

GRAND ISLE SUPERVISORY UNION

**AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

JUNE 30, 2019

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 AUDIT REPORT
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Independent Auditor's Report

Board of School Directors
Grand Isle Supervisory Union
5038 US Route 2
North Hero, Vermont 05474

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Isle Supervisory Union as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Grand Isle Supervisory Union'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; 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 includes 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 Grand Isle Supervisory Union'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 Grand Isle Supervisory Union'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.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grand Isle Supervisory Union as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund in Schedule 1, the Schedules of the Proportionate Share of the Net Pension Liability on Schedules 2 and 4 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

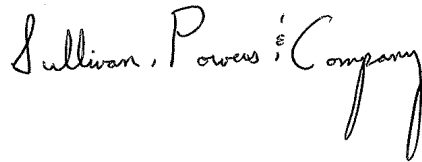
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Isle Supervisory Union's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated October 23, 2020 on our consideration of the Grand Isle Supervisory Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Grand Isle Supervisory Union's internal control over financial reporting and compliance.

October 23, 2020
Montpelier, Vermont
VT Lic. #92-000180



GRAND ISLE SUPERVISORY UNION
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Receivables	\$ 1,194,928
Due from Member Districts	152,702
Capital Assets:	
Other Capital Assets (Net of Accumulated Depreciation)	<u>8,486</u>
Total Assets	<u>1,356,116</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Supervisory Union's Participation in VMERS	<u>89,103</u>
Total Deferred Outflows of Resources	<u>89,103</u>
<u>LIABILITIES</u>	
Cash Overdraft	113,713
Accounts Payable	191,954
Accrued Payroll and Benefits Payable	71,460
Due to Member Districts	353,032
Due to State of Vermont	130,260
Noncurrent Liabilities:	
Due in More than One Year - Net Pension Liability	<u>166,667</u>
Total Liabilities	<u>1,027,086</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to the Supervisory Union's Participation in VMERS	<u>5,458</u>
Total Deferred Inflows of Resources	<u>5,458</u>
<u>NET POSITION</u>	
Restricted	166,588
Unrestricted	<u>246,087</u>
Total Net Position	<u>\$ 412,675</u>

The accompanying notes are an integral part of this financial statement.

GRAND ISLE SUPERVISORY UNION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Education	\$ <u>6,162,385</u>	\$ <u>3,169,144</u>	\$ <u>3,113,478</u>	\$ <u>120,237</u>
Total Primary Government	\$ <u>6,162,385</u>	\$ <u>3,169,144</u>	\$ <u>3,113,478</u>	<u>120,237</u>
General Revenues:				
Unrestricted Net Investment Income				6,183
Other Revenues				<u>5,565</u>
Total General Revenues				<u>11,748</u>
Change in Net Position				131,985
Net Position - July 1, 2018, As Restated				<u>280,690</u>
Net Position - June 30, 2019				\$ <u><u>412,675</u></u>

The accompanying notes are an integral part of this financial statement.

GRAND ISLE SUPERVISORY UNION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>
<u>ASSETS</u>	
Receivables	\$ 1,194,928
Due from Member Districts	<u>152,702</u>
Total Assets	<u>\$ 1,347,630</u>
<u>LIABILITIES</u>	
Cash Overdraft	\$ 113,713
Accounts Payable	191,954
Accrued Payroll and Benefits Payable	71,460
Due to Member Districts	353,032
Due to State of Vermont	<u>130,260</u>
Total Liabilities	<u>860,419</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable Grants	<u>924,240</u>
Total Deferred Inflows of Resources	<u>924,240</u>
<u>FUND BALANCES/(DEFICIT)</u>	
Restricted	166,588
Unassigned/(Deficit)	<u>(603,617)</u>
Total Fund Balance/(Deficit)	(437,029)
Amounts Reported for Governmental 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.	8,486
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	924,240
The Net Pension Liability is not Due or Payable in the Current Period and, Therefore, is not Reported in the Funds.	(166,667)
Deferred Outflows and Inflows of Resources Relating to the Supervisory Union's Participation in VMERS are Applicable to Future Periods and, therefore, are not Reported in the Funds.	<u>83,645</u>
Net Position of Governmental Activities	<u>\$ 412,675</u>

The accompanying notes are an integral part of this financial statement.

GRAND ISLE SUPERVISORY UNION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>
Revenues:	
Assessments	\$ 3,169,144
Federal and State Grants	3,167,032
Other Revenue	8,811
Investment Income	6,183
Intergovernmental Pension Contribution	<u>175,178</u>
Total Revenues	<u>6,526,348</u>
Expenditures:	
Regular Instructional:	
Direct Instruction	239,691
Special Education Instruction	2,104,312
Essential Early Ed Instruction	185,781
Special Education Tuition	1,310,864
Curriculum	244,519
Support Staff Instruction	41,716
Student Support Services	64,133
General Administration	977,973
School Administration	6,674
Technology	285,753
Food Service	227,463
Transportation Services	450,791
Capital Outlay	<u>10,607</u>
Total Expenditures	<u>6,150,277</u>
Net Change in Fund Balance	376,071
Fund Balance/(Deficit) - July 1, 2018, As Restated	<u>(813,100)</u>
Fund Balance/(Deficit) - June 30, 2019	<u>\$ (437,029)</u>

The accompanying notes are an integral part of this financial statement.

GRAND ISLE SUPERVISORY UNION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balance - government funds (Exhibit D)	\$ 376,071
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$10,607) is allocated over their estimated useful lives and reported as depreciation expense (\$2,121). This is the amount by which capital outlays exceeded depreciation in the current period.	8,486
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(231,978)
Governmental funds report employer pension contributions as expenditures (\$26,371). However, in the statement of activities, the cost of pension benefits earned net of net of employee contributions (\$46,965) is reported as pension expense. The amount is the net effect of the differences in the treatment of pension expense.	<u>(20,594)</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ 131,985</u></u>

The accompanying notes are an integral part of this financial statement.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The Grand Isle Supervisory Union (herein the “Supervisory Union”) is organized, according to State law, under the governance of the Board of School Directors, to provide supervisory union services to the schools in the Supervisory Union. The Supervisory Union is governed by a Board of Directors, appointed by the boards of the member school districts comprising the Supervisory Union: Alburgh School District, Grand Isle School District, Isle La Motte School District, North Hero School District and South Hero School District.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Supervisory Union 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.

A. The Financial Reporting Entity

This report includes all of the funds of the Supervisory Union. 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 organization’s 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 impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Supervisory Union.

B. Basis of Presentation

The accounts of the Supervisory Union 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The basic financial statements of the Supervisory Union 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 Supervisory Union as a whole and present a longer-term view of the Supervisory Union'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 Supervisory Union and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Supervisory Union. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Supervisory Union'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 or program. 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 are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Supervisory Union's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The Supervisory Union reports on the following major governmental fund:

General Fund – This is the Supervisory Union's primary operating fund. It accounts for all financial resources of the general government.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities and deferred inflows and outflows of resources 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 position) is segregated into restricted net position and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. 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 position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

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

The government-wide 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. Nonexchange transactions, in which the Supervisory Union gives (or receives) value without directly receiving (or giving) equal value in exchange, include assessments, grants and donations. On the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. 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 Supervisory Union considers all revenues reported in governmental funds to be available if the revenues are collected within sixty 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 Supervisory Union 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 Supervisory Union’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.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

F. Assets, Liabilities and Equity

1. Cash

The Supervisory Union considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Receivables

Receivables 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. At June 30, 2019, the allowance is \$-0-.

3. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position have 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.

4. Deferred Outflows/Inflows 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 statements 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. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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. 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.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

5. Capital Assets

Capital 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 acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. 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 financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$5,000 and the estimated useful lives of capital assets are as follows:

	<u>Estimated Service Life</u>
Equipment and Furniture	5-10 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 incurred.

6. Long-term Liabilities

Long-term liabilities include the proportionate share of the net pension liability. Long-term liabilities are reported in the government-wide financial statements. Governmental funds do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

7. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of School Director's intended use of the resources); and unassigned.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
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 as an expense. Further, governmental funds report the proceeds from 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, respectively.

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Supervisory Union’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Supervisory Union budget is prepared by the administration with direction from the Board of School Directors. Budgeted expenditures are subject to the approval of voters at an Annual School District meeting. There were no budget amendments during the year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2019, expenditures in the General Fund exceeded appropriations by \$1,207,325. These over-expenditures were funded by excess revenues.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

C. Restatement of Net Position/Fund Balances

The net position of the governmental activities was restated as follows:

	Governmental Activities
Net Position - June 30, 2018, As Originally Reported	\$ 408,437
Correction of Misstatements:	
Understatement of Unearned Grant Revenue	(127,747)
Net Position - June 30, 2018, As Restated	\$ 280,690

The correction of the governmental activities was the result of an understatement of unearned grant revenue. The effect of this correction on the governmental activities Statement of Net Position is to increase liabilities and decrease net position by \$127,747. The effect on the 2018 Statement of Activities is not known.

The fund balance/(deficit) of the General Fund was restated as follows:

	General Fund
Fund Balance/(Deficit) - June 30, 2018, As Originally Reported	\$ (685,353)
Correction of Misstatements:	
Understatement of Unearned Grant Revenue	(127,747)
Fund Balance/(Deficit) - June 30, 2018, As Restated	\$ (813,100)

The correction of the General Fund was the result of an understatement of unearned grant revenue. The effect of this correction on the General Fund Balance Sheet is to increase liabilities and decrease fund balance by \$127,747. The effect on the 2018 Statement of Revenues, Expenditures and Changes in Fund Balance is not known.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

The Supervisory Union has a cash overdraft for uncleared checks in the Supervisory Union's primary disbursement account. As of June 30, 2019, the Supervisory Union has a cash overdraft of \$113,713 in the General Fund due to \$854,624 in outstanding checks. A significant number of these checks were not released prior to June 30, 2019. The Supervisory Union did not keep a record of the dates the checks were released and, therefore, cannot determine the amount that cash and liabilities should be increased.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Supervisory Union does not have any policy to limit the exposure to custodial credit risk. The following table shows the custodial credit risk of the Supervisory Union's cash.

	<u>Bank Balance</u>
Insured by FDIC	\$250,000
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>490,911</u>
Total	<u>\$740,911</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. As a result of the cash overdraft, the book balance of the Supervisory Union did not have any cash subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Supervisory Union does not have any policy to limit the exposure to interest rate risk. The Supervisory Union does not have any investments subject to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Supervisory Union does not have any policy to limit the exposure to credit risk. The Supervisory Union does not have any investments subject to credit risk.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
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Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Supervisory Union's investments are held within one security. The Supervisory Union does not have any limitations on the amount that can be invested in any one issuer. The Supervisory Union does not have any investments subject to concentration of credit risk.

B. Receivables

Receivables at June 30, 2019, as reported in the statement of net position, are as follows:

	Governmental Activities
Special Education - Expenditures Reimbursement	\$ 596,450
Federal and State Grants Receivable	594,700
Miscellaneous	3,778
Total	\$ 1,194,928

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Equipment and Furniture	\$ 133,907	\$ 10,607	\$ 0	\$ 144,514
Totals	133,907	10,607	0	144,514
Less Accumulated Depreciation for:				
Equipment and Furniture	133,907	2,121	0	136,028
Totals	133,907	2,121	0	136,028
Net Capital Assets, Being Depreciated	0	8,486	0	8,486
Governmental Activities Capital Assets, Net	\$ 0	\$ 8,486	\$ 0	\$ 8,486

Depreciation was charged as follows:

Governmental Activities:	
Education	\$ 2,121
Total Depreciation Expense - Governmental Activities	\$ 2,121

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
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D. Due from/to Member Districts

The due from/to member districts consists of the following:

	Due from Member Districts	Due to Member Districts
Alburgh School District	\$ 0	\$ 105,762
Grand Isle School District	0	166,476
Isle La Motte School District	0	80,794
North Hero School District	66,016	0
South Hero School District	86,686	0
Total	\$ 152,702	\$ 353,032

E. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$14,477 from the difference between the expected and actual experience, \$18,456 from changes in assumptions, \$19,316 from the difference between the projected and actual investment earnings and \$10,483 from changes in the Supervisory Union’s proportional share of contributions related to the Supervisory Union’s participation in the Vermont Municipal Employee’s Retirement System (VMERS) and \$26,371 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$89,103.

F. Due to State of Vermont

The State of Vermont has disallowed certain costs incurred during fiscal year 2018. The following are amounts that are due back to the State of Vermont.

IDEA B	\$115,409
IDEA Preschool	14,851
Total	\$130,260

In addition, the State of Vermont has disallowed \$190,594 of Title I costs. The State of Vermont has not paid the Supervisory Union for these costs and they are not included in receivables or deferred inflows of resources at June 30, 2019.

The Supervisory Union has appealed the State’s determination to the U.S. Department of Education. The appeal is currently pending and the Supervisory Union cannot estimate the outcome of this appeal.

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
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G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$2,665 from the difference between the expected and actual experience, \$2,793 from changes in the Supervisory Union’s proportional share of contributions related to the Supervisory Union’s participation in the Vermont Municipal Employee’s Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$5,458.

Deferred inflows of resources in the General Fund consists of \$924,240 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

H. Long-term Liabilities

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Supervisory Union’s share of the net pension liability is recorded in the government-wide financial statements.

Changes in all long-term liabilities during the year were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Net Pension Liability	\$ 122,891	\$ 43,776	\$ 0	\$ 166,667	\$ 0
Total Governmental Activities					
Long-term Liabilities	<u>\$ 122,891</u>	<u>\$ 43,776</u>	<u>\$ 0</u>	<u>\$ 166,667</u>	<u>\$ 0</u>

I. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of School Director’s intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

GRAND ISLE SUPERVISORY UNION
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Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Supervisory Union does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Supervisory Union does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Supervisory Union's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balance in the following fund is restricted as follows:

General Fund:

Restricted for Medicaid Eligible Expenses by Grant Agreement	\$ <u>166,588</u>
Total Restricted Fund Balance	\$ <u>166,588</u>

The unrestricted deficit of \$603,617 in the General Fund will be funded by the receipt of grant revenue.

J. Net Position

The net position in the governmental activities is restricted as follows:

Governmental Activities:

Restricted for Medicaid Eligible Expenses by Grant Agreement	\$ <u>166,588</u>
Total Restricted Net Position	\$ <u>166,588</u>

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
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V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plans

Plan Description - VMERS

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 Supervisory Unions 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, 2019, the retirement system consisted of 402 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 members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four 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, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Supervisory Union's proportionate share of this was 0.1185% resulting in a net pension liability of \$166,667. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Supervisory Union's proportion of the net pension liability was based on a projection of the Supervisory Union's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Supervisory Union's proportion of 0.1185% was an increase of 0.0171 from its proportion measured as of the prior year.

GRAND ISLE SUPERVISORY UNION
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For the year ended June 30, 2019, the Supervisory Union recognized pension expense of \$46,965.

As of June 30, 2019, the Supervisory Union reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,477	\$ 2,665
Changes in assumptions	18,456	0
Difference between projected and actual investment earnings on pension assets	19,316	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,483	2,793
contributions made subsequent to the measurement date	26,371	0
	\$ 89,103	\$ 5,458

The deferred outflows of resources resulting from the Supervisory Union's required employer contributions made subsequent to the measurement date in the amount of \$26,371 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2020	\$31,855
2021	13,661
2022	5,131
2023	6,627
Total	\$57,274

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Supervisory Union elected coverage under Groups A and C provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years.

GRAND ISLE SUPERVISORY UNION
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Service Retirement Allowance:

Eligibility – Group A – the earlier of age 65 with five (5) years of service or age 55 with 35 years of services.

Amount – Group A – 1.4% of AFC time’s service.

Maximum benefit is 60% of AFC for Group A. This includes the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with 5 years of service for Group A.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A.

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 A, 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 Group A, 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.

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 2% for Group A.

GRAND ISLE SUPERVISORY UNION
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Member Contributions: Group A – 2.625%

Employer Contributions: Group A – 4.125%

Retirement Stipend - \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Investment rate of return: 7.5%, net of pension plan investment expenses, including inflation.

Salary increases: 5.0% per year.

Mortality:

The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

Death in Active Service – Group A - 98% of RP-2014 blended 60% blue collar employee, 40% healthy employee with generational projection using scale SAA-2017.

Healthy Post-retirement – Group A - 98% of RP-2014 blended 60% blue collar employee, 40% healthy employee with generational projection using scale SSA-2017.

Disabled Post-retirement – All Groups - RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017

Spouse's Age: Females three years younger than males

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at a rate of 1.15% per annum for Group A members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A who receive 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-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: 2.50%

GRAND ISLE SUPERVISORY UNION
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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 the 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 rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

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 that 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 employers 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 net 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>
\$282,296	\$166,667	\$72,628

GRAND ISLE SUPERVISORY UNION
NOTES TO THE FINANCIAL STATEMENTS
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Additional Information

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

The Vermont State Teachers' Retirement System (VSTRS)

Plan Description

The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2019, the retirement system consisted of 225 participating employers.

The plan was created in 1947, and is governed by Title 16, V.S. A. Chapter 55.

Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Pension Plan is divided into the following membership groups:

Group A – for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A.

Group C – for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time.

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, and are summarized in the following table:

GRAND ISLE SUPERVISORY UNION
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Summary of System Provisions

	Group A	Group C - Group # 1 *	Group C - Group #2 ++
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% x AFC after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%; minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefits	Unreduced, accrued benefit with minimum of 25% AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010.

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC and service.

GRAND ISLE SUPERVISORY UNION
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Contributions

Title 16 VSA Chapter 55 of Vermont Statutes grants the authority to the Board of Trustees of the VSTRS to annually review the amount of State contributions recommended by the actuary of VSTRS in order to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group for the various groups are as follows:

- Member Contributions Rates:
- Group A: 5.5% of earnable compensation. Contributions stop after 25 years of creditable service.
 - Group C: 5% of earnable compensation with at least five years of services as of July 1, 2014. 6% of earnable compensation with less than five years of service as of July 1, 2014.

The Supervisory Union's Group C members contributed \$61,257.

The Supervisory Union's current year payroll for all employees totaled \$1,910,844 while its current year's covered payroll for the State Teacher's Retirement Plan equaled \$1,112,242. The Supervisory Union received an estimated \$175,178 of on-behalf payments. This amount is included as Revenue and Expenses in Exhibits B and D.

Net Pension Liability

As of June 30, 2019, the Supervisory Union's proportionate share of the net pension liability was \$2,571,135 which is 0.1702% of the total plan net pension liability.

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Investment Rate of Return: 7.50%

Salary Increases: Ranging from 3.75% to 9.09%. Representative values of the assumed annual rates of future salary increase are as follows:

<u>Age</u>	<u>Annual Rate of Salary Increase</u>
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

GRAND ISLE SUPERVISORY UNION
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Mortality: Pre-Retirement: 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.

Healthy Post-Retirement: 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Inflation: 2.50%

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

Cost of Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 2.55% per annum for Group A members and 1.3% per annum for Group C members.

Inactive Members: Valuation liability equals 250% of accumulated contributions. Previously, this liability was assumed to equal 332.5% of accumulated contributions.

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: The amount of the assets for valuation purposes equals the preliminary asset value plus 20% of the difference between market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses plus expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

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

GRAND ISLE SUPERVISORY UNION
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$3,104,781	\$2,571,135	\$2,036,941

Special Funding Situation

The State of Vermont is the nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Supervisory Union. Therefore, the Supervisory Union is considered to be in a special funding situation as defined in GASB No. 68 and the State of Vermont is treated as a nonemployer contributing entity to the VSTRS. Starting July 1, 2015, the State started assessing an annual charge for teacher's health care for all new teachers hired after that date and every year thereafter who were not previously part of the VSTRS. The total amount paid by the Supervisory Union for the year ended June 30, 2019 was \$12,750. In addition, the State is assessing a 15.75% contribution for all teachers paid with Federal Funds. The total amount paid by the Supervisory Union for the year ended June 30, 2019 was \$14,925. Since the State does not consider the Supervisory Union to contribute directly to VSTRS, no net pension liability is recorded by the Supervisory Union. However, the notes to the financial statements of the Supervisory Union must disclose the portion of the State's share of the collective net pension liability that is associated with the Supervisory Union. In addition, each Supervisory Union recognizes its portion of the collective pension expense as both revenue and pension expense.

Additional Information

Additional information regarding the State of Vermont State Teachers' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

GRAND ISLE SUPERVISORY UNION
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B. Risk Management

The Supervisory Union is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Supervisory Union maintains insurance coverage through the Vermont School Boards Insurance Trust, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Supervisory Union. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Supervisory Union must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

In addition, the Supervisory Union is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont Supervisory Unions and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

The Supervisory Union has elected to pay actual unemployment claims instead of enrolling in an employment insurance program. No liabilities have been accrued as the Supervisory Union is not able to make an estimate as to any future costs. The Supervisory Union paid \$18,542 in unemployment claims during fiscal year 2019.

C. Concentrations

The Supervisory Union received a significant portion of its revenue from State and Federal grants.

D. Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant or contract including a true up by the grantor. Failure to fulfill the conditions or the results of the true up could result in the return of funds to the grantors.

E. Operating Leases

The Supervisory Union has an ongoing month to month lease for administrative office space. The monthly payment is \$850. The rent expense for the year was \$10,200.

The Supervisory Union has an ongoing year to year lease for curriculum office space. The annual payment is \$3,000.

In 2012, the Supervisory Union entered into a renewable lease and maintenance contract with Level 3 Communications, LLC for a fiber optics network. The lease matures January, 2033. The monthly payments are \$650.

The Supervisory Union has a copier lease with National Business Equipment with monthly payments of \$209. The lease matures in August, 2021.

GRAND ISLE SUPERVISORY UNION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Assessments	\$ 3,156,786	\$ 3,169,144	\$ 12,358
Federal and State Grants	1,603,218	3,167,032	1,563,814
Other Revenue	0	8,811	8,811
Erate Income	7,500	0	(7,500)
Interest	270	6,183	5,913
	<u>4,767,774</u>	<u>6,351,170</u>	<u>1,583,396</u>
Total Revenues			
Expenditures:			
Direct Instructional	0	8,357	(8,357)
Special Ed Instruction	1,570,795	1,670,557	(99,762)
Essential Early Ed Instruction	223,732	185,781	37,951
Special Education Tuition	1,430,350	1,310,864	119,486
Curriculum	55,861	179,343	(123,482)
Support Staff Instruction	0	22,797	(22,797)
Student Support Services	54,500	64,133	(9,633)
General Administration	722,172	973,494	(251,322)
School Administration	0	6,674	(6,674)
Technology	270,623	267,247	3,376
Food Service	0	227,463	(227,463)
Transportation Services	439,741	450,693	(10,952)
Medicaid Services	0	8,245	(8,245)
PATH Expenses	0	6,841	(6,841)
Title I	0	270,353	(270,353)
Title IIA	0	45,076	(45,076)
IDEA B	0	272,906	(272,906)
EPSDT	0	4,275	(4,275)
	<u>4,767,774</u>	<u>5,975,099</u>	<u>(1,207,325)</u>
Total Expenditures			
Excess of Revenues Over Expenditures	\$ <u>0</u>	376,071	\$ <u>376,071</u>
Fund Balance/(Deficit) - July 1, 2018, As Restated		<u>(813,100)</u>	
Fund Balance/(Deficit) - June 30, 2019		\$ <u>(437,029)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

GRAND ISLE SUPERVISORY UNION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Supervisory Union's Proportion of the Net Pension Liability	0.1185%	0.1014%	0.1043%	0.1043%	0.1269%
Supervisory Union's Proportionate Share of the Net Pension Liability	\$ 166,667	\$ 122,891	\$ 134,283	\$ 80,410	\$ 11,579
Supervisory Union's Covered Employee Payroll	\$ 639,241	\$ 518,792	\$ 414,119	\$ 396,456	\$ 364,481
Supervisory Union's Proportionate Share of the Net Pension Liability as a Percentage of Supervisory Union's Covered Employee Payroll	26.0726%	23.6879%	32.4262%	20.2822%	3.1768%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

GRAND ISLE SUPERVISORY UNION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 26,371	\$ 16,565	\$ 15,858	\$ 14,579	\$ 16,365
Contributions in Relation to the Actuarially Determined Contributions	<u>26,371</u>	<u>16,565</u>	<u>15,858</u>	<u>14,579</u>	<u>16,365</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Supervisory Union's Covered Employee Payroll	\$ 639,241	\$ 518,792	\$ 414,119	\$ 396,456	\$ 364,481
Contributions as a Percentage of Supervisory Union's Covered Employee Payroll	4.125%	3.193%	3.829%	3.677%	4.490%

Notes to Schedule

Valuation Date: June 30, 2018

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

GRAND ISLE SUPERVISORY UNION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VSTRS DEFINED BENEFIT PLAN
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 1,510,705,475	\$ 1,482,403,515	\$ 1,309,523,451	\$ 1,186,504,853	\$ 958,436,990
Supervisory Union's Proportion of the Net Pension Liability	0.1702%	0.1643%	0.0481%	0.0565%	0.0492%
Supervisory Union's Proportionate Share of the Net Pension Liability	\$ 2,571,135	\$ 2,435,814	\$ 629,639	\$ 670,502	\$ 471,920
Supervisory Union's Covered Employee Payroll	\$ 1,112,242	\$ 1,150,573	\$ 1,085,803	\$ 1,248,706	\$ 1,260,660
Supervisory Union's Proportionate Share of the Net Pension Liability as a Percentage of Supervisory Union's Covered Employee Payroll	231.1669%	211.7044%	57.9883%	53.6957%	37.4344%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.81%	53.98%	55.31%	58.22%	64.02%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Grant Title Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>					
Passed through Vermont Agency of Education					
Special Education Cluster					
Special Education - Grants to States	84.027	4426S0241900	299,169	\$ 0	\$ 254,158
Special Education - Preschool Grants	84.173	4228S0241900	9,738	<u>0</u>	<u>9,738</u>
Total Special Education Cluster				0	263,896
Title I Grants to Local Education Agencies	84.010	4250S0241900	334,583	195,830	270,358
Title IIA Supporting Effective Instruction State Grant	84.367	4651S0241900	163,812	<u>0</u>	<u>32,972</u>
Total Passed through Vermont Agency of Education				<u>195,830</u>	<u>303,330</u>
Total U.S. Department of Education				<u>195,830</u>	<u>567,226</u>
<u>U.S. Department of Agriculture</u>					
Passed through Vermont Agency of Education					
Child Nutrition Cluster					
National Hot Lunch	10.555	4455S0241900	N/A	0	154,303
School Breakfast Program	10.553	4452S0241900	N/A	0	60,285
Summer Food Service Program	10.559	4455S0241900	N/A	<u>0</u>	<u>5,825</u>
Total Child Nutrition Cluster				0	220,413
Fresh Fruits and Vegetable Program	10.582	4449S0241900	N/A	0	23,392
Commodities	10.555	4456S0241900	N/A	<u>0</u>	<u>23,323</u>
Total U.S. Department of Agriculture				<u>0</u>	<u>267,128</u>
Total Federal Awards				<u>\$ 195,830</u>	<u>\$ 834,354</u>

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the Federal award activity of the Grand Isle Supervisory Union under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of operations of the Grand Isle Supervisory Union, it is not intended to and does not present the financial position, changes in net position, or cash flow of the Colchester School District.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting and was prepared using significant accounting policies outlined in Note 1 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Grand Isle Supervisory Union has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Accompanying Independent Auditor's Report.

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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"

Board of School Directors
Grand Isle Supervisory Union
5038 US Route 2
North Hero, Vermont 05474

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Grand Isle Supervisory Union as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Grand Isle Supervisory Union's basic financial statements and have issued our report thereon dated October 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Grand Isle Supervisory Union's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Grand Isle Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grand Isle Supervisory Union's internal control.

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.

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 Grand Isle Supervisory Union's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2019-001 through 2019-003 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grand Isle Supervisory Union's financial statements are free from 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".

We also noted certain other matters that we reported to the management of the Grand Isle Supervisory Union in a separate letter dated October 23, 2020.

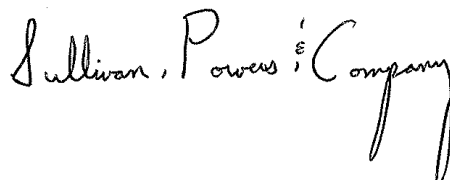
Grand Isle Supervisory Union's Response to Deficiencies in Internal Control

The Grand Isle Supervisory Union's responses to the deficiencies in internal control and compliance findings identified in our audit are included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Grand Isle Supervisory Union's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grand Isle Supervisory Union'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 Grand Isle Supervisory Union's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 23, 2020
Montpelier, Vermont
VT Lic. #92-000180



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Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Board of School Directors
Grand Isle Supervisory Union
5038 US Route 2
North Hero, Vermont 05474

Report on Compliance for Each Major Federal Program

We have audited the Grand Isle Supervisory Union's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Compliance Supplement" that could have direct and material effect on the Grand Isle Supervisory Union's major federal programs for the year ended June 30, 2019. The Grand Isle Supervisory Union's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Grand Isle Supervisory Union's major federal programs based on our audit of the types of compliance requirements referred to previously. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. "Code of Federal Regulations" Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Grand Isle Supervisory Union's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of the Grand Isle Supervisory Union's compliance.

Basis for Qualified Opinions on Title I Grants to Local Education Agencies Grant and Special Education Cluster

As described in the accompanying Schedule of Findings and Deficiencies in Internal Control, the Grand Isle Supervisory Union did not comply with the requirements regarding reporting as described in finding number 2019-004 for CFDA 84.027, Special Education - Grants to States, CFDA 84.173 Special Education – Preschool Grants and CFDA 84.010 Title I Grants to Local Education Agencies Grant. Compliance with such requirements is necessary, in our opinion, for the Grand Isle Supervisory Union to comply with the requirements applicable to those programs.

Qualified Opinions on Title I Grants to Local Education Agencies Grant and Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the Grand Isle Supervisory Union complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on the Special Education Cluster and Title I Grants to Local Education Agencies Grant for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and deficiencies in internal control as Item 2019-005. Our opinion on each major federal program is not modified with respect to this matter.

The Grand Isle Supervisory Union's response to the noncompliance findings identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Grand Isle Supervisory Union's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the Grand Isle Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Grand Isle Supervisory Union's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grand Isle Supervisory Union's internal control over compliance.

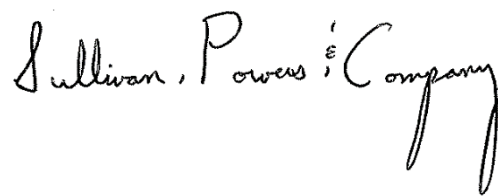
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed as follows, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2019-006 and 2019-007 to be material weaknesses.

The Grand Isle Supervisory Union's response to the internal control over compliance findings identified in our audit is included with the accompanying schedule of findings and deficiencies in internal control. The Grand Isle Supervisory Union's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

October 23, 2020
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and a long, sweeping tail on the 'y'.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

FINANCIAL STATEMENTS:

Deficiencies in Internal Control:

Material Weaknesses:

2018-001 Timely Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the timely reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

The Supervisory Union does not have internal controls in place to ensure that timely reconciliations are performed for all balance sheet accounts. Most of the balance sheet accounts were not reconciled to the actual balances at year end or during the year which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

Most of the Supervisory Union's balance sheet account balances were incorrect during the year and at year end.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation on a monthly basis in order to detect and correct errors.

Corrective Action Taken:

No corrective action taken.

2018-002 Special Education Report

Criteria:

Internal controls should be in place to ensure that the Special Education Expenditures Report (SEER) agrees to the underlying accounting records. Furthermore, a secondary review performed the Director of Special Education, should be done and documented.

Condition:

The Supervisory Union does not have adequate controls in place over the Special Education Expenditures Report to ensure the information agrees to the underlying accounting records. There were several amendments to the final Special Education Expenditures Report due to inaccurate amounts in the general ledger. Also, there is not adequate controls in place to ensure that the review of the report by the Director of Special Education is properly documented.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Cause:

Unknown.

Effect:

The final SEER was not correct and requires an amended submission by the Supervisory Union.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure the Special Education Expenditures report agrees to the underlying accounting records and that the Director of Special Education documents the review of the report for accuracy.

Corrective Action Taken:

No corrective action taken.

2018-003 Documentation of Time and Effort Controls

Criteria:

The Supervisory Union should have controls in place to ensure that employees' whose compensation is funded solely from a program furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with Uniform Guidance.

Condition:

The Supervisory Union did not have controls in place to obtain semi-annual certifications for employees who work on the IDEA-B Special Education Grants to States grant (CFDA#84.027), the Special Education Grants Preschool grant (CFDA #84.173) and Title I Grants to Local Education Agencies Grant (CFDA#84.010) for the grant period July, 2017 through June, 2018.

Cause:

Unknown.

Effect:

The Supervisory Union may not be in compliance with documentation of time and effort requirements

Recommendation:

We recommend that Supervisory Union implement controls over documentation of time and effort.

Corrective Action Taken:

Corrective action has been taken.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

2018-004 Interdistrict Receivables/Payables

Criteria:

The Supervisory Union should have controls in place to ensure that all interdistrict receivables/payables are properly billed.

Condition:

The Supervisory Union did not have controls in place to ensure that it records all interdistrict receivables/payables in the correct fiscal year. There is also a significant amount of activity running through the interdistrict accounts.

Cause:

Internal controls over recording interdistrict receivables/payables are inadequately designed.

Effect:

The interdistrict accounts could be inaccurate.

Recommendation:

We recommend the Supervisory Union implement procedures to ensure that all revenue and expenses and interdistrict payables and receivables are reported in the correct fiscal year.

Corrective Action Taken:

No corrective action taken.

2018-005 Subrecipient Monitoring Controls

Criteria:

The Supervisory Union should have controls in place to ensure that it monitors the activities of its subrecipients to ensure that the Federal awards are used for authorized purposes in compliance with the federal program laws, regulations, and grant agreements.

Condition:

There are no controls in place to ensure all subgrantees are monitored properly. The Supervisory Union is not monitoring compliance with allowability specifically related to documentation of time and effort. It is the Supervisory Union's responsibility to monitor its subgrantees.

Cause:

The Supervisory Union was not aware of the requirements to monitor the subrecipients.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Effect:

The Supervisory Union is not fulfilling its monitoring responsibilities.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure subgrantees are monitored.

Corrective Action Taken:

Corrective action has been taken.

Significant Deficiencies:

2018-006 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that require appropriate individuals to approve all adjustments to the books of original entry.

Condition:

Internal controls over recording of journal entries are inadequately designed. Journal entries prepared by the Business Manager are not reviewed by another individual nor is adequate supporting documentation retained.

Cause:

Unknown.

Effect:

This one deficiency in internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Supervisory Union consistently ensure that all journal entries are properly supported with documentation as to how and where the amount was derived. We also recommend that all journal entries be reviewed by an appropriate official so as not to circumvent the original approval process.

Corrective Action Taken:

Corrective action has been taken.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Findings:

2018-007 Documentation of Time and Effort

Identification of Federal Programs:

Title & CFDA #	Special Education Cluster (IDEA B) - (CFDA #84.027 & 84.173)
Federal Award # and Year:	4226-S024-1801 & 4228-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	CFP-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

A Supervisory Union whose employees' compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with Uniform Guidance.

Condition:

The Supervisory Union did not obtain proper time and effort distribution records from employees who are paid in part from the Special Education Cluster and Title I Grants to Local Education Agencies Grants. The amounts of questioned costs as a result of this are as follows:

IDEA B Special Education Grants to States (CFDA #84.027) (4226-S024-1801)	\$ 115,409
IDEA B Special Education Grants to States - Preschool (CFDA #84.173) (4228-S024-1801)	\$ 14,851
Title I Grants to Local Education Agencies Grants (CFDA#84.010) (CFP-S024-1801)	\$ 44,901

The questioned costs include all salary and benefits of the employees charged to those amounts.

Cause:

The Supervisory Union did not have procedures in place to obtain proper time and effort records for employees who are paid from the IDEA-B grants and the Title I grant.

Effect:

The Supervisory Union is not in compliance with documentation of time and effort requirements.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Recommendation:

We recommend that the Supervisory Union maintain appropriate documentation of time and effort.

Status:

The State of Vermont Agency of Education has disallowed these costs. The Supervisory Union has appealed this determination to the U.S. Department of Education.

2018-008 Subrecipient Monitoring

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	CFP-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

A grantee that passes through Federal funds to subrecipients is responsible for monitoring their activities to ensure that the Federal awards are used for authorized purposes in compliance with the federal program laws, regulations, and grant agreements.

Condition:

The Supervisory Union subgrants Title I Grants to Local Education Agencies Grant funds. The Supervisory Union has not monitored its subgrantees for allowability, specifically documentation of time and effort. The amounts of questioned costs as a result of this are as follows:

Title I Grants to Local Educational Agencies (CFDA #84.010) (CFP-S024-1801)	\$ 190,594
--	------------

The questioned costs include all payments to subrecipients under Title I grants.

Cause:

The Supervisory Union was not aware of the requirements to monitor the subrecipients.

Effect:

The Supervisory Union is not fulfilling its monitoring responsibilities.

Recommendation:

We recommend that a plan be developed whereby the Supervisory Union documents that each school district complies with the Title I Grants to Local Educational Agencies requirements. In addition, all subgrantees that are required to have a single audit should submit them to the Supervisory Union and, if necessary, follow up with the subgrantee.

Status:

The State of Vermont Agency of Education has disallowed these costs. The Supervisory Union has appealed this determination to the U.S. Department of Education.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

FEDERAL AWARDS:

Findings:

2018-007 Documentation of Time and Effort

Identification of Federal Programs:

Title & CFDA #	Special Education Cluster (IDEA B) - (CFDA #84.027 & 84.173)
Federal Award # and Year:	4226-S024-1801 & 4228-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	CFP-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

A Supervisory Union whose employees' compensation is funded solely from a program must furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with Uniform Guidance.

Condition:

The Supervisory Union did not obtain proper time and effort distribution records from employees who are paid in part from the Special Education Cluster and Title I Grants to Local Education Agencies Grants. The amounts of questioned costs as a result of this are as follows:

IDEA B Special Education Grants to States (CFDA #84.027) (4226-S024-1801)	\$ 115,409
IDEA B Special Education Grants to States - Preschool (CFDA #84.173) (4228-S024-1801)	\$ 14,851
Title I Grants to Local Education Agencies Grants (CFDA#84.010) (CFP-S024-1801)	\$ 44,901

The questioned costs include all salary and benefits of the employees charged to those grants.

Cause:

The Supervisory Union did not have procedures in place to obtain proper time and effort records for employees who are paid from the IDEA-B grants and the Title I grant.

Effect:

The Supervisory Union is not in compliance with documentation of time and effort requirements.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Recommendation:

We recommend that the Supervisory Union maintain appropriate documentation of time and effort.

Status:

The State of Vermont Agency of Education has disallowed these costs. The Supervisory Union has appealed this determination to the U.S. Department of Education.

2018-008 Subrecipient Monitoring

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	CFP-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

A grantee that passes through Federal funds to subrecipients is responsible for monitoring their activities to ensure that the Federal awards are used for authorized purposes in compliance with the federal program laws, regulations, and grant agreements.

Condition:

The Supervisory Union subgrants Title I Grants to Local Education Agencies Grant funds. The Supervisory Union has not monitored its subgrantees for allowability, specifically documentation of time and effort. The amounts of questioned costs as a result of this are as follows:

Title I Grants to Local Educational Agencies (CFDA #84.010) (CFP-S024-1801)	\$ 190,594
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The questioned costs include all payments to subrecipients under Title I grants.

Cause:

The Supervisory Union was not aware of the requirements to monitor the subrecipients.

Effect:

The Supervisory Union is not fulfilling its monitoring responsibilities.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Recommendation:

We recommend that a plan be developed whereby the Supervisory Union documents that each school district complies with the Title I Grants to Local Educational Agencies requirements. In addition, all subgrantees that are required to have a single audit should submit them to the Supervisory Union and, if necessary, follow up with the subgrantee.

Status:

The State of Vermont Agency of Education has disallowed these costs. The Supervisory Union has appealed this determination to the U.S. Department of Education.

2018-009 Compliance Over Reporting

Identification of Federal Program:

Title & CFDA #	Special Education Cluster (IDEA B) - (CFDA #84.027 & 84.173)
Federal Award # and Year:	4226-S024-1801 & 4228-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	CFP-S024-1801
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

The Supervisory Union is required to file AOE Form 2.0 Expenditures reports based on underlying accounting records for the Special Education – Grants to States Program, CFDA #84.027, Special Education – Preschool Grants, CFDA #84.173 and Title I Grants to Local Education Agencies Grant CFDA #84.010.

Condition:

The Supervisory Union filed inaccurate reports. The AOE Form 2.0 Expenditures reports did not agree to the underlying accounting records. This is a repeat finding as previously reported as item 2017-009.

Cause:

Unknown.

Effect:

The Supervisory Union is not in compliance with the reporting requirements.

Recommendation:

We recommend that the Supervisory Union ensure the AOE Form 2.0 Expenditures reports agree to the underlying accounting records.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Status:

The grantor has accepted management's resolution.

2018-010 Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union is responsible for accurately preparing the Schedule of Expenditures of Federal Awards.

Condition:

The Schedule of Expenditures of Federal Awards was inaccurate. This is a repeat finding as previously reported as Item 2017-010.

Cause:

Unknown.

Effect:

The Supervisory Union was not in compliance with reporting requirements for the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend that the Supervisory Union prepare the Schedule of Expenditures of Federal Awards accurately based on the accounting records.

Status:

The grantor has accepted management's resolution.

Material Weaknesses:

2018-003 Documentation of Time and Effort Controls

Criteria:

The Supervisory Union should have controls in place to ensure that employees' whose compensation is funded solely from a program furnish semi-annual certifications that he/she has been engaged solely in activities supported by those funds in accordance with Uniform Guidance.

Condition:

The Supervisory Union did not have controls in place to obtain semi-annual certifications for employees who work on the IDEA-B Special Education Grants to States grant (CFDA#84.027), the Special Education Grants Preschool grant (CFDA #84.173) and Title I Grants to Local Education Agencies Grant (CFDA#84.010) for the grant period July, 2017 through June, 2018.

Cause:

Unknown.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Effect:

The Supervisory Union may not be in compliance with documentation of time and effort requirements

Recommendation:

We recommend that Supervisory Union implement controls over documentation of time and effort.

Corrective Action Taken:

Corrective action has been taken.

2018-005 Subrecipient Monitoring Controls

Criteria:

The Supervisory Union should have controls in place to ensure that it monitors the activities of its subrecipients to ensure that the Federal awards are used for authorized purposes in compliance with the federal program laws, regulations, and grant agreements.

Condition:

There are no controls in place to ensure all subgrantees are monitored properly. The Supervisory Union is not monitoring compliance with allowability specifically related to documentation of time and effort. It is the Supervisory Union's responsibility to monitor its subgrantees.

Cause:

The Supervisory Union was not aware of the requirements to monitor the subrecipients.

Effect:

The Supervisory Union is not fulfilling its monitoring responsibilities.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure subgrantees are monitored.

Corrective Action Taken:

Corrective action has been taken.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

2018-011 Controls over Reporting

Criteria:

Internal controls should be in place to ensure that the AOE Form 2.0 Expenditures report agrees to the underlying accounting records and any carry over amount is reported accurately.

Condition:

The Supervisory Union does not have adequate controls in place over AOE Form 2.0 Expenditures reports to ensure the information agrees to underlying accounting records and that any carryover is reported accurately. There were a number of other instances where the expenses reported did not agree with the general ledger. This is a repeat finding as previously reported as item 2017-012.

Cause:

Unknown.

Effect:

Grants receivable and/or unearned revenues were inaccurately reported.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure the AOE Form 2.0 Expenditures reports agree to the underlying accounting records and any carry over amounts are reported accurately.

Corrective Action Taken:

No corrective action was taken.

2018-012 Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union should have internal controls in place to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate.

Condition:

The Supervisory Union does not have adequate controls in place to ensure the Schedule of Expenditures of Federal Awards is accurate. There were adjustments made to the general ledger that also affected the Schedule of Expenditures of Federal Awards amounts. This is a repeat finding as previously reported as item 2017-013.

Cause:

Unknown.

Effect:

The Schedule of Expenditures of Federal Awards was inaccurate.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Recommendation:

We recommend that the Supervisory Union implement procedures to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate and that all federal awards are properly included.

Corrective Action Taken:

No corrective action was taken.

Significant Deficiencies:

2018-013 Budget Amendments

Criteria:

The Supervisory Union should have controls in place to ensure that if its Special Education Grant to States Grant budget is to be exceeded by more than 10%, the grantee needs to amend the grant.

Condition:

There are no controls in place to monitor the grant budget and to ensure they are in compliance with budget amendments. This is a repeat finding as previously reported as item 2017-014.

Cause:

Unknown.

Effect:

The Supervisory Union may not be in compliance with special tests and provisions of the Special Education Grants to State grant.

Recommendation:

We recommend the Supervisory Union implement controls to monitor the budget.

Corrective Action Taken:

Corrective action has been taken.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Unmodified.

Internal Control Over Financial Reporting:
Material Weaknesses:
Yes.

Significant Deficiencies identified not considered to be material weaknesses:
Yes.

Noncompliance material to financial statements:
No.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
Yes.

Significant Deficiencies identified not considered to be material weaknesses:
Yes.

Type of auditor's report issued on compliance for major programs:
Qualified for all major programs.

There are audit findings that are required to be reported in accordance with the Uniform Guidance.

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
84.010	Title I Grants to Local Education Agencies	U.S. Department of Education
Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	U.S. Department of Education
84.173	Special Education – Preschool Grants	U.S. Department of Education

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee does not qualify as a low risk auditee.

FINANCIAL STATEMENTS:

Deficiencies in Internal Control:

Material Weaknesses:

2019-001 Timely Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the timely reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

The Supervisory Union does not have internal controls in place to ensure that timely reconciliations are performed for all balance sheet accounts. Most of the balance sheet accounts were not reconciled to the actual balances at year end or during the year which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

Most of the Supervisory Union's balance sheet account balances were incorrect during the year and at year end.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation on a monthly basis in order to detect and correct errors.

2019-002 Special Education Report

Criteria:

Internal controls should be in place to ensure that the Special Education Expenditures Report (SEER) agrees to the underlying accounting records. Furthermore, a secondary review performed the Director of Special Education, should be done and documented.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Condition:

The Supervisory Union does not have adequate controls in place over the Special Education Expenditures Report to ensure the information agrees to the underlying accounting records. There were several amendments to the final Special Education Expenditures Report due to inaccurate amounts in the general ledger. Also, there is not adequate controls in place to ensure that the review of the report by the Director of Special Education is properly documented.

Cause:

Unknown.

Effect:

The final SEER was not correct and requires an amended submission by the Supervisory Union.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure the Special Education Expenditures report agrees to the underlying accounting records and that the Director of Special Education documents the review of the report for accuracy.

2019-003 Interdistrict Receivables/Payables

Criteria:

The Supervisory Union should have controls in place to ensure that all interdistrict receivables/payables are properly billed.

Condition:

The Supervisory Union did not have controls in place to ensure that it records all interdistrict receivables/payables in the correct fiscal year. There is also a significant amount of activity running through the interdistrict accounts.

Cause:

Unknown.

Effect:

The interdistrict accounts could be inaccurate.

Recommendation:

We recommend the Supervisory Union implement procedures to ensure that all revenue and expenses and interdistrict payables and receivables are reported in the correct fiscal year.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

FEDERAL AWARDS:

Findings:

2019-004 Compliance Over Reporting

Identification of Federal Program:

Title & CFDA #	Special Education Cluster (IDEA B) - (CFDA #84.027 & 84.173)
Federal Award # and Year:	4426-S024-1900 & 4228-S024-1900
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Title & CFDA #	Title I Grants to Local Education Agencies Grant - (CFDA #84.010)
Federal Award # and Year:	4250-S024-1900
Federal Agency:	U.S. Department of Education
Pass-through Agency:	State of Vermont Agency of Education

Criteria:

The Supervisory Union is required to file AOE Form 2.0 Expenditures reports based on accurate underlying accounting records for the Special Education – Grants to States Program, CFDA #84.027, Special Education – Preschool Grants, CFDA #84.173 and Title I Grants to Local Education Agencies Grant CFDA #84.010.

Condition:

The Supervisory Union filed inaccurate reports. The AOE Form 2.0 Expenditures reports agreed to the underlying accounting records, however, there were errors in the accounting records. This is a repeat finding as previously reported as item 2018-009.

Cause:

Unknown.

Effect:

The Supervisory Union is not in compliance with the reporting requirements.

Recommendation:

We recommend that the Supervisory Union ensure the AOE Form 2.0 Expenditures reports agree to accurate underlying accounting records.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

2019-005 Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union is responsible for accurately preparing the Schedule of Expenditures of Federal Awards.

Condition:

The Schedule of Expenditures of Federal Awards was inaccurate. This is a repeat finding as previously reported as Item 2018-010.

Cause:

Unknown.

Effect:

The Supervisory Union was not in compliance with reporting requirements for the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend that the Supervisory Union prepare the Schedule of Expenditures of Federal Awards accurately based on the accounting records.

Deficiencies in Internal Control:

Material Weaknesses:

2019-006 Controls over Reporting

Criteria:

Internal controls should be in place to ensure that the AOE Form 2.0 Expenditures report agrees to accurate underlying accounting records and any carry over amount is reported accurately.

Condition:

The Supervisory Union does not have adequate controls in place over AOE Form 2.0 Expenditures reports to ensure the information agrees to accurate underlying accounting records. There were a number of instances where the expenses reported agreed with the general ledger but the general ledger contained errors. This is a repeat finding as previously reported as item 2018-005.

Cause:

Unknown.

Effect:

Grants receivable and/or unearned revenues were inaccurately reported.

GRAND ISLE SUPERVISORY UNION
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Recommendation:

We recommend that the Supervisory Union implement controls to ensure the AOE Form 2.0 Expenditures reports agree to accurate underlying accounting records.

2019-007 Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union should have internal controls in place to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate.

Condition:

The Supervisory Union does not have adequate controls in place to ensure the Schedule of Expenditures of Federal Awards is accurate. There were adjustments made to the general ledger that also affected the Schedule of Expenditures of Federal Awards amounts. This is a repeat finding as previously reported as item 2018-006.

Cause:

Unknown.

Effect:

The Schedule of Expenditures of Federal Awards was inaccurate.

Recommendation:

We recommend that the Supervisory Union implement procedures to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate and that all federal awards are properly included.

Grand Isle Supervisory Union

224 U.S. Route 2 Grand Isle, Vermont 05458

Phone: 802-372-6921 Fax: 802-372-4898 Web Site: www.gisu.org

October 26, 2020

Mr. Fred Duplessis
Sullivan, Powers & Company
77 Barre Street, PO Box 947
Montpelier, VT 05602

RE: Fiscal Year 2019 Federal Single Audit Management Decision Letter

Dear Fred,

Below please find our responses related to the single audit of the Grand Isle Supervisory Union for the year ending June 30, 2019.

FINDING 2019-001: Timely Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the timely reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

The Supervisory Union does not have internal controls in place to ensure that timely reconciliations are performed for all balance sheet accounts. Most of the balance sheet accounts were not reconciled to the actual balances at year end or during the year which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

Most of the Supervisory Union's balance sheet account balances were incorrect during the year and at year end.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation on a monthly basis in order to detect and correct errors

Management Response: FY19 balance sheet reconciliations were initiated in FY18 when former staff left. The Financial Support Specialist position, filled in FY18 will have responsibility for completing balance sheet reconciliations on a consistent basis. We have re-allocated central

office staff responsibilities so that the Financial Support Specialist continues to focus on balance sheet reconciliations.

FINDING 2019-002: Special Education Report

Criteria:

Internal controls should be in place to ensure that the Special Education Expenditures Report (SEER) agrees to the underlying accounting records. Furthermore, a secondary review performed by the Director of Special Education, should be done and documented.

Condition:

The Supervisory Union does not have adequate controls in place over the Special Education Expenditures Report to ensure the information agrees to the underlying accounting records. There were several amendments to the final Special Education Expenditures Report due to inaccurate amounts in the general ledger. Also, there is not adequate controls in place to ensure that the review of the report by the Director of Special Education is properly documented.

Cause:

Unknown.

Effect:

The final SEER was not correct and requires an amended submission by the Supervisory Union.

Recommendation:

We recommend that the Supervisory Union implement controls to ensure the Special Education Expenditures report agrees to the underlying accounting records and that the Director of Special Education documents the review of the report for accuracy.

Management Response: The Grand Isle Supervisory Union will resubmit a revised FY19 Final SEER report with the appropriate back-up documentation. The Director of Student Support Services and the Business Manager will review the SEER report prior to it being submitted to the AOE.

FINDING 2019-003: Interdistrict Receivables/Payables

Criteria:

The Supervisory Union should have controls in place to ensure that all interdistrict receivables/payables are properly billed.

Condition:

The Supervisory Union did not have controls in place to ensure that it records all interdistrict receivables/payables in the correct fiscal year. There is also a significant amount of activity running through the interdistrict accounts.

Cause:

Unknown.

Effect:

The interdistrict accounts could be inaccurate.

Recommendation:

We recommend the Supervisory Union implement procedures to ensure that all revenue and expenses and interdistrict payables and receivables are reported in the correct fiscal year.

Management Response: Procedures have been implemented to track and record all interdistrict transactions. Invoices from one entity to another will be dated. This procedure will set up the AR and AP on both books correctly and track future payments made/received.

FINDING 2019-004: Compliance Over Reporting

Identification of Federal Program:

Title & CFDA # Special Education Cluster (IDEA B) - (CFDA #84.027 & 84.173)

Federal Award # and Year: 4426-S024-1900 & 4228-S024-1900

Federal Agency: U.S. Department of Education

Pass-through Agency: State of Vermont Agency of Education

Title & CFDA # Title I Grants to Local Education Agencies Grant - (CFDA #84.010)

Federal Award # and Year: 4250-S024-1900

Federal Agency: U.S. Department of Education

Pass-through Agency: State of Vermont Agency of Education

Criteria:

The Supervisory Union is required to file AOE Form 2.0 Expenditures reports based on accurate underlying accounting records for the Special Education – Grants to States Program, CFDA #84.027, Special Education – Preschool Grants, CFDA #84.173 and Title I Grants to Local Education Agencies Grant CFDA #84.010.

Condition:

The Supervisory Union filed inaccurate reports. The AOE Form 2.0 Expenditures reports agreed to the underlying accounting records, however, there were errors in the accounting records. This is a repeat finding as previously reported as item 2018-009.

Cause:

Unknown.

Effect:

The Supervisory Union is not in compliance with the reporting requirements.

Recommendation:

We recommend that the Supervisory Union ensure the AOE Form 2.0 Expenditures reports agree to accurate underlying accounting records.

Management Response: The Grand isle Supervisory Union has added Finance Reporting and Controls for Federal Grants procedures to the GISU Accounting Procedures Manual. The GISU will ensure that the expenditures reflected on the AOE 3.0's will agree with the accounting records.

FINDING 2019-005: Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union is responsible for accurately preparing the Schedule of Expenditures of Federal Awards.

Condition:

The Schedule of Expenditures of Federal Awards was inaccurate. This is a repeat finding as previously reported as Item 2018-010.

Cause:

Unknown.

Effect:

The Supervisory Union was not in compliance with reporting requirements for the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend that the Supervisory Union prepare the Schedule of Expenditures of Federal Awards accurately based on the accounting records.

Management Response: The Grand isle Supervisory Union has added SEFA completion procedures to the GISU Accounting Procedures Manual. The GISU will ensure that the expenditures reflected on the AOE 3.0's will agree with the accounting records.

FINDING 2019-006: Controls Over Reporting

Identification of Federal Programs:

Criteria:

Internal controls should be in place to ensure that the AOE Form 2.0 Expenditures report agrees to accurate underlying accounting records and any carry over amount is reported accurately.

Condition:

The Supervisory Union does not have adequate controls in place over AOE Form 2.0 Expenditures reports to ensure the information agrees to accurate underlying accounting records. There were a number of instances where the expenses reported agreed with the general ledger but the general ledger contained errors. This is a repeat finding as previously reported as item 2018-005.

Cause:

Unknown.

Effect:

Grants receivable and/or unearned revenues were inaccurately reported.

Management Response: The Grand Isle Supervisory Union will create and submit a procedure to ensure that future AOE 2.0 or newer version reports agree with their underlying accounting records. Management will also ensure the timely posting of all purchases at year end.

FINDING 2019-007: Schedule of Expenditures of Federal Awards

Criteria:

The Supervisory Union should have internal controls in place to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate.

Condition:

The Supervisory Union does not have adequate controls in place to ensure the Schedule of Expenditures of Federal Awards is accurate. There were adjustments made to the general ledger that also affected the Schedule of Expenditures of Federal Awards amounts. This is a repeat finding as previously reported as item 2018-006.

Cause:

Unknown.

Effect:

The Schedule of Expenditures of Federal Awards was inaccurate.

Recommendation:

We recommend that the Supervisory Union implement procedures to ensure that the data utilized to prepare the Schedule of Expenditures of Federal Awards is accurate and that all federal awards are properly included.

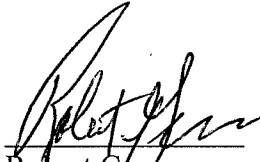
Management Response: The Grand isle Supervisory Union has added SEFA completion procedures to the GISU Accounting Procedures Manual. The GISU will ensure that the expenditures reflected on the AOE 3.0's will agree with the accounting records.

Please feel free to contact us with any questions

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael J. Clark".

Michael Clark
Superintendent

A handwritten signature in cursive script, appearing to read "Robert Gess".

Robert Gess
Business Manager