

TOWN OF GRAND ISLE, VERMONT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF GRAND ISLE, VERMONT
FOR THE YEAR ENDED JUNE 30, 2018

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FOR THE YEAR ENDED JUNE 30, 2018

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Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Grand Isle
Grand Isle, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Grand Isle, Vermont ("Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, for the year ended June 30, 2018. The respective changes in financial position and, where applicable, cash flows thereof for and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38, respectively, the Schedule of Proportionate Share of the Net Position Liability on Schedule 1 and the Schedule of Contributions on Schedule 2 (pages 35-36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America (GAAP), which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the individual non-major fund financial statements and budgetary comparison schedule for the General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Governmental Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated July 28, 2022 on our consideration of the Town of Grand Isle, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing and not to provide an opinion on internal over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Grand Isle, Vermont's internal control over financial reporting and compliance.

Batchelder Associates, PC

Batchelder Associates, PC
License #945
Barre, Vermont
August 4, 2022

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

As management of the Town of Grand Isle, Vermont ("Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,605,723 (*net position*). Of this amount, \$525,297 (*unrestricted net position*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.

The Town's total net position for governmental activities increased by \$155,978.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,719,890, a decrease of \$646,542 from the prior year end. Of the total ending fund balances, \$1,515,376 is available for spending at the government's discretion. Of this amount, \$561,094 is assigned, \$479,771 is committed and \$474,511 is unassigned.

The Highway Fund reported a surplus this year of \$9,942 which resulted in a fund balance of \$277,981 as of June 30, 2018.

The Cemetery Fund reported a surplus this year of \$18,382 which resulted in a fund balance of \$195,983 as of June 30, 2018.

The Fire Station Construction Fund reported a deficit this year of \$936,590 which resulted in a fund balance of \$23,870 as of June 30, 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health and social services, conservation and development.

The government-wide financial statements are designed to include not only the Town itself (*known as the primary government*), but also any legally separate entities for which the Town is financially accountable (*known as component units*). The Town has no such entities that qualify as component units.

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

1. Government-Wide Financial Statements (continued)

The government-wide financial statements can be found in Exhibits A and B of this report.

2. Fund Financial Statements

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

A. Governmental Funds

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

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

The Town maintains three (3) individual governmental funds, including the General Fund, five (5) Special Revenue Funds, two (2) Capital Projects Funds and one Permanent Fund (Cemetery). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund all other Major Funds, Special Revenue Funds, and Capital Projects Funds (which are considered to be non-major funds). Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

B. Proprietary Funds

The Town has no Proprietary Funds.

C. Fiduciary Funds

The Town has no Fiduciary Funds.

3. Notes to the Financial Statements

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

4. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The Town as a Whole – Net Position

Governmental Activities - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$2,605,723 at the close of the fiscal year end.

By far the largest portion of the Town's net position, reflective of 32% of the balance, is the investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position of \$1,770,676 may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net position are amounts that management has assigned for particular purposes, such as special revenue funds capital project funds and reserves for expenditures in subsequent years.

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position for the government as a whole.

	Governmental Activities		Total	
	2018	2017	2018	2017
ASSETS				
Current and other assets	\$ 1,856,366	\$ 2,873,341	\$ 1,856,366	\$ 2,873,341
Capital assets, depreciable	2,941,261	1,834,069	2,941,261	1,834,069
Total assets	4,797,627	4,707,410	4,797,627	4,707,410
DEFERRED OUTFLOW OF RESOURCES	44,277	51,277	44,277	51,277
LIABILITIES				
Other liabilities	245,740	2,106,573	245,740	2,106,573
Long-term liabilities outstanding	1,981,514	199,989	1,981,514	199,989
Total liabilities	2,227,254	2,306,562	2,227,254	2,306,562
DEFERRED INFLOWS OF RESOURCES	8,927	3,162	8,927	3,162
NET POSITION				
Invested in capital assets, net of related debt	835,047	(43,895)	835,047	(43,895)
Restricted	204,514	567,494	204,514	567,494
Committed	479,771	1,332,618	479,771	1,332,618
Assigned	561,094	177,601	561,094	177,601
Unrestricted	525,297	415,927	525,297	415,927
Total net position	\$ 2,605,723	\$ 2,449,745	\$ 2,605,723	\$ 2,449,745

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The Town as a Whole – Changes in Net Position

Governmental activities increased the Town's net position by \$155,978 during the current fiscal year.

REVENUES	Governmental Activities		Total	
	2018	2017	2018	2017
Program revenues				
Charges for services	\$ 173,167	\$ 307,157	\$ 173,167	\$ 307,157
Operating grants and contributions	234,010	536,974	234,010	536,974
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	1,148,772	6,143,740	1,148,772	6,143,740
Unrestricted investment earnings	16,855	-	16,855	-
Other revenues	88,661	62,501	88,661	62,501
Total Revenues	<u>1,661,465</u>	<u>7,050,372</u>	<u>1,661,465</u>	<u>7,050,372</u>
EXPENSES				
Governmental activities				
General government	634,822	805,957	634,822	805,957
Public safety	99,568	67,477	99,568	67,477
Public works	626,836	902,743	626,836	902,743
Sanitation	78,636	36,364	78,636	36,364
Culture and recreation	62,632	5,143,257	62,632	5,143,257
Interest on long-term debt	2,993	1,360	2,993	1,360
Total Expenses	<u>1,505,487</u>	<u>6,957,158</u>	<u>1,505,487</u>	<u>6,957,158</u>
Change in net assets	155,978	93,214	155,978	93,214
Net position-beginning of year	<u>2,449,745</u>	<u>2,356,531</u>	<u>2,449,745</u>	<u>2,356,531</u>
Net position - end of year	<u>\$ 2,605,723</u>	<u>\$ 2,449,745</u>	<u>\$ 2,605,723</u>	<u>\$ 2,449,745</u>

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Below is a table showing cost of each of the Town's six (6) largest programs – general government, public safety, public works, health & social services, conservation and development, and cultural and recreation – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions:

	2018	
	Total Cost of Services	Net Cost of Services
General government	\$ 634,822	\$ 405,603
Public safety	99,568	99,568
Public works	626,836	455,518
Sanitation	78,636	78,636
Culture and recreation	62,632	55,992
Interest	2,993	2,993
	\$ 1,505,487	\$ 1,098,310

Financial Analysis of the Government's Funds

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

1. Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,605,723 an increase of \$155,978 in comparison to the prior year.

a. General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year the General Fund unrestricted balance was a surplus of \$474,511. As a measure of the General Fund's liquidity, it would be useful to compare total fund balance to total general fund expenditures and operating transfers. The general fund balance represents 54.76% of the total general fund expenditures and operating transfers for the year ended June 30, 2018.

The General Fund balance increased by \$184,330 during the fiscal year.

b. Non-Major Funds

Non-Major funds include the following funds:

- Capital Equipment Fund
- Reappraisal Fund
- Salt Shed Reserve
- Recreation Fund
- Library Fund
- Record Preservation Fund
- Transfer Station Fund

Total Non-Major Fund balances are \$747,545.

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Financial Analysis of the Government's Funds (continued)

The table below compares actual to budget for the General Fund. The most significant variances of actual to budget is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 1,134,194	\$ 1,218,749	\$ 84,555
All Other Revenues	293,179	512,693	219,514
Total Revenues	<u>\$ 1,427,373</u>	<u>\$ 1,731,442</u>	<u>\$ 304,069</u>
EXPENDITURES			
General Government	\$ 551,190	\$ 626,804	\$ (75,614)
All Other Activities	699,176	3,576,180	(2,877,004)
Total Expenditures	<u>\$ 1,250,366</u>	<u>\$ 4,202,984</u>	<u>\$ (2,952,618)</u>

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets for its governmental for the year ended, amounted to \$2,737,733 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, furniture, vehicles and equipment.

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	232,195	232,195	232,195	232,195
Capital assets				
Buildings and improvements	25,732	28,075	25,732	28,075
Vehicles and equipment	345,340	254,926	345,340	254,926
Infrastructure	372,732	499,585	372,732	499,585
Construction in progress	1,761,734	819,021	1,761,734	819,021
Total Net Assets	<u>2,737,733</u>	<u>1,833,802</u>	<u>2,737,733</u>	<u>1,833,802</u>

Additional information on the Town's capital assets can be found in Note 6 of the notes to financial statements.

2. Long-Term Debt

At the end of the current year, the Town had total long-term debt outstanding of \$1,902,687. This debt was a result of the Fire Station Construction Bond, and a note taken for the purchase of a Kubota tractor for the Highway department.

The Town's total debt increased by \$25,459 during the year.

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town is significantly in excess of the Town's outstanding bonded debt.

TOWN OF GRAND ISLE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Capital Asset and Debt Administration (continued)

Economic Factors and Next Year's Budgets and Rates

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to 18 months.

All of these factors were considered in preparing the Town's budget for the year ended June 30, 2018 and fiscal year ended June 30, 2019.

The Town approved a general fund budget for the year ended June 30, 2018 in the amount of \$6,489,933 and for the fiscal year 2019 in the amount of \$6,784,626. This represents an annualized increase of \$294,693 (4.34%) from the approved budget for the prior fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Treasurer, P.O. Box 49, Grand Isle, VT 05764 (802) 287-9751, or by email.

TOWN OF GRAND ISLE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A

	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 1,161,573	\$ 1,161,573
Investments	694,793	
Receivables (net of allowance for uncollectible accounts)		-
Taxes receivable	154,767	154,767
Other receivables	48,761	48,761
Capital assets (net of accumulated depreciation)	2,737,733	2,737,733
Total assets	4,797,627	4,102,834
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to the Town's participation in VMERS	44,277	44,277
Total deferred outflows of resources	44,277	44,277
LIABILITIES		
Accounts payable	195,156	195,156
Accrued expenses	-	-
Accrued payroll and withholdings	-	-
Due within one year	50,584	50,584
Non-current obligations		
Pension liability	78,828	78,828
Due in more than one year	1,902,686	1,902,686
Total Liabilities	2,227,254	2,227,254
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to the Town's participation in VMERS	8,927	8,927
Total Deferred Inflows of Resources	8,927	8,927
NET POSITION		
Net investment in capital assets	835,047	835,047
Restricted	204,514	204,514
Committed	479,771	479,771
Assigned	561,094	561,094
Unrestricted	525,297	525,297
Total Net Position	\$ 2,605,723	\$ 2,605,723

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

TOWN OF GRAND ISLE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities						
General government	\$ 634,822	\$ 89,814	\$ 139,405	\$ -	\$ (405,603)	\$ (405,603)
Public safety	99,568	-	-	-	(99,568)	(99,568)
Public works	626,836	77,103	94,215	-	(455,518)	(455,518)
Sanitation	78,636	-	-	-	(78,636)	(78,636)
Culture and recreations	62,632	6,250	390	-	(55,992)	(55,992)
Interest on long-term debt	2,993	-	-	-	(2,993)	(2,993)
Total Governmental Activities	1,505,487	173,167	234,010	-	(1,098,310)	(1,098,310)
General revenues:						
Property taxes					1,148,772	1,148,772
Unrestricted investment earnings					16,855	16,855
Fees and licenses					5,804	5,804
Other revenues					82,857	82,857
Total General Revenues and Transfers					1,254,288	1,254,288
Change in net assets					155,978	155,978
Net position, July 1, 2017, restated					2,449,745	2,449,745
Net position, June 30, 2018					<u>\$ 2,605,723</u>	<u>\$ 2,605,723</u>

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

TOWN OF GRAND ISLE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

EXHIBIT C

	General Funds	Highway Fund	Fire Station Construction Fund	Non-Major Funds	Permanent Fund	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 998,209	\$ -	\$ 24,010	\$ 90,851	\$ 48,503	\$ 1,161,573
Investments	-	-	-	661,870	32,923	694,793
Receivables (net of allowance)						
Property taxes, interest and penalty receivable	154,767	-	-	-	-	154,767
Other receivables	39,801	8,960	-	-	-	48,761
Due from other funds	-	269,021	-	8,531	114,557	392,109
Total assets	<u>\$ 1,192,777</u>	<u>\$ 277,981</u>	<u>\$ 24,010</u>	<u>\$ 761,252</u>	<u>\$ 195,983</u>	<u>\$ 2,452,003</u>
LIABILITIES						
Accounts payable	\$ 194,981	\$ -	\$ 14	\$ 161	\$ -	\$ 195,156
Accrued expenses	-	-	-	-	-	-
Due to other funds	378,437	-	126	13,546	-	392,109
Total liabilities	<u>573,418</u>	<u>-</u>	<u>140</u>	<u>13,707</u>	<u>-</u>	<u>587,265</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax credits	50,584	-	-	-	-	50,584
Unavailable property taxes	94,264	-	-	-	-	94,264
Total deferred inflows of resources	<u>144,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,848</u>
FUND BALANCES						
Restricted	-	-	-	8,531	195,983	204,514
Committed	-	277,981	23,870	177,920	-	479,771
Assigned	-	-	-	561,094	-	561,094
Unassigned	474,511	-	-	-	-	474,511
Total fund balances	<u>474,511</u>	<u>277,981</u>	<u>23,870</u>	<u>747,545</u>	<u>195,983</u>	<u>1,719,890</u>
Total liabilities and fund balances	<u>\$ 1,192,777</u>	<u>\$ 277,981</u>	<u>\$ 24,010</u>	<u>\$ 761,252</u>	<u>\$ 195,983</u>	

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

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	2,737,733
Other assets are not available to pay for current period expenditures, and, therefore, are not reported in the funds	94,264
Long-term and accrued liabilities, including notes payable, net pension liability and accrued vacation are not due or payable in the current period and, therefore, are not reported in the funds	(1,902,686)
Deferred outflows and inflows of resources relating to the Town's participation in VMERS are applicable to future periods and, therefore, are not reported in the funds	<u>(43,478)</u>
Net position of Governmental Activities	<u>\$ 2,605,723</u>

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

TOWN OF GRAND ISLE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT D

	General Funds	Highway Fund	Fire Station Construction Fund	Non-Major Funds	Permanent Fund	Total Funds
REVENUES						
Taxes	\$ 721,403	\$ 402,880	\$ -	\$ 60,866	\$ 33,600	\$ 1,218,749
Intergovernmental revenues	134,499	99,121	-	390	-	234,010
Charges for current services	166,917	-	-	6,250	-	173,167
Licenses and permits	5,804	-	-	-	-	5,804
Interest	2,757	-	6,123	1,924	6,051	16,855
Other revenues	19,429	-	-	52,896	10,532	82,857
Total Revenues	<u>1,050,809</u>	<u>502,001</u>	<u>6,123</u>	<u>122,326</u>	<u>50,183</u>	<u>1,731,442</u>
EXPENDITURES						
General government	595,003	-	-	-	31,801	626,804
Public safety	99,568	-	-	-	-	99,568
Public works	41,772	391,525	-	-	-	433,297
Sanitation	78,636	-	-	-	-	78,636
Culture and recreation	1,500	-	-	61,132	-	62,632
Cemetery	-	-	-	-	-	-
Town meeting - voted authorizations	-	-	-	-	-	-
Debt service expenditures	-	-	-	-	-	-
Principal and lease payments	-	49,541	1,750,000	-	-	1,799,541
Interest	-	2,993	-	-	-	2,993
Capital expenditures	-	-	-	-	-	-
Public works	-	156,800	-	-	-	156,800
Public Safety	-	-	942,713	-	-	942,713
Total Expenditures	<u>816,479</u>	<u>600,859</u>	<u>2,692,713</u>	<u>61,132</u>	<u>31,801</u>	<u>4,202,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>234,330</u>	<u>(98,858)</u>	<u>(2,686,590)</u>	<u>61,194</u>	<u>18,382</u>	<u>(2,471,542)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	75,000	1,750,000	-	-	1,825,000
Transfers in	-	33,800	-	50,000	-	83,800
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(33,800)</u>	<u>-</u>	<u>(83,800)</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>108,800</u>	<u>1,750,000</u>	<u>16,200</u>	<u>-</u>	<u>1,825,000</u>
Net change in fund balances	<u>184,330</u>	<u>9,942</u>	<u>(936,590)</u>	<u>77,394</u>	<u>18,382</u>	<u>(646,542)</u>
Fund balances, July 1, 2017	<u>290,181</u>	<u>268,039</u>	<u>960,460</u>	<u>670,151</u>	<u>177,601</u>	<u>2,366,432</u>
Fund balances, June 30, 2018	<u>\$ 474,511</u>	<u>\$ 277,981</u>	<u>\$ 23,870</u>	<u>\$ 747,545</u>	<u>\$ 195,983</u>	<u>\$ 1,719,890</u>

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

TOWN OF GRAND ISLE, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018

EXHIBIT E

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balance - total government funds (Exhibit D).	<u>\$ (646,542)</u>
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	903,931
Accrued compensation and expenses is not reflected in the government funds.	-
Government funds report note proceeds and repayment as revenue and expenditures, respectively. The statement of activities does not reflect these as current inflows and outflows, but shows on the statement of net position.	(25,459)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(69,977)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.	<u>(5,975)</u>
Change in net assets of governmental activities (Exhibit B).	<u><u>\$ 155,978</u></u>

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

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Grand Isle, Vermont ("Town") is organized as a Town under the applicable laws and regulations of the State of Vermont. It is governed by a Select Board elected by registered voters of the Town to provide public health and safety, highways and street, public improvements, water, sanitation, planning and zoning, recreation, and general administration. Except where noted, the accounting policies conform to generally accepted accounting principles (GAAP), as applicable to governmental units.

The accounting policies adopted by the Town conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

The Financial Reporting Entity

The Select Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Town is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. There are no component units included within the reporting entity. A component unit is another operation in the Town that has a separately elected Board such as a town school district, cemetery, or library.

This report includes all of the funds of the Town. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organizations governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. There are no agencies or entities that should be combined with the financial statements of the Town.

Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Basic Financial Statements - Government-Wide Statements

The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds; however, interfund services provided and used are not eliminated. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports on the following major governmental funds:

General Fund - This is the general operating fund of the Town. It accounts for all financial resources of the general government, except those not accounted for in another fund.

Highway Fund - This is the highways operating fund of the Town. It accounts for all financial resources for the town highways and roads.

Fire Station Construction Fund - This is the construction fund for the town's new fire station. It accounts for all financial resources for the town's construction costs for the new fire station..

Non - Major Funds - These funds include the special revenue funds and capital revenue funds used to track all revenue and expenditures related to project expenditures and associated grants. Expenditures consist of various projects for recreation, record preservation, grants and reappraisal.

Permanent Fund - This is the fund for the town's cemetery. It accounts for all financial resources for care and upkeep of the Town's cemetery.

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources. Operating statements of these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Modified Accrual Basis of Accounting

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Cash and cash equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six (6) months or less from the date of acquisition.

Budget Accounting

The Town is required by state law to adopt a budget for the General and Highway Funds. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles ("GAAP"). The operating budget is prepared by the Select Board and approved by the Select Board at a properly warned meeting for presentation to the voters. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved by Town voters at a properly warned annual Town meeting. The voters vote on the total expense amount, but voters have discretion to change individual line items within the budget, thereby changing the total voted expense amount.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities' column in the governmental-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and estimated useful life in excess of one year. Such assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the government-wide fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, using the straight-line method of calculating depreciation. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital

TOWN OF GRAND ISLE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land Improvements	\$ 10,000	10-50 years
Building and Building Improvements	\$ 20,000	10-75 years
Vehicles and Equipment	\$ 5,000	3-25 years
Infrastructure	\$ 20,000	20-75 years

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

Accrued Compensated Balances

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements – Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts until paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the statement of net position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed by its use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Balances

The Town classifies its fund balances depicting the relative strength of the constraints that might control how specific amounts can be spent:

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use such as impact fees).

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Town voters, in this case. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances (continued)

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Town Selectboard or by an official or body to which the Selectboard delegates the authority.

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the General Fund.

Nonspendable and Restricted funds are so-designated by external funds sources, such as in the case of the nonspendable Cemetery Trust Fund corpus, and also by the definitions of "nonspendable" contained in GASB Statement No. 54. Fund balances that are committed and assigned are so-designated by action of the voters or the Selectboard, respectively. Special revenue funds are by definition, created only to report a revenue source that is restricted or committed. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Town's policy is to consider the most constrained fund balances to be expended first.

Investments

State statute does not restrict the types of investments the Town can make. All investments require the authorization of the Board of Selectmen. The Town has no investments.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments," investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

Interfund Balances

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Pension Plans

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflow/inflows of resources and pension expenses, information about the fiduciary net position of the Vermont Municipal Employee's Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position has been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources from one

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows of Resources (continued)

source; deferred outflows related to the Town's participation in the Vermont Municipal Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three (3) types of items which arise under the modified accrual basis of accounting and two (2) types which arise under the accrual basis of accounting that qualify for reporting in this category. The statement of net position reports deferred inflows of resources from two (2) sources; prepaid property taxes and deferred inflows related to the Town's participation in the Vermont Employees Retirement System. The governmental funds balance sheet reports deferred inflows of resources from three (3) sources; prepaid property taxes, unavailable property taxes, penalties and interest and unavailable receivables. The business-type activities and proprietary funds report deferred inflows of resources from one source; deferred inflows related to the Town's participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related, or when the amounts become available.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles (GAAP) 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. The most significant estimates used by the Town are the estimated useful lives used to calculate depreciation of property, plant and equipment.

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements, as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation expense as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A detailed explanation of the differences between governmental funds balance sheet and government-wide statement of net position is as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Elimination of Due To/From	Statement of Net Position Total
ASSETS						
Cash	\$ 1,161,573	\$ -	\$ -	\$ -	\$ -	\$ 1,161,573
Investments	694,793	-	-	-	-	694,793
Receivable (net of allowance for uncollectible accounts):						
Taxes receivable	154,767	-	-	-	-	154,767
Other receivables	48,761	-	-	-	-	48,761
Due to/from	392,109	-	-	-	(392,109)	-
Capital assets	-	-	2,737,733	-	-	2,737,733
Total assets	2,452,003	-	2,737,733	-	(392,109)	4,797,627
Deferred outflows	-	44,277	-	-	-	44,277
LIABILITIES						
Accounts payable	195,156	-	-	-	-	195,156
Accrued expenses	-	-	-	-	-	-
Due to/from	392,109	-	-	-	(392,109)	-
Deferred taxes	94,264	(94,264)	-	-	-	-
Non-current obligations	-	78,828	-	1,902,686	-	1,981,514
Other liabilities	50,584	-	-	-	-	50,584
Total liabilities	732,113	(15,436)	-	1,902,686	(392,109)	2,227,254
Deferred inflows	-	8,927	-	-	-	8,927
NET ASSETS						
Invested in capital assets	-	-	2,737,733	(1,902,686)	-	835,047
Unassigned	474,511	50,786	-	-	-	525,297
Committed	479,771	-	-	-	-	479,771
Assigned	561,094	-	-	-	-	561,094
Restricted	204,514	-	-	-	-	204,514
Total net assets	\$ 1,719,890	\$ 50,786	\$ 2,737,733	\$(1,902,686)	\$ -	\$ 2,605,723

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A detailed explanation of the differences between governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities is as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Statement of Net Assets Total
REVENUES					
Taxes	\$ 1,218,749	\$ (69,977)	\$ -	\$ -	\$ 1,148,772
Intergovernmental	234,010	-	-	-	234,010
Charges for current services	173,167	-	-	-	173,167
Licenses and permits	5,804	-	-	-	5,804
Interest	16,855	-	-	-	16,855
Other revenues	82,857	-	-	-	82,857
	<u>1,731,442</u>	<u>(69,977)</u>	<u>-</u>	<u>-</u>	<u>1,661,465</u>
EXPENDITURES					
Current expenditures					
General government	626,804	5,975	2,043	-	634,822
Public safety	99,568	-	-	-	99,568
Public works	433,297	-	193,539	-	626,836
Sanitation	78,636	-	-	-	78,636
Culture and recreation	62,632	-	-	-	62,632
Cemetery	-	-	-	-	-
Debt service expenditures					
Principal	1,799,541	-	-	(1,799,541)	-
Interest	2,993	-	-	-	2,993
Capital expenditures					
Public works	156,800	-	(156,800)	-	-
Public safety	942,713	-	(942,713)	-	-
	<u>4,202,984</u>	<u>5,975</u>	<u>(903,931)</u>	<u>(1,799,541)</u>	<u>1,505,487</u>
Excess (Deficiency) of revenues over (Under) expenditures	<u>(2,471,542)</u>	<u>(75,952)</u>	<u>903,931</u>	<u>1,799,541</u>	<u>155,978</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	1,825,000	-	-	(1,825,000)	-
Transfers in	83,800	-	-	-	83,800
Transfers out	(83,800)	-	-	-	(83,800)
	<u>1,825,000</u>	<u>-</u>	<u>-</u>	<u>(1,825,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (646,542)</u>	<u>\$ (75,952)</u>	<u>\$ 903,931</u>	<u>\$ (25,459)</u>	<u>\$ 155,978</u>

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS

At June 30, 2018, the carrying amount of the Town's deposits with financial institutions was \$1,344,815. Of the funds on deposit, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and was collateralized. The Town has a collateralization agreement with the Citizens Bank the remainder is to collateralize its deposits, which exceed FDIC insurance limits.

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk:

Category 1 - Deposits which are insured or collateralized with securities held by the Town or by its agent in the Town's name (repurchase agreements).

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Private commercial insurance protection or letters of credit for funds in excess of FDIC limits.

Category 4 - Deposits which are not collateralized or insured (includes cash on hand).

Balances held in each area are as follows:

	Book Balance	Bank Balance
FDIC insured	\$ 250,000	\$ 250,000
Category 1	1,094,815	1,108,775
Category 2	-	-
Category 3	-	-
Category 4	-	-
Total Deposits	\$ 1,344,815	\$ 1,358,775

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured, and not collateralized cash could have been much higher than at year end.

Balances in excess of FDIC insurance limits are collateralized by Peoples United Bank using a pool of securities, separate from the Bank's other assets collateralized at 105%.

None of the Town's cash deposits at year end is subject to credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. The Town does not have policies regarding custodial credit risk, credit risk, concentration of credit risk, interest risk, or foreign currency risk.

GASB Statement No. 40 requires the Town's investments be categorized indicating the level of risk assumed by the Town at year end. Category 1 includes investments that are insured, registered or securities that are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments, which are held by a trust department or agent in the Town's name. At June 30, 2018, all the Town's investments were in Category 1.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 4. RECEIVABLES

Accounts receivable are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

	Net Receivables
General Fund:	
Taxes receivable	\$ 154,767
Other receivables	48,761
Total general fund	203,528
Total receivables	\$ 203,528

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Interfund balances at June 30, 2018 have been repaid but are not zero.

	Receivables	Payables
General Fund	\$ -	\$ 378,437
Highway Fund	269,021	-
Fire Station Construction Fund	-	126
Non - Major Funds	8,531	13,546
Permanent Fund	114,557	-
Total	\$ 392,109	\$ 392,109

The Town occasionally transfers funds to cover expenditures made in one fund for which the revenues are in another fund. Interfund transfers during the year ending June 30, 2018 are detailed below.

	Transfers in				Total
	General Fund	Highway Fund	Non - Major Fund	Permanent Fund	
Transfers Out					
General Fund	-	-	50,000	-	50,000
Special Revenue Fund	-	33,800	-	-	33,800
	-	33,800	50,000	-	83,800

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 6. CAPITAL ASSET ACTIVITY

Capital asset activity of the Town for the year ended June 30, 2018, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Assets				
Land	232,195	-	-	232,195
Capital Assets				
Building & improvements	145,905	-	-	145,905
Equipment & vehicles	859,791	132,600	-	992,391
Infrastructure	1,872,721	24,200	-	1,896,921
Total Capital Assets	<u>\$ 2,878,417</u>	<u>\$ 156,800</u>	<u>\$ -</u>	<u>\$ 3,035,217</u>
	Balances	Increases	Decreases	Balances
Accumulated Depreciation:				
Building & improvements	117,830	2,343	-	120,173
Equipment & vehicles	604,865	42,186	-	647,051
Infrastructure	1,373,136	151,053	-	1,524,189
Total Accumulated Depreciation	<u>2,095,831</u>	<u>195,582</u>	<u>-</u>	<u>2,291,413</u>
Construction in Progress				
Fire Station	<u>\$ 819,021</u>	<u>\$ 942,713</u>	<u>\$ -</u>	<u>\$ 1,761,734</u>
Net Assets	<u>\$ 1,833,802</u>	<u>\$ 903,931</u>	<u>\$ -</u>	<u>\$ 2,737,733</u>

Depreciation expense was charged to governmental functions as follows:

General	\$ 2,043
Public works	<u>193,539</u>
Total 2018 governmental depreciation expense	<u>\$ 195,582</u>

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the Governmental Activities consists of \$44,277 of required employer pension contributions made subsequent to the measurement date, as further described in Note 13.

NOTE 8. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the Governmental Activities consists of \$8,927 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note 13.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9. LONG-TERM DEBT

Long-term debt consisted of the following:

Long-term Debt	Beginning Balance	Additions	Deletions	Ending Balance
General obligation bond due to the United States. Annual payments of \$55,000 to a reserve account. 1% interest due annually in December and in June. Bond matures in March of 2027. Bond due \$1,750,000.	\$ -	\$ 1,750,000	\$ -	\$ 1,750,000
Bond anticipation note due to People's United Bank on April 17, 2017 to cover the amount of the anticipated bond totalling \$1,750,000. Full amount due on or before April 18, 2018. 2.0% interest per annum.	1,750,000		1,750,000	-
2014 capital lease for dump truck under a non-cancellable lease agreement. The lease is for 7 years with annual payments of \$27,312 through 2021. Effective interest rate of 2.71% per annum.	102,228		24,541	77,687
People's United Bank note payable for \$125,000 issued on October 18, 2012 for purchase of a 2012 Western Star Dump truck. Note to be paid in 5 annual payments of \$25,000. Final payment due on October 18, 2017. 2.75% interest per annum.	25,000	-	25,000	-
People's United Bank note payable for \$75,000 issued on June 29, 2018 for purchase of Kabota tractor for Highway use. Note to be paid in 3 annual payments of \$25,000. Final payment due on June 29, 2021. 3.10% interest per annum.	-	75,000	-	75,000
Total Notes Payable	\$ 1,877,228	\$ 1,825,000	\$ 1,799,541	\$ 1,902,687

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9. LONG-TERM DEBT (continued)

Principle maturities on long term debt are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2019	\$ 50,206	\$ 4,430	\$ 54,636
2020	138,389	4,468	142,857
2021	139,091	-	139,091
2022	87,500	-	87,500
2023	87,499	-	87,499
thereafter	1,400,000	-	1,400,000
	<u>\$ 1,902,686</u>	<u>\$ 8,898</u>	<u>\$ 1,911,583</u>

Long-term liabilities include notes payable. Long-term liabilities also include other obligations such as compensated absences and post-employment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

NOTE 10. COMMITTED AND ASSIGNED FUND BALANCES

At June 30, 2018, the Town had assigned fund balances for the following purposes:

	General Fund	Highway Fund	Fire Station Construction Fund	Non-Major Fund	Permanent Fund	Total
Unassigned	\$ 474,511	\$ -	\$ -	\$ -	\$ -	\$ 474,511
Committed	-	277,981	23,870	177,920	-	479,770
Assigned	-	-	-	561,094	-	561,094
Restricted	-	-	-	8,531	195,983	204,514
	<u>\$ 474,511</u>	<u>\$ 277,981</u>	<u>\$ 23,870</u>	<u>\$ 747,545</u>	<u>\$ 195,983</u>	<u>\$ 1,719,890</u>

NOTE 11. CONTINGENT LIABILITIES

The Town participates in a number of federally assisted and state granted programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2018 have not yet been review by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF GRAND ISLE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

NOTE 12. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as taxes for the State for school purposes. Property taxes are assessed based on property valuations as of April 1 annually. Taxes were levied during May and were due and payable during September and December 2017, March and May 2018.

During the tax year ended June 30, 2018, taxes were billed in three (3) installments. Payments received after due date are subject to an 8% penalty and 1% interest per month. Because unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale by the delinquent tax collector, the Town has not established an allowance for uncollectible taxes receivable.

As of June 30, 2018, delinquent taxes receivable was \$154,767, inclusive of interest and penalties, with no allowance for uncollectible taxes.

The tax rates for FY2018 are as follows:

	Homestead	Non-Residential	
Municipal Rate	\$ 0.2719	\$ 0.2719	
Educational Rate	1.4985	1.4697	
Total	\$ 1.7704	\$ 1.7416	

NOTE 13. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five (5) members. They are the State Treasurer, two (2) employee representatives elected by the membership of the system, and two (2) employer representatives one (1) elected by the governing bodies of participating employers of the system, and one (1) selected by the Governor from a list of four (4) nominees. The list of four(4) nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net pension liability of \$121,155,552. As of June 30, 2017, the Town's proportionate share of this was 0.14449200% resulting in a liability of \$175,060.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13. PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2017, the Town's proportion of 0.06506% was a decrease of 0.00974% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$5,975.

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflow of	Deferred Inflow of
Difference between expected and actual experience	\$ 1,147	\$ 1,951
Changes in assumptions	16,503	-
Difference between projected and actual earnings on pension plan investments	13,129	-
Changes in proportional share of contributions	1,758	6,976
Difference between the employer contributions and proportionate share of total contributions	-	-
Town's required employer contributions made subsequent to the measurement date	11,740	-
	\$ 44,277	\$ 8,927

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$22,263 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30		
2018	\$	23,155
2019		32,216
2020		8,718
2021		(1,686)
Total	\$	62,403

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13. PENSION PLAN (continued)

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC): Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility: Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount: Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member AFC.

Maximum benefit is 60% of AFC for Group B. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group B.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments".

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13. PENSION PLAN (continued)

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index, but not more than 3% for Group B.

Member Contributions: Group B – 4.875%

Employer Contributions: Group B – 5.5%

Retirement Stipend: \$25 per month payable at the option of the Board of Retirees.

Significant Actuarial Assumptions and Methods

Interest Rate – 7.50% per annum.

Salary increases - 5% per year.

Mortality:

Deaths - 98% of RP-2014 blended a 60% Blue Collar and 40% White Collar, 40% Healthy Employees with generational projection using Scale SSA-2017.

Healthy Post-Retirement: 98% of RP-2014 blended a 60% Blue Collar and 40% White Collar, 40% Healthy Employees with generational projection using Scale SSA-2017.

Disabled Post-Retirement: RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's Age: Females three (3) years younger than males.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants - Assumed to occur on January 1, following one (1) year of retirement at the rate of 1.3% per annum for Group B (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B, who received a disability retirement benefit. The January 1, 2018 COLA is assumed to be 0.75% for all groups.

Actuarial Cost Method – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five (5) year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation- 2.50%

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13. PENSION PLAN (continued)

Significant Actuarial Assumptions and Methods (continued)

the pension plan's target asset allocation as of June 30, 2018, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employees will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the pension liability would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate:

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$140,743	\$78,828	\$27,480

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System (VMERS), including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

NOTE 14. RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injured to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

1. The Property and Casualty Inter-Municipal Fund, Inc. (PACIF) for multi-line insurance;
2. The Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and
3. The Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 14. RISK MANAGEMENT (continued)

PACIF, VLCTHT, and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guarantee Association. To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. If total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

In addition, the Town is a member of Vermont League of Cities and Towns (VLCT). The VLCT has set up three (3) insurance Trusts: To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of asset 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 amounts.

NOTE 15. LINE OF CREDIT

The Town of Grand Isle currently has no line of credit outstanding.

NOTE 16. LONG-TERM CONTRACTS AND COMMITMENTS

The Town participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the Town, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17. LEASE AGREEMENTS

Operating Leases

As of June 30, 2018, the Town has no current lease agreements.

NOTE 18. RELATED PARTY TRANSACTIONS

There are no related party transactions.

TOWN OF GRAND ISLE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE. 19. SUBSEQUENT EVENTS

Events of the Town have been evaluated from July 1, 2018 through the date of these financial statements for subsequent events which would impact the financial standing. There are no events that would significantly impact the presentation of these financial statements.

TOWN OF GRAND ISLE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NEW PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

SCHEDULE 1

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613	\$ -
Town's Proportion of the Net Pension Liability	0.06506%	0.07480%	0.07000%	0.08000%	0.08000%
Town's Proportionate Share of the Net Pension Liability	\$ 78,828	\$ 96,243	\$ 51,550	\$ 7,192	\$ 29,921
Town's Covered Employee Payroll	\$ 213,458	\$ 206,649	\$ 173,893	\$ 198,347	\$ 197,298
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	36.93%	46.57%	29.64%	4.04%	16.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%	92.71%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net position liability was lowered from **8.23% to 7.95%**, due to the adoption by the Board of Trustees of a **7.95%** expected future rate of return on assets for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only five (5) years are shown.

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

TOWN OF GRAND ISLE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution (Actuarially Determined)	\$ 11,740	\$ 10,626	\$ 11,366	\$ 9,347	\$ 10,165
Contributions in Relation to the Actuarially Determined Contributions	<u>11,740</u>	<u>10,626</u>	<u>11,366</u>	<u>9,347</u>	<u>10,165</u>
Contribution Excess/(Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Employee Payroll	\$ 213,458	\$ 193,188	\$ 206,649	\$ 173,893	\$ 198,347
Contributions as a Percentage of Town's Covered Employee Payroll	5.50%	5.50%	5.50%	5.38%	5.12%

Notes to Schedule

Valuation Date: June 30, 2017

Fiscal year 2015 was the first year of implementation, therefore, only five (5) years are shown.

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

TOWN OF GRAND ISLE, VERMONT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 3

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 1,069,866	\$ 721,403	\$ (348,463)
Taxes penalties and interest	-	-	-
Fees and licenses	-	5,804	5,804
Intergovernmental revenues	111,912	134,499	22,587
Charges for current services	166,842	166,917	75
Interest	10,000	2,757	(7,243)
Other revenues	4,425	19,429	15,004
	1,363,045	1,050,809	(312,236)
EXPENDITURES			
General government	1,102,854	595,003	507,851
Public safety	115,330	99,568	15,762
Public works	-	41,772	(41,772)
Sanitation	82,495	78,636	3,859
Culture and recreation	62,366	1,500	60,866
	1,363,045	816,479	546,566
Excess(deficiency) of revenues over expenditures	-	234,330	234,330
OTHER FINANCING SOURCES (USES)			
Note proceeds	-	-	-
Transfers in	-	-	-
Transfer out	-	(50,000)	(50,000)
	-	(50,000)	(50,000)
Total other financing sources (uses)	-	(50,000)	(50,000)
Net change in fund balances	\$ -	\$ 184,330	\$ 184,330

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

TOWN OF GRAND ISLE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 4

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 352,880	\$ 402,880	\$ 50,000
Intergovernmental revenues	-	99,121	99,121
Other revenues	50,000	-	(50,000)
Total revenues	402,880	502,001	99,121
EXPENDITURES			
Public works	402,880	391,525	11,355
Debt service expenditures			
Principal and lease payments	-	49,541	(49,541)
Interest	-	2,993	(2,993)
Capital expenditures			
Public works	-	156,800	(156,800)
Total expenditures	402,880	600,859	(197,979)
Excess(deficiency) of revenues over expenditures	-	(98,858)	(98,858)
OTHER FINANCING SOURCES (USES)			
Note proceeds	-	75,000	75,000
Transfers in	-	33,800	33,800
Transfer out	-	-	-
Total other financing sources (uses)	-	108,800	108,800
Net change in fund balances	\$ -	\$ 9,942	\$ 9,942

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

TOWN OF GRAND ISLE, VERMONT
BALANCE SHEET
CAPITAL AND SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Capital		Special Revenue					Total
	Capital Equipment Fund	Salt Shed Reserve	Reappraisal Fund	Recreation Fund	Library Fund	Record Preservation Fund	Transfer Station Fund	
ASSETS								
Cash	\$ -	\$ -	\$ -	\$ -	\$ 90,851	\$ -	\$ -	\$ 90,851
Investments	65,320	112,885	112,268	-	278,623	31,632	61,142	661,870
Due from other funds	-	-	-	8,531	-	-	-	8,531
Total Assets	<u>\$ 65,320</u>	<u>\$ 112,885</u>	<u>\$ 112,268</u>	<u>\$ 8,531</u>	<u>\$ 369,474</u>	<u>\$ 31,632</u>	<u>\$ 61,142</u>	<u>\$ 761,252</u>
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 161	\$ -	\$ -	\$ 161
Due to other funds	-	285	10,482	-	2,779	-	-	13,546
Total Liabilities	<u>-</u>	<u>285</u>	<u>10,482</u>	<u>-</u>	<u>2,940</u>	<u>-</u>	<u>-</u>	<u>13,707</u>
FUND BALANCES								
Restricted	65,320	112,600	101,786	8,531	366,534	31,632	61,142	747,545
Total Fund Balances	<u>65,320</u>	<u>112,600</u>	<u>101,786</u>	<u>8,531</u>	<u>366,534</u>	<u>31,632</u>	<u>61,142</u>	<u>747,545</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 65,320</u>	<u>\$ 112,885</u>	<u>\$ 112,268</u>	<u>\$ 8,531</u>	<u>\$ 369,474</u>	<u>\$ 31,632</u>	<u>\$ 61,142</u>	<u>\$ 761,252</u>

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

TOWN OF GRAND ISLE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
CAPITAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE 6

	Capital		Special Revenue					Total
	Capital Equipment Fund	Salt Shed Reserve	Reappraisal Fund	Recreation Fund	Library Fund	Record Preservation Fund	Transfer Station Fund	
REVENUES:								
Property taxes	\$ -	\$ -	\$ -	\$ 14,000	\$ 46,866	\$ -	\$ -	\$ 60,866
Intergovernmental	-	-	-	-	390	-	-	390
Charges for Services	-	-	-	6,250	-	-	-	6,250
Interest	192	-	-	-	1,474	88	170	1,924
Other	-	-	-	2,000	50,896	-	-	52,896
Total Revenues	192	-	-	22,250	99,626	88	170	122,326
EXPENDITURES:								
Public Works	-	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	s	43,206	-	-	43,206
Total Expenditures	-	-	-	-	43,206	-	-	43,206
Excess/(Deficiency) of Revenues Over Expenditures	192	-	-	22,250	56,420	88	170	79,120
Other Financing Sources:								
Transfers in	30,000	10,000	10,000	-	-	-	-	50,000
Transfers out	(33,800)	-	-	-	-	-	-	(33,800)
Total Other Financing Sources	(3,800)	10,000	10,000	-	-	-	-	16,200
Net Change in Fund Balances	(3,608)	10,000	10,000	22,250	56,420	88	170	95,320
Fund Balances - July 1, 2017	68,928	102,600	91,786	4,207	310,114	31,544	60,972	670,151
Fund Balances - June 30, 2018	\$ 65,320	\$ 112,600	\$ 101,786	\$ 26,457	\$ 366,534	\$ 31,632	\$ 61,142	\$ 765,471

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



Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Select Board
Town of Grand Isle, Vermont
Grand Isle, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Grand Isle, Vermont ("Town"), as of and for the year ended June 30, 2018, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 4, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and other that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies in the Town of Grand Isle's internal control to be material weaknesses:

General Ledger Maintenance

During the current audit, it was noted that most journal entries were not authorized, and some did not have supporting documentation. Nonrecurring journal entries should require individual authorization by management. Journal entries should always be supported by appropriate documentation, where possible. Appropriate documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Management Response:

General ledger / Cash Reconciliations

During the current audit, we noted that the Town did not perform periodic reconciliations on various major accounts (i.e., accounts receivable, accounts payable, interfund receivables and payables). It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation. We strongly recommend that a policy be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and then document evidence of their review for audit purposes.

Reconciliations of interfund activity should be performed on a monthly basis. This will help to ensure that activity is being reimbursed timely and will also help to reduce the chance of duplicate activity occurring. Untimely reconciliations could lead to inaccurate requests, or duplicate requests occurring. Activity may also not be posted to the proper accounting period. This could also cause financial reports (such as budget to actual expenditures) for the water and sewer funds to be misleading or inaccurate as they do not correctly reflect costs initially paid by the general fund. We recommend that interfund activity be reconciled monthly and that interfund reimbursements be made on a monthly basis.

The Library and Cemetery work independently of the Town even though they are part of the Town and should adhere to the same controls and oversight by the Treasurer and Selectboard. Policies and procedures should be put in place to ensure that all established policies and controls are being followed by all departments.

Management Response:

Payroll Authorization / Processing

During the current audit, we noted that payroll was processed with no authorization or review. Audit tests uncovered duplicate payments and payouts of overtime which should have been at straight-time. We also found that Treasurer payments for School duties were paid both by the Town and the School District.

Management Response:

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We found no deficiencies we considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for year ending June 30, 2018.

We noted certain other matters that we reported to management of the Town in a separate letter dated August 4, 2022.

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

Batchelder Associates, PC

Batchelder Associates, PC
Barre, Vermont
August 4, 2022
Vermont License # 945