,857,500	6,026,100	82,195,900	6,849,658	224,579	Jan 30-Feb 3 8" leak W. Wood Rd.
2019	5,695,100	5,145,600	5,526,700	5,365,900	5,921,800	6,271,400	7,083,700	7,074,900	6,139,800	6,571,300	6,300,000	6,807,500	73,903,700	6,158,642	202,476	Jan. Rte. 12 BF&M Leak/Aug. Mech.St.
2018	6,200,800	5,432,400	5,415,500	5,175,500	6,422,000	6,413,600	7,558,800	6,841,900	6,284,100	6,276,800	5,358,200	5,759,300	73,138,900	6,094,908	200,381	Nov. WUHS&MS Leak
2017	5,954,500	6,601,000	5,450,800	5,659,700	6,246,800	6,689,400	7,095,400	7,177,400	6,642,100	7,713,000	5,925,900	6,075,000	77,231,000	6,435,917	211,592	
2016	6,666,500	6,828,100	7,101,300	6,367,600	7,443,700	7,538,600	7,467,300	7,105,900	6,598,900	6,529,800	5,950,000	7,445,800	83,043,500	6,920,292	226,895	
2015	8,301,600	5,550,400	6,610,100	6,257,000	7,119,700	6,918,200	7,732,700	7,714,600	7,378,300	7,131,000	6,303,700	6,576,100	83,593,400	6,966,117	229,023	
2014	8,325,000	8,238,090	8,482,305	7,325,300	7,936,800	7,710,500	8,195,900	8,062,000	7,418,500	7,500,300	6,598,400	8,081,900	93,874,995	7,822,916	257,192	
2013	7,555,163	6,756,543	7,294,200	6,873,000	7,856,100	7,537,600	7,806,900	7,794,900	6,838,400	7,017,400	6,502,000	7,389,800	87,222,006	7,268,501	238,964	
2012	6,952,026	6,845,000	7,032,200	6,791,100	7,605,400	7,742,800	8,553,400	10,662,800	8,197,400	7,864,400	6,186,600	6,927,500	91,360,626	7,613,386	249,619	
2011	9,095,053	8,326,390	7,447,116	7,135,220	8,195,400	8,236,533	9,235,578	8,399,312				6,568,654	72,639,256	6,053,271	199,012	Irene
2010	7,591,714	6,887,104	6,985,552	6,684,241	7,962,709	7,888,103	8,770,534	8,340,161	8,102,700	8,160,646	7,144,183	8,082,252	92,599,899	7,716,658	253,698	
2009	7,407,089	6,849,828	7,253,980	7,252,935	8,042,582	7,712,667	7,961,692	8,078,816	7,414,876	7,500,016	6,738,172	7,219,575	89,432,228	7,452,686	245,020	
2008	7,036,891	6,743,079	6,802,311	6,414,540	7,204,255	7,193,930	7,848,659	7,607,936	6,971,980	7,155,638	6,323,078	7,110,718	84,413,015	7,034,418	230,637	
2007	6,742,211	6,541,951	6,816,761	6,752,300	7,422,413	7,734,312	8,147,800	8,411,843	7,623,291	8,458,320	6,964,106	7,898,721	89,514,029	7,459,502	245,244	
2006	7,733,567	6,936,896	7,477,728	6,454,592	6,916,165	7,494,043	8,419,819	8,131,699	7,334,165	7,631,578	6,916,769	6,924,700	88,371,721	7,364,310	242,114	
2005	8,455,642	7,845,787	7,055,971	6,971,915	7,860,956	7,824,628	9,659,778	9,881,362	7,692,270	8,286,027	8,287,679	8,667,602	98,489,617	8,207,468	269,835	
2004	12,404,507	11,513,336	12,024,621	11,187,827	12,595,168	13,353,238	12,044,512	12,313,510	8,917,594	9,589,326	8,386,113	8,445,701	132,775,453	11,064,621	362,774	
2003	13,050,903	11,653,200	10,743,100	10,044,999	11,931,760	10,800,279	12,731,688	11,951,063	10,716,109	11,251,344	9,662,956	11,153,832	135,691,233	11,307,603	371,757	
2002	12,138,967	11,306,515	12,225,770	11,109,818	10,380,729	12,102,117	13,454,442	13,887,602	12,116,807	12,501,235	11,313,644	12,395,591	144,933,237	12,077,770	397,077	
2001	11,006,124	9,682,604	10,181,064	9,522,035	10,721,223	10,743,018	11,598,175	12,634,965	11,212,108	11,411,405	10,736,297	11,581,413	131,030,431	10,919,203	358,987	
2000	11,483,955	10,434,880	10,260,213	9,819,986	10,739,845	10,750,541	11,651,519	10,898,877	9,728,628	9,475,735	8,459,183	11,577,620	125,280,982	10,440,082	342,298	
1999	10,733,113	9,441,025	9,370,540	8,230,794	8,998,973	5,224,525	13,847,624	13,516,770	12,208,430	12,508,220	10,316,294	11,119,622	125,515,930	10,459,661	343,879	
1998	12,470,988	11,564,781	12,613,734	11,521,454	13,293,731	12,949,248	9,893,893	9,929,486	8,612,466	8,852,052	8,836,403	9,945,672	130,483,908	10,873,659	357,490	

Feb Customer 2" Leak 170 Barbary, April-June CoVid-19, July 21MtAve & 53APleasant Leaks, Nov College Hill 4" Main Leak

November unknown usage(possibly bleeders turned on too high)

Appendix H

Tank Inspection Report



6010 Drott Drive
East Syracuse, NY 13057-2943
Phone: 315.433.AQUA (2782)
Fax: 315.433.5083
Website: www.besttank.com
Email: Aquastore@besttank.com

September 19, 2018

Woodstock Aqueduct Co.
16 Elm Street
PO Box 441
Woodstock, VT 05091

Attention: Eric Wegner

Subject: Aquastore Tank Inspection Report
Woodstock, VT
Model 7033 MIP 8029069

Dear Eric,

On September 10, 2018, an inspection of the above referenced tank was performed with the use of a remote observation vehicle. We found the tank to be in good condition overall.

On the tank interior, both the glass coating and sealer appeared to be in good condition. On the tank exterior, the glass coating and sealer are in good condition.

Enclosed is a copy of the written report and a DVD of the inspection. Please refer to the report for any recommendations.

If I can be of any additional assistance, or if you have any questions in the future, please do not hesitate to contact me.

Respectfully,

Charlie Gage
Construction Manager
Statewide Aquastore, Inc.

Woodstock, VT
Aquastore Water Storage Tank Inspection
Wet Inspection 9/10/18
Model 7033; 948,000 Gallons; MIP 8029069



Woodstock, VT
Aquastore Water Storage Tank Inspection
Wet Inspection 9/10/18
Model 7033; 948,000 Gallons; MIP 8029069

Scope:

On September 10, 2018, Statewide Aquastore, Inc. conducted an interior and exterior inspection of the 948,000 gallon Aquastore® water storage tank noted above. This inspection is to provide information regarding the overall condition of the tank. The tank has been in service for approximately 16 years. It was installed and put into service in 2002.

Exterior Inspection:

The exterior of the tank and all appurtenances were inspected. This inspection included the sidewall sheets with glass coating, web truss rings, visible part of the tank foundation/curb, area immediately adjacent to the tank (grade elevations, drainage, fencing, trees, etc.), bottom manway, ladder, safety cage, manway platform, overflow, roof, roof hatch, vent (on the roof), walkway, safety decals, nametag, and sealant fillets.

EXTERIOR SIDEWALL SHEETS

Sealant:

- Manus sealant was used in the construction of this tank. The sealant is in good condition.
- The sheet edges were previously resealed and are in good condition.

Sidewall Sheets:

- The sidewall sheets, sheet edges, joints, hardware, etc. are in good condition.
- Some algae growth was visible on the sidewalls. This is not a structural concern, but we recommend that it be cleaned off.

Vandalism & Safety Decals:

- No signs of vandalism were observed.
- All safety decals and nametags are in their proper places and are in good condition.

WEB-TRUSSES

- The tank was constructed with (1) three inch galvanized web-truss ring securely bolted in place. This appears to be in good condition.

FOUNDATION

Curb:

- The concrete curb foundation was inspected throughout the circumference and found to be in good condition.

Perimeter Seal:

- The perimeter seal between the sidewall and the concrete curb is in good condition.

Drainage:

- Drainage around the tank is good.

SIDE ACCESS MANWAY (HEAVY DUTY COVER/DAVIT ARM ASSEMBLY)

- The tank was constructed with (1) 24" bottom manway.
- The manway is in good condition with all fasteners in place.
- The manway davit arm is secure and in good condition.
- The reinforcing plate is in good condition.

LADDER & CAGE

- The entire ladder, step off platform, safety cage, etc. is in good condition and securely bolted to the tank.
- There is no ladder blocking device installed on the ladder. We recommend this device be installed in the near future for security reasons.
- The ladder starts at the top of the second ring.

ROOF, VENT, TOP MANWAY, SAFETY CAGE (CATWALK)

Roof:

- The entire roof and appurtenances were inspected and are in good condition.
- The battens and dome panels are in good condition.
- Proper roof decals are present and in good condition.

Roof Vent/Top Manway:

- The roof vent is clean and clear with all screens in place.
- The roof manway is in good condition.
- A water department padlock is present on the roof manway.

OVERFLOW

- The overflow pipe is 6 inches in diameter and includes a standard weir.
- It is constructed of irrigation grade tubing with couplings and a bottom 45 degree elbow.
- The overflow pipe assembly is in good condition.
- There is not an insect screen on the overflow pipe. One should be installed immediately.
- The overflow is tied into a drainage system.

Other Comments: Eric Wegner of Woodstock Water Department will have an insect screen placed on the overflow pipe.

PERIMETER / SITE SECURITY

- The tank is not surrounded with a secure fence.

CATHODIC PROTECTION (CP) SYSTEM (EXTERNAL PORTION)

- All connections are in proper order.

MISCELLANEOUS CABLES / ANTENNAS / BEACON

- The level indicator is in good condition.

POTENTIAL HAZARDS

- There are no potential hazards in the area.

Interior Inspection:

The interior of this glass coated tank and all appurtenances were evaluated. This evaluation included the sidewall sheets with glass coating, floor, sediment accumulations, piping/sumps, interior of the manway, overflow sidewall penetration, roof with its appurtenances, and sacrificial anodes.

- The inspection was done with the use of a remote observation vehicle.

INTERIOR SIDEWALL SHEETS

Sealant:

- Manus sealant was used in the construction of this tank. Little to no sealant wear was observed.
- There are a couple of sheet edges with minor surface corrosion. The CP system should be updated or adjusted to protect the sheet edges from further corrosion.

Sidewall Sheets:

- All of the rings of the tank were observed with the use of the ROV unit.
- The sidewall sheets, sheet edges, joints, hardware, etc. are in good condition.
- The vertical/horizontal bolt seams and fasteners are in good condition.
- A small amount of precipitated brown mineral coating is present on the sidewalls. This does not pose a problem but should be cleaned the next time the tank is emptied.

Sediment Accumulations:

- There is a thin layer ($\frac{1}{2}$ " – 2") of sediment present on the floor.

FLOOR

Concrete:

- We were unable to see the floor due to the amount of sediment present.
- When the tank was constructed, the floor/tank juncture was coated with CIM. The coating is in good condition.

Piping:

- The inlet/outlet pipe is an 8 inch DI pipe.
- The drain sump is an 8 inch DI pipe.

Manway:

- Some minor surface corrosion was seen on the bottom manway. We recommend that the CP system be updated as soon as possible to minimize any further issues.
- The “R” plates are in good condition.
- The neck weldment, galvanized coating is showing some surface corrosion. This poses no problem at this time.

Roof, Vent, Manway, Overflow Penetration:

- The roof and appurtenances as viewed from the inside are found to be in good condition.
- The roof panel skins and beam network appear to be in good condition.
- The vent screening on the 20” diameter vent is clean and clear.
- The roof manway is in good condition.
- The overflow is clean and clear.

Other Comments: The small insect screen is missing from the gravity vent. Eric will have the screen replaced.

Cathodic Protection (CP) System:

- A passive Zinc Cathodic Protection System is installed in the tank.
- The anodes appear to have gone dormant. They are no longer protecting the tank and should be replaced as soon as possible.
- The system consists of 11 Zinc anodes; 11 primary and 0 secondary.

Mixer, Ancillary Equipment:

- The Air-O-Lator mixers are in good condition and operating properly.

Conclusion:

- It is the opinion of Statewide Aquastore that, at the time of this inspection, this tank is in good condition.
- We recommend that the following be addressed in the near future:
 - Installation of a new Cathodic Protection System, based on the current water properties, should take place as soon as possible.
- We recommend periodic monitoring of the tank and the Cathodic Protection System.
- It is our conclusion that this tank is performing well within the manufacturers parameters.
- We recommend this tank adhere to a standard inspection schedule.
- AWWA D103 recommends that all potable storage tanks be inspected every 3-5 years. Statewide Aquastore, Inc. encourages that this recommendation be adhered to.

Notes:

- Present at this inspection were Don Spicer and Jeff Burger of Statewide Aquastore, Inc. and Eric Wegner from Woodstock Water Dept.

Water Properties:

- Conductivity 410.0 $\mu\text{S}/\text{cm}$
- TDS 257.4 mg/L

Comments and Recommendations: The tank is in good condition overall. There is some buildup of algae on the exterior that should be cleaned off the tank. We also recommend the sediment be cleaned from the floor on the interior of the tank. Additionally, the anodes should be replaced as they seem to have gone dormant and are no longer protecting the tank.



Air-o-lator mixer



Anode (1)



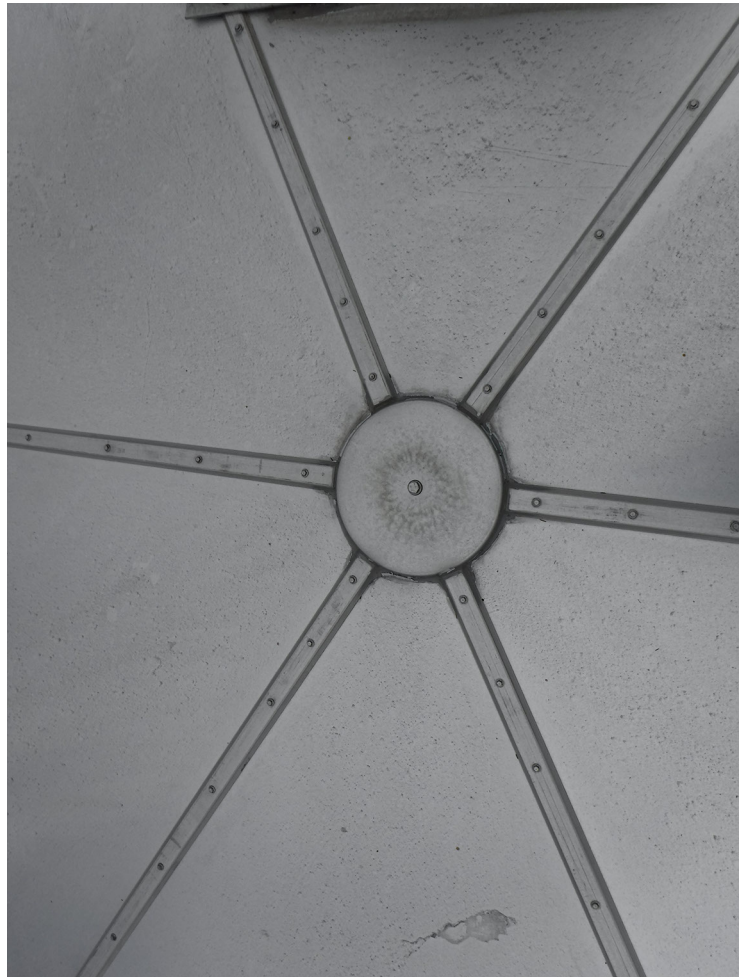
Anode (2)



Anode (3)



Anode (4)



Center gusset cover and batten strips



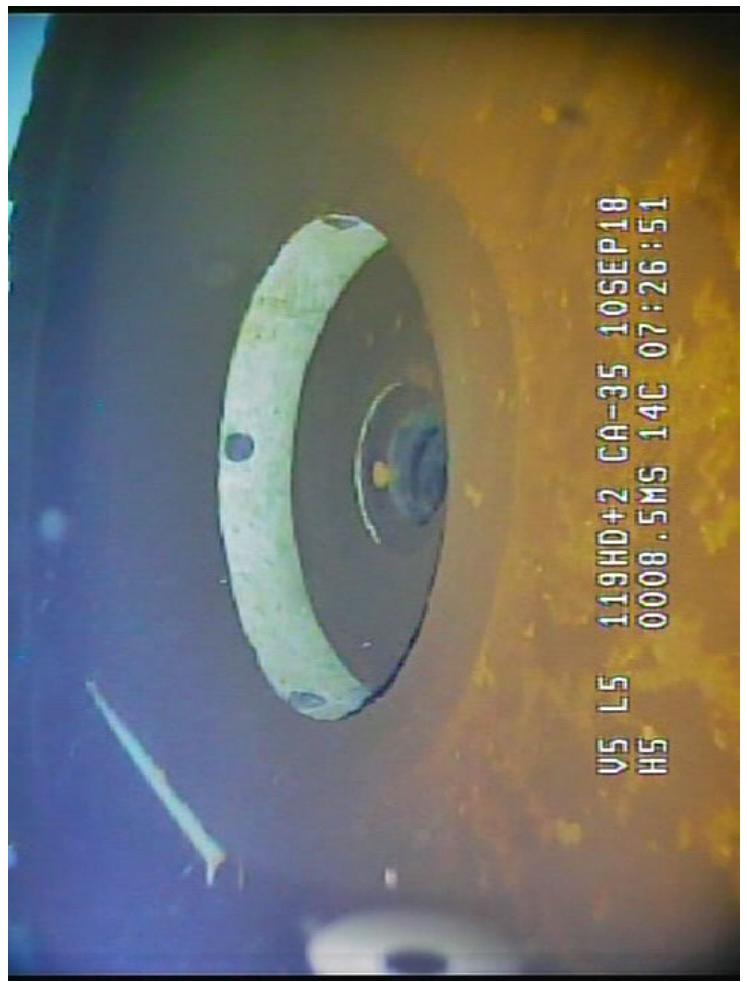
CP connection



Curb



Drain discharge



Drain sump



Exterior 4 corner seam



Exterior horizontal seam



Exterior roof panels (1)



Exterior roof panels (2)



Exterior roof panels (3)



Exterior vertical seam



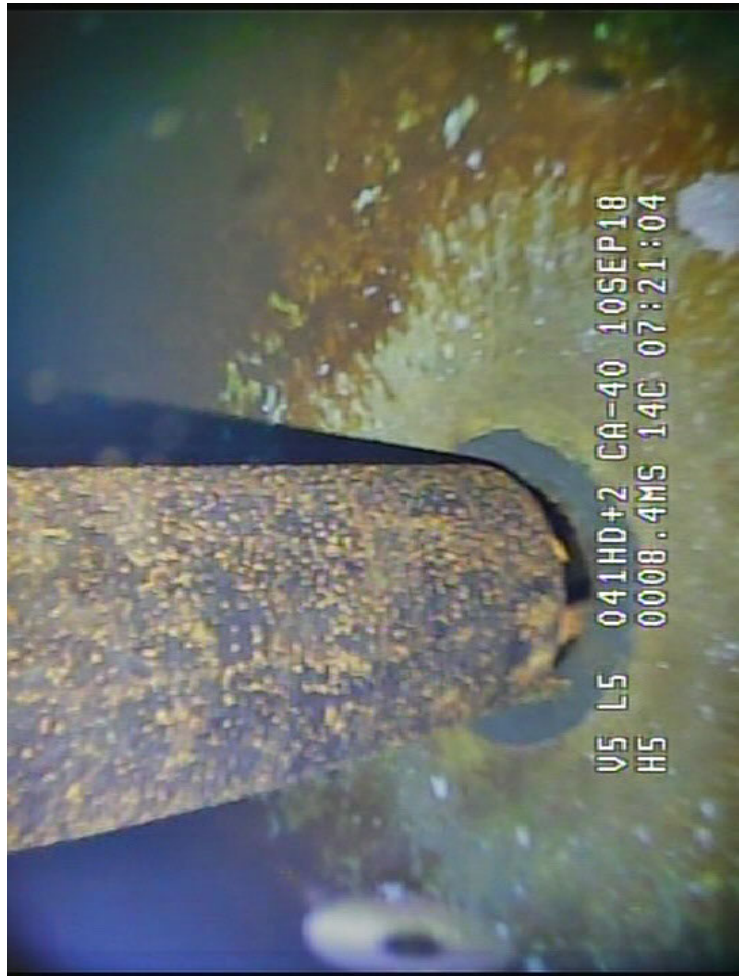
Flashing



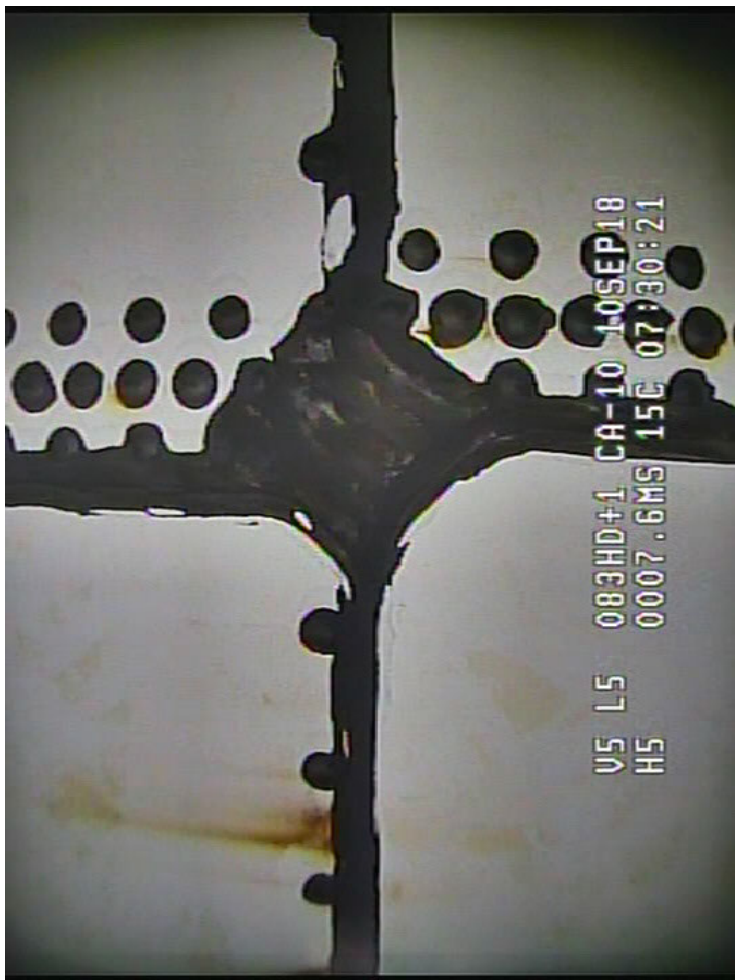
Gravity vent



Inlet-outlet pipe



Inlet-outlet silt stop



Interior 4 corner seam (1)



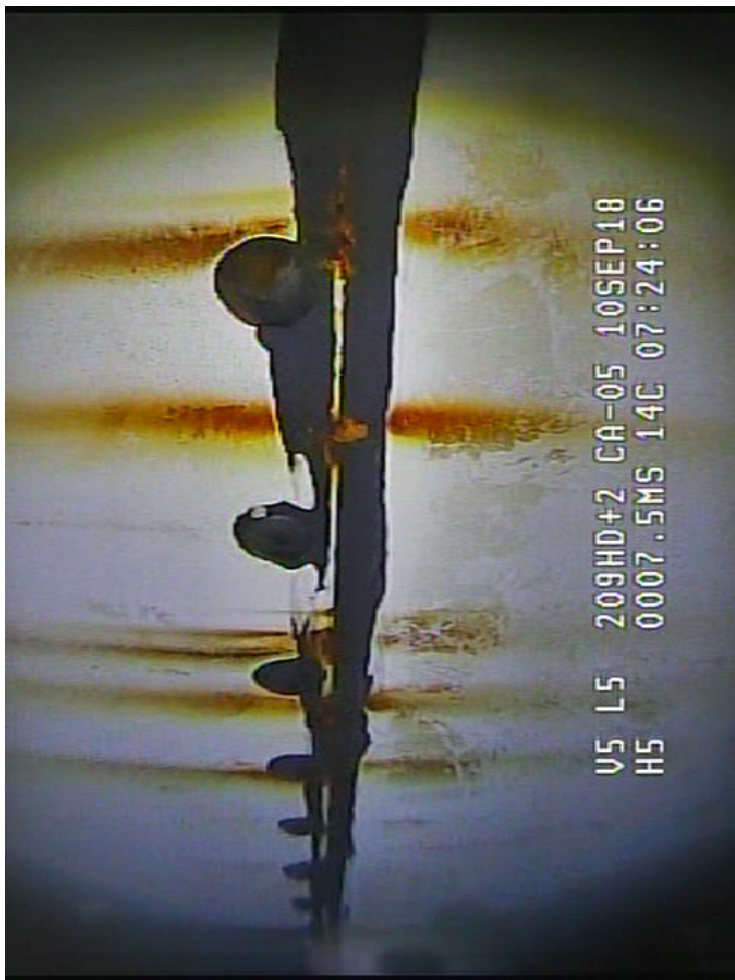
Interior 4 corner seam (2)



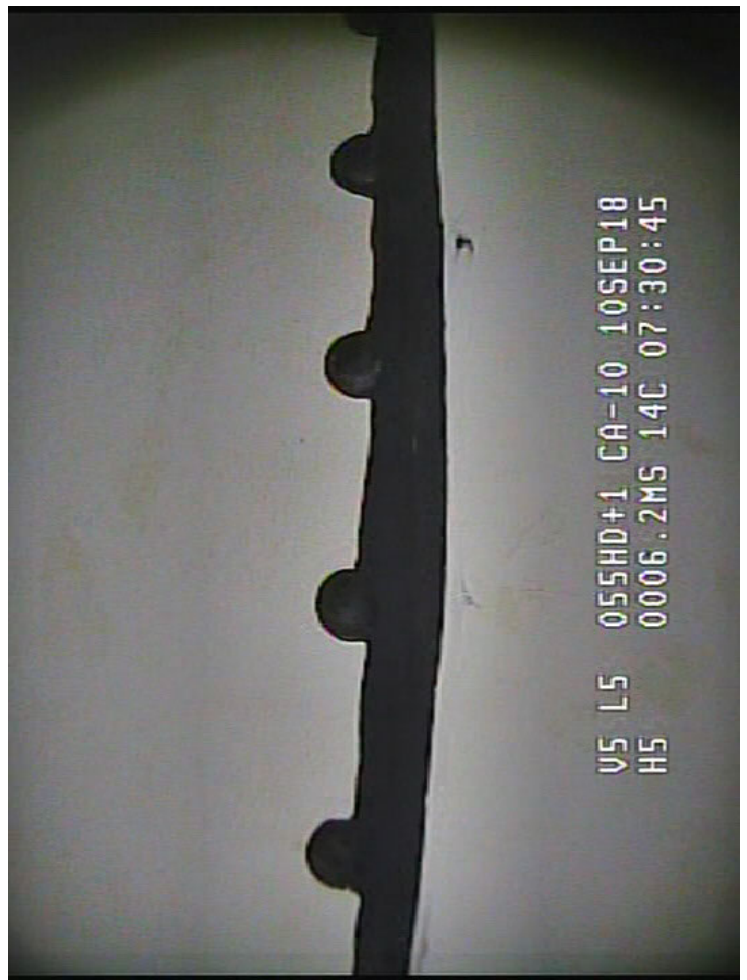
Interior CIM perimeter seal



Interior Floor sediment



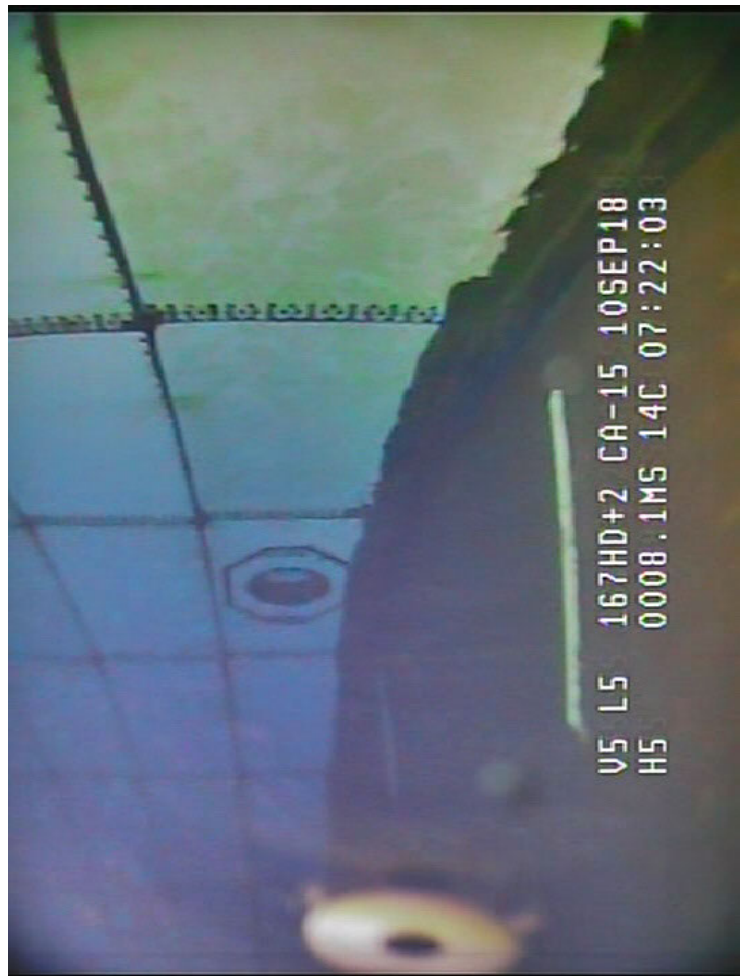
Interior horizontal seam corrosion (1)



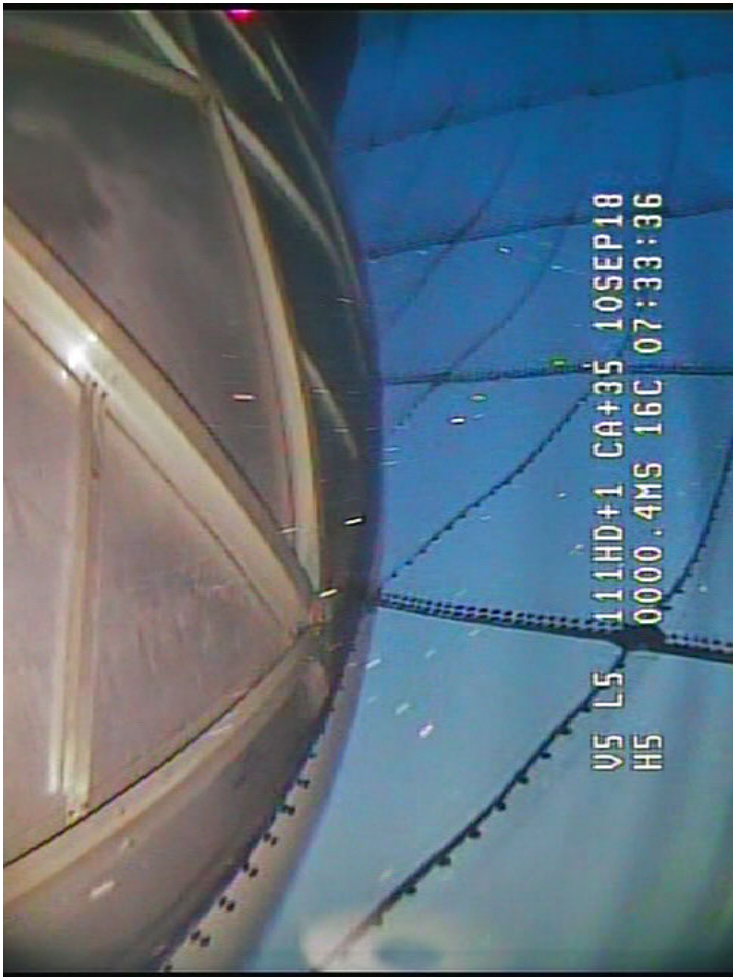
Interior horizontal seam



Interior horizontal seam corrosion (2)



Interior R plate



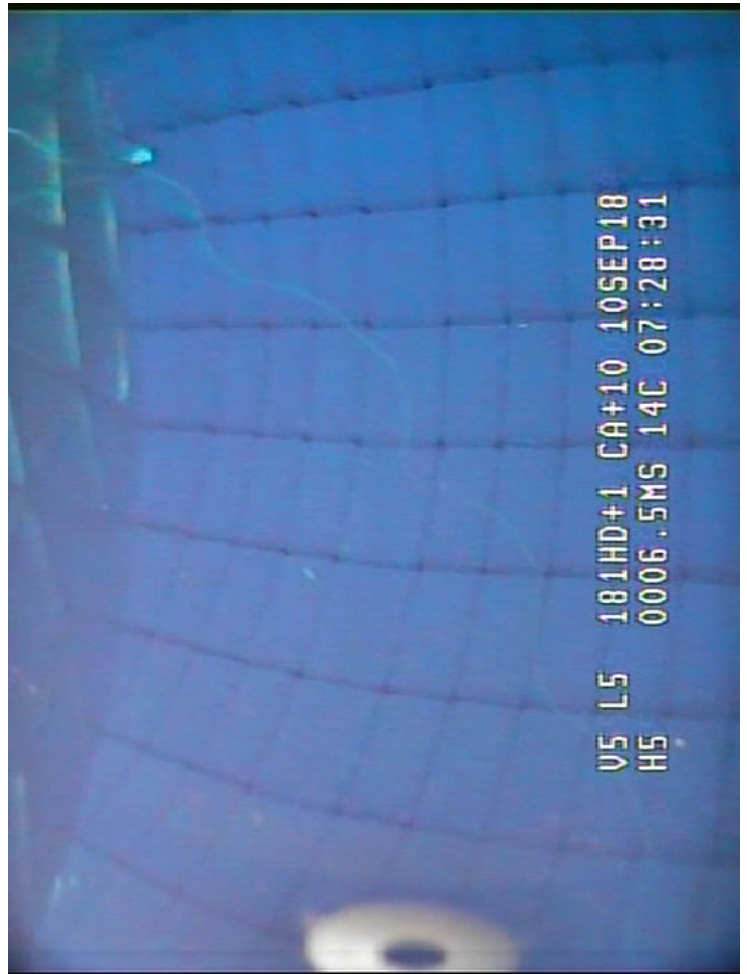
Interior roof panels (1)



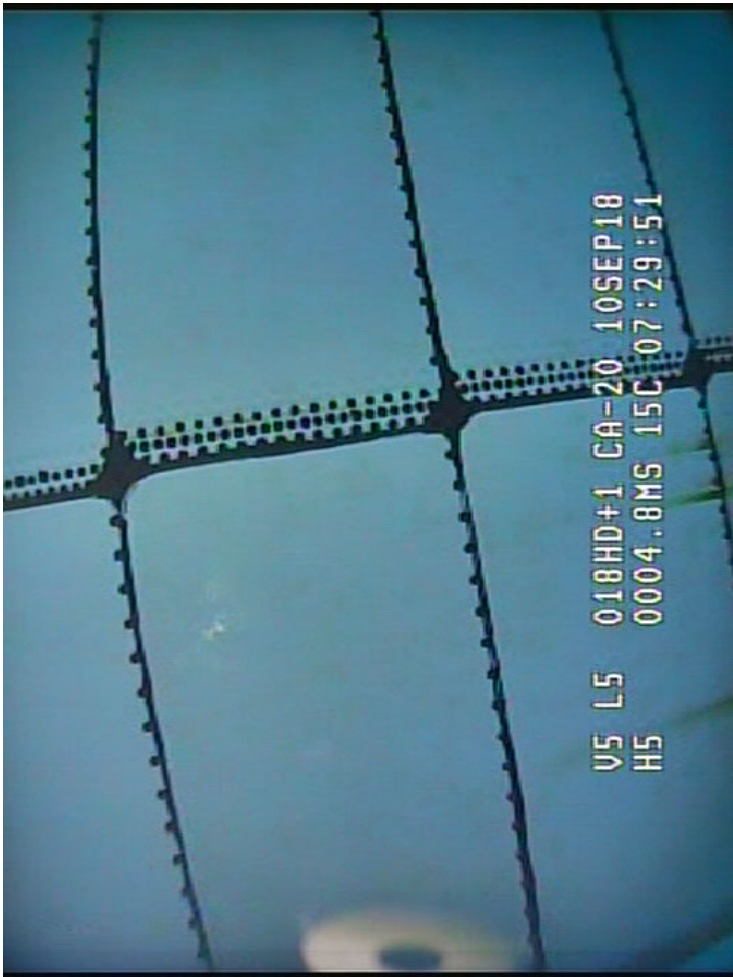
Interior roof panels (2)



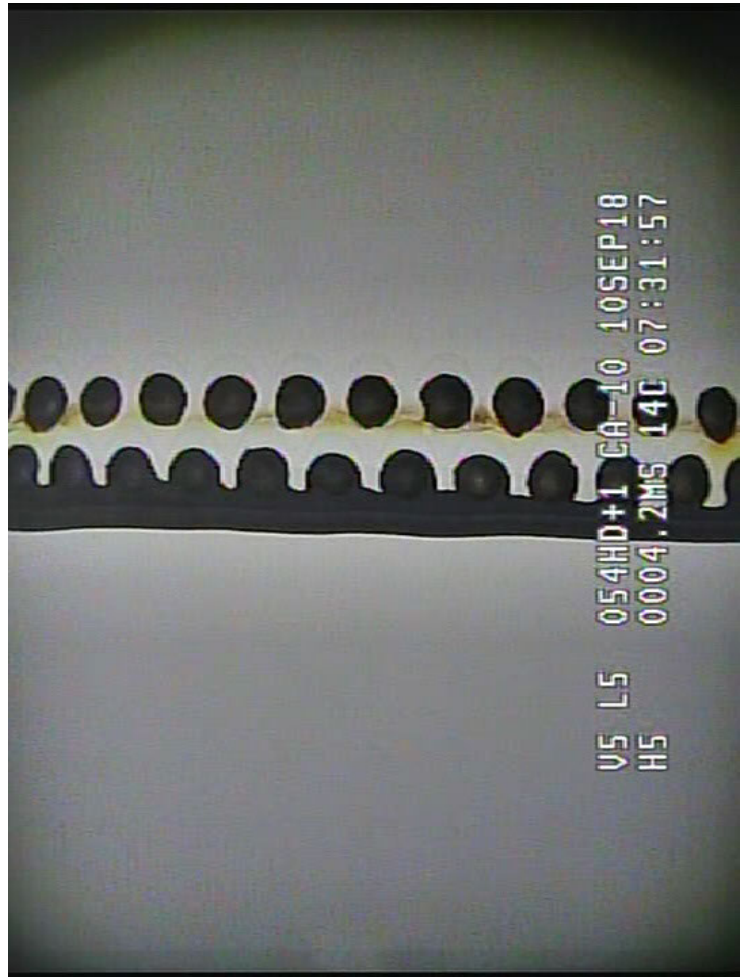
Interior roof panels (3)



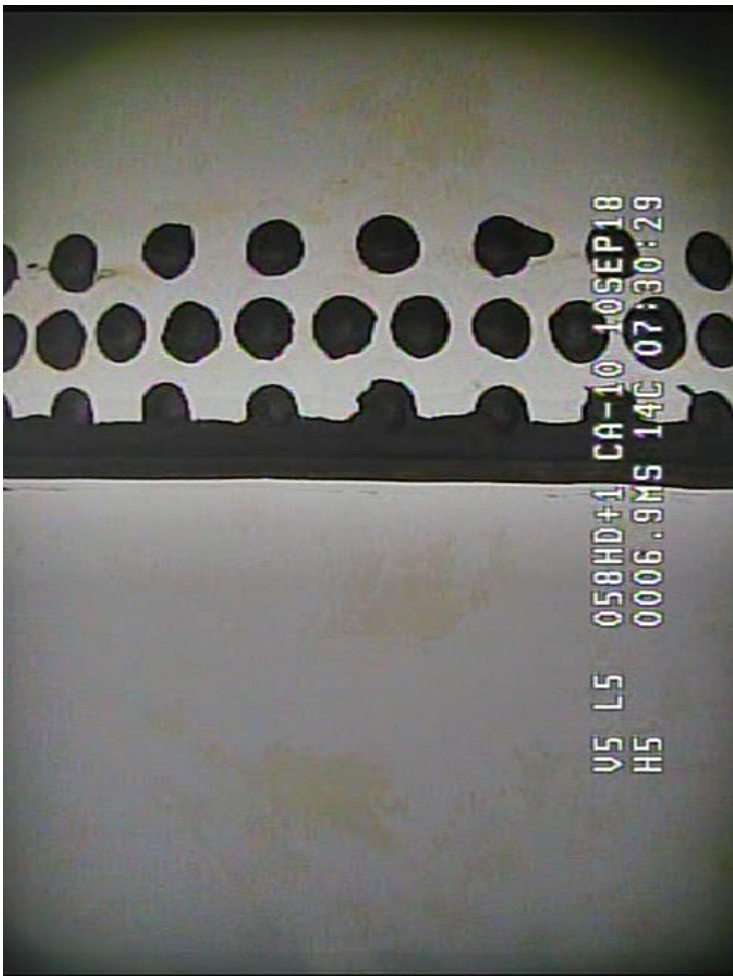
Interior sidewall sheets (1)



Interior sidewall sheets (2)



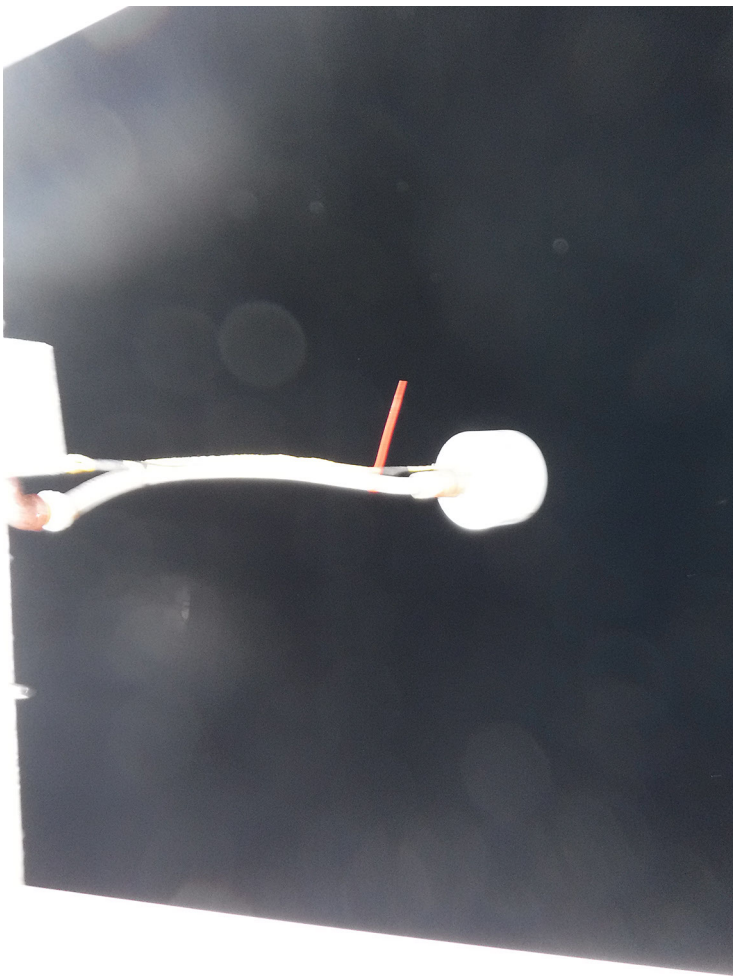
Interior vertical seam (1)



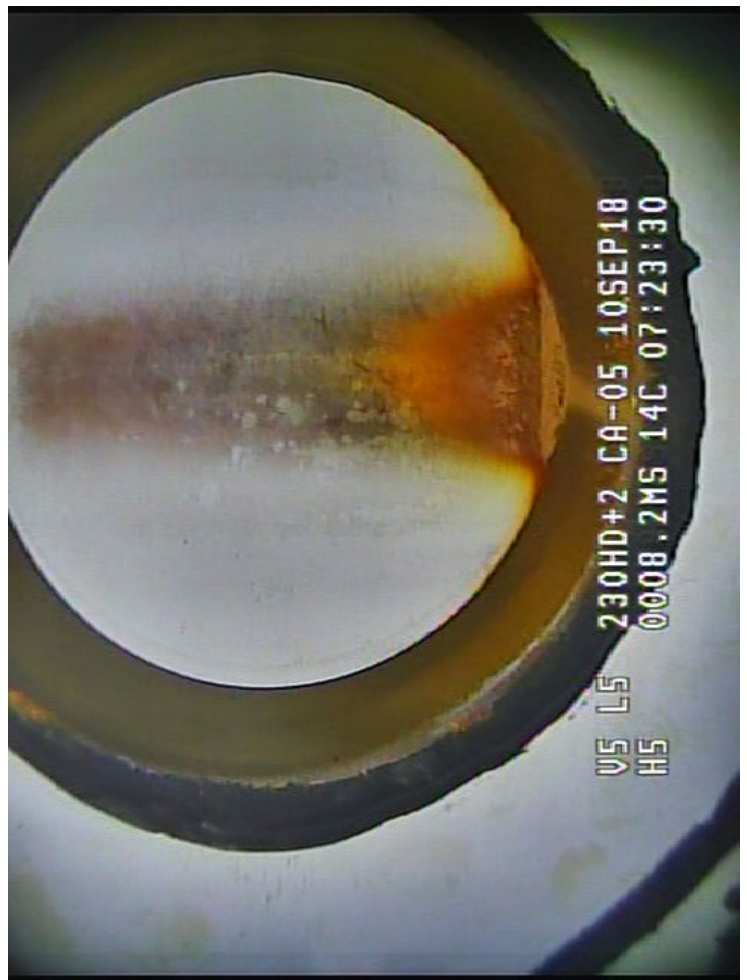
Interior vertical seam (2)



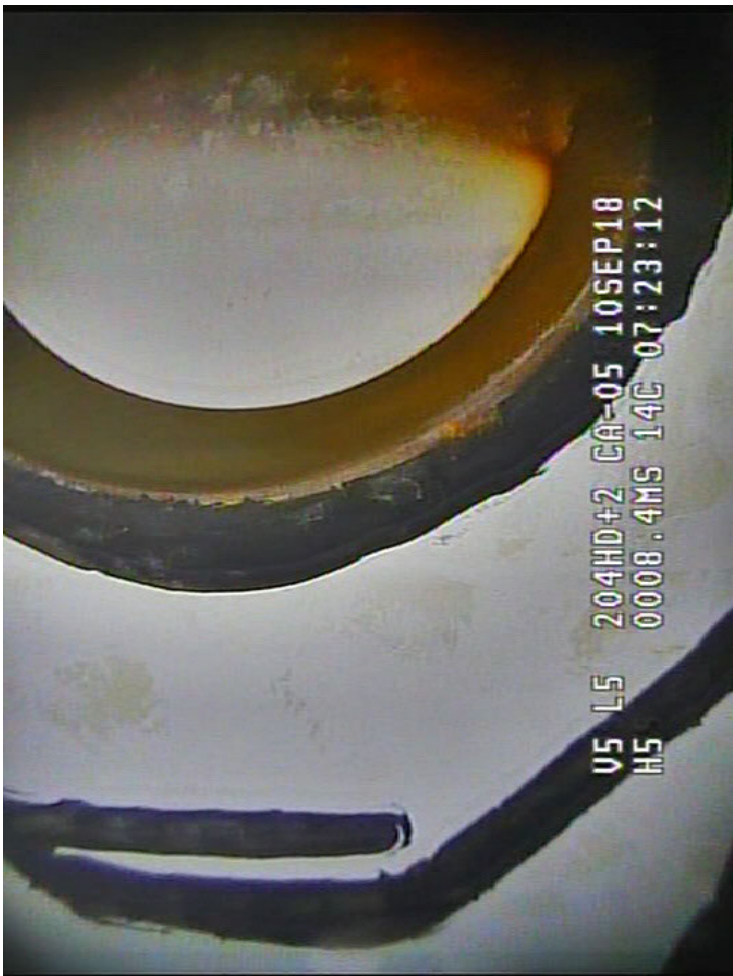
Ladder assembly



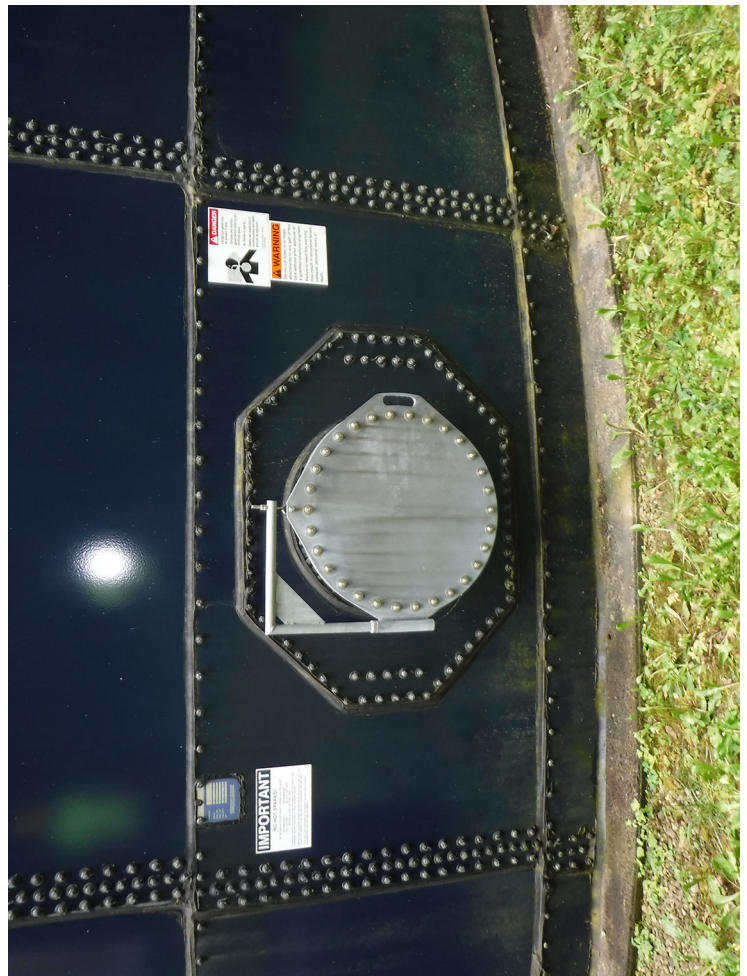
Level indicator



Manway neck weldment corrosion



Manway sealer



Manway with R plare and safety decals



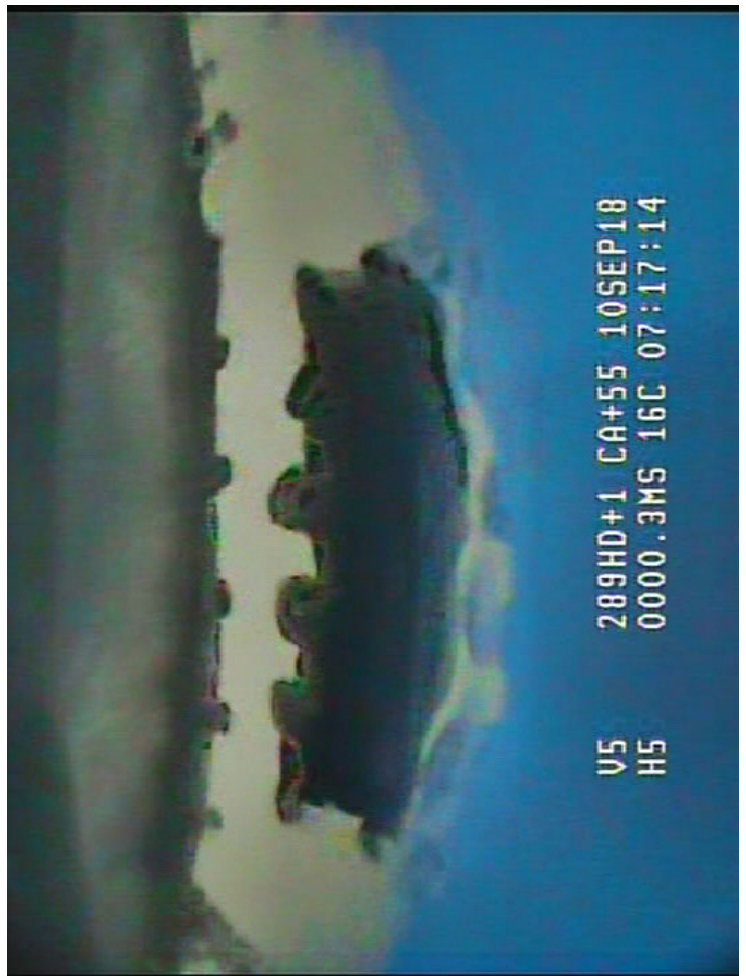
Nameplate



Overflow connection



Overflow discharge



Overflow opening



Overflow pipe and weir box



Previous leak (1)



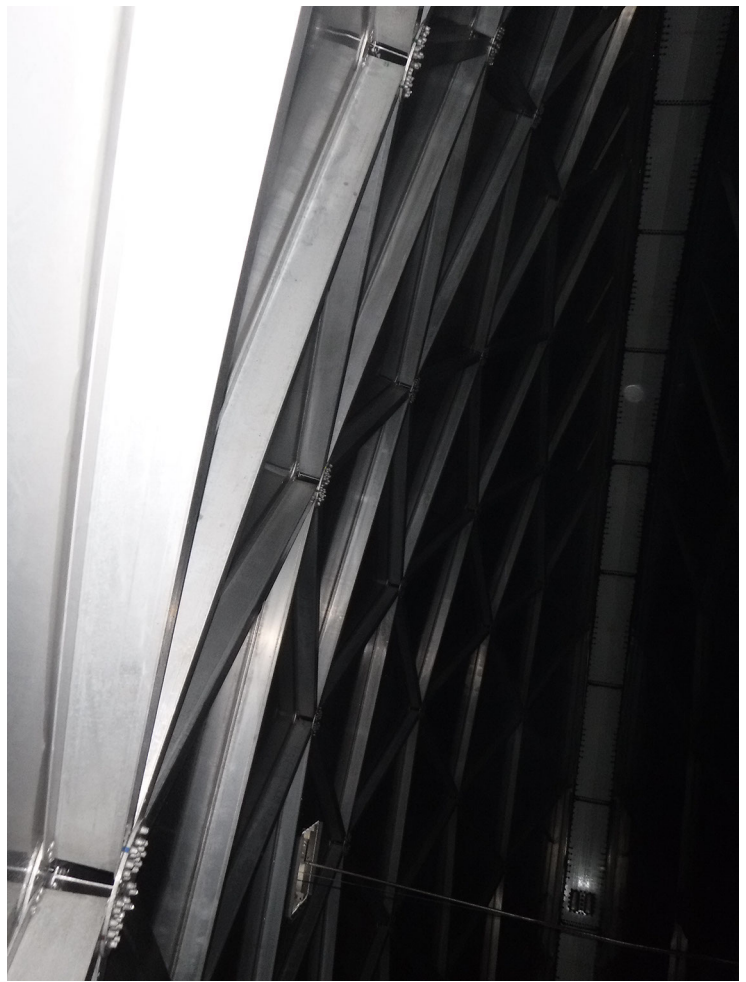
Previous leak (2)



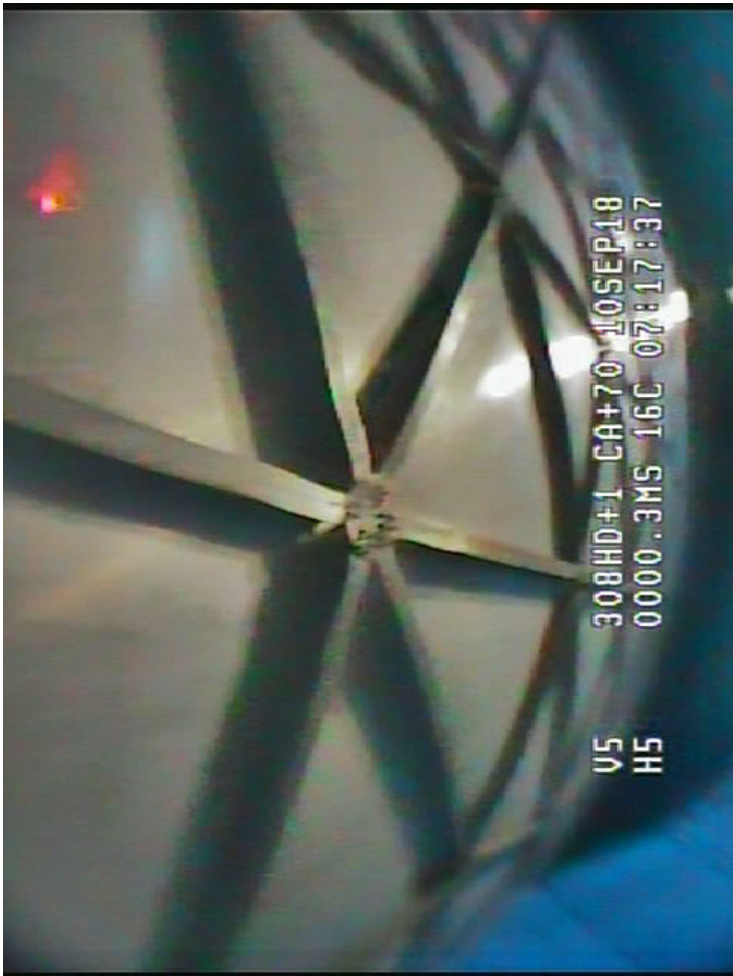
Previous leak (3)



Roof beam structure (1)



Roof beam structure (2)



Roof beam structure (3)



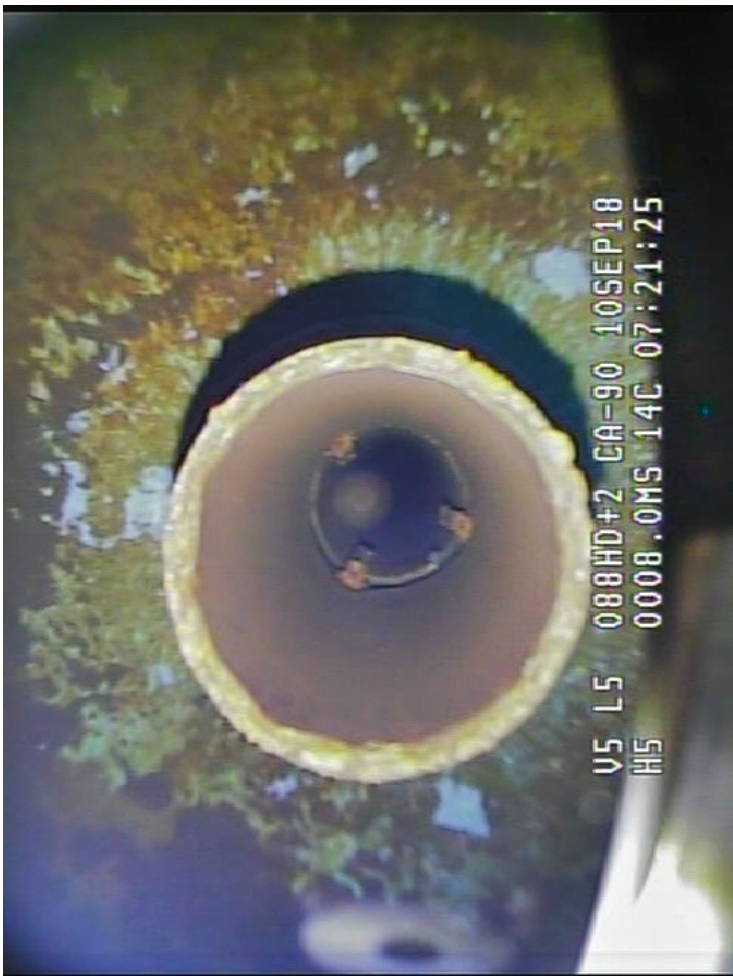
Roof man way hatch



Roof safety decals



Safety decals



Silt stop



Tank



Vapor zone (1)



Vapor zone (2)



Vent screen



Web trusses

Appendix I

WAC Financial Reports 2016-2021



WOODSTOCK AQUEDUCT COMPANY

FINANCIAL REPORT

DECEMBER 31, 2017



CONTENTS

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and
Board of Directors of
Woodstock Aqueduct Company
Woodstock, Vermont

We have reviewed the accompanying financial statements of Woodstock Aqueduct Company (a corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying Schedules of Costs of Operations and Administrative and General expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

West Lebanon, New Hampshire
April 3, 2018
NH Reg. No. 00157

Q. M. Peisch & Company LLP

WOODSTOCK AQUEDUCT COMPANY
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
PROPERTY, PLANT AND EQUIPMENT		
(net of accumulated depreciation and amortization of \$1,044,057 and \$1,013,609 at December 31, 2017 and 2016, respectively)	\$ 969,023	\$ 413,785
CURRENT ASSETS		
Cash and cash equivalents	12,621	14,406
Accounts receivable (net of allowance for doubtful accounts of \$15,000 at December 31, 2017 and 2016)	45,376	49,200
VEDA receivable	42,887	-
Estimated unbilled revenues	66,000	66,000
Inventory	16,708	16,350
Prepaid expenses	-	13,433
Deferred income taxes	3,861	3,015
Total current assets	187,453	162,404
Total assets	\$ 1,156,476	\$ 576,189
 STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock - \$50 par value; 2,000 shares authorized, issued and outstanding	\$ 100,000	\$ 100,000
Retained earnings	96,128	100,709
Total stockholders' equity	196,128	200,709
COMMITMENTS AND CONTINGENCIES		
LONG-TERM DEBT, less current portion	794,433	262,091
CURRENT LIABILITIES		
Current portion of long-term debt	26,507	15,382
Accounts payable	41,560	17,264
Accrued salaries	4,825	4,252
Accrued and withheld payroll taxes	7,526	4,958
Accrued pension payable	13,651	15,452
Income taxes payable	3,222	1,613
Accrued dividends payable	4,000	2,000
Total current liabilities	101,291	60,921
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	62,437	50,172
Unamortized investment tax credits	2,187	2,296
Total other liabilities and credits	64,624	52,468
Total stockholders' equity and liabilities	\$ 1,156,476	\$ 576,189

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
Sales of water	\$ 455,648	\$ 449,615
Miscellaneous income	10,156	10,213
Charges for services	<u>1,700</u>	<u>628</u>
 Total revenues	 <u>467,504</u>	 <u>460,456</u>
 COSTS AND EXPENSES		
Costs of operations	249,005	256,785
Administrative and general expenses	160,111	125,573
Depreciation and amortization	<u>30,448</u>	<u>24,189</u>
 Total costs and expenses	 <u>439,564</u>	 <u>406,547</u>
 OPERATING INCOME	 <u>27,940</u>	 <u>53,909</u>
 OTHER EXPENSE		
Interest expense	<u>13,922</u>	<u>10,946</u>
 Total other expense	 <u>13,922</u>	 <u>10,946</u>
 INCOME BEFORE INCOME TAXES	 14,018	 42,963
 INCOME TAXES EXPENSE	 <u>16,599</u>	 <u>6,589</u>
 NET (LOSS) INCOME	 <u>\$ (2,581)</u>	 <u>\$ 36,374</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FOR THE YEAR ENDED DECEMBER 31, 2016

Beginning balance	\$ 66,335
Net income	36,374
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 100,709</u>

FOR THE YEAR ENDED DECEMBER 31, 2017

Beginning balance	\$ 100,709
Net loss	(2,581)
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 96,128</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 471,328	\$ 442,046
Cash paid for personnel costs	(226,997)	(225,802)
Cash paid to suppliers for goods and services	(143,408)	(151,574)
Interest paid	(13,922)	(10,946)
Income taxes paid	<u>(3,680)</u>	<u>(300)</u>
Net cash provided by operating activities	<u>83,321</u>	<u>53,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(65,594)</u>	<u>(28,449)</u>
Net cash used by investing activities	<u>(65,594)</u>	<u>(28,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short-term debt	-	(2,900)
Payments on long-term debt	(20,512)	(15,984)
Proceeds from long-term debt	1,000	-
Dividends paid	<u>-</u>	<u>(4,000)</u>
Net cash used by financing activities	<u>(19,512)</u>	<u>(22,884)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,785)	2,091
BEGINNING CASH AND CASH EQUIVALENTS	<u>14,406</u>	<u>12,315</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 12,621</u>	<u>\$ 14,406</u>

Noncash financing and investing activities:

During 2017, the Company had the following noncash transactions:

-Acquired solar trackers for \$122,480, financed through long-term debt.

-Acquired loop for \$477,063, with \$440,499 financed through long-term debt. Additionally, a VEDA receivable of \$42,887 has been recorded for the reimbursement of out of pocket costs related to the project.

During 2016, the Company did not have any noncash financing or investing transactions.

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
RECONCILIATION OF NET (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (loss) income	\$ (2,581)	\$ 36,374
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	30,448	24,189
Provision for deferred income taxes	11,419	5,085
Unamortized investment tax credits	(109)	(109)
(Increase) decrease in:		
Accounts receivable	3,824	(12,410)
Inventory	(358)	(662)
Estimated unbilled revenue	-	(6,000)
Prepaid expenses	13,433	(13,433)
Increase (decrease) in:		
Accounts payable	24,296	14,811
Accrued salaries and payroll taxes	3,141	1,128
Income taxes payable	1,609	1,313
Accrued pension payable	<u>(1,801)</u>	<u>3,138</u>
Total adjustments	<u>85,902</u>	<u>17,050</u>
Net cash provided by operating activities	<u>\$ 83,321</u>	<u>\$ 53,424</u>

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of Woodstock Aqueduct Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of operations

The Company was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. Rate increases must be approved by the Vermont Public Service Board.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivables are stated at the amount management expects to collect. Management provides for estimated uncollectible amounts through a valuation allowance based on historical write-offs. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease in the receivable. Finance charges are applied to accounts more than 90 days past due until water to the resident is shut off. The allowance for doubtful accounts was \$15,000 at December 31, 2017 and 2016.

Inventory

Inventory, which consists primarily of parts and supplies for the installation and repair of meters, hydrants, water mains and appurtenances, is valued at the lower of cost or market on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Company generally capitalizes asset purchases of \$2,500 or more.

The Company follows the policy of charging repairs and maintenance to operations as incurred, and qualifying interest expense is capitalized as a component of the cost of property, plant and equipment constructed for the Company's use.

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

Research and development

Research and development expenses are costs incurred to discover new knowledge useful in developing a new process or in bringing about significant improvements to existing processes. Costs incurred in translating this knowledge into plans or designs are also included.

Revenue recognition

The Company recognizes revenue from sales of water and from charges for services as of the date services are rendered. Customers within the designated water service areas are billed based on staggered quarterly billing cycles. Accordingly, estimated unbilled revenues represent services which have been provided but not billed as of each respective year ended. Estimated unbilled revenues is based on prior year first quarter billings.

Pension plan

The Company maintains a Simplified Employee Pension Plan (SEP). Pension expense was \$13,651 and \$15,092 in 2017 and 2016, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. It is reasonably possible that a change in estimate may occur in the near term related to the determination of the allowance for doubtful accounts, estimated unbilled revenues and accumulated depreciation based on estimated useful lives of depreciable assets.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment and accounts receivable for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income, and tax credits that are available to offset future federal income taxes.

The Company does not believe it has any uncertain tax positions and, therefore, no adjustments have been made to the financial statements. The Company's corporate income tax returns for the years ended December 31, 2017 through 2015 are subject to examination by taxing authorities.

Note 2. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Property and plant:		
Land and earth dams	\$ 7,885	\$ 7,885
Buildings	53,531	47,730
Wells, reservoirs, dams and lines	760,271	760,273
Water storage tank	339,128	339,128
Hydrants	16,887	16,887
West end loop	477,063	-
Solar trackers	122,480	-
Services	13,612	33,268
	<u>1,790,857</u>	<u>1,205,171</u>
Equipment:		
Pumps and well equipment	25,801	25,801
Filter and chlorinating machinery	23,186	23,186
Trucks	31,348	31,348
Backhoe	95,550	95,550
Operating equipment	43,850	43,850
Office furniture and equipment	1,988	1,988
	<u>221,723</u>	<u>221,723</u>
Intangibles:		
Loan costs	500	500
	<u>2,013,080</u>	<u>1,427,394</u>
Accumulated depreciation and amortization	<u>(1,044,057)</u>	<u>(1,013,609)</u>
	<u>\$ 969,023</u>	<u>\$ 413,785</u>

Depreciation expense totaled \$30,415 and \$24,156 for the years ended December 31, 2017 and 2016, respectively.

Note 3. Long-term Debt

Long-term debt consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Mascoma Savings Bank:		
Mortgage note payable in monthly installments of \$2,244, including interest at 4.25%, due August 2030. Interest fixed at 4.25% for 60 months, variable thereafter based on 5yr FHLB Regular Classic Advance Rate plus 3% adjusted every 5 years. Secured by 1st mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885) as well as all business assets.	\$ 262,032	\$ 277,473
Mascoma Savings Bank:		
Business loan payable in monthly installments of \$1,250.35, including interest at 4.00%, due June 2027. Interest is fixed at 4.00%. Secured by all machinery, equipment and personal property associated with the solar array located at 76 Barnard Road, Woodstock, VT (carrying value of \$117,377).	118,409	-
Vermont Economic Development Activity:		
Business loan payable in monthly installments, beginning December 2018, of \$2,590.84, including interest fixed at 3.00%, due December 2038. Secured by 2nd mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885).	440,499	-
	<u>820,940</u>	<u>277,473</u>
Less current portion	<u>(26,507)</u>	<u>(15,382)</u>
	<u>\$ 794,433</u>	<u>\$ 262,091</u>

Principal payments of long-term debt for the years ending December 31, are as follows:

2018	\$ 26,507
2019	45,423
2020	47,133
2021	48,910
2022	50,755
Thereafter	<u>602,212</u>
	<u>\$ 820,940</u>

Total interest expense for the years ended December 31, 2017 and 2016 was \$13,922 and \$10,946, respectively.

Note 4. Line of Credit

The Company has a \$25,000 line of credit with Mascoma Savings Bank, due on demand. Interest is payable monthly at 3.75%. The agreement expires in November 2023. Amounts outstanding under this agreement were \$-0- at December 31, 2017 and 2016.

Note 5. Income Taxes

Temporary differences giving rise to the deferred tax assets and liabilities are primarily the result of the differences in depreciation and allowance for bad debts for tax purposes and for financial reporting.

Deferred tax assets and liabilities are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Deferred tax assets - current:		
Net current deferred tax asset - federal	\$ 2,961	\$ 2,115
Net current deferred tax asset - state	900	900
	<u>\$ 3,861</u>	<u>\$ 3,015</u>
Deferred tax liabilities - noncurrent:		
Net noncurrent deferred tax liability - federal	\$ 47,883	\$ 35,195
Net noncurrent deferred tax liability - state	14,554	14,977
	<u>\$ 62,437</u>	<u>\$ 50,172</u>

The 2017 "Tax Cuts and Jobs Act" increased the tax rate from 15% to 21% for the Company starting in 2018. This had the effect of increasing the deferred tax asset \$846 and increasing the deferred tax liability \$13,681. Income tax was increased \$12,835.

The provision for income taxes for the years ended December 31 consists of:

	<u>2017</u>	<u>2016</u>
Income taxes currently payable:		
State tax at statutory rates	\$ 2,041	\$ 1,613
Less investment tax credit utilized	(109)	(109)
	1,932	1,504
Provision for deferred income		
Federal tax at statutory rates	3,248	-
Taxes - deferred	11,419	5,085
	<u>\$ 16,599</u>	<u>\$ 6,589</u>

Investment tax credits are treated as deferred credits, and are amortized into income as a reduction of the provision for federal income taxes over the estimated useful lives of the assets which gave rise to the credits.

Note 6. Leases

The Company is leasing a truck for \$465 per month under an operating lease that expires in June 2019.

Future lease payments for the years ended December 31, are as follows:

2018	\$	5,580
2019		2,790
	\$	<u>8,370</u>

Note 7. Related Party Transactions

The Company has a month-to-month rental agreement with Swift Properties, Inc., which is related to the Company through common ownership. Rent expense was \$9,000 for the years ended December 31, 2017 and 2016.

Note 8. Subsequent Events

The Company has evaluated subsequent events through April 3, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF COSTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Salaries and wages	\$ 92,695	\$ 96,858
Payroll taxes	7,449	7,461
Pension plan	7,351	9,592
Employee benefits	12,932	33,939
Backhoe expenses	13,557	3,483
Equipment rental	5,579	5,178
Heat	648	1,526
Electricity	9,196	24,664
Operating plan supplies	7,452	5,538
Property and other taxes	28,394	27,707
Rent	9,000	9,000
Repairs and maintenance	45,028	26,209
Truck and travel expenses	9,724	5,630
	<hr/>	<hr/>
TOTAL COSTS OF OPERATIONS	<u>\$ 249,005</u>	<u>\$ 256,785</u>

See Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Officer salaries	\$ 63,000	\$ 55,000
Payroll taxes	4,820	4,208
Pension plan	6,300	5,500
Employee benefits	33,790	17,510
Insurance	20,824	21,457
Miscellaneous	1,582	175
Office supplies and expenses	10,621	11,065
Professional services	15,736	6,715
Telephone	<u>3,438</u>	<u>3,943</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u>\$ 160,111</u>	<u>\$ 125,573</u>

See Independent Accountant's Review Report.



Woodstock Aqueduct Company

Financial Report

December 31, 2018



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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and
Board of Directors of
Woodstock Aqueduct Company
Woodstock, Vermont

We have reviewed the accompanying financial statements of Woodstock Aqueduct Company (a corporation), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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Supplementary Information

The supplementary information included in the accompanying Schedules of Costs of Operations and Administrative and General expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

West Lebanon, New Hampshire
April 1, 2019
NH Reg. No. 00157

Q. M. Leisch & Company LLP

WOODSTOCK AQUEDUCT COMPANY
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
PROPERTY, PLANT AND EQUIPMENT		
(net of accumulated depreciation and amortization of \$1,085,598 and \$1,044,057 at December 31, 2018 and 2017, respectively)	\$ 950,587	\$ 969,023
CURRENT ASSETS		
Cash and cash equivalents	53,214	12,621
Accounts receivable (net of allowance for doubtful accounts of \$15,000 at December 31, 2018 and 2017)	33,122	45,376
VEDA receivable	-	42,887
Estimated unbilled revenues	66,000	66,000
Inventory	17,639	16,708
Total current assets	169,975	183,592
NON-CURRENT ASSETS		
Operating lease right-of-use asset	15,282	7,238
Total non-current assets	15,282	7,238
Total assets	\$ 1,135,844	\$ 1,159,853
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock - \$50 par value; 2,000 shares authorized, issued and outstanding	\$ 100,000	\$ 100,000
Retained earnings	129,394	96,128
Total stockholders' equity	229,394	196,128
COMMITMENTS AND CONTINGENCIES		
LONG-TERM DEBT, less current portion	747,074	794,433
CURRENT LIABILITIES		
Current portion of long-term debt	45,423	26,507
Current portion of operating lease liability	7,173	4,596
Accounts payable	2,411	41,560
Accrued salaries	4,427	4,825
Accrued and withheld payroll taxes	5,284	7,526
Accrued pension payable	14,551	13,651
Income taxes payable	5,092	3,222
Accrued dividends payable	2,000	4,000
Total current liabilities	86,361	105,887
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	62,828	58,576
Operating lease liability	8,109	2,642
Unamortized investment tax credits	2,078	2,187
Total other liabilities and credits	73,015	63,405
Total stockholders' equity and liabilities	\$ 1,135,844	\$ 1,159,853

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Sales of water	\$ 463,511	\$ 455,648
Miscellaneous income	11,572	10,156
Charges for services	<u>5,399</u>	<u>1,700</u>
 Total revenues	 <u>480,482</u>	 <u>467,504</u>
 COSTS AND EXPENSES		
Costs of operations	218,998	249,005
Administrative and general expenses	154,667	160,111
Depreciation and amortization	<u>41,541</u>	<u>30,448</u>
 Total costs and expenses	 <u>415,206</u>	 <u>439,564</u>
 OPERATING INCOME	 <u>65,276</u>	 <u>27,940</u>
 OTHER EXPENSE		
Interest expense	<u>15,935</u>	<u>13,922</u>
 Total other expense	 <u>15,935</u>	 <u>13,922</u>
 INCOME BEFORE INCOME TAXES	 49,341	 14,018
 INCOME TAXES EXPENSE	 <u>14,075</u>	 <u>16,599</u>
 NET INCOME (LOSS)	 <u>\$ 35,266</u>	 <u>\$ (2,581)</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FOR THE YEAR ENDED DECEMBER 31, 2017

Beginning balance	\$ 100,709
Net loss	(2,581)
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 96,128</u>

FOR THE YEAR ENDED DECEMBER 31, 2018

Beginning balance	\$ 96,128
Net income	35,266
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 129,394</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 492,736	\$ 471,328
Cash received from VEDA receivable	42,887	-
Cash paid for personnel costs	(246,869)	(226,997)
Cash paid to suppliers for goods and services	(168,616)	(143,408)
Interest paid	(15,935)	(13,922)
Income taxes paid	<u>(8,062)</u>	<u>(3,680)</u>
Net cash provided by operating activities	<u>96,141</u>	<u>83,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(23,105)</u>	<u>(65,594)</u>
Net cash used by investing activities	<u>(23,105)</u>	<u>(65,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(28,443)	(20,512)
Proceeds from long-term debt	-	1,000
Dividends paid	<u>(4,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(32,443)</u>	<u>(19,512)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,593	(1,785)
BEGINNING CASH AND CASH EQUIVALENTS	<u>12,621</u>	<u>14,406</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 53,214</u>	<u>\$ 12,621</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NONCASH FINANCING AND INVESTING ACTIVITIES:

During 2018, the Company had the following noncash transactions:

-Recognized an operating lease right-of-use asset and lease liability of \$14,097 for a vehicle.

During 2017, the Company had the following noncash transactions:

-Acquired solar trackers for \$122,480, financed through long-term debt.

-Acquired loop for \$477,063, with \$440,499 financed through long-term debt. Additionally, a VEDA receivable of \$42,887 has been recorded for the reimbursement of out of pocket costs related to the project.

-Recognized an operating lease right-of-use asset and lease liability of \$11,049 for a vehicle.

	2018	2017
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income (loss)	\$ 35,266	\$ (2,581)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	41,541	30,448
Provision for deferred income taxes	4,252	11,419
Unamortized investment tax credits	(109)	(109)
Decrease (increase) in:		
Accounts receivable	12,254	3,824
VEDA receivable	42,887	-
Inventory	(931)	(358)
Prepaid expenses	-	13,433
(Decrease) increase in:		
Accounts payable	(39,149)	24,296
Accrued salaries and payroll taxes	(2,640)	3,141
Income taxes payable	1,870	1,609
Accrued pension payable	900	(1,801)
Total adjustments	<u>60,875</u>	<u>85,902</u>
Net cash provided by operating activities	<u>\$ 96,141</u>	<u>\$ 83,321</u>

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of Woodstock Aqueduct Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of operations

The Company was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. Rate increases must be approved by the Vermont Public Service Board.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivables are stated at the amount management expects to collect. Management provides for estimated uncollectible amounts through a valuation allowance based on historical write-offs. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease in the receivable. A receivable is considered past due if payments have not been received by the Company for 30 days. Finance charges are applied to accounts more than 90 days past due until water to the resident is shut off. Receivables past due 90 days and greater and still accruing interest are \$16,216 and \$18,470 as of December 31, 2018 and 2017, respectively. The allowance for doubtful accounts was \$15,000 at December 31, 2018 and 2017.

Inventory

Inventory, which consists primarily of parts and supplies for the installation and repair of meters, hydrants, water mains and appurtenances, is valued at the lower of cost or market on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Company generally capitalizes asset purchases of \$2,500 or more.

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

The Company follows the policy of charging repairs and maintenance to operations as incurred, and qualifying interest expense is capitalized as a component of the cost of property, plant and equipment constructed for the Company's use.

Research and development

Research and development expenses are costs incurred to discover new knowledge useful in developing a new process or in bringing about significant improvements to existing processes. Costs incurred in translating this knowledge into plans or designs are also included.

Revenue recognition

The Company recognizes revenue from sales of water and from charges for services as of the date services are rendered. Customers within the designated water service areas are billed based on staggered quarterly billing cycles. Accordingly, estimated unbilled revenues represent services which have been provided but not billed as of each respective year ended. Estimated unbilled revenues is based on prior year first quarter billings.

Pension plan

The Company maintains a Simplified Employee Pension Plan (SEP). Pension expense was \$14,551 and \$13,651 for the years ended December 31, 2018 and 2017, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. It is reasonably possible that a change in estimate may occur in the near term related to the determination of the allowance for doubtful accounts, estimated unbilled revenues and accumulated depreciation based on estimated useful lives of depreciable assets.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment and accounts receivable for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income, and tax credits that are available to offset future federal income taxes.

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

The Company does not believe it has any uncertain tax positions and, therefore, no adjustments have been made to the financial statements. The Company's corporate income tax returns for the years ended December 31, 2018 through 2016 are subject to examination by taxing authorities.

The Company may, from time to time, be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to the financial results. In the event that the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements as other expenses.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 *Leases*, which requires lessees to recognize lease liabilities and right-of-use assets for long-term leases and disclose key information about leasing arrangements. For short-term leases (term of twelve months or less), a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes the election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The standard is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company has elected to early adopt. The Accounting Standards Update has been retrospectively applied.

Note 2. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consisted of the following at December 31:

	2018	2017
Property and plant:		
Land and earth dams	\$ 7,885	\$ 7,885
Buildings	53,531	53,531
Wells, reservoirs, dams and lines	760,271	760,271
Water storage tank	339,128	339,128
Hydrants	19,673	16,887
West end loop	477,063	477,063
Solar trackers	122,480	122,480
Services	13,876	13,612
Construction in progress	20,055	-
	<u>1,813,962</u>	<u>1,790,857</u>

Note 2. Property, Plant and Equipment (Continued)

	<u>2018</u>	<u>2017</u>
Equipment:		
Pumps and well equipment	25,801	25,801
Filter and chlorinating machinery	23,186	23,186
Trucks	31,348	31,348
Backhoe	95,550	95,550
Operating equipment	43,850	43,850
Office furniture and equipment	1,988	1,988
	<u>221,723</u>	<u>221,723</u>
Intangibles:		
Loan costs	500	500
	<u>2,036,185</u>	<u>2,013,080</u>
Accumulated depreciation and amortization	<u>(1,085,598)</u>	<u>(1,044,057)</u>
	<u>\$ 950,587</u>	<u>\$ 969,023</u>

Depreciation and amortization expense totaled \$41,541 and \$30,448 for the years ended December 31, 2018 and 2017, respectively.

Note 3. Long-term Debt

Long-term debt consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Mascoma Savings Bank:		
Mortgage note payable in monthly installments of \$2,244, including interest at 4.25%, due August 2030. Interest fixed at 4.25% for 60 months, variable thereafter based on 5yr FHLB Regular Classic Advance Rate plus 3% adjusted every 5 years. Secured by 1st mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885) as well as all business assets.	\$ 245,921	\$ 262,032
Mascoma Savings Bank:		
Business loan payable in monthly installments of \$1,250.35, including interest at 4.00%, due June 2027. Interest is fixed at 4.00%. Secured by all machinery, equipment and personal property associated with the solar array located at 76 Barnard Road, Woodstock, VT (carrying value of \$117,377).	107,941	118,409

Note 3. Long-term Debt (Continued)

	<u>2018</u>	<u>2017</u>
Vermont Economic Development Activity:		
Business loan payable in monthly installments, beginning December 2018, of \$2,590.84, including interest fixed at 3.00%, due December 2038. Secured by 2nd mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885).	438,635	440,499
	<u>792,497</u>	<u>820,940</u>
Less current portion	<u>(45,423)</u>	<u>(26,507)</u>
	<u>\$ 747,074</u>	<u>\$ 794,433</u>

Principal payments of long-term debt for the years ending December 31, are as follows:

2019	\$ 45,423
2020	47,133
2021	48,910
2022	50,755
2023	52,671
Thereafter	<u>547,605</u>
	<u>\$ 792,497</u>

Total interest expense for the years ended December 31, 2018 and 2017 was \$15,935 and \$13,922, respectively.

Note 4. Line of Credit

The Company has a \$25,000 line of credit with Mascoma Savings Bank, due on demand. Interest is payable monthly at 3.75%. The agreement expires in November 2023. Amounts outstanding under this agreement were \$-0- at December 31, 2018 and 2017.

Note 5. Income Taxes

Income taxes were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Currently payable:		
Federal	\$ 7,137	\$ 3,139
State	2,686	2,041
Deferred	<u>4,252</u>	<u>11,419</u>
	<u>\$ 14,075</u>	<u>\$ 16,599</u>

Note 5. Income Taxes (Continued)

The deferred tax provision consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Depreciation	\$ 4,252	\$ 11,419
	<u>\$ 4,252</u>	<u>\$ 11,419</u>

Listed below are significant components of the net deferred tax liability at December 31:

	<u>2018</u>	<u>2017</u>
Components of the deferred tax asset:		
Bad debts	\$ 3,861	\$ 3,861
Total deferred tax assets	<u>3,861</u>	<u>3,861</u>
Valuation allowance	<u>-</u>	<u>-</u>
Total deferred tax assets, net of valuation allowance	<u>3,861</u>	<u>3,861</u>
Components of the deferred tax liability:		
Depreciation	<u>66,689</u>	<u>62,437</u>
Total deferred tax liability	<u>66,689</u>	<u>62,437</u>
Net deferred tax liability	<u>\$ 62,828</u>	<u>\$ 58,576</u>

Investment tax credits are treated as deferred credits, and are amortized into income as a reduction of the provision for federal income taxes over the estimated useful lives of the assets which gave rise to the credits.

Note 6. Leases

The Company is leasing two trucks for \$465 and \$425 per month under operating leases that expire in June 2019 and August 2021, respectively.

For short-term leases, the Company has elected not to recognize lease assets and lease liabilities and to recognize lease expense on a straight-line basis over the lease term.

Note 6. Leases (Continued)

Future lease payments for the years ended December 31, are as follows:

2019	\$	7,890
2020		5,100
2021		3,400
	\$	<u>16,390</u>

Note 7. Related Party Transactions

The Company has a month-to-month rental agreement with Swift Properties, Inc., which is related to the Company through common ownership. Rent expense was \$9,000 for the years ended December 31, 2018 and 2017.

Note 8. Subsequent Events

The Company has evaluated subsequent events through April 1, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF COSTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Salaries and wages	\$ 106,838	\$ 92,695
Payroll taxes	8,343	7,449
Pension plan	8,251	7,351
Employee benefits	10,785	12,932
Backhoe expenses	376	13,557
Equipment rental	10,619	5,579
Heat	836	648
Electricity	4,478	9,196
Operating plan supplies	4,120	7,452
Property and other taxes	28,921	28,394
Rent	9,000	9,000
Repairs and maintenance	18,736	45,028
Truck and travel expenses	7,695	9,724
TOTAL COSTS OF OPERATIONS	<u>\$ 218,998</u>	<u>\$ 249,005</u>

See Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Officer salaries	\$ 63,000	\$ 63,000
Payroll taxes	4,820	4,820
Pension plan	6,300	6,300
Employee benefits	36,792	33,790
Insurance	20,409	20,824
Miscellaneous	291	1,582
Office supplies and expenses	12,364	10,621
Professional services	6,752	15,736
Telephone	<u>3,939</u>	<u>3,438</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u>\$ 154,667</u>	<u>\$ 160,111</u>

See Independent Accountant's Review Report.



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WOODSTOCK AQUEDUCT COMPANY

FINANCIAL REPORT

DECEMBER 31, 2019



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and
Board of Directors of
Woodstock Aqueduct Company
Woodstock, Vermont

We have reviewed the accompanying financial statements of Woodstock Aqueduct Company (a corporation), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying supplementary information included in the Schedules of Costs of Operations and Administrative and General expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

A. M. Peisach & Company LLP

West Lebanon, New Hampshire
April 10, 2020
NH Reg. No. 00157

WOODSTOCK AQUEDUCT COMPANY
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
PROPERTY, PLANT AND EQUIPMENT		
(net of accumulated depreciation and amortization of \$1,126,158 and \$1,085,598 at December 31, 2019 and 2018, respectively)	<u>\$ 889,972</u>	<u>\$ 950,587</u>
CURRENT ASSETS		
Cash and cash equivalents	1,039	53,214
Accounts receivable (net of allowance for doubtful accounts of \$-0- and \$15,000 at December 31, 2019 and 2018, respectively)	66,575	33,122
Estimated unbilled revenues	74,000	66,000
Inventory	16,533	17,639
Income taxes receivable	9,700	-
Total current assets	<u>167,847</u>	<u>169,975</u>
NON-CURRENT ASSETS		
Operating lease right-of-use asset	18,547	15,282
Total non-current assets	<u>18,547</u>	<u>15,282</u>
Total assets	<u>\$ 1,076,366</u>	<u>\$ 1,135,844</u>
 STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock - \$50 par value; 2,000 shares authorized, issued and outstanding	\$ 100,000	\$ 100,000
Retained earnings	101,841	129,394
Total stockholders' equity	<u>201,841</u>	<u>229,394</u>
COMMITMENTS AND CONTINGENCIES		
LONG-TERM DEBT, less current portion	<u>703,251</u>	<u>747,074</u>
CURRENT LIABILITIES		
Line of credit	5,000	-
Current portion of long-term debt	45,254	45,423
Current portion of operating lease liability	7,888	7,173
Accounts payable	7,390	2,411
Accrued salaries	2,845	4,427
Accrued and withheld payroll taxes	5,394	5,284
Accrued pension payable	18,089	14,551
Income taxes payable	-	5,092
Accrued dividends payable	4,000	2,000
Total current liabilities	<u>95,860</u>	<u>86,361</u>
OTHER LIABILITIES AND CREDITS		
Deferred income taxes	62,786	62,828
Operating lease liability	10,659	8,109
Unamortized investment tax credits	1,969	2,078
Total other liabilities and credits	<u>75,414</u>	<u>73,015</u>
Total stockholders' equity and liabilities	<u>\$ 1,076,366</u>	<u>\$ 1,135,844</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES		
Sales of water	\$ 459,573	\$ 463,511
Miscellaneous income	11,904	11,572
Charges for services	<u>12,443</u>	<u>5,399</u>
 Total revenues	 <u>483,920</u>	 <u>480,482</u>
 COSTS AND EXPENSES		
Costs of operations	291,186	218,998
Administrative and general expenses	165,631	154,667
Depreciation and amortization	<u>40,560</u>	<u>41,541</u>
 Total costs and expenses	 <u>497,377</u>	 <u>415,206</u>
 OPERATING (LOSS) INCOME	 <u>(13,457)</u>	 <u>65,276</u>
 OTHER INCOME (EXPENSE)		
Provision for doubtful accounts	15,000	-
Interest expense	<u>(26,947)</u>	<u>(15,935)</u>
 Total other income (expense)	 <u>(11,947)</u>	 <u>(15,935)</u>
 (LOSS) INCOME BEFORE INCOME TAXES	 (25,404)	 49,341
 INCOME TAXES EXPENSE	 <u>149</u>	 <u>14,075</u>
 NET (LOSS) INCOME	 <u>\$ (25,553)</u>	 <u>\$ 35,266</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FOR THE YEAR ENDED DECEMBER 31, 2018

Beginning balance	\$ 96,128
Net income	35,266
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 129,394</u>

FOR THE YEAR ENDED DECEMBER 31, 2019

Beginning balance	\$ 129,394
Net loss	(25,553)
Dividends declared	<u>(2,000)</u>
Ending balance	<u>\$ 101,841</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 457,467	\$ 492,736
Cash received from VEDA receivable	-	42,887
Cash paid for personnel costs	(261,515)	(246,869)
Cash paid to suppliers for goods and services	(167,096)	(168,616)
Interest paid	(26,947)	(15,935)
Income taxes paid	<u>(15,092)</u>	<u>(8,062)</u>
Net cash (used) provided by operating activities	<u>(13,183)</u>	<u>96,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>-</u>	<u>(23,105)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(23,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(43,992)	(28,443)
Proceeds from line of credit	5,000	-
Dividends paid	<u>-</u>	<u>(4,000)</u>
Net cash used by financing activities	<u>(38,992)</u>	<u>(32,443)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,175)	40,593
BEGINNING CASH AND CASH EQUIVALENTS	<u>53,214</u>	<u>12,621</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,039</u>	<u>\$ 53,214</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NONCASH FINANCING AND INVESTING ACTIVITIES:

During 2019, the Company had the following noncash transactions:

-Recognized an operating lease right-of-use asset and lease liability of \$11,773 for a vehicle.

During 2018, the Company had the following noncash transactions:

-Recognized an operating lease right-of-use asset and lease liability of \$14,097 for a vehicle.

	2019	2018
RECONCILIATION OF NET (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Net (loss) income	\$ (25,553)	\$ 35,266
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Depreciation and amortization	40,560	41,541
Provision for doubtful accounts	(15,000)	-
Provision for deferred income taxes	(42)	4,252
Research and development costs	20,055	-
Unamortized investment tax credits	(109)	(109)
(Increase) decrease in:		
Accounts receivable	(18,453)	12,254
Income taxes receivable	(9,700)	-
VEDA receivable	-	42,887
Estimated unbilled revenues	(8,000)	-
Inventory	1,106	(931)
Increase (decrease) in:		
Accounts payable	4,979	(39,149)
Accrued salaries and payroll taxes	(1,472)	(2,640)
Income taxes payable	(5,092)	1,870
Accrued pension payable	<u>3,538</u>	<u>900</u>
Total adjustments	<u>12,370</u>	<u>60,875</u>
Net cash (used) provided by operating activities	<u>\$ (13,183)</u>	<u>\$ 96,141</u>

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of Woodstock Aqueduct Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of operations

The Company was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. Rate increases must be approved by the Vermont Public Utility Commission.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivables are stated at the amount management expects to collect. Management provides for estimated uncollectible amounts through a valuation allowance based on historical write-offs. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease in the receivable. A receivable is considered past due if payments have not been received by the Company for 30 days. Finance charges are applied to accounts more than 90 days past due until water to the resident is shut off. Receivables past due 90 days and greater and still accruing interest are \$20,596 and \$16,216 as of December 31, 2019 and 2018, respectively. The allowance for doubtful accounts was \$-0- and \$15,000 as of December 31, 2019 and 2018, respectively.

Inventory

Inventory, which consists primarily of parts and supplies for the installation and repair of meters, hydrants, water mains and appurtenances, is valued at the lower of cost or market on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Company generally capitalizes asset purchases of \$2,500 or more.

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

The Company follows the policy of charging repairs and maintenance to operations as incurred, and qualifying interest expense is capitalized as a component of the cost of property, plant and equipment constructed for the Company's use.

Revenue recognition

The Company recognizes revenue from sales of water and from charges for services as of the date services are rendered. Customers within the designated water service areas are billed based on staggered quarterly billing cycles. Accordingly, estimated unbilled revenues represent services which have been provided but not billed as of each respective year ended. Estimated unbilled revenues is based on prior year first quarter billings.

Pension plan

The Company maintains a Simplified Employee Pension Plan (SEP). Pension expense was \$18,089 and \$14,551 for the years ended December 31, 2019 and 2018, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. It is reasonably possible that a change in estimate may occur in the near term related to the determination of the allowance for doubtful accounts, estimated unbilled revenues and accumulated depreciation based on estimated useful lives of depreciable assets.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment and accounts receivable for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income, and tax credits that are available to offset future federal income taxes.

The Company does not believe it has any uncertain tax positions and, therefore, no adjustments have been made to the financial statements. The Company's corporate income tax returns for the years ended December 31, 2019 through 2017 are subject to examination by taxing authorities.

The Company may, from time to time, be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to the financial results. In the event that the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements as other expenses.

Note 2. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Property and plant:		
Land and earth dams	\$ 7,885	\$ 7,885
Buildings	53,531	53,531
Wells, reservoirs, dams and lines	760,271	760,271
Water storage tank	339,128	339,128
Hydrants	19,673	19,673
West end loop	477,063	477,063
Solar trackers	122,480	122,480
Services	13,876	13,876
Construction in progress	-	20,055
	<u>1,793,907</u>	<u>1,813,962</u>
Equipment:		
Pumps and well equipment	25,801	25,801
Filter and chlorinating machinery	23,186	23,186
Trucks	31,348	31,348
Backhoe	95,550	95,550
Operating equipment	43,850	43,850
Office furniture and equipment	1,988	1,988
	<u>221,723</u>	<u>221,723</u>
Intangibles:		
Loan costs	500	500
	<u>2,016,130</u>	<u>2,036,185</u>
Accumulated depreciation and amortization	<u>(1,126,158)</u>	<u>(1,085,598)</u>
	<u>\$ 889,972</u>	<u>\$ 950,587</u>

Depreciation and amortization expense totaled \$40,560 and \$41,541 for the years ended December 31, 2019 and 2018, respectively.

Note 3. Long-term Debt

Long-term debt consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mascoma Savings Bank:		
Mortgage note payable in monthly installments of \$2,244, including interest at 4.25%, due August 2030. Interest fixed at 4.25% for 60 months, variable thereafter based on 5yr FHLB Regular Classic Advance Rate plus 3% adjusted every 5 years. Secured by 1st mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885) as well as all business assets.	\$ 229,105	\$ 245,921
Mascoma Savings Bank:		
Business loan payable in monthly installments of \$1,250, including interest at 4.00%, due June 2027. Interest is fixed at 4.00%. Secured by all machinery, equipment and personal property associated with the solar array located at 769 Barnard Road, Woodstock, VT (carrying value of \$96,963).	97,047	107,941
Vermont Economic Development Activity:		
Business loan payable in variable monthly installments, beginning December 2018, currently \$2,441, including interest fixed at 3.00%, due December 2038. Secured by 2nd mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885).	422,353	438,635
	<u>748,505</u>	<u>792,497</u>
Less current portion	<u>(45,254)</u>	<u>(45,423)</u>
	<u>\$ 703,251</u>	<u>\$ 747,074</u>

Principal payments of long-term debt for the years ending December 31, are as follows:

2020	\$ 45,254
2021	45,885
2022	49,173
2023	51,041
2024	52,982
Thereafter	<u>504,170</u>
	<u>\$ 748,505</u>

Total interest expense for the years ended December 31, 2019 and 2018 was \$26,885 and \$15,935, respectively.

Note 4. Line of Credit

The Company has a \$25,000 line of credit with Mascoma Savings Bank, due on demand. Interest is variable at the Wall Street Journal Prime Rate plus 0.5%, with a rate floor of 3.75%. Interest is payable monthly, currently at a rate of 3.75%. The agreement expires in September 2020. Amounts outstanding under this agreement were \$5,000 and \$-0- at December 31, 2019 and 2018, respectively. Interest expense, related to the line of credit, for the years ended December 31, 2019 and 2018 was \$62 and \$-0-, respectively.

Note 5. Income Taxes

Income taxes were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Currently (receivable) payable:		
Federal	\$ 191	\$ 7,137
State	-	2,686
Deferred	(42)	4,252
	<u>\$ 149</u>	<u>\$ 14,075</u>

The deferred tax provision consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Depreciation	\$ 9,888	\$ 4,252
Net operating loss carryforward	(13,791)	-
Allowance for doubtful accounts	3,861	-
	<u>\$ (42)</u>	<u>\$ 4,252</u>

Listed below are significant components of the net deferred tax liability at December 31:

	<u>2019</u>	<u>2018</u>
Components of the net deferred tax asset:		
Allowance for doubtful accounts	\$ -	\$ 3,861
Net operating loss carryforward	13,791	-
Total deferred tax assets	<u>13,791</u>	<u>3,861</u>
Valuation allowance	-	-
Total net deferred tax assets, net of valuation allowance	<u>13,791</u>	<u>3,861</u>
Components of the net deferred tax liability:		
Depreciation	<u>76,577</u>	<u>66,689</u>
Total net deferred tax liability	<u>76,577</u>	<u>66,689</u>
Net deferred tax liability	<u>\$ 62,786</u>	<u>\$ 62,828</u>

Note 5. Income Taxes (Continued)

Investment tax credits are treated as deferred credits, and are amortized into income as a reduction of the provision for federal income taxes over the estimated useful lives of the assets which gave rise to the credits.

During 2019, the Company generated a tax net operating loss of \$53,575 which is available to be carried forward to offset future taxable income. A maximum of 80% of taxable income is available to be used in any given tax year.

Note 6. Leases

The Company is leasing two trucks for \$425 and \$492 per month under operating leases that expire in August 2021 and July 2022, respectively.

For short-term leases, the Company has elected not to recognize lease assets and lease liabilities and to recognize lease expense on a straight-line basis over the lease term.

Future lease payments for the years ended December 31, are as follows:

2020	\$ 11,004
2021	9,304
2022	<u>3,444</u>
Total future lease payments	23,752
Amounts representing interest	<u>(5,205)</u>
Total operating lease liability	18,547
Current portion	<u>(7,888)</u>
Long-term operating lease liability	<u><u>\$ 10,659</u></u>

Lease expense was \$10,347 and \$7,278 for the years ended December 31, 2019 and 2018, respectively.

Note 7. Related Party Transactions

The Company has a month-to-month rental agreement with Swift Properties, Inc., which is related to the Company through common ownership. Rent expense was \$9,300 and 9,000 for the years ended December 31, 2019 and 2018, respectively.

Note 8. Subsequent Events

The Company has evaluated subsequent events through April 10, 2020, the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.

SUPPLEMENTARY INFORMATION

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF COSTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Salaries and wages	\$ 116,502	\$ 106,838
Payroll taxes	8,923	8,343
Pension plan	11,789	8,251
Employee benefits	20,143	10,785
Backhoe expenses	522	376
Equipment rental	11,053	10,619
Heat	1,837	836
Electricity	2,836	4,478
Operating supplies	14,616	4,120
Property and other taxes	29,937	28,921
Rent	9,300	9,000
Repairs and maintenance	31,719	18,736
Research and development	21,205	-
Truck and travel expenses	<u>10,804</u>	<u>7,695</u>
TOTAL COSTS OF OPERATIONS	<u>\$ 291,186</u>	<u>\$ 218,998</u>

See Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Officer salaries	\$ 63,000	\$ 63,000
Payroll taxes	4,820	4,820
Pension plan	6,300	6,300
Employee benefits	32,104	36,792
Insurance	30,234	20,409
Miscellaneous	2,133	291
Office supplies and expenses	14,247	12,364
Professional services	7,255	6,752
Telephone	<u>5,538</u>	<u>3,939</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u><u>\$ 165,631</u></u>	<u><u>\$ 154,667</u></u>

See Independent Accountant's Review Report.



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WOODSTOCK AQUEDUCT COMPANY

FINANCIAL REPORT

DECEMBER 31, 2020



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and
Board of Directors of
Woodstock Aqueduct Company
Woodstock, Vermont

We have reviewed the accompanying financial statements of Woodstock Aqueduct Company (a corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying supplementary information included in the Schedules of Costs of Operations and Schedules of Administrative and General Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

A. M. Peisch & Company LLP

West Lebanon, New Hampshire
April 5, 2021
NH Reg. No. 00157

WOODSTOCK AQUEDUCT COMPANY
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
PROPERTY, PLANT AND EQUIPMENT, net	<u>\$ 943,631</u>	<u>\$ 889,972</u>
CURRENT ASSETS		
Cash and cash equivalents	5,220	1,039
Accounts receivable (net of allowance for doubtful accounts of \$-0-)	71,732	66,575
Estimated unbilled revenues	70,000	74,000
Inventory	19,994	16,533
Prepaid expenses	8,286	-
Income taxes receivable	-	9,700
Total current assets	<u>175,232</u>	<u>167,847</u>
NON-CURRENT ASSETS		
Operating lease right-of-use asset	<u>10,659</u>	<u>18,547</u>
Total non-current assets	<u>10,659</u>	<u>18,547</u>
Total assets	<u><u>\$ 1,129,522</u></u>	<u><u>\$ 1,076,366</u></u>
 STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock - \$50 par value; 2,000 shares authorized, issued and outstanding	\$ 100,000	\$ 100,000
Retained earnings	<u>109,523</u>	<u>101,841</u>
Total stockholders' equity	<u>209,523</u>	<u>201,841</u>
 COMMITMENTS AND CONTINGENCIES		
 LONG-TERM DEBT, less current portion	<u>742,074</u>	<u>703,251</u>
 CURRENT LIABILITIES		
Line of credit	10,000	5,000
Current portion of long-term debt	64,600	45,254
Current portion of operating lease liability	7,543	7,888
Accounts payable	10,121	7,390
Accrued payroll and employee benefits	26,620	26,328
Income taxes payable	300	-
Accrued dividends payable	-	4,000
Total current liabilities	<u>119,184</u>	<u>95,860</u>
 OTHER LIABILITIES AND CREDITS		
Deferred income taxes	53,765	62,786
Operating lease liability	3,116	10,659
Unamortized investment tax credits	1,860	1,969
Total other liabilities and credits	<u>58,741</u>	<u>75,414</u>
Total stockholders' equity and liabilities	<u><u>\$ 1,129,522</u></u>	<u><u>\$ 1,076,366</u></u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES		
Sales of water	\$ 436,852	\$ 459,573
Miscellaneous income	10,030	11,904
Charges for services	900	12,443
	<u>447,782</u>	<u>483,920</u>
COSTS AND EXPENSES		
Costs of operations	272,315	291,186
Administrative and general expenses	155,107	165,631
Depreciation and amortization	40,091	40,560
	<u>467,513</u>	<u>497,377</u>
	<u>(19,731)</u>	<u>(13,457)</u>
OPERATING LOSS		
OTHER INCOME (EXPENSE)		
Grant income - COVID relief	40,600	-
Gain on disposal of assets	900	-
Interest income	1	-
Provision for doubtful accounts	-	15,000
Interest expense	(22,918)	(26,947)
	<u>18,583</u>	<u>(11,947)</u>
	(1,148)	(25,404)
LOSS BEFORE INCOME TAXES		
	(8,830)	149
INCOME TAXES (BENEFIT) EXPENSE		
	<u>\$ 7,682</u>	<u>\$ (25,553)</u>
NET INCOME (LOSS)		

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

FOR THE YEAR ENDED DECEMBER 31, 2019

Beginning balance	\$ 129,394
Net loss	(25,553)
Dividends declared	<u>(2,000)</u>
Ending balance	<u><u>\$ 101,841</u></u>

FOR THE YEAR ENDED DECEMBER 31, 2020

Beginning balance	\$ 101,841
Net income	7,682
Dividends declared	<u>-</u>
Ending balance	<u><u>\$ 109,523</u></u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 446,625	\$ 457,467
Cash received from government grants	40,600	-
Interest income received	1	-
Cash paid for personnel costs	(250,262)	(261,515)
Cash paid to suppliers for goods and services	(179,532)	(167,096)
Interest paid	(22,918)	(26,947)
Income taxes received (paid)	9,700	(15,092)
	<u>44,214</u>	<u>(13,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(10,369)</u>	<u>-</u>
	<u>(10,369)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(30,664)	(43,992)
Proceeds from line of credit	10,000	5,000
Payments on line of credit	(5,000)	-
Dividends paid	<u>(4,000)</u>	<u>-</u>
	<u>(29,664)</u>	<u>(38,992)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,181	(52,175)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,039</u>	<u>53,214</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 5,220</u></u>	<u><u>\$ 1,039</u></u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net income (loss)	\$ 7,682	\$ (25,553)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	\$ 40,091	\$ 40,560
Provision for doubtful accounts	-	(15,000)
Provision for deferred income taxes	(9,021)	(42)
Research and development costs	-	20,055
Unamortized investment tax credits	(109)	(109)
Gain on disposal of assets	(900)	-
(Increase) decrease in:		
Accounts receivable	(5,157)	(18,453)
Income taxes receivable	9,700	(9,700)
Estimated unbilled revenues	4,000	(8,000)
Inventory	(3,461)	1,106
Prepaid expense	(1,934)	-
Increase (decrease) in:		
Accounts payable	2,731	4,979
Accrued payroll and employee benefits	292	2,066
Income taxes payable	300	(5,092)
Total adjustments	<u>36,532</u>	<u>12,370</u>
Net cash provided (used) by operating activities	<u>\$ 44,214</u>	<u>\$ (13,183)</u>

NONCASH FINANCING AND INVESTING ACTIVITIES:

During 2020, the Company had the following noncash transactions:

-Financed the purchase of an excavator and insurance in the amounts of \$82,481 and \$6,352, respectively.

During 2019, the Company had the following noncash transactions:

-Recognized an operating lease right-of-use asset and lease liability of \$11,773 for a vehicle.

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of Woodstock Aqueduct Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of operations

The Company was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. Rate increases must be approved by the Vermont Public Utility Commission.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivables are stated at the amount management expects to collect. Management provides for estimated uncollectible amounts through a valuation allowance based on historical write-offs. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease in the receivable. A receivable is considered past due if payments have not been received by the Company for 30 days. Finance charges are applied to accounts more than 90 days past due until water to the resident is shut off. Receivables past due 90 days and greater and still accruing interest are \$27,493 and \$20,596 as of December 31, 2020 and 2019, respectively. No allowance for doubtful accounts has been established as management believes that all accounts are fully collectible.

Inventory

Inventory, which consists primarily of parts and supplies for the installation and repair of meters, hydrants, water mains and appurtenances, is valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Company generally capitalizes asset

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

purchases of \$2,500 or more. The Company follows the policy of charging repairs and maintenance to operations as incurred, and qualifying interest expense is capitalized as a component of the cost of property, plant and equipment constructed for the Company's use.

Revenue recognition

The Company recognizes revenue from sales of water and from charges for services as of the date services are rendered. Customers within the designated water service areas are billed based on staggered quarterly billing cycles. Accordingly, estimated unbilled revenues represent services which have been provided but not billed as of each respective year ended. Estimated unbilled revenues is based on prior year first quarter billings.

Pension plan

The Company maintains a Simplified Employee Pension Plan (SEP). Pension expense was \$17,128 and \$18,089 for the years ended December 31, 2020 and 2019, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. It is reasonably possible that a change in estimate may occur in the near term related to the determination of the allowance for doubtful accounts, estimated unbilled revenues and accumulated depreciation based on estimated useful lives of depreciable assets.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment and accounts receivable for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income, and tax credits that are available to offset future federal income taxes.

The Company does not believe it has any uncertain tax positions and, therefore, no adjustments have been made to the financial statements. The Company's corporate income tax returns for the years ended December 31, 2020 through 2018 are subject to examination by taxing authorities.

The Company may, from time to time, be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

the financial results. In the event that the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements as other expenses.

Note 2. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Property and plant:		
Land and earth dams	\$ 7,885	\$ 7,885
Buildings	53,531	53,531
Wells, reservoirs, dams and lines	760,271	760,271
Water storage tank	339,128	339,128
Hydrants	19,673	19,673
West end loop	477,063	477,063
Solar trackers	122,480	122,480
Services	13,876	13,876
	<u>1,793,907</u>	<u>1,793,907</u>
Equipment:		
Pumps and well equipment	25,801	25,801
Filter and chlorinating machinery	23,186	23,186
Trucks	31,348	31,348
Backhoe	95,550	95,550
Operating equipment	137,600	43,850
Office furniture and equipment	1,988	1,988
	<u>315,473</u>	<u>221,723</u>
Intangibles:		
Loan costs	500	500
	<u>500</u>	<u>500</u>
	2,109,880	2,016,130
Accumulated depreciation and amortization	<u>(1,166,249)</u>	<u>(1,126,158)</u>
	<u>\$ 943,631</u>	<u>\$ 889,972</u>

Depreciation and amortization expense totaled \$40,091 and \$40,560 for the years ended December 31, 2020 and 2019, respectively.

Note 3. Long-term Debt

Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Mascoma Savings Bank:		
Mortgage note payable in monthly installments of \$2,227, including interest at 3.875%, due August 2030. Interest variable based on 5yr FHLB Regular Classic Advance Rate plus 3%, adjusted every 5 years. Secured by 1st mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885) as well as all business assets.	\$ 218,194	\$ 229,105
Kubota Credit Crop:		
Equipment loan payable in monthly installments of \$1,481, interest free, due December 2025. Secured by equipment (carrying value of \$81,499).	88,833	-
Mascoma Savings Bank:		
Business loan payable in monthly installments of \$1,263, including interest at 4.00%, due June 2027. Interest is fixed at 4.00%. Secured by all machinery, equipment and personal property associated with the solar array located at 769 Barnard Road, Woodstock, VT (carrying value of \$86,757).	89,484	97,047
Vermont Economic Development Activity:		
Business loan payable in monthly installments of \$2,442, including interest fixed at 3.00%, due December 2038. Secured by 2nd mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885).	410,163	422,353
	<u>806,674</u>	<u>748,505</u>
Less current portion	<u>(64,600)</u>	<u>(45,254)</u>
	<u>\$ 742,074</u>	<u>\$ 703,251</u>

Principal payments of long-term debt for the years ending December 31, are as follows:

2021	\$ 64,600
2022	66,377
2023	68,223
2024	70,140
2025	72,132
Thereafter	<u>465,202</u>
	<u>\$ 806,674</u>

Note 3. Long-term Debt (Continued)

Interest expense related to long term debt for the years ended December 31, 2020 and 2019 was \$22,809 and \$26,885, respectively.

On April 22, 2020, the Company borrowed \$34,600 from Mascoma Bank as a preferred SBA lender under the Paycheck Protection Program (“PPP”). The loan carries a 1% interest rate, is due April 22, 2022, and may be used to pay for payroll and rent expenses. As of December 31, 2020, the Company believes that they have met the conditions for forgiveness by incurring qualifying expenses in excess of the amount borrowed; as such, the entire \$34,600 has been recognized as revenue and is included in grant income on the statements of income. The Company was granted full forgiveness by the SBA during January 2021.

Note 4. Line of Credit

The Company has a \$25,000 line of credit with Mascoma Savings Bank, due on demand. Interest is variable at the Wall Street Journal Prime Rate plus 0.50%, with a rate floor of 3.75%. Interest is payable monthly, currently at a rate of 3.75%. The agreement expires in December 2021. Amounts outstanding under this agreement were \$10,000 and \$5,000 at December 31, 2020 and 2019, respectively. Interest expense, related to the line of credit, for the years ended December 31, 2020 and 2019 was \$109 and \$62, respectively.

Note 5. Income Taxes

Income taxes were as follows for the years ended December 31:

	2020	2019
Currently (receivable) payable:		
Federal	\$ (109)	\$ (109)
State	300	300
Deferred	(9,021)	(42)
	<u>\$ (8,830)</u>	<u>\$ 149</u>

The deferred tax provision consisted of the following for the years ended December 31:

	2020	2019
Depreciation	\$ 5,969	\$ 9,888
Net operating loss carryforward	(14,990)	(13,791)
Allowance for doubtful accounts	-	3,861
	<u>\$ (9,021)</u>	<u>\$ (42)</u>

Note 5. Income Taxes (Continued)

Listed below are significant components of the net deferred tax liability at December 31:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 28,781	\$ 13,791
Total deferred tax assets	<u>28,781</u>	<u>13,791</u>
Valuation allowance	-	-
Total deferred tax assets, net of valuation allowance	<u>28,781</u>	<u>13,791</u>
Deferred tax liabilities:		
Depreciation	82,546	76,577
Total deferred tax liabilities	<u>82,546</u>	<u>76,577</u>
Net deferred tax liability	<u>\$ 53,765</u>	<u>\$ 62,786</u>

Investment tax credits are treated as deferred credits, and are amortized into income as a reduction of the provision for federal income taxes over the estimated useful lives of the assets which gave rise to the credits.

The Company generated tax net operating losses of \$58,240 and \$53,576 for the years ended December 31, 2020 and 2019, respectively. The tax net operating losses are available to be carried forward to offset future taxable income.

Note 6. Leases

The Company is leasing two trucks for \$425 and \$492 per month under operating leases that expire in August 2021 and July 2022, respectively.

For short-term leases, the Company has elected not to recognize lease assets and lease liabilities and to recognize lease expense on a straight-line basis over the lease term.

Future lease payments for the years ended December 31, are as follows:

2021	\$ 9,304
2022	3,444
Total future lease payments	<u>12,748</u>
Amounts representing interest	<u>(2,089)</u>
Total operating lease liability	10,659
Current portion	<u>(7,543)</u>
Long-term operating lease liability	<u>\$ 3,116</u>

Note 6. Leases (Continued)

Lease expense was \$11,004 and \$10,347 for the years ended December 31, 2020 and 2019, respectively.

Note 7. Related Party Transactions

The Company has a month-to-month rental agreement with Swift Properties, Inc., which is related to the Company through common ownership. Rent expense was \$10,200 and 9,300 for the years ended December 31, 2020 and 2019, respectively.

Note 8. Subsequent Events

The Company has evaluated subsequent events through April 5, 2021, the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.

SUPPLEMENTARY INFORMATION

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF COSTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Salaries and wages	\$ 128,919	\$ 116,502
Payroll taxes	9,424	8,923
Pension plan	12,828	11,789
Employee benefits	16,667	20,143
Backhoe expenses	1,756	522
Equipment rental	11,001	11,053
Heat	3,058	1,837
Electricity	4,864	2,836
Operating supplies	12,423	14,616
Property and other taxes	31,361	29,937
Rent	10,200	9,300
Repairs and maintenance	24,594	31,719
Research and development	-	21,205
Truck and travel expenses	<u>5,220</u>	<u>10,804</u>
TOTAL COSTS OF OPERATIONS	<u><u>\$ 272,315</u></u>	<u><u>\$ 291,186</u></u>

See Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Officer salaries	\$ 43,000	\$ 63,000
Payroll taxes	3,290	4,820
Pension plan	4,300	6,300
Employee benefits	32,126	32,104
Insurance	34,162	30,234
Miscellaneous	1,863	2,133
Office supplies and expenses	20,257	14,247
Professional services	6,950	7,255
Telephone	9,159	5,538
	<u>155,107</u>	<u>165,631</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	\$ <u>155,107</u>	\$ <u>165,631</u>

See Independent Accountant's Review Report.



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WOODSTOCK AQUEDUCT COMPANY

FINANCIAL REPORT

DECEMBER 31, 2021



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Stockholders and
Board of Directors of
Woodstock Aqueduct Company
Woodstock, Vermont

We have reviewed the accompanying financial statements of Woodstock Aqueduct Company (a corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Woodstock Aqueduct Company and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the Schedules of Costs of Operations and Schedules of Administrative and General Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

A. M. Peisach & Company LLP

West Lebanon, New Hampshire

March 26, 2022

NH Reg. No. 00157

WOODSTOCK AQUEDUCT COMPANY
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
PROPERTY, PLANT AND EQUIPMENT, net	\$ 896,439	\$ 943,631
CURRENT ASSETS		
Cash and cash equivalents	20,430	5,220
Accounts receivable (net of allowance for doubtful accounts of \$-0-)	66,831	71,732
Estimated unbilled revenues	70,000	70,000
Inventory	22,508	19,994
Prepaid expenses	6,620	8,286
Total current assets	<u>186,389</u>	<u>175,232</u>
NON-CURRENT ASSETS		
Operating lease right-of-use asset	3,117	10,659
Total non-current assets	<u>3,117</u>	<u>10,659</u>
Total assets	<u>\$ 1,085,945</u>	<u>\$ 1,129,522</u>
 STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock - \$50 par value; 2,000 shares authorized, issued and outstanding	\$ 100,000	\$ 100,000
Retained earnings	118,337	109,523
Total stockholders' equity	<u>218,337</u>	<u>209,523</u>
 COMMITMENTS AND CONTINGENCIES		
LONG-TERM DEBT, less current portion	<u>674,930</u>	<u>742,074</u>
 CURRENT LIABILITIES		
Line of credit	25,000	10,000
Current portion of long-term debt	66,377	64,600
Current portion of operating lease liability	3,117	7,543
Accounts payable	10,537	10,121
Accrued payroll and employee benefits	27,543	26,620
Income taxes payable	300	300
Total current liabilities	<u>132,874</u>	<u>119,184</u>
 OTHER LIABILITIES AND CREDITS		
Deferred income taxes	58,053	53,765
Operating lease liability	-	3,116
Unamortized investment tax credits	1,751	1,860
Total other liabilities and credits	<u>59,804</u>	<u>58,741</u>
Total stockholders' equity and liabilities	<u>\$ 1,085,945</u>	<u>\$ 1,129,522</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES		
Sales of water	\$ 461,168	\$ 436,852
Miscellaneous income	35,444	10,030
Charges for services	18,104	900
	<u>514,716</u>	<u>447,782</u>
COSTS AND EXPENSES		
Costs of operations	312,014	272,315
Administrative and general expenses	113,607	155,107
Depreciation and amortization	51,577	40,091
	<u>477,198</u>	<u>467,513</u>
	<u>37,518</u>	<u>(19,731)</u>
OPERATING INCOME (LOSS)		
OTHER INCOME (EXPENSE)		
Grant income - COVID relief	-	40,600
Gain on disposal of assets	1,000	900
Interest income	-	1
Interest expense	(25,225)	(22,918)
	<u>(24,225)</u>	<u>18,583</u>
	13,293	(1,148)
INCOME (LOSS) BEFORE INCOME TAXES		
	4,479	(8,830)
INCOME TAXES EXPENSE (BENEFIT)		
	<u>\$ 8,814</u>	<u>\$ 7,682</u>
NET INCOME		

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FOR THE YEAR ENDED DECEMBER 31, 2020

Beginning balance	\$ 101,841
Net income	7,682
Dividends declared	<u>-</u>
Ending balance	<u><u>\$ 109,523</u></u>

FOR THE YEAR ENDED DECEMBER 31, 2021

Beginning balance	\$ 109,523
Net income	8,814
Dividends declared	<u>-</u>
Ending balance	<u><u>\$ 118,337</u></u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 502,489	\$ 446,625
Cash received from government grants	-	40,600
Interest income received	-	1
Cash paid for personnel costs	(198,196)	(250,262)
Cash paid to suppliers for goods and services	(209,806)	(179,532)
Interest paid	(25,225)	(22,918)
Income taxes (paid) received	(300)	9,700
	<u>68,962</u>	<u>44,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	1,000	-
Purchase of property, plant and equipment	(4,385)	(10,369)
	<u>(3,385)</u>	<u>(10,369)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(65,367)	(30,664)
Proceeds from line of credit	15,000	10,000
Payments on line of credit	-	(5,000)
Dividends paid	-	(4,000)
	<u>(50,367)</u>	<u>(29,664)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	15,210	4,181
BEGINNING CASH AND CASH EQUIVALENTS	5,220	1,039
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 20,430</u>	<u>\$ 5,220</u>

See accompanying notes and Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 8,814	\$ 7,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	\$ 51,577	\$ 40,091
Provision for deferred income taxes	4,288	(9,021)
Unamortized investment tax credits	(109)	(109)
Gain on disposal of assets	(1,000)	(900)
(Increase) decrease in:		
Accounts receivable	4,901	(5,157)
Income taxes receivable	-	9,700
Estimated unbilled revenues	-	4,000
Inventory	(2,514)	(3,461)
Prepaid expense	1,666	(1,934)
Increase (decrease) in:		
Accounts payable	416	2,731
Accrued payroll and employee benefits	923	292
Income taxes payable	-	300
	60,148	36,532
Net cash provided by operating activities	\$ 68,962	\$ 44,214

NONCASH FINANCING AND INVESTING ACTIVITIES:

During 2021, the Company had no noncash transactions.

During 2020, the Company had the following noncash transactions:

-Financed the purchase of an excavator and insurance in the amounts of \$82,481 and \$6,352, respectively.

See accompanying notes and Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of Woodstock Aqueduct Company (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of operations

The Company was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. Rate increases must be approved by the Vermont Public Utility Commission.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less.

Accounts receivable

Accounts receivables are stated at the amount management expects to collect. Management provides for estimated uncollectible amounts through a valuation allowance based on historical write-offs. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease in the receivable. A receivable is considered past due if payments have not been received by the Company for 30 days. Finance charges are applied to accounts more than 90 days past due until water to the resident is shut off. Receivables past due 90 days and greater and still accruing interest are \$22,986 and \$27,493 as of December 31, 2021 and 2020, respectively. No allowance for doubtful accounts has been established as management believes that all accounts are fully collectible.

Inventory

Inventory, which consists primarily of parts and supplies for the installation and repair of meters, hydrants, water mains and appurtenances, is valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Company generally capitalizes asset

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

purchases of \$2,500 or more. The Company follows the policy of charging repairs and maintenance to operations as incurred, and qualifying interest expense is capitalized as a component of the cost of property, plant and equipment constructed for the Company's use.

Revenue recognition

The Company recognizes revenue from sales of water and from charges for services as of the date services are rendered. Customers within the designated water service areas are billed based on staggered quarterly billing cycles. Estimated unbilled revenues represent services which have been provided but not billed as of each respective year ended. Estimated unbilled revenues are based on actual billings from the first quarter following the reporting period end.

Pension plan

The Company maintains a Simplified Employee Pension Plan (SEP). Pension expense was \$16,698 and \$17,128 for the years ended December 31, 2021 and 2020, respectively.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. It is reasonably possible that a change in estimate may occur in the near term related to the determination of the allowance for doubtful accounts, estimated unbilled revenues and accumulated depreciation based on estimated useful lives of depreciable assets.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of property and equipment and accounts receivable for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income, and tax credits that are available to offset future federal income taxes.

The Company does not believe it has any uncertain tax positions and, therefore, no adjustments have been made to the financial statements. The Company's corporate income tax returns for the years ended December 31, 2021 through 2019 are subject to examination by taxing authorities.

The Company may, from time to time, be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to

Note 1. Summary of Operations and Significant Accounting Policies (Continued)

the financial results. In the event that the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements as other expenses.

Note 2. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Property and plant:		
Land and earth dams	\$ 7,885	\$ 7,885
Buildings	53,531	53,531
Wells, reservoirs, dams and lines	760,273	760,271
Water storage tank	343,511	339,128
Hydrants	19,673	19,673
West end loop	477,063	477,063
Solar trackers	122,480	122,480
Services	13,876	13,876
	<u>1,798,292</u>	<u>1,793,907</u>
Equipment:		
Pumps and well equipment	25,801	25,801
Filter and chlorinating machinery	23,186	23,186
Trucks	31,348	31,348
Backhoe	8,500	95,550
Operating equipment	137,600	137,600
Office furniture and equipment	1,988	1,988
	<u>228,423</u>	<u>315,473</u>
Intangibles:		
Loan costs	500	500
	<u>2,027,215</u>	<u>2,109,880</u>
Accumulated depreciation and amortization	<u>(1,130,776)</u>	<u>(1,166,249)</u>
	<u>\$ 896,439</u>	<u>\$ 943,631</u>

Depreciation and amortization expense totaled \$51,577 and \$40,091 for the years ended December 31, 2021 and 2020, respectively.

Note 3. Long-term Debt

Long-term debt consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Mascoma Savings Bank:		
Mortgage note payable in monthly installments of \$2,227, including interest at 3.875%, due August 2030. Interest variable based on 5yr FHLB Regular Classic Advance Rate plus 3%, adjusted every 5 years. Secured by 1st mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885) as well as all business assets.	\$ 199,608	\$ 218,194
Kubota Credit Crop:		
Equipment loan payable in monthly installments of \$1,481, interest free, due December 2025. Secured by equipment (carrying value of \$69,716).	71,066	88,833
Mascoma Savings Bank:		
Business loan payable in monthly installments of \$1,263, including interest fixed at 4.00%, due June 2027. Secured by all machinery, equipment and personal property associated with the solar array located at 769 Barnard Road, Woodstock, VT (carrying value of \$76,550).	77,699	89,484
Vermont Economic Development Activity:		
Business loan payable in monthly installments of \$2,442, including interest fixed at 3.00%, due December 2038. Secured by 2nd mortgage on 358 acres of land on Cox District Road, Woodstock, VT (carrying value of \$7,885).	392,934	410,163
	<u>741,307</u>	<u>806,674</u>
Less current portion	<u>(66,377)</u>	<u>(64,600)</u>
	<u>\$ 674,930</u>	<u>\$ 742,074</u>

Note 3. Long-term Debt (Continued)

Principal payments of long-term debt for the years ending December 31, are as follows:

2022	\$	66,377
2023		68,224
2024		70,140
2025		72,130
2026		56,435
Thereafter		408,001
	\$	<u>741,307</u>

Interest expense related to long term debt for the years ended December 31, 2021 and 2020 was \$24,491 and \$22,809, respectively.

Note 4. Line of Credit

The Company has a \$25,000 line of credit with Mascoma Savings Bank, due on demand. Interest is variable at the Wall Street Journal Prime Rate plus 0.50%, with a rate floor of 3.75%. Interest is payable monthly, currently at a rate of 3.75%. The agreement expires in December 2022. Amounts outstanding under this agreement were \$25,000 and \$10,000 at December 31, 2021 and 2020, respectively. Interest expense, related to the line of credit, for the years ended December 31, 2021 and 2020 was \$734 and \$109, respectively.

Note 5. Income Taxes

Income taxes were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Currently (receivable) payable:		
Federal	\$ (109)	\$ (109)
State	300	300
Deferred	4,288	(9,021)
	<u>\$ 4,479</u>	<u>\$ (8,830)</u>

The deferred tax provision consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Depreciation	\$ 8,236	\$ 5,969
Net operating loss carryforward	(3,948)	(14,990)
	<u>\$ 4,288</u>	<u>\$ (9,021)</u>

Note 5. Income Taxes (Continued)

Listed below are significant components of the net deferred tax liability at December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Net operating loss carryforward	\$ 32,729	\$ 28,781
Total deferred tax assets	<u>32,729</u>	<u>28,781</u>
Valuation allowance	<u>-</u>	<u>-</u>
Total deferred tax assets, net of valuation allowance	<u>32,729</u>	<u>28,781</u>
Deferred tax liabilities:		
Depreciation	<u>90,782</u>	<u>82,546</u>
Total deferred tax liabilities	<u>90,782</u>	<u>82,546</u>
Net deferred tax liability	<u>\$ 58,053</u>	<u>\$ 53,765</u>

Investment tax credits are treated as deferred credits, and are amortized into income as a reduction of the provision for federal income taxes over the estimated useful lives of the assets which gave rise to the credits.

The Company generated tax net operating losses of \$32,461 and \$41,112 for the years ended December 31, 2021 and 2020, respectively. Tax net operating losses of \$127,149 are available to be carried forward to offset future taxable income.

Note 6. Leases

The Company is leasing one truck for \$492 per month under an operating lease that expires in July 2022.

For short-term leases, the Company has elected not to recognize lease assets and lease liabilities and to recognize lease expense on a straight-line basis over the lease term.

Future lease payments for the years ended December 31, are as follows:

Total future lease payments	\$ 3,444
Amounts representing interest	<u>(327)</u>
Total operating lease liability - current	<u>\$ 3,117</u>

Lease expense was \$9,273 and \$11,004 for the years ended December 31, 2021 and 2020, respectively.

Note 7. Related Party Transactions

The Company has a month-to-month rental agreement with Swift Properties, Inc., which is related to the Company through common ownership. Rent expense was \$11,400 and \$10,200 for the years ended December 31, 2021 and 2020, respectively.

Note 8. Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.

The Company has evaluated subsequent events through March 26, 2022, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF COSTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Salaries and wages	\$ 127,827	\$ 128,919
Payroll taxes	9,782	9,424
Pension plan	12,398	12,828
Employee benefits	11,914	16,667
Backhoe expenses	179	1,756
Equipment rental	9,273	11,001
Equipment insurance	1,270	-
Heat	1,769	3,058
Electricity	7,904	4,864
Operating supplies	22,753	12,423
Property and other taxes	33,355	31,361
Rent	11,400	10,200
Repairs and maintenance	54,071	24,594
Truck and travel expenses	<u>8,119</u>	<u>5,220</u>
TOTAL COSTS OF OPERATIONS	<u><u>\$ 312,014</u></u>	<u><u>\$ 272,315</u></u>

See Independent Accountant's Review Report.

WOODSTOCK AQUEDUCT COMPANY
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Officer salaries	\$ 43,000	\$ 43,000
Payroll taxes	3,494	3,290
Pension plan	4,300	4,300
Employee benefits	3,532	32,126
Insurance	18,845	34,162
Miscellaneous	6,682	113
Land management	5,862	1,750
Office supplies and expenses	7,706	20,257
Professional services	10,646	6,950
Telephone	9,540	9,159
	<u>9,540</u>	<u>9,159</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u>\$ 113,607</u>	<u>\$ 155,107</u>

See Independent Accountant's Review Report.