

GRAND ISLE SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2019

GRAND ISLE SCHOOL DISTRICT
 AUDIT REPORT
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Independent Auditor's Report

Board of School Directors
Grand Isle School District
c/o 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, each major fund and the aggregate remaining fund information of the Grand Isle School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Grand Isle School District'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.

Grand Isle School District

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 School District'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 School District'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, each major fund and the aggregate remaining fund information of the Grand Isle School District 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 the 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 and the Schedule Proportionate Share of Net Pension Liability on Schedule 2 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.

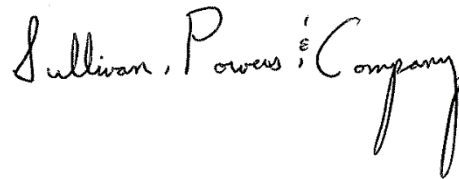
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Isle School District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated September 8, 2020 on our consideration of the Grand Isle School District'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 School District's internal control over financial reporting and compliance.

September 8, 2020
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 473,234
Due from the State of Vermont	5,038
Due from the Grand Isle Supervisory Union	173,316
Due from the South Hero School District	15,679
Grant Receivable	660
Prepaid Expenses	28,481
Capital Assets:	
Capital Assets, (Net of Accumulated Depreciation)	<u>1,154,998</u>
Total Assets	<u>1,851,406</u>
<u>LIABILITIES</u>	
Accounts Payable	11,046
Accrued Payroll and Benefits Payable	94,118
Due to the State of Vermont	130,844
Due to the Town of Grand Isle	50,435
Due to Private Purpose Trust Funds	1,471
Noncurrent Liabilities:	
Due in Less than One Year	40,699
Due in More than One Year	<u>87,623</u>
Total Liabilities	<u>416,236</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,154,998
Unrestricted	<u>280,172</u>
Total Net Position	<u>\$ 1,435,170</u>

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Education	\$ <u>5,129,431</u>	\$ <u>73,437</u>	\$ <u>5,229,282</u>	\$ <u>173,288</u>
Total Governmental Activities	\$ <u><u>5,129,431</u></u>	\$ <u><u>73,437</u></u>	\$ <u><u>5,229,282</u></u>	<u>173,288</u>
General Revenues:				
Unrestricted Interest Income			<u>1,605</u>	
Total General Revenues			<u>1,605</u>	
Change in Net Position			174,893	
Net Position - July 1, 2018			<u>1,260,277</u>	
Net Position - June 30, 2019			\$ <u><u>1,435,170</u></u>	

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

GRAND ISLE SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 473,234	\$ 0	\$ 473,234
Due from the State of Vermont	5,038	0	5,038
Due from the Grand Isle Supervisory Union	173,316	0	173,316
Due from the South Hero School District	15,679	0	15,679
Grant Receivable	660	0	660
Prepaid Expenses	28,481	0	28,481
Due from Other Funds	<u>0</u>	<u>12,574</u>	<u>12,574</u>
 Total Assets	 <u>\$ 696,408</u>	 <u>\$ 12,574</u>	 <u>\$ 708,982</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 11,046	\$ 0	\$ 11,046
Accrued Payroll and Benefits Payable	94,118	0	94,118
Due to the State of Vermont	130,844	0	130,844
Due to the Town of Grand Isle	50,435	0	50,435
Due to Other Funds	<u>14,045</u>	<u>0</u>	<u>14,045</u>
 Total Liabilities	 <u>300,488</u>	 <u>0</u>	 <u>300,488</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	<u>83,992</u>	<u>0</u>	<u>83,992</u>
 Total Deferred Inflows of Resources	 <u>83,992</u>	 <u>0</u>	 <u>83,992</u>
<u>FUND BALANCES</u>			
Assigned	0	12,574	12,574
Unassigned	<u>311,928</u>	<u>0</u>	<u>311,928</u>
 Total Fund Balances	 <u>311,928</u>	 <u>12,574</u>	 324,502
 Total Liabilities and Fund Balances	 <u>\$ 696,408</u>	 <u>\$ 12,574</u>	

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.	1,154,998
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	83,992
Long-term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	<u>(128,322)</u>
Net Position of Governmental Activities	<u>\$ 1,435,170</u>

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Regular Instructional:			
General State Support Grants	\$ 4,693,191	\$ 0	\$ 4,693,191
State Grant Revenue	114,836	0	114,836
Other Local Revenue	5,345	0	5,345
Special Education Support:		0	
State Revenue	184,992	0	184,992
Food Service	73,437	0	73,437
Interest	1,605	0	1,605
Intergovernmental Pension Contribution	169,103	0	169,103
	<u>5,242,509</u>	<u>0</u>	<u>5,242,509</u>
Expenditures:			
Instructional	2,796,154	0	2,796,154
School Wide Program	78,294	0	78,294
Universal Pre-Kindergarten	81,971	0	81,971
Special Education	298,877	0	298,877
Essential Early Education	2,195	0	2,195
Student Body Activities	23,902	0	23,902
Guidance Services	56,233	0	56,233
Health Services	70,893	0	70,893
Library Services	86,380	0	86,380
Board of Education	11,765	0	11,765
Administration	345,087	0	345,087
Principal	194,859	0	194,859
Special Education Coordination	453,404	0	453,404
Building Operations	269,376	0	269,376
Transportation Services	150,805	0	150,805
RiseVT Grant Supplies and Equipment	2,284	0	2,284
SRSA Grant Expenditures	3,048	0	3,048
Food Service	97,015	0	97,015
Capital Outlay	20,596	0	20,596
	<u>5,043,138</u>	<u>0</u>	<u>5,043,138</u>
Excess of Revenues Over Expenditures	199,371	0	199,371
Fund Balances - July 1, 2018	<u>112,557</u>	<u>12,574</u>	<u>125,131</u>
Fund Balances - June 30, 2019	<u>\$ 311,928</u>	<u>\$ 12,574</u>	<u>\$ 324,502</u>

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

GRAND ISLE SCHOOL DISTRICT
 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 balances - total government funds (Exhibit D)	\$	199,371
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$67,730) exceeded capital outlays (\$20,596) in the current period.		(47,134)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		61,815
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(39,159)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>174,893</u></u>

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Funds	Agency Fund Student Activities Fund
<u>ASSETS</u>		
Cash	\$ 0	\$ 5,955
Investments	17,092	0
Due from Other Funds	1,471	0
Total Assets	18,563	5,955
<u>LIABILITIES</u>		
Due to Student Organizations	0	5,955
Total Liabilities	0	5,955
<u>NET POSITION</u>		
Held in Trust for Various Purposes	18,563	0
Total Net Position	\$ 18,563	\$ 0

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Donations	\$ 411
Net Investment Income	71
	482
 <u>DEDUCTIONS:</u>	
Books	97
Change In Net Position	385
Net Position - July 1, 2018	18,178
Net Position - June 30, 2019	\$ 18,563

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The Grand Isle School District, (herein the "School District") operates under a School Board/Supervisory Union form of government and provides education for elementary and high school level children.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the School District 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 School District. 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 School District.

B. Basis of Presentation

The accounts of the School District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows and outflows 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.

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the School District. These statements include the financial activities of the overall government, except for fiduciary activities. 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 School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The School District reports on the following major governmental funds:

General Fund – This is the School District's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

Building Improvement Fund – This fund is to be used to mitigate the effect of future capital improvements on a single year's tax rate.

Additionally, the School District reports the following fund types:

Private Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of students enrolling in higher education. All investment earnings and in some cases, the principal of these funds, may be used to support these activities.

Agency Fund – This fund accounts for resources held by the School District in a purely custodial capacity for other governments, private organizations or individuals.

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, deferred outflows of resources, liabilities and deferred inflows 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 net investment in capital assets, 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 SCHOOL DISTRICT
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 School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. 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 School District 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 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 School District 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 School District’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 SCHOOL DISTRICT
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, Deferred Outflows/Inflows of Resources and Equity

1. Cash

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

2. Investments

The School District invests as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. 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. The School District has evaluated the receivables and have deemed the receivables to be collectible. Therefore, no allowance for doubtful accounts is necessary.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds.”

5. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial 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.

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

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.

6. 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.

The capitalization thresholds (the dollar values above which asset acquisitions are added to the capital assets accounts) is generally \$5,000 for individual items. The estimated useful lives of capital assets are as follows:

	Estimated Service Life
Land	N/A
Land Improvements	40 Years
Buildings and Building Improvements	15-50 Years
Furniture and Equipment	5-25 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 acquired.

7. Compensated Absences

It is the School District’s policy to permit employees to accumulate earned but unused sick time. Upon retirement, if a teacher has served within the Supervisory Union or member districts for a minimum of five (5) years, they shall be entitled to compensation for the unused days subject to the maximum accrual of 120 days. The accrual for unused compensated absence time, based on a standard rate of \$50 per day, is recorded in the government-wide financial statements. The liability for unused compensated absences is not reported in the governmental funds. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

8. Long-term Liabilities

Long-term liabilities include bonds and notes and compensated absences. Long-term liabilities are reported in the government-wide financial statements.

Governmental fund type financial statements 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.

9. 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 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 School Board's intended use of the resources); and unassigned.

**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 long-term debt proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The School District's budget is prepared by the administration with direction from the School Board and the Grand Isle Supervisory Union. Budgets are subject to the approval of voters at an Annual School District meeting. There were no budget amendments during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of June 30, 2019 consist of the following:

Cash:

Deposits with Financial Institutions	\$479,189
--------------------------------------	-----------

Investments:

Certificates of Deposit	<u>17,092</u>
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Total Cash and Investments	<u>\$496,281</u>
----------------------------	------------------

The School District has three (3) certificates of deposit at People's United Bank ranging from \$1,777 to \$10,980 with interest rates ranging from 0.40% to 1.25%. The three (3) certificates of deposit will mature during fiscal year 2020.

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 School District does not have any policy to limit the exposure to custodial credit risk. The table below shows the custodial credit risk of the School District's deposits.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC/SIPC	\$ 267,092	\$ 267,084
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank's Trust Department with a Security Interest Granted to the School District	<u>229,189</u>	<u>352,773</u>
Total	<u>\$ 496,281</u>	<u>\$ 619,857</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the School District's investments are held within one security. The School District does not have any limitations on the amount that can be invested in any one issuer. The School District does not have any investments subject to concentration of 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 School District does not have any policy to limit the exposure to interest rate risk. The School District does not have investments subject to interest rate risk.

Credit Risk

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

B. Due from the State of Vermont

The Due from the state of Vermont as of June 30, 2019, as reported in the statement of net position is as follows:

State of Vermont Special Education Reimbursement - 2019	\$ <u>5,038</u>
Total	\$ <u>5,038</u>

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

C. Due from the Grand Isle Supervisory Union

The Due from the Grand Isle Supervisory Union as of June 30, 2019 is \$173,316. This consists of a reimbursement of \$78,294 of school wide program expenses, \$73,437 of food services expenses and \$21,585 of HSA and insurance expenses.

D. Due from the South Hero School District

The Due from the South Hero School District as of June 30, 2019 is \$15,679. This consist of unreimbursed expenses from 2018.

E. 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, Not Being Depreciated:				
Land	\$ 39,000	\$ 0	\$ 0	\$ 39,000
Total Capital Assets, Not Being Depreciated	<u>39,000</u>	<u>0</u>	<u>0</u>	<u>39,000</u>
Capital Assets, Being Depreciated:				
Land Improvements	15,923	0	0	15,923
Buildings	75,000	0	0	75,000
Building Improvements	2,414,448	5,597	0	2,420,045
Furniture and Equipment	347,396	14,999	0	362,395
Totals	<u>2,852,767</u>	<u>20,596</u>	<u>0</u>	<u>2,873,363</u>
Less Accumulated Depreciation for:				
Land Improvements	1,339	398	0	1,737
Buildings	75,000	0	0	75,000
Building Improvements	1,349,691	52,759	0	1,402,450
Furniture and Equipment	263,605	14,573	0	278,178
Totals	<u>1,689,635</u>	<u>67,730</u>	<u>0</u>	<u>1,757,365</u>
Net Capital Assets, Being Depreciated	<u>1,163,132</u>	<u>(47,134)</u>	<u>0</u>	<u>1,115,998</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,202,132</u>	<u>\$ (47,134)</u>	<u>\$ 0</u>	<u>\$ 1,154,998</u>

Total depreciation expense of \$67,730 was charged to education.

F. Interfund Balances

The composition of interfund balances at June 30, 2019 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 14,045
Building Improvement Fund	12,574	0
Private Purpose Trust Funds	<u>1,471</u>	<u>0</u>
Total	<u>\$ 14,045</u>	<u>\$ 14,045</u>

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

G. Due to the State of Vermont

The Due to the State of Vermont as of June 30, 2019 is as follows:

State of Vermont Special Education Reimbursement – 2017	\$114,610
State of Vermont Special Education Reimbursement – 2019	<u>16,234</u>
Total	<u>\$130,844</u>

H. Due to the Town of Grand Isle

The Due to the Town of Grand Isle consists of \$50,435 from an overpayment of property taxes.

I. Short-term Debt

The short-term debt activity during the year was as follows:

Beginning Balance	\$ 0
Tax Anticipation Note, Peoples United Bank, \$600,000 with Interest at 3.05%. Total Principal and Interest were Due and Paid on May 20, 2019.	600,000
Repayment of Tax Anticipation Note	<u>600,000</u>
Ending Balance	<u>\$ 0</u>

Total interest expense for all debt during the year included in educational expenses on Exhibit B is \$13,217.

J. Long-term Liabilities

Compensated Absences – It is the policy of the School District to permit employees to accumulate earned but unused sick benefits. The accrual for unused compensated absences time, based on a standard rate of \$50 per day, is recorded in the government-wide financial statements.

Retirement Incentive – The Grand Isle School District Retirement Incentive Program is offered to any teacher in the Grand Isle School bargaining unit who is eligible based on the Vermont Teacher Retirement System Guideline.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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>
Compensated Absences	\$ 89,163	\$	0	\$	30,839	\$	58,324	\$	5,700
Retirement Incentive Payout	<u>104,997</u>		<u>0</u>		<u>34,999</u>		<u>69,998</u>		<u>34,999</u>
 Total Long-term Liabilities	 <u>\$ 194,160</u>	 \$	 <u>0</u>	 \$	 <u>65,838</u>	 \$	 <u>128,322</u>	 \$	 <u>40,699</u>

K. 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 School Board’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.

Amounts constrained to stabilization 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 School District does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The School District 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 School District’s policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

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

Major Fund:

Building Improvement Fund:

Assigned to Mitigate the Effect of Future Capital Improvements
on a Single Year’s Tax Rate \$12,574

Total Assigned Fund Balance \$12,574

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

L. Net Position Held in Trust for Various Purposes

Private Purpose Trust Funds:

Restricted for Scholarships by Donors:	
Hanson Award Fund	\$14,232
Aunt Mert Fund	<u>4,331</u>
Total Restricted Net Position	<u>\$18,563</u>

V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plans

Plan Description - VSTRS

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.

- Groups 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 as follows:

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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	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 SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

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 School District's Group C members contributed \$59,205.

The District's current year payroll for all employees totaled \$1,638,197 while its current year's covered payroll for the State Teacher's Retirement Plan equaled \$1,073,673 resulting in an estimated \$169,103 of on-behalf payments. This amount is included as Revenue and Expenses in Exhibits B and D.

Net Pension Liability

At June 30, 2019, the School District's proportionate share of the net pension liability was \$2,535,540 which is .16784% of the total plan net pension liability.

Significant Actuarial Assumptions Methods

The total pension liability as of 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 increases are as follows:

Age	Annual Rate of Salary Increase
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 SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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: 2.5%

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 1.30% for 2019 Group C members.

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 Asset Allocation</u>	<u>Long - term Expected Real Rate of Return</u>
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 contributions, 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.

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 School District. Therefore, the School District 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 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 rate for fiscal year 2019 was \$1,275 per teacher. The total amount paid by the School District for the year ended June 30, 2019 was \$5,865. In addition, the State is assessing a contribution for all teachers paid with Federal Funds. The contribution rate for the year ended June 30, 2019 is 15.75%. The total amount paid by the School District for the year ended June 30, 2019 was \$8,558. Since the State does not consider the School District to contribute directly to VSTRS, no net pension liability is recorded by the School District. However, the notes to the financial statements of the School District must disclose the portion of the State's share of the collective net pension liability that is associated with the School District.

B. 403(b) Pension Plan

The School District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 403(b). The plan permits all employees to voluntarily defer a portion of their salary until future years. As of June 30, 2019, the School District has six (6) employees who had enrolled in the plan and makes employee only deferrals. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The School District has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

C. Risk Management

The School District 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 School District 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 School District. Settled claims have not exceeded this coverage in any of the past three fiscal years. The School District 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.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

The School District is also a member of the Vermont School Board Insurance Trust for unemployment coverage. The agreement does not permit the Trust to make additional assessments to its members.

D. Related Parties

The School District has an ongoing financial relationship with the Grand Isle Supervisory Union. Through the Grand Isle Supervisory Union's assessment process, the School District's assessment can be increased to cover a share of any prior year deficits and decreased to share in any prior year surpluses. Separate financial statements of the Grand Isle Supervisory Union are available from the Grand Isle Supervisory Union.

E. Subsequent Events

Effective July 1, 2019, the Grand Isle School District, the Isle La Motte School District and the North Hero School District merged to form the Champlain Islands Unified Union School District. Residents of Grand Isle, Isle La Motte and North Hero approved the merger on November 8, 2016.

GRAND ISLE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT 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:			
Regular Instructional:			
General State Support Grants	\$ 4,787,014	\$ 4,693,191	\$ (93,823)
State Grant Revenue	73,770	114,836	41,066
Other Local Revenue	16,194	5,345	(10,849)
State Aid Transportation	52,321	0	(52,321)
Special Education Support:			
State Revenue	223,304	184,992	(38,312)
Food Service	0	73,437	73,437
Interest	350	1,605	1,255
Total Revenues	<u>5,152,953</u>	<u>5,073,406</u>	<u>(79,547)</u>
Expenditures:			
Instructional	2,996,505	2,627,051	369,454
School Wide Program	0	78,294	(78,294)
Universal Pre-Kindergarten	78,846	81,971	(3,125)
Special Education	290,959	298,877	(7,918)
Essential Early Education	47,034	2,195	44,839
Student Body Activities	33,137	23,902	9,235
Summer School Program	4,356	0	4,356
Guidance Services	59,181	56,233	2,948
Health Services	61,699	70,893	(9,194)
Library Services	88,223	86,380	1,843
Board of Education	21,581	11,765	9,816
Administration	345,087	345,087	0
Principal	207,127	194,859	12,268
Special Education Coordination	468,329	453,404	14,925
Fiscal Services	7,500	0	7,500
Building Operations	290,801	289,972	829
Transportation Services	137,588	150,805	(13,217)
RiseVT Supplies and Equipment	0	2,284	(2,284)
SRSA Grant Expenditures	0	3,048	(3,048)
Food Service	15,000	97,015	(82,015)
Total Expenditures	<u>5,152,953</u>	<u>4,874,035</u>	<u>278,918</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	199,371	<u>\$ 199,371</u>
Fund Balance - July 1, 2018		<u>112,557</u>	
Fund Balance - June 30, 2019		<u>\$ 311,928</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

GRAND ISLE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VERMONT STATE TEACHERS' RETIREMENT SYSTEM
 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
School District's Proportion of the Net Pension Liability	0.16784%	0.16987%	0.2095%	0.2204%	0.2059%
School District's Proportionate Share of the Net Pension Liability	\$ 2,535,540	\$ 2,518,212	\$ 2,743,113	\$ 2,615,569	\$ 1,973,172
School District's Covered Employee Payroll	\$ 1,073,673	\$ 1,132,581	\$ 1,122,532	\$ 1,356,969	\$ 1,272,818
Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	236.1557%	222.3428%	244.3684%	192.7508%	155.0239%
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: None.

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

GRAND ISLE SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Hanson Award Fund	Aunt Mert Fund	Total
<u>ASSETS</u>			
Investments	\$ 12,761	\$ 4,331	\$ 17,092
Due from Other Funds	1,471	0	1,471
TOTAL ASSETS	\$ 14,232	\$ 4,331	\$ 18,563
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Net Position:			
Held in Trust for Various Purposes	14,232	4,331	18,563
Total Net Position	14,232	4,331	18,563
TOTAL LIABILITIES AND NET POSITION	\$ 14,232	\$ 4,331	\$ 18,563

See Disclaimer in Accompanying Independent Auditor's Report.

GRAND ISLE SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Hanson Award Fund	Aunt Mert Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Donations	\$ 411	\$ 0	\$ 411
Net Investment Income	<u>50</u>	<u>21</u>	<u>71</u>
Total Additions	<u>461</u>	<u>21</u>	<u>482</u>
Deductions:			
Books	<u>97</u>	<u>0</u>	<u>97</u>
Change in Net Position	364	21	385
Net Position - July 1, 2018	<u>13,868</u>	<u>4,310</u>	<u>18,178</u>
Net Position - June 30, 2019	<u>\$ 14,232</u>	<u>\$ 4,331</u>	<u>\$ 18,563</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

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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 School District
c/o 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, each major fund and the aggregate remaining fund information of the Grand Isle School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Grand Isle School District's basic financial statements, and have issued our report thereon dated September 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Grand Isle School District'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grand Isle School District'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 a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.

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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-02 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain other matters that we reported in a separate letter to the management of the Grand Isle School District dated September 8, 2020.

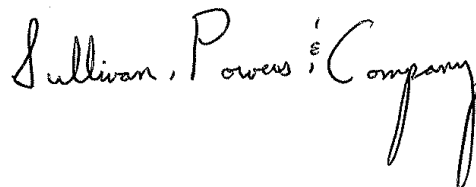
Grand Isle School District's Response to Deficiencies in Internal Control

The Grand Isle School District's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Grand Isle School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 8, 2020
Montpelier, Vermont
VT Lic. #92-000180



GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2019-01 Special Education Report

Criteria:

Internal controls should be in place to ensure that the final 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 School District does not have adequate controls in place to provide for a complete and accurate submission of the final SEER.

Cause:

Unknown.

Effect:

The final SEER is not correct and will require an amended submission by the Supervisory Union.

Recommendation:

We recommend that the School District implement controls to ensure that the SEER agrees to the underlying accounting records and require the review and approval by the Director of Special Education before the final submission to the State of Vermont.

Significant Deficiencies:

2019-02 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.

GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2019

Condition:

The School District does not have internal controls in place to ensure that timely reconciliations are performed for all balance sheet accounts. A few 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:

A few of the School District'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.

Grand isle FY19 Audit Response- 02/18/20

2019-01 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 School District does not have adequate controls in place to provide for a complete and accurate submission of the final SEER. Numerous amendments were necessary resulting from inaccuracies in the general ledger.

Cause:

Unknown.

Effect:

The final SEER is not correct and will require an amended submission by the Supervisory Union.

Recommendation:

We recommend the District implement controls to ensure that the SEER agrees to the underlying accounting records and require the review and approval by the Director of Special Education before the final submission to the State of Vermont

Management Response: Controls will be put in place to ensure that the SEER agrees to the underlying accounting records. The final SEER will be reviewed with the Director of Student Services prior to submission to the State.

2019-02 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 School District 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 School District'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: Balance Sheet reconciliation files have been created for the Supervisory Union and all school districts. Reconciliations began in FY19 and will be completed on a monthly basis with appropriate supporting documentation.