

Audited Financial Statements and
Other Supplemental Information

Town of Grand Isle, Vermont

June 30, 2018



Proven Expertise and Integrity

TOWN OF GRAND ISLE, VERMONT

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JUNE 30, 2018

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Grand Isle
Grand Isle, Vermont

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 Town of Grand Isle, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Grand Isle, Vermont'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.

Auditors' 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 *Governmental 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Grand Isle, Vermont as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 10 and 47 through 51 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 Town of Grand Isle, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements and capital asset schedules are 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 May 10, 2019, on our consideration of the Town of Grand Isle, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Town of Grand Isle, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration # 092.0000697
May 10, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

The following management's discussion and analysis of Town of Grand Isle, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town of Grand Isle, Vermont's financial statements.

Financial Statement Overview

The Town of Grand Isle, Vermont's basic financial statements include the following components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's activity. The type of activity presented for the Town of Grand Isle is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, highway, insurance, education and town meeting voted authorizations.

Fund Financial Statements

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

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town of Grand Isle presents four columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, highway fund and the fire station construction fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and the highway fund are the funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Highway Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Highway Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$162,240 from \$2,448,963 to \$2,611,203.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased for governmental activities to a balance of \$514,544 at the end of this year.

Table 1
Town of Grand Isle, Vermont
Net Position
June 30,

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Assets:		
Current Assets	\$ 2,059,895	\$ 2,873,341
Capital Assets	<u>2,743,200</u>	<u>1,834,069</u>
Total Assets	<u>4,803,095</u>	<u>4,707,410</u>
Deferred Outflows of Resources:		
Deferred Outflow Related to Pensions	<u>44,277</u>	<u>51,277</u>
Total Deferred Outflows of Resources	<u>44,277</u>	<u>51,277</u>
Liabilities:		
Current Liabilities	295,933	2,106,573
Long-term Debt Outstanding	<u>1,931,309</u>	<u>199,989</u>
Total Liabilities	<u>2,227,242</u>	<u>2,306,562</u>
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	<u>8,927</u>	<u>3,162</u>
Total Deferred Inflows of Resources	<u>8,927</u>	<u>3,162</u>
Net Position:		
Net Investment in Capital Assets	840,513	(44,677)
Restricted: Special Revenue funds	645,427	567,494
Capital Projects funds	414,736	1,332,618
Permanent funds	195,983	177,601
Unrestricted	<u>514,544</u>	<u>415,927</u>
Total Net Position	<u>\$ 2,611,203</u>	<u>\$ 2,448,963</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 5.03%, while total expenses decreased by 6.08%. The largest decrease in revenues was in the grants and contributions not restricted to specific programs, while the largest decreases in expenditures were in highway and education.

Table 2
Town of Grand Isle, Vermont
Changes in Net Position
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 227,570	\$ 307,157
<i>General Revenues:</i>		
Property taxes	6,141,355	6,143,740
Grants and contributions not restricted to specific programs	206,410	536,974
Miscellaneous	120,652	62,501
Total revenues	<u>6,695,987</u>	<u>7,050,372</u>
Expenses		
General government	572,861	575,813
Public safety (solid waste)	78,636	67,477
Highway	576,742	902,743
Insurance	38,297	36,364
Education	5,044,141	5,143,257
County tax assessments	112,679	113,763
Town meeting - voted authorizations	107,398	108,954
Capital outlay	-	7,321
Interest on long-term debt	2,993	1,360
Total expenses	<u>6,533,747</u>	<u>6,957,052</u>
Change in Net Position	162,240	93,320
Net Position - July 1, Restated	<u>2,448,963</u>	<u>2,355,643</u>
Net Position - June 30	<u>\$ 2,611,203</u>	<u>\$ 2,448,963</u>

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Grand Isle, Vermont
Fund Balances - Governmental Funds
June 30,

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
General Fund:		
Unassigned	\$ 454,124	\$ 290,181
Total General Fund	<u>\$ 454,124</u>	<u>\$ 290,181</u>
Highway Fund:		
Committed	\$ 277,981	\$ 268,039
Total Highway Fund	<u>\$ 277,981</u>	<u>\$ 268,039</u>
Fire Station Construction Fund:		
Committed	\$ 23,870	\$ 960,460
Total Fire Station Construction Fund	<u>\$ 23,870</u>	<u>\$ 960,460</u>
Nonmajor Funds:		
Special revenues funds:		
Restricted	\$ 8,531	\$ 4,207
Assigned	636,896	563,287
Capital projects funds:		
Committed	112,885	102,600
Permanent funds:		
Restricted	195,983	177,601
Total Nonmajor Funds	<u>\$ 954,295</u>	<u>\$ 847,695</u>

The general fund total fund balance increased by \$163,943 from the prior fiscal year due to revenues exceeding expenditures. The highway fund increased by \$9,942 from the prior fiscal year due to revenues exceeding expenditures. The fire station construction fund decreased by \$936,590 from the prior year due to construction expenditures. Nonmajor fund balances increased by \$106,600 from the prior fiscal year due to revenues exceeding expenditures.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budgeted amounts by \$93,194. This was due to all categories exceeding budgeted amounts, with the exception of interest income. The highway fund actual revenues exceeded budget by \$207,921. All highway fund revenue categories were receipted equal to or exceeded budgeted revenues.

The general fund actual expenditures were below budgeted amounts by \$70,749. All categories were within or below budgeted amounts with the exception of general government, insurance and transfers to other funds. The highway fund total expenditures were over budget by \$197,979. The categories that were over budget include wages, equipment, maintenance, projects and capital outlay.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town increased by \$909,131 from the prior year. This increase is the result of capital additions of \$1,075,313 less current year depreciation of \$166,182.

**Table 4
Town of Grand Isle, Vermont
Capital Assets (Net of Depreciation)
June 30,**

	2018	2017
Land	\$ 1,993,929	\$ 1,051,216
Buildings and improvements	25,731	28,139
Machinery and equipment	346,494	255,139
Infrastructure	377,046	499,575
Total	\$ 2,743,200	\$ 1,834,069

Debt

At June 30, 2018, the Town had \$1,750,000 in a bond outstanding versus \$1,750,000 last year. Other obligations include a note payable, a capital lease payable and net pension liability. For additional comparative information on the Town's outstanding debt, refer to Note 5 of Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town is working towards building a sufficient unassigned fund balance to sustain government operations for a period of approximately three months. However, the Town maintains significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at P.O. Box 49, Grand Isle, Vermont 05456.

TOWN OF GRAND ISLE, VERMONT

STATEMENT A

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,151,494
Investments	684,894
Taxes receivable	174,746
Other receivable	48,761
Total current assets	<u>2,059,895</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	1,993,929
Buildings and equipment, net of accumulated depreciation	749,271
Total noncurrent assets	<u>2,743,200</u>
TOTAL ASSETS	<u>4,803,095</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	44,277
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>44,277</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,847,372</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 245,727
Current portion of long-term obligations	50,206
Total current liabilities	<u>295,933</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	1,750,000
Note payable	50,000
Capital lease payable	52,481
Net pension liability	78,828
Total noncurrent liabilities	<u>1,931,309</u>
TOTAL LIABILITIES	<u>2,227,242</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	8,927
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,927</u>
NET POSITION	
Net investment in capital assets	840,513
Restricted:	
Special revenue funds	645,427
Capital projects funds	414,736
Permanent funds	195,983
Unrestricted	514,544
TOTAL NET POSITION	<u>2,611,203</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,847,372</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 572,861	\$ 117,937	\$ -	\$ -	\$ (454,924)
Public safety (solid waste)	78,636	77,563	-	-	(1,073)
Highway	576,742	32,070	-	-	(544,672)
Insurance	38,297	-	-	-	(38,297)
Education	5,044,141	-	-	-	(5,044,141)
County tax assessments	112,679	-	-	-	(112,679)
Town meeting - voted authorizations	107,398	-	-	-	(107,398)
Interest on long term debt	2,993	-	-	-	(2,993)
Total government	<u>\$ 6,533,747</u>	<u>\$ 227,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(6,306,177)</u>

STATEMENT B (CONTINUED)

TOWN OF GRAND ISLE, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(6,306,177)</u>
General revenues:	
Property taxes, levied for general purposes	6,141,355
Grants and contributions not restricted to specific programs	206,410
Miscellaneous	<u>120,652</u>
Total general revenues	<u>6,468,417</u>
Change in net position	162,240
NET POSITION - JULY 1, RESTATED	<u>2,448,963</u>
NET POSITION - JUNE 30	<u><u>\$ 2,611,203</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Highway Fund	Fire Station Construction	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 978,231	\$ -	\$ 24,010	\$ 149,253	\$ 1,151,494
Investments	-	-	-	684,894	684,894
Taxes receivable	174,746	-	-	-	174,746
Other receivable	39,801	8,960	-	-	48,761
Due from other funds	2,919	269,021	-	123,088	395,028
TOTAL ASSETS	\$ 1,195,697	\$ 277,981	\$ 24,010	\$ 957,235	\$ 2,454,923
LIABILITIES					
Accounts payable	\$ 245,566	\$ -	\$ -	\$ 161	\$ 245,727
Due to other funds	392,109	-	140	2,779	395,028
TOTAL LIABILITIES	637,675	-	140	2,940	640,755
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax	103,898	-	-	-	103,898
TOTAL DEFERRED INFLOWS OF RESOURCES	103,898	-	-	-	103,898
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	204,514	204,514
Committed	-	277,981	23,870	112,885	414,736
Assigned	-	-	-	636,896	636,896
Unassigned	454,124	-	-	-	454,124
TOTAL FUND BALANCES	454,124	277,981	23,870	954,295	1,710,270
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,195,697	\$ 277,981	\$ 24,010	\$ 957,235	\$ 2,454,923

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,710,270
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, net of accumulated depreciation	2,743,200
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	44,277
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	103,898
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(1,750,000)
Note payable	(75,000)
Capital lease payable	(77,687)
Net pension liability	(78,828)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	<u>(8,927)</u>
Net position of governmental activities	<u><u>\$ 2,611,203</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Highway Fund	Fire Station Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 5,808,452	\$ 402,880	\$ -	\$ -	\$ 6,211,332
Intergovernmental	133,219	70,801	-	2,390	206,410
Interest income	9,687	-	6,123	6,942	22,752
Charges for services	221,320	-	-	6,250	227,570
Miscellaneous	7,569	28,320	-	62,011	97,900
TOTAL REVENUES	<u>6,180,247</u>	<u>502,001</u>	<u>6,123</u>	<u>77,593</u>	<u>6,765,964</u>
EXPENDITURES					
Current:					
General government	479,470	-	-	92,876	572,346
Public safety (solid waste)	78,636	-	-	-	78,636
Highway	-	440,266	-	-	440,266
Insurance	38,297	-	-	-	38,297
Education	5,044,141	-	-	-	5,044,141
County tax assessments	112,679	-	-	-	112,679
Town meeting - voted authorizations	107,398	-	-	-	107,398
Capital outlay	-	132,600	942,713	-	1,075,313
Debt service:					
Principal	-	25,000	-	-	25,000
Interest	-	2,993	-	-	2,993
TOTAL EXPENDITURES	<u>5,860,621</u>	<u>600,859</u>	<u>942,713</u>	<u>92,876</u>	<u>7,497,069</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>319,626</u>	<u>(98,858)</u>	<u>(936,590)</u>	<u>(15,283)</u>	<u>(731,105)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from debt proceeds	-	75,000	-	-	75,000
Transfers in	-	33,800	-	155,683	189,483
Transfers (out)	(155,683)	-	-	(33,800)	(189,483)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(155,683)</u>	<u>108,800</u>	<u>-</u>	<u>121,883</u>	<u>75,000</u>
NET CHANGE IN FUND BALANCES	163,943	9,942	(936,590)	106,600	(656,105)
FUND BALANCES - JULY 1	<u>290,181</u>	<u>268,039</u>	<u>960,460</u>	<u>847,695</u>	<u>2,366,375</u>
FUND BALANCES - JUNE 30	<u>\$ 454,124</u>	<u>\$ 277,981</u>	<u>\$ 23,870</u>	<u>\$ 954,295</u>	<u>\$ 1,710,270</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (656,105)</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	1,075,313
Depreciation expense	<u>(166,182)</u>
	<u>909,131</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Taxes and liens receivable	<u>(69,977)</u>
<p>Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds</p>	
	<u>(7,000)</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position</p>	
	<u>49,541</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position</p>	
	<u>(75,000)</u>
<p>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:</p>	
Net pension liability	<u>17,415</u>
<p>Deferred inflows of resources are an acquisition of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>(5,765)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 162,240</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Grand Isle was incorporated under the laws of the State of Vermont. The Town operates under the selectmen-treasurer form of government and provides the following services: general government, public safety, highway, and education.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "Irrevocable Split-Interest Agreements". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the entity as governmental.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.). The functions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.) excluding fiduciary activities. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Highway Fund is used to account for financial resources to be used for the acquisition or construction of major highway projects or equipment.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c. The Fire Station Construction Fund is used to account for financial resources to be used for the acquisition or construction of the fire station facilities or equipment.

Nonmajor Funds:

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- f. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

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.

- 1. Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the first half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Grand Isle has no formal investment policy but instead follows the State of Vermont Statutes.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$48,761 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of a bond payable, note payable, capital lease payable and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick time within each year. Any unused vacation and sick time not used by the end of a year is paid. Employees are

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reimbursed for unused vacation and sick days when terminating employment with the Town. At June 30, 2018 the Town's liability for compensated absences was \$0.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VMERS Plan's fiduciary net position have been determined on the same basis as they are reported by the VMERS Plan. 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will at times 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. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred other also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 15, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on October 31, 2017, January 31, 2018 and April 30, 2018. Payments received after the due dates were charged interest of 1% per month. Payments received after April 30, 2018 were considered delinquent and subject to a penalty of 8% plus interest accrued at 1% per month.

Property tax revenues are recognized when they become available. Available includes those property tax receivables collected by June 1. The remaining receivables due for the current fiscal year have been recorded as deferred revenues.

Tax liens are placed on real property within twenty-four months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property two months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town’s investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. Town funds that may exceed insurance limits are fully collateralized with securities held by the financial institution in the Town’s name.

At June 30, 2018, the Town’s cash balances of \$1,151,494 were comprised of bank balances of \$1,150,739, of which \$425,212 were insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining bank balances of \$725,527 were collateralized with securities held by the financial institution in the Town’s name.

Account Type	Bank Balance
Checking accounts	\$ 67,293
Money Market	91,516
Savings	48,503
Sweep account	933,527
Cash equivalents	9,900
	\$ 1,150,739

At June 30, 2018, the Town’s certificates of deposits amounting to \$610,834 were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	N/A	Less than 1 Year	1 - 5 Years	Over 5 Years
Certificates of deposit	\$ 610,834	\$ -	\$ 610,834	\$ -	\$ -
Equity securities:					
Mutual funds:					
Fixed income	50,655	50,655	-	-	-
Equities	23,405	23,405	-	-	-
	<u>\$ 684,894</u>	<u>\$ 74,060</u>	<u>\$ 610,834</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds and exchange traded funds	\$ 74,060	\$ 74,060	\$ -	\$ -
Total equity securities	<u>74,060</u>	<u>74,060</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>74,060</u>	<u>\$ 74,060</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	9,900			
Total cash equivalents measured at the NAV	<u>9,900</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 83,960</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$610,834 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions, repurchase agreements, and money market mutual funds. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
General fund	\$ 2,919	\$ 392,109
Highway fund	269,021	-
Nonmajor special revenue fund	8,531	2,779
Nonmajor capital projects fund:	-	140
Nonmajor permanent funds	114,557	-
	\$ 395,028	\$ 395,028

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Non-depreciated assets:				
Land	\$ 232,195	\$ -	\$ -	\$ 232,195
Construction in progress	819,021	942,713	-	1,761,734
	<u>1,051,216</u>	<u>942,713</u>	<u>-</u>	<u>1,993,929</u>
Depreciated assets:				
Land improvements	16,453			16,453
Buildings and improvements	129,452	-	-	129,452
Vehicles	528,853	-	-	528,853
Furniture and equipment	330,938	132,600	-	463,538
Infrastructure	1,872,721	-	-	1,872,721
	<u>2,878,417</u>	<u>132,600</u>	<u>-</u>	<u>3,011,017</u>
Less: accumulated depreciation	<u>(2,095,564)</u>	<u>(166,182)</u>	<u>-</u>	<u>(2,261,746)</u>
	<u>782,853</u>	<u>(33,582)</u>	<u>-</u>	<u>749,271</u>
Net capital assets	<u><u>\$ 1,834,069</u></u>	<u><u>\$ 909,131</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,743,200</u></u>
<u>Current year depreciation</u>				
Highway				\$ 161,017
Town-wide				5,165
Total depreciation				<u><u>\$ 166,182</u></u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 7/1/17 (Restated)	Additions	Reductions	Balance 6/30/18	Current Year Portion
Bond payable	\$ 1,750,000	\$ -	\$ -	\$ 1,750,000	\$ -
Note payable	25,000	75,000	(25,000)	75,000	25,000
Capital lease payable	102,228	-	(24,541)	77,687	25,206
Net pension liability	96,243	17,716	(35,131)	78,828	-
Totals	<u><u>\$ 1,973,471</u></u>	<u><u>\$ 92,716</u></u>	<u><u>\$ (84,672)</u></u>	<u><u>\$ 1,981,515</u></u>	<u><u>\$ 50,206</u></u>

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

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and note payable:

\$1,750,000, bond payable to Vermont Municipal Bond Bank, annual principal payments of \$87,500 are due through November of 2038. Interest charged on the bond at a rate varying from 1.75% to 3.79%.	\$ 1,750,000
\$75,000 capital equipment note, payable to Peoples United Bank, Interest charged at a rate of 3.10%. Maturity in June of 2021.	75,000
Total bond and note payable	\$ 1,825,000

Principal and interest requirements on the bond and note payable to maturity are as follows:

	Principal	Interest	Total Debt Service
2019	\$ 25,000	\$ 71,658	\$ 96,658
2020	112,500	55,883	168,383
2021	112,500	53,520	166,020
2022	87,500	51,034	138,534
2023	87,500	49,188	136,688
2024-2028	437,500	213,347	650,847
2029-2033	437,500	142,700	580,200
2034-2038	437,500	58,472	495,972
2039-2043	87,500	1,658	89,158
	\$ 1,825,000	\$ 697,460	\$ 2,522,460

The following is a summary of the capital lease outstanding as of June 30, 2018:

\$191,181, 2014 capital lease for a dump truck under a non-cancelable lease agreement. The lease is for seven years with annual payments of \$27,312 through 2021. The effective interest rate is 2.71% per annum.

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

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

Year Ending June 30:	
<u>2019</u>	\$ 27,312
2020	27,312
2021	<u>27,312</u>
Total minimum lease payment	81,936
Less amount representing interest	<u>(4,249)</u>
Present value of future minimum lease payments	<u><u>\$ 77,687</u></u>

All bonds and capital leases are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for special assessment debt. All bonds and capital leases are payable from taxes levied on all taxable property located within the Town. The General Fund is used to liquidate the liability for the bond and capital lease.

NOTE 6 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule D)	\$ 8,531
Nonmajor permanent funds (Schedule H)	<u>195,983</u>
	<u><u>\$ 204,514</u></u>

NOTE 7 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Highway fund	\$ 277,981
Fire Station Construction	23,870
Nonmajor capital projects funds (Schedule F)	<u>112,885</u>
	<u><u>\$ 414,736</u></u>

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

NOTE 8 - ASSIGNED FUND BALANCE

At June 30, 2018, the Town had the following assigned fund balance:

Nonmajor special revenue funds (Schedule D)	\$ 636,896
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NOTE 9 - OVERSPENT APPROPRIATIONS

At June 30, 2018, the Town had the following overspent appropriations:

	Excess
General Fund:	
General government	\$ 10,775
Insurance	3,297
Transfers to other funds	11,217
Highway Fund:	
Wages	2,348
Equipment	39,530
Maintenance	23,155
Projects	43,245
Capital outlay	132,600
	\$ 266,167

NOTE 10 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal 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. Employees of the Town other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Schools 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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The Town participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

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

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2018 totaled \$10,406. The Town contributed \$11,740 for the year ended June 30, 2018. The Town's total payroll for the year ended June 30, 2018 for all employees covered under this plan was \$213,458.

Pension Liabilities

At June 30, 2018, the Town reported a liability of \$78,828 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2017, the Town's proportion was 0.06506% for VMERS, which was a decrease of 0.00972% from its proportion measured as of June 30, 2016 for VMERS.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension revenue of \$4,650 for the VMERS plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,147	\$ 1,951
Changes of assumptions	16,503	-
Net difference between projected and actual earnings on pension plan investments	13,129	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,758	6,976
Contributions subsequent to the measurement date	11,740	-
Total	\$ 44,277	\$ 8,927

\$11,740 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS Plan
Plan year ended June 30:	
2018	\$ 8,906
2019	13,730
2020	2,829
2021	(1,855)
2022	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed on July 27, 2015:

Investment Rate of Return: 7.50% per annum.

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 2.50% per year.

Salary Increases: 5.00% per year.

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2014 Tables with generational improvement using Scale SSA-2017 as follows:

- Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table
- Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table
- Disabled Retiree - All Groups with a Disabled Mortality Table

Separation from Service Before Retirement (Due to Withdrawal and Disability): Representative values of the assumed annual rates of withdrawal and disability are as follows:

Withdrawal

Service	Male	Female	
	All Ages	Ages 25-34	Other Ages
0	22.5%	45.0%	30.0%
1	16.2%	33.0%	22.0%
2	13.5%	27.0%	18.0%
3	12.2%	22.5%	15.0%
4	10.8%	18.0%	12.0%
5	9.0%	15.0%	10.0%
6	8.1%	13.5%	9.0%
7	7.2%	12.0%	8.0%
8	7.2%	9.0%	6.0%
9	6.3%	9.0%	6.0%
10+	3.6%	7.5%	5.0%

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Disability

Age	Male	Female
25	0.0100%	0.0050%
30	0.0130%	0.0065%
35	0.0170%	0.0085%
40	0.0300%	0.0150%
45	0.0500%	0.0250%
50	0.0900%	0.0450%
55	0.1800%	0.0900%
60	0.3150%	0.1575%
65	0.3150%	0.1575%

Retirement Rates:

Retirement Group A

Age	Male	Female	Age	Male	Female
55	3.0%	4.9%	63	21.0%	22.5%
56	7.5%	7.7%	64	21.0%	25.0%
57	5.0%	7.0%	65	56.0%	25.0%
58	5.0%	4.9%	66	15.0%	20.0%
59	7.2%	7.0%	67	20.0%	30.0%
60	7.2%	4.9%	68	20.0%	20.0%
61	12.0%	10.5%	69	20.0%	20.0%
62	28.0%	10.5%	70	100.0%	100.0%

Retirement Group B

Age	Male	Female	Age	Male	Female
55	4.9%	4.9%	63	24.0%	14.0%
56	4.9%	4.9%	64	18.0%	14.0%
57	4.9%	8.4%	65	48.0%	28.0%
58	4.9%	8.4%	66	30.0%	18.0%
59	4.9%	4.9%	67	30.0%	14.0%
60	4.9%	8.4%	68	30.0%	14.0%
61	14.0%	10.5%	69	30.0%	14.0%
62	36.0%	17.5%	70	100.0%	100.0%

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Retirement Group C

Age	Male	Female	Age	Male	Female
55	30.0%	0.0%	63	10.0%	20.0%
56	10.0%	5.0%	64	20.0%	20.0%
57	5.0%	5.0%	65	35.0%	35.0%
58	20.0%	25.0%	66	35.0%	35.0%
59	20.0%	5.0%	67	35.0%	35.0%
60	10.0%	5.0%	68	35.0%	35.0%
61	10.0%	5.0%	69	35.0%	35.0%
62	40.0%	5.0%	70	100.0%	100.0%

Retirement Group D

Age	<20 Years of Service	20+ Years of Service	Age	<20 Years of Service	20+ Years of Service
50	0.0%	40.0%	58	10.0%	10.0%
51	0.0%	35.0%	59	10.0%	10.0%
52	0.0%	30.0%	60	15.0%	15.0%
53	0.0%	25.0%	61	10.0%	10.0%
54	0.0%	20.0%	62	25.0%	25.0%
55	15.0%	15.0%	63	25.0%	25.0%
56	10.0%	10.0%	64	25.0%	25.0%
57	10.0%	10.0%	65	100.0%	100.0%

Inactive Members: Valuation liability equals 200% of accumulated contributions.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Adjustments are assumed to occur on January 1 following one year of retirement. These occur at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit).

Actuarial Cost Method: The Entry Age Actuarial Cost Method is used. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial 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.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, 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. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on 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 investment expense and inflation) developed for each major asset class. These best estimate ranges were 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 target asset allocation as of June 30, 2017 are summarized in the following table:

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VMERS plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
 Town's proportionate share of the net pension liability	 \$ 140,743	 \$ 78,828	 \$ 27,480

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

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

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Vermont League of Cities and Towns.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

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

TOWN OF GRAND ISLE, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT (CONTINUED)

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 - RESTATEMENT

In 2018, the Town determined that certain transactions in prior years had been recorded incorrectly or omitted. Therefore, a restatement to the 2017 government-wide and fund financial statements was required. The beginning net position and highway fund committed fund balance were restated by \$1,519 to correct the fund balance amount for the 2017 fiscal year. The beginning net position were restated by \$631 to correct long-term debt outstanding. The resulting restatements decreased the 2017 net position from \$2,449,851 to \$2,448,963 and the highway fund committed fund balance from \$269,558 to \$268,039.

NOTE 14 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF GRAND ISLE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1	\$ 290,181	\$ 290,181	\$ 290,181	\$ -
Resources (Inflows):				
Property taxes	5,793,874	5,793,874	5,808,452	14,578
Intergovernmental revenues	111,912	111,912	133,219	21,307
Charges for services	169,592	169,592	221,320	51,728
Interest income	11,675	11,675	9,687	(1,988)
Other revenue	-	-	7,569	7,569
Amounts Available for Appropriation	<u>6,377,234</u>	<u>6,377,234</u>	<u>6,470,428</u>	<u>93,194</u>
Charges to Appropriations (Outflows):				
General government	468,695	468,695	479,470	(10,775)
Public safety (solid waste)	82,495	82,495	78,636	3,859
Insurance	35,000	35,000	38,297	(3,297)
Education	5,126,888	5,126,888	5,044,141	82,747
County tax assessments	112,679	112,679	112,679	-
Town meeting - voted authorizations	116,830	116,830	107,398	9,432
Transfers to other funds	144,466	144,466	155,683	(11,217)
Total Charges to Appropriations	<u>6,087,053</u>	<u>6,087,053</u>	<u>6,016,304</u>	<u>70,749</u>
Budgetary Fund Balance, June 30	<u>\$ 290,181</u>	<u>\$ 290,181</u>	<u>\$ 454,124</u>	<u>\$ 163,943</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - HIGHWAY FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1, Restated	\$ 268,039	\$ 268,039	\$ 268,039	\$ -
Resources (Inflows):				
Property taxes	402,880	402,880	402,880	-
Intergovernmental revenues	-	-	70,801	70,801
Grant reimbursement	-	-	28,320	28,320
Proceeds from notes payable	-	-	75,000	75,000
Transfers from other funds	-	-	33,800	33,800
Amounts Available for Appropriation	<u>670,919</u>	<u>670,919</u>	<u>878,840</u>	<u>207,921</u>
Charges to Appropriations (Outflows):				
Wages	101,585	101,585	103,933	(2,348)
Benefits	30,770	30,770	23,001	7,769
Garage expenditures	18,125	18,125	12,981	5,144
Equipment	27,500	27,500	67,030	(39,530)
Maintenance	163,000	163,000	186,155	(23,155)
Projects	-	-	43,245	(43,245)
Miscellaneous	4,500	4,500	3,921	579
Capital outlay	-	-	132,600	(132,600)
Debt service:				
Principal	52,000	52,000	25,000	27,000
Interest	5,400	5,400	2,993	2,407
Total Charges to Appropriations	<u>402,880</u>	<u>402,880</u>	<u>600,859</u>	<u>(197,979)</u>
Budgetary Fund Balance, June 30	<u>\$ 268,039</u>	<u>\$ 268,039</u>	<u>\$ 277,981</u>	<u>\$ 9,942</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>					
Proportion of the net pension liability	0.07%	0.07%	0.07%	0.08%	0.08%
Proportionate share of the net pension liability	\$ 78,828	\$ 96,243	\$ 51,550	\$ 7,192	\$ 29,921
Covered-employee payroll	\$ 193,188	\$ 206,649	\$ 173,893	\$ 198,347	\$ 197,298
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.80%	46.57%	29.64%	3.63%	15.17%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%	92.71%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VMERS:</u>					
Contractually required contribution	\$ 11,740	\$ 10,626	\$ 11,366	\$ 9,347	\$ 10,165
Contributions in relation to the contractually required contribution	<u>(11,740)</u>	<u>(10,626)</u>	<u>(11,366)</u>	<u>(9,347)</u>	<u>(10,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 213,458	\$ 193,188	\$ 206,649	\$ 173,893	\$ 198,347
Contributions as a percentage of covered-employee payroll	5.50%	5.50%	5.50%	5.38%	5.12%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The actuarial assumptions regarding inflation, investment return, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VMERS.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF GRAND ISLE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Property taxes	\$ 5,793,874	\$ 5,793,874	\$ 5,808,452	\$ 14,578
Intergovernmental revenues:				
State of Vermont - PILOT program	21,500	21,500	32,200	10,700
State of Vermont - current use	30,500	30,500	41,447	10,947
State of Vermont - state owned land	21,500	21,500	17,528	(3,972)
State of Vermont - reimb services	27,600	27,600	31,173	3,573
State of Vermont - reappraisal	10,812	10,812	10,871	59
Charges for services:				
Town office	2,750	2,750	32,070	29,320
Planning/zoning fees	21,650	21,650	45,000	23,350
Listers office	1,560	1,560	1,710	150
Clerk fees	52,732	52,732	53,577	845
Solid waste	90,900	90,900	77,563	(13,337)
Rent	-	-	11,400	11,400
Interest income:				
Current tax interest	10,000	10,000	6,466	(3,534)
Interest income	1,675	1,675	3,221	1,546
Miscellaneous revenues	-	-	7,569	7,569
Amounts Available for Appropriation	<u>\$ 6,087,053</u>	<u>\$ 6,087,053</u>	<u>\$ 6,180,247</u>	<u>\$ 93,194</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
General Government:					
Hyde Log Cabin - school district	\$ 4,750	\$ -	\$ 4,750	\$ 13,288	\$ (8,538)
Town clerk/treasurer's office	112,078	-	112,078	101,746	10,332
Town offices	216,265	-	216,265	266,184	(49,919)
Listers	53,950	-	53,950	40,255	13,695
DRB	17,127	-	17,127	13,117	4,010
Zoning admin officer	50,265	-	50,265	35,276	14,989
Planning commission	7,223	-	7,223	6,495	728
Miscellaneous general government	7,037	-	7,037	3,109	3,928
	<u>468,695</u>	<u>-</u>	<u>468,695</u>	<u>479,470</u>	<u>(10,775)</u>
Public Works:					
Solid waste	41,495	-	41,495	35,971	5,524
Solid waste disposal	41,000	-	41,000	42,665	(1,665)
	<u>82,495</u>	<u>-</u>	<u>82,495</u>	<u>78,636</u>	<u>3,859</u>
Insurance	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>38,297</u>	<u>(3,297)</u>
Education	<u>5,126,888</u>	<u>-</u>	<u>5,126,888</u>	<u>5,044,141</u>	<u>82,747</u>
Tax Assessments:					
County Tax	<u>112,679</u>	<u>-</u>	<u>112,679</u>	<u>112,679</u>	<u>-</u>
Town Meeting - voted authorizations	<u>116,830</u>	<u>-</u>	<u>116,830</u>	<u>107,398</u>	<u>9,432</u>
Transfers to other funds:					
Special revenue funds	100,866	-	100,866	111,798	(10,932)
Capital projects funds	10,000	-	10,000	10,285	(285)
Permanent funds	33,600	-	33,600	33,600	-
	<u>144,466</u>	<u>-</u>	<u>144,466</u>	<u>155,683</u>	<u>(11,217)</u>
Total Departmental Operations	<u>\$ 6,087,053</u>	<u>\$ -</u>	<u>\$ 6,087,053</u>	<u>\$ 6,016,304</u>	<u>\$ 70,749</u>

TOWN OF GRAND ISLE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 91,233	\$ -	\$ 58,020	\$ 149,253
Investments	548,603	112,885	23,406	684,894
Due from other funds	8,531	-	114,557	123,088
TOTAL ASSETS	\$ 648,367	\$ 112,885	\$ 195,983	\$ 957,235
LIABILITIES				
Accounts payable	\$ 161	\$ -	\$ -	\$ 161
Due to other funds	2,779	-	-	2,779
TOTAL LIABILITIES	2,940	-	-	2,940
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	8,531	-	195,983	204,514
Committed	-	112,885	-	112,885
Assigned	636,896	-	-	636,896
Unassigned	-	-	-	-
TOTAL FUND BALANCES	645,427	112,885	195,983	954,295
TOTAL LIABILITIES AND FUND BALANCES	\$ 648,367	\$ 112,885	\$ 195,983	\$ 957,235

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 2,390	\$ -	\$ -	\$ 2,390
Interest income	-	-	6,942	6,942
Charges for services	6,250	-	-	6,250
Other income	52,370	-	9,641	62,011
TOTAL REVENUES	<u>61,010</u>	<u>-</u>	<u>16,583</u>	<u>77,593</u>
EXPENDITURES				
Other	61,075	-	31,801	92,876
TOTAL EXPENDITURES	<u>61,075</u>	<u>-</u>	<u>31,801</u>	<u>92,876</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65)</u>	<u>-</u>	<u>(15,218)</u>	<u>(15,283)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	111,798	10,285	33,600	155,683
Transfers (out)	(33,800)	-	-	(33,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,998</u>	<u>10,285</u>	<u>33,600</u>	<u>121,883</u>
NET CHANGE IN FUND BALANCES	77,933	10,285	18,382	106,600
FUND BALANCES - JULY 1	<u>567,494</u>	<u>102,600</u>	<u>177,601</u>	<u>847,695</u>
FUND BALANCES - JUNE 30	<u>\$ 645,427</u>	<u>\$ 112,885</u>	<u>\$ 195,983</u>	<u>\$ 954,295</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF GRAND ISLE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	<u>Recreation</u>	<u>Library</u>	<u>Record Preservation</u>	<u>Transfer Station</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 91,233	\$ -	\$ -
Investments	-	278,241	31,632	71,355
Due from other funds	8,531	-	-	-
TOTAL ASSETS	<u>\$ 8,531</u>	<u>\$ 369,474</u>	<u>\$ 31,632</u>	<u>\$ 71,355</u>
LIABILITIES				
Due to other funds	\$ -	\$ 2,779	\$ -	\$ -
Accounts payable	-	161	-	-
TOTAL LIABILITIES	<u>-</u>	<u>2,940</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	8,531	-	-	-
Committed	-	-	-	-
Assigned	-	366,534	31,632	71,355
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>8,531</u>	<u>366,534</u>	<u>31,632</u>	<u>71,355</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,531</u>	<u>\$ 369,474</u>	<u>\$ 31,632</u>	<u>\$ 71,355</u>

TOWN OF GRAND ISLE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Capital Equipment	Reappraisal	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 91,233
Investments	65,320	102,055	548,603
Due from other funds	-	-	8,531
TOTAL ASSETS	<u>\$ 65,320</u>	<u>\$ 102,055</u>	<u>\$ 648,367</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ 2,779
Accounts payable	-	-	161
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,940</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	8,531
Committed	-	-	-
Assigned	65,320	102,055	636,896
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>65,320</u>	<u>102,055</u>	<u>645,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,320</u>	<u>\$ 102,055</u>	<u>\$ 648,367</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Recreation	Library	Record Preservation	Transfer Station
REVENUES				
Intergovernmental	\$ 2,000	\$ 390	\$ -	\$ -
Charges for services	6,250	-	-	-
Other income	-	52,370	-	-
TOTAL REVENUES	<u>8,250</u>	<u>52,760</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Other	<u>17,926</u>	<u>43,149</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>17,926</u>	<u>43,149</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,676)</u>	<u>9,611</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,000	46,866	88	10,383
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,000</u>	<u>46,866</u>	<u>88</u>	<u>10,383</u>
NET CHANGE IN FUND BALANCES	4,324	56,477	88	10,383
FUND BALANCES - JULY 1	<u>4,207</u>	<u>310,057</u>	<u>31,544</u>	<u>60,972</u>
FUND BALANCES - JUNE 30	<u>\$ 8,531</u>	<u>\$ 366,534</u>	<u>\$ 31,632</u>	<u>\$ 71,355</u>

TOWN OF GRAND ISLE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Capital Equipment	Reappraisal	Total
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 2,390
Charges for services	-	-	6,250
Other income	-	-	52,370
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>61,010</u>
EXPENDITURES			
Other	-	-	61,075
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>61,075</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(65)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	30,192	10,269	111,798
Transfers (out)	(33,800)	-	(33,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,608)</u>	<u>10,269</u>	<u>77,998</u>
NET CHANGE IN FUND BALANCES	(3,608)	10,269	77,933
FUND BALANCES - JULY 1	<u>68,928</u>	<u>91,786</u>	<u>567,494</u>
FUND BALANCES - JUNE 30	<u>\$ 65,320</u>	<u>\$ 102,055</u>	<u>\$ 645,427</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF GRAND ISLE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	<u>Salt Shed Reserve</u>	<u>Total</u>
ASSETS		
Investments	\$ 112,885	\$ 112,885
TOTAL ASSETS	<u>\$ 112,885</u>	<u>\$ 112,885</u>
LIABILITIES		
Due to others funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	112,885	112,885
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>112,885</u>	<u>112,885</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 112,885</u>	<u>\$ 112,885</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Salt Shed Reserve	Total
	<u> </u>	<u> </u>
REVENUES		
Other income	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>
EXPENDITURES		
Other	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	10,285	10,285
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,285</u>	<u>10,285</u>
NET CHANGE IN FUND BALANCES	10,285	10,285
FUND BALANCES - JULY 1	<u>102,600</u>	<u>102,600</u>
FUND BALANCES - JUNE 30	<u>\$ 112,885</u>	<u>\$ 112,885</u>

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Grand Isle, Vermont that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including provision for the maintenance of cemeteries in the Town of Grand Isle.

TOWN OF GRAND ISLE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	<u>Cemetery</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 58,020	\$ 58,020
Investments	23,406	23,406
Due from other funds	114,557	114,557
TOTAL ASSETS	<u><u>\$ 195,983</u></u>	<u><u>\$ 195,983</u></u>
LIABILITIES		
Due to others funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	195,983	195,983
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>195,983</u>	<u>195,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 195,983</u></u>	<u><u>\$ 195,983</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Cemetery</u>	<u>Total</u>
REVENUES		
Interest income	\$ 6,942	\$ 6,942
Other income	9,641	9,641
TOTAL REVENUES	<u>16,583</u>	<u>16,583</u>
EXPENDITURES		
Other	<u>31,801</u>	<u>31,801</u>
TOTAL EXPENDITURES	<u>31,801</u>	<u>31,801</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,218)</u>	<u>(15,218)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	33,600	33,600
Transfers (out)	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,600</u>	<u>33,600</u>
NET CHANGE IN FUND BALANCES	18,382	18,382
FUND BALANCES - JULY 1	<u>177,601</u>	<u>177,601</u>
FUND BALANCES - JUNE 30	<u>\$ 195,983</u>	<u>\$ 195,983</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF GRAND ISLE, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings and Improvements	Furniture, Equipment & Vehicles	Infrastructure	Total
Highway	\$ -	\$ 5,500	\$ 846,088	\$ 1,872,721	\$ 2,724,309
Town wide	1,993,929	140,405	146,303	-	2,280,637
Total General Capital Assets	1,993,929	145,905	992,391	1,872,721	5,004,946
Less: Accumulated Depreciation	-	(120,174)	(645,897)	(1,495,675)	(2,261,746)
Net General Capital Assets	<u>\$ 1,993,929</u>	<u>\$ 25,731</u>	<u>\$ 346,494</u>	<u>\$ 377,046</u>	<u>\$ 2,743,200</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF GRAND ISLE, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Highway	2,591,709	132,600	-	2,724,309
Town Wide	<u>1,337,924</u>	<u>942,713</u>	<u>-</u>	<u>2,280,637</u>
Total General Capital Assets	3,929,633	1,075,313	-	5,004,946
Less: Accumulated Depreciation	<u>(2,095,564)</u>	<u>(166,182)</u>	<u>-</u>	<u>(2,261,746)</u>
Net General Capital Assets	<u><u>\$ 1,834,069</u></u>	<u><u>\$ 909,131</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,743,200</u></u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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 Selectmen
Town of Grand Isle
Grand Isle, Vermont

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 Town of Grand Isle, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Grand Isle, Vermont's basic financial statements, and have issued our report thereon dated May 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Grand Isle, Vermont'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 Town of Grand Isle, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Grand Isle, Vermont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Grand Isle, Vermont'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*.

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

R.H.R. Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
May 10, 2019