

Audited Financial Statements and  
Other Financial Information

**Town of Isle La Motte, Vermont**

December 31, 2019



*Proven Expertise & Integrity*

TOWN OF ISLE LA MOTTE, VERMONT

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DECEMBER 31, 2019

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## INDEPENDENT AUDITORS' REPORT

Selectboard  
Town of Isle La Motte  
Isle La Motte, 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 Isle La Motte, Vermont, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

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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 Isle La Motte, Vermont as of December 31, 2019 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 43 through 47 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 Isle La Motte, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, 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, 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, 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 *Governmental Auditing Standards*, we have also issued our report dated April 21, 2020, on our consideration of the Town of Isle La Motte, 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 Isle La Motte, Vermont's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration # 092.0000697  
April 21, 2020

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**(UNAUDITED)**

The following management's discussion and analysis of Town of Isle La Motte, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Isle La Motte'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, pension schedules 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 regard 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 Isle La Motte 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, appropriations, highway, services, education and unclassified.

### **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 Isle La Motte, 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 Isle La Motte 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 funds balance sheet and the governmental funds 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 Isle La Motte presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, highway fund and permanent 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 only funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and Budgetary Comparison Schedule - 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, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Highway Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pension 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 and highway 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 \$29,041 from \$775,562 to \$804,603.

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 by \$102,947 for governmental activities to a balance of \$593,898 at the end of this year.

**Table 1**  
**Town of Isle La Motte, Vermont**  
**Net Position**  
**December 31,**

	<b>2019</b>	<b>2018 (Restated)</b>
<b>Assets</b>		
Current Assets	\$ 1,811,185	\$ 691,512
Noncurrent Assets	290,611	376,667
Total Assets	2,101,796	1,068,179
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	6,116	5,232
Total Deferred Outflows of Resources	6,116	5,232
<b>Liabilities</b>		
Current Liabilities	1,151,613	133,872
Noncurrent Liabilities	37,384	43,723
Total Liabilities	1,188,997	177,595
<b>Deferred Inflows of Resources</b>		
Prepaid Taxes	54,036	59,548
Deferred Inflows Related to Pensions	513	943
Deferred Revenue	59,763	59,763
Total Deferred Inflows of Resources	114,312	120,254
<b>Net Position</b>		
Net Investment in Capital Assets	136,885	213,941
Restricted: Permanent Fund	64,759	64,662
Special Revenue Funds	9,061	6,008
Unrestricted	593,898	490,951
Total Net Position	\$ 804,603	\$ 775,562

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 11.71%, while total expenses increased by 13.20%. The largest increase in revenues was in taxes and the largest increases in expenses were in highway and education.

**Table 2**  
**Town of Isle La Motte, Vermont**  
**Changes in Net Position**  
**For the Years Ended December 31,**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services	\$ 16,406	\$ 16,135
Operating grants and contributions	161,644	48,177
<i>General Revenues:</i>		
Taxes	2,180,811	2,027,641
Grants and contributions not restricted to specific programs	13,025	13,378
Miscellaneous	17,022	33,189
Total Revenues	<u>2,388,908</u>	<u>2,138,520</u>
<b>Expenses</b>		
General government	148,781	140,991
Appropriations	69,054	70,206
Unclassified	50,597	92,870
Highway	382,068	276,457
Services	10,550	10,550
Education	1,698,817	1,493,543
Total Expenses	<u>2,359,867</u>	<u>2,084,617</u>
Change in Net Position	29,041	53,903
Net Position - January 1, Restated	<u>775,562</u>	<u>721,659</u>
Net Position - December 31	<u>\$ 804,603</u>	<u>\$ 775,562</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 Isle La Motte, Vermont**  
**Fund Balances - Governmental Funds**  
**December 31,**

	<u>2019</u>	<u>2018</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 6,467	\$ 4,225
Unassigned	467,148	532,406
Total General Fund	<u>473,615</u>	<u>536,631</u>
Highway Fund:		
Unassigned	-	(172,272)
Total Highway and Building Fund	<u>-</u>	<u>(172,272)</u>
Permanent Fund:		
Restricted	64,759	64,662
Total Permanent Fund	<u>64,759</u>	<u>64,662</u>
 Total Major Funds	 <u>\$ 538,374</u>	 <u>\$ 429,021</u>
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 9,061	\$ 6,008
Unassigned	(21,563)	(16,601)
Total Nonmajor Funds	<u>\$ (12,502)</u>	<u>\$ (10,593)</u>

The general fund total fund balance decreased by \$63,016 from the prior fiscal year mainly as a result of increased expenses. The highway fund total fund balance increased by \$172,272 from the prior fiscal year as a result of a transfer from the general fund. The permanent fund total fund balance increased by \$97 from the prior year as a result of interest income. The nonmajor funds total fund balance decreased by \$1,909 from the prior fiscal year mainly due to expenditures in the audit reserve fund.

### **Budgetary Highlights**

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

The general fund actual revenues exceeded the budget by \$2,175,356. This was due to property taxes being receipted far in excess of budgeted amounts.

The general fund actual expenditures exceeded the budget by \$2,014,846. This was mainly because the town obligation to the education fund was not budgeted and the unbudgeted transfer to the highway fund.

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

The highway fund actual revenues exceeded budget by \$420,624. This was due to all revenue categories received in excess of budgeted amounts.

The highway fund actual expenditures were over budget by \$33,861. This was due to all categories exceeding budget except for debt service principal and interest.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of December 31, 2019, the net book value of capital assets recorded by the Town decreased by \$86,056 from the prior year. This decrease was the result of current year depreciation expense.

**Table 4  
Town of Isle La Motte, Vermont  
Capital Assets (Net of Depreciation)  
December 31,**

	<b>2019</b>	<b>2018</b>
Land	\$ 108,000	\$ 108,000
Buildings and Improvements	145,500	145,500
Infrastructure	1,152,074	1,152,074
Accumulated Depreciation	(1,114,963)	(1,028,907)
 Total	 \$ 290,611	 \$ 376,667

### **Debt**

At December 31, 2019, the Town had \$153,726 in notes from direct borrowings payable versus \$162,726 last year. 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's unassigned fund balance is at a level sufficient to sustain government operations for a period of approximately three months. The government also 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 250, 2272 Main Street, Isle La Motte, Vermont 05463.

## TOWN OF ISLE LA MOTTE, VERMONT

STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,595,346
Accounts receivable (net of allowance for uncollectibles):	
Delinquent taxes receivable	55,085
Other	5,660
Prepaid items	6,467
Loan receivable	148,627
Total current assets	<u>1,811,185</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	108,000
Buildings and infrastructure, net of accumulated depreciation	182,611
Total noncurrent assets	<u>290,611</u>
<b>TOTAL ASSETS</b>	<u>2,101,796</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflows related to pensions	6,116
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>6,116</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,107,912</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued expenses	\$ 420
Accrued payroll	1,162
Due to other governments	1,018,052
Current portion of long-term obligations	128,726
Total current liabilities	<u>1,151,613</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Notes payable	25,000
Net pension liability	12,384
Total noncurrent liabilities	<u>37,384</u>
<b>TOTAL LIABILITIES</b>	<u>1,188,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	54,036
Deferred inflows related to pensions	513
Deferred revenue	59,763
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>114,312</u>
<b>NET POSITION</b>	
Net investment in capital assets	136,885
Restricted: Permanent fund	64,759
Special revenue funds	9,061
Unrestricted	593,898
<b>TOTAL NET POSITION</b>	<u>804,603</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 2,107,912</u>

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

## TOWN OF ISLE LA MOTTE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 148,781	\$ 16,406	\$ -	\$ -	\$ (132,375)
Appropriations	69,054	-	-	-	(69,054)
Unclassified	50,597	-	-	-	(50,597)
Highway	382,068	-	161,644	-	(220,424)
Services	10,550	-	-	-	(10,550)
Education	1,698,817	-	-	-	(1,698,817)
Total governmental activities	<u>\$ 2,359,867</u>	<u>\$ 16,406</u>	<u>\$ 161,644</u>	<u>\$ -</u>	<u>(2,181,817)</u>

STATEMENT B (CONTINUED)  
TOWN OF ISLE LA MOTTE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(2,181,817)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	2,180,811
Grants and contributions not restricted to specific programs	13,025
Miscellaneous	17,022
Total general revenues	2,210,858
Change in net position	29,041
NET POSITION - JANUARY 1, RESTATED	775,562
NET POSITION - DECEMBER 31	\$ 804,603

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



## STATEMENT C

## TOWN OF ISLE LA MOTTE, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	General Fund	Highway Fund	Permanent Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,530,502	\$ -	\$ 64,759	\$ 85	\$ 1,595,346
Accounts receivable (net of allowance for uncollectibles):					
Delinquent taxes receivable	55,085	-	-	-	55,085
Other	5,660	-	-	-	5,660
Prepaid items	6,467	-	-	-	6,467
Loan receivable	-	-	148,627	-	148,627
Due from other funds	21,563	-	-	8,976	30,539
<b>TOTAL ASSETS</b>	<b>\$ 1,619,277</b>	<b>\$ -</b>	<b>\$ 213,386</b>	<b>\$ 9,061</b>	<b>\$ 1,841,724</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,253	\$ -	\$ -	\$ -	\$ 3,253
Accrued payroll	1,162	-	-	-	1,162
Accrued expenses	420	-	-	-	420
Due to other governments	1,018,052	-	-	-	1,018,052
Due to other funds	8,976	-	-	21,563	30,539
<b>TOTAL LIABILITIES</b>	<b>1,031,863</b>	<b>-</b>	<b>-</b>	<b>21,563</b>	<b>1,053,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	54,036	-	-	-	54,036
Deferred property tax	59,763	-	-	-	59,763
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>113,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,799</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable - prepaid items	6,467	-	-	-	6,467
Nonspendable - loan receivable	-	-	148,627	-	148,627
Restricted	-	-	64,759	9,061	73,820
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	467,148	-	-	(21,563)	445,585
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>473,615</b>	<b>-</b>	<b>213,386</b>	<b>(12,502)</b>	<b>674,499</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 1,619,277</b>	<b>\$ -</b>	<b>\$ 213,386</b>	<b>\$ 9,061</b>	<b>\$ 1,841,724</b>

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

## TOWN OF ISLE LA MOTTE, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019

	Total Governmental Funds
Total Fund Balances	\$ 674,499
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	290,611
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	6,116
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Notes from direct borrowings payable	(153,726)
Net pension liability	(12,384)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(513)
	\$ 804,603
Net position of governmental activities	

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

## TOWN OF ISLE LA MOTTE, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Highway Fund	Permanent Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 2,180,811	\$ -	\$ -	\$ -	\$ 2,180,811
Intergovernmental	13,025	161,644	-	-	174,669
Charges for services	16,406	-	-	-	16,406
Interest income	980	-	97	-	1,077
Miscellaneous	3,500	-	-	12,445	15,945
TOTAL REVENUES	<u>2,214,722</u>	<u>161,644</u>	<u>97</u>	<u>12,445</u>	<u>2,388,908</u>
EXPENDITURES					
Current:					
General government	156,094	-	-	-	156,094
Appropriations	69,054	-	-	-	69,054
Unclassified	36,243	-	-	14,354	50,597
Highway	-	296,352	-	-	296,352
Services	10,550	-	-	-	10,550
Education	1,698,817	-	-	-	1,698,817
TOTAL EXPENDITURES	<u>1,970,758</u>	<u>296,352</u>	<u>-</u>	<u>14,354</u>	<u>2,281,464</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>243,964</u>	<u>(134,708)</u>	<u>97</u>	<u>(1,909)</u>	<u>107,444</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	306,980	-	-	306,980
Transfers (out)	(306,980)	-	-	-	(306,980)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(306,980)</u>	<u>306,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(63,016)	172,272	97	(1,909)	107,444
FUND BALANCES (DEFICITS) - JANUARY 1	<u>536,631</u>	<u>(172,272)</u>	<u>213,289</u>	<u>(10,593)</u>	<u>567,055</u>
FUND BALANCES (DEFICITS) - DECEMBER 31	<u>\$ 473,615</u>	<u>\$ -</u>	<u>\$ 213,386</u>	<u>\$ (12,502)</u>	<u>\$ 674,499</u>

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

## TOWN OF ISLE LA MOTTE, 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 DECEMBER 31, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 107,444</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to be allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(86,056)</u>
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	
	<u>884</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	
	<u>9,000</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>430</u>
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:	
Net pension liability	<u>(2,661)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 29,041</u></u>

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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Isle La Motte 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, appropriations, highway, services, education and unclassified.

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 December 31, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations". This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 84 "Fiduciary Activities". This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. 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.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). 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.).

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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 capital facilities or equipment.
- c. The Permanent Fund is 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.



TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Fund

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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.

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.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning January 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:

- 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 Isle La Motte has no formal investment policy but instead follows the State of Vermont Statutes.

**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 uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2019. Allowances for uncollectible accounts netted with accounts receivable and loan receivable were \$154,287 for the year ended December 31, 2019.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**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.

**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 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.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 obligations 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 obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of notes from direct borrowings 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.

**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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Selectboard.

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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 this 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 also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. 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 July 1, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on September 1, 2018, December 1, 2018, March 1, 2019 and June 1, 2019. Payments received after the due dates were charged interest of 1% per month. Payments received after June 2, 2019 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.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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 December 31, 2019, the Town's cash balances of \$1,595,346 were comprised of bank balances of \$1,609,625, of which \$314,759 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank balances of \$1,294,866 were collateralized with securities held by the financial institution in the Town's name.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 30,000
Repurchase agreement	1,514,866
Money market accounts	64,759
	<u>\$ 1,609,625</u>

At December 31, 2019, the Town had no investments.

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 December 31, 2019 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due From)</u>	<u>Payables (Due To)</u>
General fund	\$ 21,563	\$ 8,976
Nonmajor special revenue funds	8,976	21,563
	<u>\$ 30,539</u>	<u>\$ 30,539</u>



TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance 1/1/19	Additions	Disposals	Balance 12/31/19
Non-depreciated assets:				
Land	\$ 108,000	\$ -	\$ -	\$ 108,000
	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>108,000</u>
Depreciated assets:				
Buildings and improvements	\$ 145,500	\$ -	\$ -	\$ 145,500
Infrastructure	1,152,074	-	-	1,152,074
	<u>1,297,574</u>	<u>-</u>	<u>-</u>	<u>1,297,574</u>
Less accumulated depreciation:	<u>(1,028,907)</u>	<u>(86,056)</u>	<u>-</u>	<u>(1,114,963)</u>
Net depreciated assets	<u>268,667</u>	<u>(86,056)</u>	<u>-</u>	<u>182,611</u>
Net capital assets	<u>\$ 376,667</u>	<u>\$ (86,056)</u>	<u>\$ -</u>	<u>\$ 290,611</u>
<u>Current year depreciation:</u>				
General government				\$ 340
Highway				85,716
Total depreciation expense				<u>\$ 86,056</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2019:

	Balance 1/1/19 (Restated)	Additions	Deletions	Balance 12/31/19	Current Year Portion
Notes from direct borrowings payable	\$ 162,726	\$ -	\$ (9,000)	\$ 153,726	\$ 128,726
	<u>162,726</u>	<u>-</u>	<u>(9,000)</u>	<u>153,726</u>	<u>128,726</u>

The following is a summary of the outstanding notes from direct borrowings payable on December 31, 2019:

\$161,292 Promissory mortgage note to Trustees of Public Funds, secured by three lots, interest is paid annually at a fixed rate of 0.75% or \$898. Principal is due on December 31, 2019. The promissory note and agreement with the Trustees of Public Funds expired on December 31, 2019.

\$ 119,726

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

\$90,000 Note payable, Annual principal payments of \$9,000 due on December 10th. Maturity is December of 2025. Interest is charged at a fixed rate of 3.1% per annum.	<u>34,000</u>
Total notes from direct borrowings payable	<u>\$ 153,726</u>

The Trustees of Public Funds promissory note and agreement expired on December 31, 2019. The Trustees of Public Funds has two open trustee positions. Once the open trustee positions are filled, the Town of Isle La Motte will meet with the Trustees of Public Funds to develop a successor agreement.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 119,726	\$ 898	\$ 120,624
2020	9,000	1,054	10,054
2021	9,000	775	9,775
2022	16,000	496	16,496
	<u>\$ 153,726</u>	<u>\$ 3,223</u>	<u>\$ 156,949</u>

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of the changes in the other long-term obligations for the year ended December 31, 2019:

	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>	<u>Current Year Portion</u>
Net pension liability	<u>\$ 9,723</u>	<u>\$ 4,323</u>	<u>\$ (1,662)</u>	<u>\$ 12,384</u>	<u>\$ -</u>

Refer to Note 12 of Notes to the Financial Statements for detailed net pension liability information.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation within each year. Any unused vacation time above 40 hours not used by the end of a year is lost. Employees are reimbursed for unused vacation days when terminating employment with the Town. At December 31, 2019, the Town's liability was \$0.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 8 - NONSPENDABLE FUND BALANCES

At December 31, 2019, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 6,467
Permanent fund:	
Loan receivable	148,627
	<u>\$ 155,094</u>

NOTE 9 - RESTRICTED FUND BALANCES

At December 31, 2019, the Town had the following restricted fund balances:

Permanent fund	\$ 64,759
Nonmajor special revenue funds (Schedule E)	9,061
	<u>\$ 73,820</u>

NOTE 10 - DEFICIT FUND BALANCES

At December 31, 2019, the Town had the following deficit fund balances:

Nonmajor special revenue funds (Schedule E):	
Auditor Reserve	\$ 16,167
Lister Fund	5,396
	<u>\$ 21,563</u>

NOTE 11 - OVERSPENT APPROPRIATIONS

The Town of Isle La Motte was noncompliant with the legally adopted general fund budget overspending the entire allowed appropriation of \$262,892 by \$2,014,846. The Town of Isle La Motte was noncompliant with the legally adopted highway fund budget overspending the entire allowed appropriation of \$262,491 by \$33,861.

As of December 31, 2019, the Town exceeded its expected funding of education in the amount of \$1,698,817. This deficit is covered under statute in Title 16, Section 555, and Title 25, Section 1523.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - 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 Town 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 Town year. For the year ended June 30, 2017 (the most recent data available), the retirement system consisted of 13,262 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives - one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont Town 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 and Management website at:

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Groups B and 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 A. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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.

**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 as of July 1, 2018 are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.625% of gross salary	5.0% of gross salary	10.125% of gross salary	11.475% of gross salary
Employer Contributions	4.125% of gross salary	5.625% of gross salary	7.375% of gross salary	9.975% 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, 2019 totaled \$1,066. The Town contributed \$1,662 for the year ended June 30, 2019. The Town's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$39,680.

**Pension Liabilities**

At June 30, 2019, the Town reported a liability of \$12,384 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2017. 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.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2018, the Town's proportion was 0.00880% for VMERS, which was an increase of 0.00078% from its proportion measured as of June 30, 2017 for VMERS.

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

For the year ended June 30, 2019, the Town recognized pension expense of \$1,347 for the VMERS plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,076	\$ 198
Changes of assumptions	1,371	-
Net difference between projected and actual earnings on pension plan investments	1,435	-
Changes in proportion and differences between contributions and proportionate share of contributions	572	315
Contributions subsequent to the measurement date	1,662	-
Total	<u>\$ 6,116</u>	<u>\$ 513</u>

\$1,662 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, 2020. 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 year ended June 30:	
2019	\$ 2,160
2020	998
2021	364
2022	419
2023	-
Thereafter	-

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2018 measurement date was determined by rolling forward the total pension liability as of June 30, 2017 to June 30, 2018. The total pension liability was calculated using the following actuarial assumptions:

*Investment Rate of Return:* 7.50%, net of pension plan investment expense, including inflation.

*Inflation:* 2.50%

*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-2006 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 RP-2006 Disabled Mortality Table

*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.



TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Cost-of-Living Adjustments:* Assumed to occur on January 1 following one year of retirement 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 at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is 1.30% for all groups.

*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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%
Total	100.00%	

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 12 - 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	\$ 20,975	\$ 12,384	\$ 5,396

**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 and Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 13 - 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 December 31, 2019. 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 member assessed their proportionate share of the deficit.

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 member assessed their proportionate share of the deficit.

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 14 - 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 15 - 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.

NOTE 16 - RESTATEMENT

In 2019, the Town determined that certain transactions in prior years required a revision to the government-wide financial statements. The government-wide net position increased by \$20,000 which reflects a decrease in the 2018 outstanding notes from direct borrowings payable ending balance. The 2019 government-wide beginning net position changed from \$755,562 to \$775,562.

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

## TOWN OF ISLE LA MOTTE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1	\$ 536,631	\$ 536,631	\$ 536,631	\$ -
Resources (Inflows):				
Property taxes	7,000	7,000	2,180,811	2,173,811
Intergovernmental	14,466	14,466	13,025	(1,441)
Charges for services	14,900	14,900	16,406	1,506
Interest income	500	500	980	480
Other revenue	2,500	2,500	3,500	1,000
Amounts Available for Appropriation	<u>575,997</u>	<u>575,997</u>	<u>2,751,353</u>	<u>2,175,356</u>
Charges to Appropriations (Outflows):				
General government	144,628	144,628	156,094	(11,466)
Appropriations	72,516	72,516	69,054	3,462
Unclassified	35,198	35,198	36,243	(1,045)
Services	10,550	10,550	10,550	-
Education	-	-	1,698,817	(1,698,817)
Transfers to other funds	-	-	306,980	(306,980)
Total Charges to Appropriations	<u>262,892</u>	<u>262,892</u>	<u>2,277,738</u>	<u>(2,014,846)</u>
Budgetary Fund Balance, December 31	<u>\$ 313,105</u>	<u>\$ 313,105</u>	<u>\$ 473,615</u>	<u>\$ 160,510</u>
Utilization of unassigned fund balance	<u>\$ 223,526</u>	<u>\$ 223,526</u>	<u>\$ -</u>	<u>\$ (223,526)</u>

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

## TOWN OF ISLE LA MOTTE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - HIGHWAY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, January 1	\$ (172,272)	\$ (172,272)	\$ (172,272)	\$ -
Resources (Inflows):				
Highway aid	48,000	48,000	48,608	608
Grant revenue	-	-	113,036	113,036
Transfers from other funds	-	-	306,980	306,980
Amounts Available for Appropriation	<u>(124,272)</u>	<u>(124,272)</u>	<u>296,352</u>	<u>420,624</u>
Charges to Appropriations (Outflows):				
Summer roads	100,900	100,900	105,062	(4,162)
Winter roads	150,700	150,700	179,228	(28,528)
Grant Projects	-	-	1,749	(1,749)
Debt Service:				
Principal	9,000	9,000	9,000	-
Interest	1,891	1,891	1,313	578
Total Charges to Appropriations	<u>262,491</u>	<u>262,491</u>	<u>296,352</u>	<u>(33,861)</u>
Budgetary Fund Balance, December 31	<u>\$ (386,763)</u>	<u>\$ (386,763)</u>	<u>\$ -</u>	<u>\$ 386,763</u>
Utilization of unassigned fund balance	<u>\$ 214,491</u>	<u>\$ 214,491</u>	<u>\$ -</u>	<u>\$ (214,491)</u>

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

TOWN OF ISLE LA MOTTE, VERMONT

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

	2019	2018	2017	2016	2015
<u>VMERS:</u>					
Proportion of the net pension liability	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate share of the net pension liability	\$ 12,384	\$ 9,723	\$ 10,008	\$ 7,214	\$ 1,025
Covered payroll	\$ 40,180	\$ 31,431	\$ 37,367	\$ 32,700	\$ 22,960
Proportionate share of the net pension liability as a percentage of its covered payroll	30.82%	30.93%	26.78%	22.06%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

\* 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 ISLE LA MOTTE, VERMONT

SCHEDULE OF CONTRIBUTIONS - PENSION  
LAST 10 FISCAL YEARS\*

	2019	2018	2017	2016	2015
<u>VMERS:</u>					
Contractually required contribution	\$ 1,662	\$ 1,311	\$ 1,257	\$ 1,495	\$ 1,308
Contributions in relation to the contractually required contribution	<u>(1,662)</u>	<u>(1,311)</u>	<u>(1,257)</u>	<u>(1,495)</u>	<u>(1,308)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 39,680	\$ 40,180	\$ 31,431	\$ 37,367	\$ 32,700
Contributions as a percentage of covered payroll	4.19%	3.26%	4.00%	4.00%	4.00%

\* The amounts presented for each fiscal year were determined for those years for which information is available.

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

TOWN OF ISLE LA MOTTE, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Changes of Assumptions**

None.

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

## Other Supplementary Information

Other supplementary information includes financial statements not required by the Governmental 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
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## TOWN OF ISLE LA MOTTE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Property taxes:				
Current taxes	\$ -	\$ -	\$ 2,030,979	\$ 2,030,979
Delinquent property taxes	-	-	145,138	145,138
Penalties and interest	7,000	7,000	4,694	(2,306)
Intergovernmental revenues:				
PILOT	3,000	3,000	2,491	(509)
State hold harmless	11,466	11,466	10,534	(932)
Permits and licenses:				
Permits	250	250	235	(15)
Licenses	1,000	1,000	933	(67)
Clerk fees	7,650	7,650	9,512	1,862
Debt collector fees	6,000	6,000	5,570	(430)
Local fines	-	-	156	156
Investment income	500	500	980	480
Other income:				
Rental income	2,500	2,500	2,500	-
Other income	-	-	1,000	1,000
Amounts Available for Appropriation	<u>\$ 39,366</u>	<u>\$ 39,366</u>	<u>\$ 2,214,722</u>	<u>\$ 2,175,356</u>

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

## TOWN OF ISLE LA MOTTE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
General government:					
Insurance	\$ 878	\$ -	\$ 878	\$ 4,225	\$ (3,347)
County taxes	38,883	-	38,883	40,750	(1,867)
Legal fees	8,000	-	8,000	8,380	(380)
Dues	1,600	-	1,600	1,620	(20)
BCA/Election workers	1,200	-	1,200	380	820
Delinquent tax commissions	2,900	-	2,900	4,008	(1,108)
Abatements	-	-	-	4,805	(4,805)
Land records	175	-	175	-	175
Telephone/fax/internet	2,130	-	2,130	1,981	149
Wages, salaries and benefits	60,914	-	60,914	61,594	(680)
Supplies/postage	3,500	-	3,500	4,454	(954)
Equipment rental/purchase	2,700	-	2,700	3,097	(397)
Computer/maintenance	2,500	-	2,500	2,675	(175)
General expenses	18,350	-	18,350	17,228	1,122
Interest expense	898	-	898	897	1
Totals	144,628	-	144,628	156,094	(11,466)
Appropriations:					
Cemeteries	6,000	-	6,000	6,000	-
Fire/rescue	42,800	-	42,800	42,800	-
Visiting Nurse Association	2,100	-	2,100	2,100	-
VT Independent Living	295	-	295	295	-
LCI Economic Development Corp.	500	-	500	500	-
American Red Cross	500	-	500	500	-
Northwest Regional Planning	521	-	521	521	-
Grand Isle court diversion	250	-	250	-	250
VT Green-up	50	-	50	138	(88)
NW counseling and support	700	-	700	-	700
Voices against violence	1,500	-	1,500	-	1,500
Town use of school	14,500	-	14,500	14,500	-
Vermont adult learning	100	-	100	-	100
VACD	-	-	-	-	-
Friends of Lake Champlain	1,000	-	1,000	-	1,000
Age well	700	-	700	700	-
Island arts	1,000	-	1,000	1,000	-
Totals	72,516	-	72,516	69,054	3,462

TOWN OF ISLE LA MOTTE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Unclassified:					
Rec site/mowing	3,500	-	3,500	4,800	(1,300)
G.I. sheriff contract	30,498	-	30,498	30,498	-
Special events	750	-	750	345	405
Town lots	450	-	450	600	(150)
Totals	<u>35,198</u>	<u>-</u>	<u>35,198</u>	<u>36,243</u>	<u>(1,045)</u>
Services:					
Cemeteries	4,000	-	4,000	4,000	-
Alburgh/fire rescue	6,500	-	6,500	6,500	-
VT state police	50	-	50	50	-
Totals	<u>10,550</u>	<u>-</u>	<u>10,550</u>	<u>10,550</u>	<u>-</u>
Education	-	-	-	1,698,817	(1,698,817)
Transfers to other funds:					
Highway fund	-	-	-	306,980	(306,980)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,980</u>	<u>(306,980)</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 262,892</u>	<u>\$ -</u>	<u>\$ 262,892</u>	<u>\$ 2,277,738</u>	<u>\$ (2,014,846)</u>

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

## TOWN OF ISLE LA MOTTE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>
ASSETS		
Cash and cash equivalents	\$          85	\$          85
Due from other funds	8,976	8,976
TOTAL ASSETS	<u>\$          9,061</u>	<u>\$          9,061</u>
LIABILITIES		
Due to other funds	\$          21,563	\$          21,563
TOTAL LIABILITIES	<u>          21,563</u>	<u>          21,563</u>
FUND BALANCES (DEFICITS)		
Nonspendable	-	-
Restricted	9,061	9,061
Committed	-	-
Assigned	-	-
Unassigned	(21,563)	(21,563)
TOTAL FUND BALANCES (DEFICITS)	<u>         (12,502)</u>	<u>         (12,502)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$          9,061</u>	<u>\$          9,061</u>

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

## TOWN OF ISLE LA MOTTE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>
REVENUES		
Other income	\$ 12,445	\$ 12,445
TOTAL REVENUES	<u>12,445</u>	<u>12,445</u>
EXPENDITURES		
Other	14,354	14,354
TOTAL EXPENDITURES	<u>14,354</u>	<u>14,354</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(1,909)	(1,909)
FUND BALANCES (DEFICITS) - JANUARY 1	<u>(10,593)</u>	<u>(10,593)</u>
FUND BALANCES (DEFICITS) - DECEMBER 31	<u>\$ (12,502)</u>	<u>\$ (12,502)</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 ISLE LA MOTTE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2019

	Recreation Fund	Audit Reserve	Lister Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 85	\$ -	\$ -	\$ 85
Due from other funds	8,976	-	-	8,976
<b>TOTAL ASSETS</b>	<b>\$ 9,061</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,061</b>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 16,167	\$ 5,396	\$ 21,563
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>16,167</b>	<b>5,396</b>	<b>21,563</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	-	-
Restricted	9,061	-	-	9,061
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(16,167)	(5,396)	(21,563)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>9,061</b>	<b>(16,167)</b>	<b>(5,396)</b>	<b>(12,502)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 9,061</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,061</b>

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

## TOWN OF ISLE LA MOTTE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Recreation Fund	Audit Reserve	Lister Fund	Total
REVENUES				
Other income	\$ 4,019	\$ -	\$ 8,426	\$ 12,445
TOTAL REVENUES	<u>4,019</u>	<u>-</u>	<u>8,426</u>	<u>12,445</u>
EXPENDITURES				
Other	966	8,400	4,988	14,354
TOTAL EXPENDITURES	<u>966</u>	<u>8,400</u>	<u>4,988</u>	<u>14,354</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	3,053	(8,400)	3,438	(1,909)
FUND BALANCES (DEFICITS) - JANUARY 1	<u>6,008</u>	<u>(7,767)</u>	<u>(8,834)</u>	<u>(10,593)</u>
FUND BALANCES (DEFICITS) - DECEMBER 31	<u>\$ 9,061</u>	<u>\$ (16,167)</u>	<u>\$ (5,396)</u>	<u>\$ (12,502)</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 ISLE LA MOTTE, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
DECEMBER 31, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Infrastructure	Total
General Government	\$ 108,000	\$ 8,500	\$ -	\$ 116,500
Highway	-	137,000	1,152,074	1,289,074
Total General Capital Assets	108,000	145,500	1,152,074	1,405,574
Less: Accumulated Depreciation	-	(18,825)	(1,096,138)	(1,114,963)
Net General Capital Assets	<u>\$ 108,000</u>	<u>\$ 126,675</u>	<u>\$ 55,936</u>	<u>\$ 290,611</u>

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

TOWN OF ISLE LA MOTTE, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Capital Assets 1/1/19	Additions	Deletions	General Capital Assets 12/31/19
General Government	\$ 116,500	\$ -	\$ -	\$ 116,500
Highway	1,289,074	-	-	1,289,074
Total General Capital Assets	1,405,574	-	-	1,405,574
Less: Accumulated Depreciation	(1,028,907)	(86,056)	-	(1,114,963)
Net General Capital Assets	<u>\$ 376,667</u>	<u>\$ (86,056)</u>	<u>\$ -</u>	<u>\$ 290,611</u>

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



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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

Selectboard  
Town of Isle La Motte  
Isle La Motte, 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 Isle La Motte, Vermont as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Town of Isle La Motte, Vermont's basic financial statements and have issued our report thereon dated April 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Isle La Motte, 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 Isle La Motte, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Isle La Motte, 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 Isle La Motte, 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*. We noted certain other matters that we reported to management of the Town of Isle La Motte, Vermont in a separate letter dated April 21, 2020.

### 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.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
April 21, 2020