

GRAND ISLE SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2017

GRAND ISLE SCHOOL DISTRICT
 AUDIT REPORT
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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Grand Isle School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Grand Isle School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Grand Isle School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note III. C. to the financial statements, certain errors were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

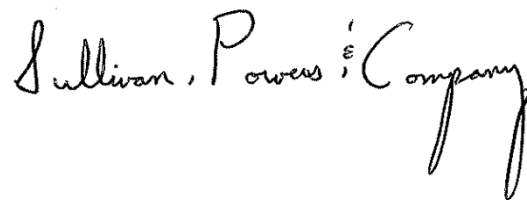
Other Information

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

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated October 15, 2018 on our consideration of the Grand Isle School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Grand Isle School District's internal control over financial reporting and compliance.

October 15, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 296,101
Due from State of Vermont	99,134
Due from Grand Isle Supervisory Union	103,575
Capital Assets:	
Other Capital Assets, (Net of Accumulated Depreciation)	<u>1,170,929</u>
Total Assets	<u>1,669,739</u>
<u>LIABILITIES</u>	
Accounts Payable	45,543
Accrued Payroll and Benefits Payable	161,494
Due to Private Purpose Trust Funds	668
Noncurrent Liabilities:	
Due in More than One Year	<u>63,288</u>
Total Liabilities	<u>270,993</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,170,929
Unrestricted	<u>227,817</u>
Total Net Position	<u>\$ 1,398,746</u>

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Education	\$ <u>5,180,800</u>	\$ <u>0</u>	\$ <u>5,202,388</u>	\$ <u>21,588</u>
Total Governmental Activities	\$ <u><u>5,180,800</u></u>	\$ <u><u>0</u></u>	\$ <u><u>5,202,388</u></u>	<u>21,588</u>
General Revenues:				
Unrestricted Interest Income			<u>1,360</u>	
Total General Revenues			<u>1,360</u>	
Change in Net Position			22,948	
Net Position - July 1, 2016, As Restated			<u>1,375,798</u>	
Net Position - June 30, 2017			\$ <u><u>1,398,746</u></u>	

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

GRAND ISLE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Improvement Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 296,101	\$ 0	\$ 296,101
Due from State of Vermont	99,134	0	99,134
Due from Grand Isle Supervisory Union	103,575	0	103,575
Due From Other Funds	0	12,574	12,574
Total Assets	\$ 498,810	\$ 12,574	\$ 511,384
<u>LIABILITIES</u>			
Accounts Payable	\$ 45,543	\$ 0	\$ 45,543
Accrued Payroll and Benefits Payable	161,494	0	161,494
Due to Other Funds	13,242	0	13,242
Total Liabilities	220,279	0	220,279
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	99,134	0	99,134
Total Deferred Inflows of Resources	99,134	0	99,134
<u>FUND BALANCES</u>			
Assigned	0	12,574	12,574
Unrestricted	179,397	0	179,397
Total Fund Balances	179,397	12,574	191,971
Total Liabilities and Fund Balances	\$ 498,810	\$ 12,574	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			1,170,929
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			99,134
Long Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.			(63,288)
Net Position of Governmental Activities			\$ 1,398,746

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Regular Instructional:			
General State Support Grants	\$ 4,447,990	\$ 0	\$ 4,447,990
State Grant Revenue	48,693	0	48,693
Other Local Revenue	882	0	882
State Aid Transportation	46,782	0	46,782
Special Education Support:			
State Revenue	411,463	0	411,463
EEE Block Grant	17,343	0	17,343
Interest	1,360	0	1,360
Intergovernmental Pension Contribution	130,101	0	130,101
	<u>5,104,614</u>	<u>0</u>	<u>5,104,614</u>
Total Revenues			
Expenditures:			
Instructional	2,918,256	0	2,918,256
School Wide Program	65,787	0	65,787
Universal Pre-Kindergarten	108,098	0	108,098
Special Education	263,165	0	263,165
Essential Early Education	29,261	0	29,261
Student Body Activities	28,225	0	28,225
Summer School Program	2,664	0	2,664
Guidance Services	55,256	0	55,256
Health Services	64,159	0	64,159
Speech Services	891	0	891
Library Services	84,628	0	84,628
Board of Education	28,009	0	28,009
Administration	262,244	0	262,244
Principal	190,004	0	190,004
Special Education Coordination	633,093	0	633,093
Building Operations	294,484	0	294,484
Transportation Services	87,113	0	87,113
Food Service	20,366	0	20,366
Miscellaneous	322	0	322
Debt Service:			
Principal	100,000	0	100,000
Interest	8,391	0	8,391
	<u>5,244,416</u>	<u>0</u>	<u>5,244,416</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	(139,802)	0	(139,802)
Fund Balances - July 1, 2016, As Restated	<u>319,199</u>	<u>12,574</u>	<u>331,773</u>
Fund Balances - June 30, 2017	<u>\$ 179,397</u>	<u>\$ 12,574</u>	<u>\$ 191,971</u>

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

GRAND ISLE SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total government funds (Exhibit D)	\$	(139,802)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$73,255) exceeded capital outlays (\$-0-) in the current period.		(73,255)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		99,134
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net amount by which repayments in the current period (\$100,000) exceed proceeds (\$-0-).		100,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>36,871</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>22,948</u></u>

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust Funds	Agency Fund <hr/> Student Activities Fund <hr/>
<u>ASSETS</u>		
Cash	\$ 0	\$ 8,208
Investments	17,377	0
Due from Other Funds	668	0
Total Assets	18,045	8,208
<u>LIABILITIES</u>		
Due to Student Organizations	0	8,208
Total Liabilities	0	8,208
<u>NET POSITION</u>		
Held in Trust for Various Purposes	18,045	0
Total Net Position	\$ 18,045	\$ 0

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

GRAND ISLE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Donations	\$ 394
Net Investment Income	<u>30</u>
Total Additions	<u>424</u>
<u>DEDUCTIONS:</u>	
	<u>0</u>
Change In Net Position	424
Net Position - July 1, 2016, As Restated	<u>17,621</u>
Net Position - June 30, 2017	<u><u>\$ 18,045</u></u>

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report includes all of the funds of the School District. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the School District.

B. Basis of Presentation

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

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

The School District reports on the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

C. Measurement Focus

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

D. Basis of Accounting

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

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

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

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

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

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

2. Investments

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

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. The School District has evaluated the receivables and have deemed the receivables to be collectible. Therefore, no allowance for doubtful accounts is necessary.

4. Internal Balances

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

5. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized.

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

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

	<u>Estimated Service Life</u>
Land Improvements	40 Years
Buildings and Building Improvements	15-50 Years
Furniture and Equipment	5-25 Years

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

7. Compensated Absences

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

8. Long-term Liabilities

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

Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

9. Fund Equity

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

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Budgeted Deficit

The School District elected to budget expenditures in excess of revenue by \$172,541 in the General Fund in order to utilize a portion of the prior year's surplus. This is reflected as a budgeted deficiency of revenue over expenditures.

C. Restatement of Net Position and Fund Balance

The School District restated its governmental activities net position, General Fund fund balance and private purpose trust funds net position as of June 30, 2016 as follows:

The net position of the Governmental Activities as of June 30, 2016 was restated as follows:

Net Position – June 30, 2016, as Originally Reported	\$1,517,143
Understatement of Accrued Health Insurance Liability	(76,482)
Understatement of Accrued Compensated Absences	<u>(64,863)</u>
Net Position – June 30, 2016, as Restated	<u>\$1,375,798</u>

The net effect of the restatement on the June 30, 2016 statement of net position is that the liabilities were understated by \$141,345 and net position was overstated by \$141,345. The effect on the Statement of Activities for the year ended June 30, 2016 has not been determined.

The fund balance of the General Fund as of June 30, 2016 was restated as follows:

Fund Balance – June 30, 2016, as Originally Reported	\$395,681
Understatement of Accrued Health Insurance Liability	<u>(76,482)</u>
Fund Balance – June 30, 2016, as Restated	<u>\$319,199</u>

The effect of this restatement on the General Fund Balance Sheet is that liabilities were understated by \$76,482, and fund balance was overstated by \$76,482. The effect on the 2016 Statement of Revenues, Expenditures and Changes in Fund Balance has not been determined.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The net position of the Private Purpose Trust Funds as of June 30, 2016 were restated as follows:

	Hanson Award Fund	Aunt Mert Fund	Total
Net Position - June 30, 2016, as Originally Reported	\$ 17,885	\$ 0	\$ 17,885
Reclassification of Funds	(4,263)	4,263	0
Overstatement of Cash	(264)	0	(264)
Net Position - June 30, 2016, as Restated	\$ 13,358	\$ 4,263	\$ 17,621

The School District had originally reported all Private Purpose Trust Funds as part of the Hanson Award Fund. These funds should have been separated between the Hanson Award Fund and the Aunt Mert Fund. The net effect of the restatement on the June 30, 2016 statement of fiduciary net position is that the assets were overstated by \$264 and net position was overstated by \$264. The effect on the Statement of Changes in Fiduciary Net Position for the year ended June 30, 2016 has not been determined.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of June 30, 2017 consist of the following:

Cash:

Deposits with Financial Institutions	<u>\$304,309</u>
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Investments:

Certificates of Deposit	<u>17,377</u>
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Total Cash and Investments	<u>\$321,686</u>
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The School District has three (3) certificates of deposit at People’s United Bank ranging from \$1,764 to \$11,320 with interest rates ranging from 0.35% to 0.40%. Two (2) of these certificates of deposit will mature during fiscal year 2018 and the remaining certificate of deposit will mature during fiscal year 2020.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Custodial Credit Risk

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

	Book Balance	Bank Balance
Insured - FDIC/SIPC	\$ 267,377	\$ 267,377
Uninsured, Collateralized by U.S. Government Securities, Federal Agency Issued Mortgage Backed Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank's Trust Department with a Security Interest Granted to the School District	54,309	95,965
Total	\$ 321,686	\$ 363,342

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

B. Due from the State of Vermont

The due from the state of Vermont as of June 30, 2017, as reported in the statement of net position is as follows:

State of Vermont Special Education Reimbursement	\$ <u>99,134</u>
Total	\$ <u>99,134</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Land Improvements	\$ 15,923	\$ 0	\$ 0	\$ 15,923
Buildings	75,000	0	0	75,000
Building Improvements	2,345,591	0	0	2,345,591
Furniture and Equipment	347,396	0	0	347,396
Totals	2,783,910	0	0	2,783,910
Less Accumulated Depreciation for:				
Land Improvements	543	398	0	941
Buildings	75,000	0	0	75,000
Building Improvements	1,247,946	49,173	0	1,297,119
Furniture and Equipment	216,237	23,684	0	239,921
Totals	1,539,726	73,255	0	1,612,981
Net Capital Assets, Being Depreciated	1,244,184	(73,255)	0	1,170,929
Governmental Activities Capital Assets, Net	\$ 1,244,184	\$ (73,255)	\$ 0	\$ 1,170,929

Total depreciation expense of \$73,255 was charged to education.

D. Interfund Balances

The composition of interfund balances at June 30, 2017 is as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 13,242
Building Improvement Fund	12,574	0
Private Purpose Trust Funds	668	0
Total	\$ 13,242	\$ 13,242

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

E. Deferred Inflows of Resources

Deferred inflows or resources consists of \$99,134 of grant receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

F. Short-Term Debt

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

Beginning Balance	\$ 0
Tax Anticipation Note, Peoples United Bank, \$550,000 with Interest at 1.35%. Total Principal and Interest were Due and Paid on June 30, 2017.	550,000
Repayment of Tax Anticipation Note	<u>550,000</u>
Ending Balance	<u>\$ 0</u>

Total interest expense for all debt during the year included in educational expenses on Exhibit B is \$8,391.

G. Long-term Liabilities

Note Payable – The School District has a note payable to finance a previous deficit with a local bank.

Compensated Absences – It is the policy of the School District to permit employees to accumulate earned but unused sick benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Long-term debt outstanding as of June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Governmental Activities:</u>				
People’s United Bank, To Cover Fiscal Year 2014 Deficit, Annual Principal Payments of \$100,000 Plus Interest Due on June 15, Interest at 2.25%. Due and Paid June 15, 2017	\$ <u>100,000</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>0</u>
Total Governmental Activities	\$ <u>100,000</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>0</u>

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable	\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 0
Compensated Absences	<u>64,863</u>	<u>0</u>	<u>1,575</u>	<u>63,288</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 164,863</u>	<u>\$ 0</u>	<u>\$ 101,575</u>	<u>\$ 63,288</u>	<u>\$ 0</u>

H. Fund Balances

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

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

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

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

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

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

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Major Fund:

Building Improvement Fund:

Assigned to Mitgate the Effect of Future Capital Improvements on a Single Year's Tax Rate	\$ <u>12,574</u>
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Total Assigned Fund Balance	\$ <u>12,574</u>
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I. Net Position Held in Trust for Various Purposes

Private Purpose Trust Funds:

Restricted for Scholarships by Donors:

Hanson Award Fund	\$13,752
Aunt Mert Fund	<u>4,293</u>

Total Restricted Net Position	\$ <u>18,045</u>
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V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plans

Plan Description - VSTRS

The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

The plan was created in 1947, and is governed by Title 16, V.S. A. Chapter 555.

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

The Pension Plan is divided into the following membership groups:

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

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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

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

Summary of System Provisions

	Group A	Group C - Group # 1 *	Group C - Group #2 ++
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%; minimum of 1% after 12 months of normal retirement or age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Medical benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Member pays full premium	Member pays full premium	Member pays full premium

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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

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

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

Contributions

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

	Group A	Group C - Group #1	Group C - Group #2
Employee Contributions	5.5% of gross salary	5% of gross salary with 5 or more years of service as of 7/1/14; 6% of gross salary if less than 5 years of service as of 7/1/14	5% of gross salary with 5 or more years of service as of 7/1/14; 6% of gross salary if less than 5 years of service as of 7/1/14;
Employer Contributions	Varies based on actuarial recommendation	Varies based on actuarial recommendation	Varies based on actuarial recommendation

The School District's Group C members contributed \$59,709.

The District's current year payroll for all employees totaled \$1,587,984 while its current year's covered payroll for the State Teacher's Retirement Plan equaled \$1,122,532 resulting in an estimated \$130,101 of on-behalf payments. This amount is included as Revenue and Expenses in Exhibits B and D.

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 was determined by rolling forward the total pension liability as of June 30, 2015 to June 30, 2016 using actuarial assumptions outlined below. These assumptions were selected on the basis of an experience study that was performed for the five-year period ending June 30, 2014. The recommended assumption changes based on this experience study were adopted by the Board at its October 29, 2015 Board Meeting, and were effective for the actuarial valuation made as of June 30, 2015. The 7.95% assumed rate of return on assets was adopted by the Board at a meeting on July 27, 2015.

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Interest Rate: 7.95% per annum.

Salary Increases: Representative values of the assumed annual rates of future salary increase are as follows:

Age	Annual Rate of Salary Increase
25	8.15%
30	6.84%
35	5.97%
40	5.29%
45	4.80%
50	4.46%
55	4.22%
60	4.12%
64	4.12%

Deaths After Retirement: The RP-2000 Mortality Tables Projected to 2029 using Scale BB for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2020 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

Inflation: The separately stated assumption for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

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

Cost of Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

GRAND ISLE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Long-term Expected Rate of Return

The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
Equity	35.00%	8.54%
Fixed Income	32.00%	2.36%
Alternatives	16.00%	8.35%
Multi-strategy	17.00%	4.90%

Special Funding Situation

The State of Vermont is the nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the School District. Therefore, the School District is considered to be in a special funding situation as defined in GASB No. 68 and the State of Vermont is treated as a nonemployer contributing entity to the VSTRS. Effective July 1, 2015, the State is assessing a \$1,097 annual charge for teacher's health care for all new teachers hired during the year. The total amount paid by the School District for the year ended June 30, 2017 was \$3,291. In addition, effective July 1, 2015, the State is assessing a 11.59% contribution for all teachers paid with Federal Funds. The total amount paid by the School District for the year ended June 30, 2017 was \$8,704. Since the State does not consider the School District to contribute directly to VSTRS, no net pension liability is recorded by the School District. The School District's portion of the State's share of the collective net pension liability is \$2,473,113 as of June 30, 2017.

GRAND ISLE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

B. 403(b) PENSION PLAN

The School District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 403(b). The plan permits all employees to voluntarily defer a portion of their salary until future years. As of June 30, 2017, the School District has eight (8) employees who had enrolled in the plan and makes employee only deferrals. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The School District has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

C. RISK MANAGEMENT

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

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

The School District has elected to pay actual unemployment claims instead of enrolling in an employment insurance program. No liabilities have been accrued as the School District is not able to make an estimate as to any future costs. The School District paid \$5,284 in unemployment claims during fiscal year 2017.

D. RELATED PARTIES

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

E. SUBSEQUENT EVENTS

On July 3, 2017, the School District executed a Tax Anticipation Note in the amount of \$550,000 from People's United Bank. The note was due and paid June 29, 2018 with interest at 2.05%.

On August 24, 2018, the School District executed a Tax Anticipation Note in the amount of \$600,000 from People's United Bank. This note is due May 20, 2019 with interest at 3.05%.

GRAND ISLE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Regular Instructional:			
General State Support Grants	\$ 4,447,840	\$ 4,447,990	\$ 150
Other State Revenue	106,414	48,693	(57,721)
Other Local Revenue	0	882	882
State Aid Transportation	47,530	46,782	(748)
Special Education Support:			
State Revenue	565,432	411,463	(153,969)
EEE Block Grant	17,343	17,343	0
Interest	300	1,360	1,060
Total Revenues	5,184,859	4,974,513	(210,346)
Expenditures:			
Instructional	2,895,283	2,788,155	107,128
School Wide Program	86,914	65,787	21,127
Universal Pre-Kindergarten	77,300	108,098	(30,798)
Special Education	321,279	263,165	58,114
Essential Early Education	0	29,261	(29,261)
Student Body Activities	34,649	28,225	6,424
Summer School Program	5,383	2,664	2,719
Guidance Services	82,881	55,256	27,625
Health Services	36,791	64,159	(27,368)
Speech Services	0	84	(84)
Essential Early Education Speech	16,681	807	15,874
Library Services	88,043	84,628	3,415
Board of Education	24,478	28,009	(3,531)
Administration	240,613	262,244	(21,631)
Principal	218,345	190,004	28,341
Special Education Coordination	714,668	633,093	81,575
Fiscal Services	9,000	6,141	2,859
Building Operations	302,341	294,484	7,857
Transportation Services	85,501	87,113	(1,612)
Food Service	15,000	20,366	(5,366)
Debt Service	102,250	102,250	0
Miscellaneous Expense	0	322	(322)
Total Expenses	5,357,400	5,114,315	243,085
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(172,541)</u>	(139,802)	\$ <u>32,739</u>
Fund Balance - July 1, 2016, As Restated		<u>319,199</u>	
Fund Balance - June 30, 2017		\$ <u>179,397</u>	

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GRAND ISLE SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 VERMONT STATE TEACHERS RETIREMENT SYSTEM
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2017

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Total Plan Net Pension Liability	\$ 1,309,523,451	\$	1,186,504,853	\$	958,436,990
School District's Proportion of the Net Pension Liability	0.2095%		0.2204%		0.2059%
School District's Proportionate Share of the Net Pension Liability	\$ 2,473,113	\$	2,615,569	\$	1,973,172
School District's Covered Employee Payroll	\$ 1,122,532	\$	1,356,969	\$	1,272,818
Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	220.3156%		192.7508%		155.0239%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.31%		58.22%		64.02%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: None.

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

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GRAND ISLE SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2017

	Hanson Award Fund	Aunt Mert Fund	Total
<u>ASSETS</u>			
Investments	\$ 13,084	\$ 4,293	\$ 17,377
Due from Other Funds	668	0	668
TOTAL ASSETS	\$ 13,752	\$ 4,293	\$ 18,045
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Net Position:			
Held in Trust for Various Purposes	13,752	4,293	18,045
Total Net Position	13,752	4,293	18,045
TOTAL LIABILITIES AND NET POSITION	\$ 13,752	\$ 4,293	\$ 18,045

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GRAND ISLE SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Hanson Award Fund	Aunt Mert Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Donations	\$ 394	\$ 0	\$ 394
Net Investment Income	<u>0</u>	<u>30</u>	<u>30</u>
Total Additions	<u>394</u>	<u>30</u>	<u>424</u>
Deductions:	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	394	30	424
Net Position - July 1, 2016, As Restated	<u>13,358</u>	<u>4,263</u>	<u>17,621</u>
Net Position - June 30, 2017	<u>\$ 13,752</u>	<u>\$ 4,293</u>	<u>\$ 18,045</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Grand Isle School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Grand Isle School District's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Grand Isle School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-01 and 2017-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-03 through 2017-07 to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain other matters that we reported in a separate letter to the management of the Grand Isle School District dated October 15, 2018.

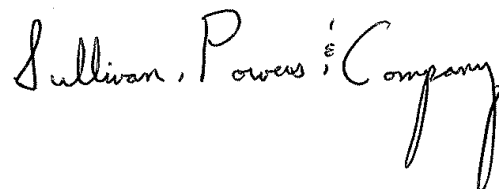
Grand Isle School District's Response to Deficiencies in Internal Control

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

Purpose of This Report

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

October 15, 2018
Montpelier, Vermont
VT Lic. #92-000180



GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

2017-01 Timely Reconciliation of Balance Sheet Accounts

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

2017-02 Special Education Report

Criteria:

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

Condition:

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

GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2017

Cause:

Unknown.

Effect:

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

Recommendation:

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

Significant Deficiencies:

2017-03 Fixed Assets Accounting and Reporting

Criteria:

Procedures should be in place to provide for complete and accurate tracking of the School District's fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by the district. They are needed to maintain individual accountability for resources, to develop the insurable value of district-owned property and equipment, and to document proof of loss for claims. In addition, fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Condition:

The School District has not verified their schedule of fixed assets nor have they performed periodic inventories substantiating the existence of the fixed assets.

Cause:

Unknown.

Effect:

Fixed assets could be susceptible to misappropriation as the District is not safeguarding its fixed assets from potential loss. Additionally, fixed assets could be misstated on the government-wide financial statements due to additions or deletions not recognized.

GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2017

Recommendation:

We recommend that the District implement procedures to account for and record fixed asset activity. Furthermore, District personnel should perform periodic inventory of fixed assets to ensure the schedules completeness.

2017-04 Controls Over Accounts Payable

Criteria:

Internal controls should be in place to ensure that accounts payable and related expenses are reported in the correct accounting period. Additionally, accounts payable recorded in the general ledger should tie to the subsidiary ledger detailing the vendor and amount owed at year end.

Condition:

There were insufficient controls in place to ensure that all accounts payable were recorded in the proper fiscal year. As a result, adjustments were required in order to adjust accounts payable to actual.

Cause:

Unknown.

Effect:

The School District's accounts payable balances were incorrect.

Recommendation:

We recommend that the School District implement controls to ensure they review year end invoices in order to properly record all accounts payable.

2017-05 Health Insurance Reconciliation

Criteria:

Internal controls should be in place to ensure that payroll withholdings are adequate to cover the employee portion of health insurance expenses as agreed upon in the teacher's contracts.

Condition:

The School District does not have controls in place to reconcile employee benefit withholdings. The District was not withholding enough to cover health insurance expenses for individuals not participating in summer pay. Additionally, when an employee changed health insurance plans, the withholdings were not adjusted accordingly to reflect the change in cost.

GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2017

Cause:

Unknown.

Effect:

The allocation between employee and employer portion of health insurance expenses was incorrect which resulted in the District overpaying for multiple teachers.

Recommendation:

We recommend that the District implement internal controls requiring an employee withholding reconciliation to supporting documentation to ensure the appropriate allocation of employee and employer related expenses.

2017-06 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

Condition:

The School District does not have an accounting and procedures manual in place.

Cause:

Unknown.

Effect:

The School District staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

Recommendation:

We recommend that the School District develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

GRAND ISLE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN
INTERNAL CONTROL
JUNE 30, 2017

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the School District make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

2017-07 Authorization of General Journal Entries

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

Grand Isle FY17 Audit Response

2017-01 Timely Reconciliation of Balance Sheet Accounts

Criteria:

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

Recommendation:

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

Management Response: Balance Sheet reconciliation files have been created for the Supervisory Union and all school districts. Reconciliations will be completed on a monthly basis with appropriate supporting documentation.

2017-02 Special Education Report

Criteria:

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

Recommendation:

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

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

2017-03 Fixed Assets Accounting and Reporting

Criteria:

Procedures should be in place to provide for complete and accurate tracking of the School District's fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by the district. They are needed to maintain individual accountability for resources, to develop the insurable value of district-owned property and equipment, and to document proof of loss for claims. In addition,

fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Recommendation:

We recommend that the District implement procedures to account for and record fixed asset activity. Furthermore, District personnel should perform periodic inventory of fixed assets to ensure the schedules completeness.

Management Response: Internal control procedures will be developed to ensure that fixed asset activity is accounted for. District and central office personnel will conduct periodic inventories of fixed assets

2017-04 Controls Over Accounts Payable

Criteria:

Internal controls should be in place to ensure that accounts payable and related expenses are reported in the correct accounting period. Additionally, accounts payable recorded in the general ledger should agree to the subsidiary ledger detailing the vendor and amount owed at year end.

Recommendation:

We recommend that the School District implement controls to ensure they review year end invoices in order to properly record all accounts payable.

Management Response: The School District will implement year end procedures to ensure that accounts payable are properly recorded.

2017-05 Health Insurance Reconciliation

Criteria:

Internal controls should be in place to ensure that payroll withholdings are adequate to cover the employee portion of health insurance expenses as agreed upon in the teacher's contracts.

Recommendation:

We recommend that the District implement internal controls requiring an employee withholding reconciliation to supporting documentation to ensure the appropriate allocation of employee and employer related expenses.

Management Response: Controls will be implemented to ensure that employee withholding reconciliations are completed with supporting documentations.

2017-06 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

Recommendation:

We recommend that the Supervisory Union develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Supervisory Union make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Management Response: Management agrees that an Accounting & Procedures manual be developed and put into place. Management also agrees to facilitate cross training of staff.

2017-07 Authorization of General Journal Entries

Criteria:

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

Recommendation:

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

Management Response: Management agrees and will ensure that supporting documentation is attached to journal entries. In addition, journal entries will require at least two signatures.

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