

SANDGATE TOWN SCHOOL DISTRICT
FINANCIAL & COMPLIANCE REPORTS
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Select Board

Sandgate Town School District

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 Sandgate Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sandgate Town School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit 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 and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to 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 Sandgate Town School District, as of June 30, 2017, and the respective changes in financial position 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 and budgetary comparison information on pages 3-5 and 18 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 Sandgate Town School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of the Sandgate Town School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sandgate Town School District's internal control over financial reporting and compliance.



Jeffrey R. Bradley CPA, P.C.
Essex Junction, Vermont
VT License No. 92-0000515
January 19, 2018

SANDGATE TOWN SCHOOL DISTRICT Management's Discussion and Analysis

The following discussion and analysis of the Sandgate Town School District, Vermont's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The School Board's financial statements consist of two kinds of statements that present different views of the School Board's financial activities.

- The Statement of Net Position and Statement of Activities provide information on a government-wide basis. The statements present an aggregate view of the School Board's finances. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status.
- The fund financial statements focus on the individual parts of the School Board, reporting School Board operations with more information and detail than the government-wide statements.
- Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year, or government to government) and enhance the School Board's accountability. The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the School Board's financial activities and position. The required supplementary information further explains and supports the financial statements.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial presentation more familiar. The focus is on the School Board's only significant fund, the General Fund.

Financial Analysis of the School Board as a Whole

The government-wide financial statements (Pages 6 & 7) report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the School Board as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The School District adopts an annual appropriated budget for its general fund, a budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 8-11 of this report. 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 fund financial statements. The notes to the financial statements can be found on pages 12-15 of this report.

FINANCIAL HIGHLIGHTS: GENERAL FUND BUDGETARY HIGHLIGHTS

- The School District's fund balances (assets minus liabilities) from governmental activities decreased by (\$9,774) as a result of this year's operations.
- At the close of the current fiscal year, the School District's governmental funds reported total ending fund balances of \$104,459 (-2.4%). Key factors in the unfavorable outcome were the greater than anticipated tuition costs primarily contributed to the total unfavorable budget variance of (\$8,691). The ending fund balance is 6% of FY17 expenditures and other uses.

Governmental Activities - The most significant revenues of the governmental activities are the State Education Spending grant (87%). Grants, special education reimbursements and other miscellaneous revenues account for the remaining 13%. Governmental revenues increased 26% in the current year. Elementary & Secondary tuition costs are the most significant (76%) special education (15%) and other costs account for the remaining 9%. Governmental expenses increased 16% in the current year. Special Education and tuition expenses were the primary drivers for the increase.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

- Governmental funds. The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- District expenditures in the General Fund are budgeted to increase (\$59,231) (-6.7%) from \$890,087 to \$949,318 due to anticipated increases in special education and tuition costs. The School District has added no major new major programs or initiatives to the fiscal year 2018 budget. If these estimates are realized, the School District's budgetary general fund balance is expected to decrease \$40,000 by the close of fiscal year 2018 as part of the fund balance will be used to fund a revenue shortfall. The Board has committed \$40,000 to cover the expected shortfall.

The District was aware of the following existing circumstances that could significantly affect its financial health in the very near future:

- Implementation of ACT 46 pertaining to mergers with other local, non-operating school Districts to form a shared governance model.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the District and to demonstrate the District's accountability with the funds it receives. If you have any questions about this report or need additional information, please contact: Battenkill Valley Supervisory Union, 530A East Arlington Road Arlington, Vermont 05250.

COMPARATIVE FINANCIAL INFORMATION:

The following is a comparative summary of the Statements of Net Position and Activities for the fiscal years ended June 30, 2017 and 2016:

STATEMENT OF NET POSITION

	2017	2016
Current Assets	\$ 104,458	\$ 107,081
Capital Assets	20,855	28,006
Total Assets	\$ 125,313	\$ 135,087
Nonspendable General Fixed Assets	20,855	28,006
Other Net Position	104,458	107,081
Total Net Position	125,313	135,087
Total Liabilities and Net Position	\$ 125,313	\$ 135,087

STATEMENT OF ACTIVITIES

	2017	2016
<i>Program Revenues:</i>		
Operating Grants and Charges for Services	\$ 94,479	\$ 39,978
<i>General Revenues:</i>		
Education Spending & Other State Grants	818,426	697,996
Interest Earnings	1,062	1,230
Miscellaneous	29,968	8,688
Total General Revenues	849,457	707,913
Total Revenues	943,936	747,891
<i>Programs:</i>		
Instructional & Operating Costs	729,558	674,001
Special Education	141,038	67,189
General Administration	48,871	49,300
Plant Operations and Transportation	27,092	26,495
Depreciation	7,151	7,151
Total Expenses	953,710	824,137
Change in Net Position	(9,774)	(76,246)
Net Position - Beginning	135,087	211,333
Net Position - Ending	125,313	135,087

SANDGATE TOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017 and 2016

	<i>Governmental Activities</i>	
ASSETS	June 30, 2017	June 30, 2016
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 80,820	\$ 91,540
Accounts Receivable	23,638	15,541
Total Current Assets	104,458	107,081
<i>Noncurrent Assets:</i>		
Property, Plant & Equipment, net of applicable depreciation	20,855	28,006
TOTAL ASSETS	\$ 125,313	\$ 135,087
LIABILITIES, DEFERRED ITEMS AND NET POSITION		
<i>Liabilities:</i>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ -	\$ -
Total Current Liabilities	-	-
<i>Net Position:</i>		
Nonspendable General Fixed Assets	20,855	28,006
Restricted For Special Purposes	46,556	40,217
Unrestricted	57,903	66,864
Total Net Position	125,313	135,087
TOTAL LIABILITIES, DEFERRED ITEMS & NET POSITION	\$ 125,313	\$ 135,087

The accompanying notes are an integral part of these financial statements.

SANDGATE TOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>June 30, 2017 Total</u>	<u>June 30, 2016 Total</u>
<i>Governmental Activities:</i>						
Elementary Education	\$ 416,353	\$ 13,100	\$ -	\$ (403,253)	\$ (403,253)	\$ (399,876)
Secondary Education	285,120	-	-	(285,120)	(285,120)	(267,052)
District Administration	48,871	-	-	(48,871)	(48,871)	(49,300)
Plant Operations	2,526	-	-	(2,526)	(2,526)	(2,807)
Student Transportation	24,566	-	-	(24,566)	(24,566)	(23,688)
Special Education	141,038	-	77,442	(63,596)	(63,596)	(31,498)
Early Education	28,085	-	3,937	(24,148)	(24,148)	(2,787)
Depreciation	7,151	-	-	(7,151)	(7,151)	(7,151)
<i>Total Governmental Activities</i>	<u>953,710</u>	<u>13,100</u>	<u>81,379</u>	<u>(859,231)</u>	<u>(859,231)</u>	<u>(784,159)</u>
<i>General revenues:</i>						
Education Spending				818,426	818,426	697,996
Investment earnings				1,062	1,062	1,230
Miscellaneous				29,968	29,968	8,687
Total General Revenues				<u>849,457</u>	<u>(9,774)</u>	<u>707,913</u>
Change in Net Position				(9,774)	(9,774)	(76,246)
Net Position - Beginning				135,087	135,087	211,333
Net Position - Ending				<u>\$ 125,313</u>	<u>\$ 125,313</u>	<u>\$ 135,087</u>

The accompanying notes are an integral part of these financial statements.

**SANDGATE TOWN SCHOOL DISTRICT
COMBINED BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2017 AND 2016**

	<i>Governmental Fund Types</i>			
	General Fund	Nonmajor Governmental Funds	Totals June 30, 2017	Totals June 30, 2016
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 24,338	\$ 56,482	\$ 80,820	\$ 91,540
Accounts Receivable	23,638	-	23,638	15,541
Due from Other Funds	9,927	-	9,927	9,927
TOTAL ASSETS	\$ 57,903	\$ 56,482	\$ 114,385	\$ 117,008
LIABILITIES & FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	9,927	9,927	9,927
Total Current Liabilities	-	9,927	9,927	9,927
<i>Fund Balances:</i>				
<i>Restricted:</i>				
For Special Purposes	-	46,556	46,556	40,217
<i>Committed:</i>				
For Future Year Expenditures	40,000	-	40,000	-
<i>Unassigned:</i>				
Unrestricted	17,903	-	17,903	66,865
Total Fund Balances	57,903	46,556	104,459	107,081
TOTAL LIABILITIES & FUND EQUITY	\$ 57,903	\$ 56,482	\$ 114,385	\$ 117,008

The accompanying notes are an integral part of these financial statements.

**SANDGATE TOWN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund Balances - Governmental Funds Balance Sheet	\$	104,459
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different due to the following:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		20,855
Net Position - Government-Wide Financial Statements	<u>\$</u>	<u>125,313</u>

The accompanying notes are an integral part of these financial statements.

**SANDGATE TOWN SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES -GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017 and 2016**

	<i>Governmental Fund Types</i>			
	General Fund	Nonmajor Governmental Funds	TOTALS June 30, 2017	TOTALS June 30, 2016
<i>Revenues:</i>				
Education Spending	\$ 818,426	\$ -	\$ 818,426	\$ 697,996
Special Education	77,442	-	77,442	35,691
Early Education	3,937	-	3,937	4,286
Tuition Receipts	13,100	-	13,100	-
Interest Income	724	338	1,062	1,230
Miscellaneous	29,968	-	29,968	8,689
<i>Total Revenues</i>	943,597	338	943,936	747,891
<i>Expenditures:</i>				
Regular Instruction	416,353	-	416,353	399,876
Secondary Education	285,120	-	285,120	267,052
District Administration	48,871	-	48,871	49,300
Plant Operations	2,526	-	2,526	2,807
Student Transportation	24,566	-	24,566	23,688
Special Education	141,038	-	141,038	67,189
Early Education	28,085	-	28,085	7,073
<i>Total Expenditures</i>	946,559	-	946,559	816,985
Excess (Deficiency) of Revenues Over Expenditures	(2,961)	338	(2,623)	(69,095)
<i>Other Financing Sources (Uses):</i>				
Operating Transfer In (Out)	(6,000)	6,000	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(8,961)	6,338	(2,623)	(69,095)
Fund Balances - Beginning	66,864	\$ 40,217	107,081	176,176
Fund Balances - Ending	\$ 57,903	\$ 46,556	\$ 104,459	\$ 107,081

The accompanying notes are an integral part of these financial statements.

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

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Governmental Fund Financial Statements	\$	(2,623)
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Amounts reported for governmental activities in the statement of activities are different because:

In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.		(7,151)
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Change in Net Position - Statement of Activities	\$	<u>(9,774)</u>
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The accompanying notes are an integral part of these financial statements.

Sandgate Town School District
Notes to the Financial Statements

NOTE 1 - Summary of significant accounting policies - The Sandgate Town School District (the District) provides educational services to the citizens of Sandgate, Vermont, and the financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units.

Reporting entity - The District is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the District.

Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues.

In the Government-wide Statement of Net Position, the financial position of the District is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds, if any, are summarized in a single column.

Basis of presentation - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

The District reports the following major governmental funds: *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. *Other Governmental Funds* used to account for the assets and activity of monies left to the District through trust and grant agreements, or capital project expenditures incurred for specific District infrastructure projects.

Measurement focus and basis of accounting - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting.

**Sandgate Town School District
Notes to the Financial Statements**

NOTE 1 - Summary of significant accounting policies (continued)

Budgets and budgetary accounting - The District approves a budget for the General Fund at an annual District Meeting. The accounting method used for budgetary presentation is generally the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund, and the budgets are voter approved. All budgeted amounts lapse at year end.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through participation in the Vermont League of Cities and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.

Cash, cash equivalents and investments - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the District are reported at fair market value.

Government-Wide Statements Net Position

In the government-wide statements there are three classes of net position: *Net investment in capital assets* consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets. *Restricted Net Position* reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. *Unrestricted Net Position* reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Governmental Fund Statements Fund Balances

In these fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned. *Non-spendable* fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. *Committed* fund balance includes amounts that can be used only for specific purposes determined by the District's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings. *Assigned* fund balance includes amounts that are intended to be used by the District for specific purposes, as authorized by the Select Board. *Unassigned* is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

**Sandgate Town School District
Notes to the Financial Statements**

NOTE 1 - Summary of significant accounting policies (continued)

The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The District maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The District does not currently report any deferred outflows of resources. The District reports deferred property taxes and deferred revenue as deferred inflows of resources.

NOTE 2 - Deposits and investments

As of June 30, 2017, the District's deposit accounts were fully insured or collateralized. Custodial credit risk deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the District will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The District addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Treasurer is required to determine the types of collateralization after consultation with the Board.

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The District addresses credit risk by limiting the types of investments the Treasurer can make to bank deposit accounts, collateralized repurchase agreements and U.S. Treasury obligations. *Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2017, the District does not hold more than 5% of its investments in any one issuer.

NOTE 2 - Fixed Assets and Depreciation

The following is a schedule detailing the District's investment in capital assets:

	Balance - July 1, 2016	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2017
Transportation Vehicles	\$71,507	\$0	(\$7,151)	(\$43,501)	\$20,855

NOTE 3 - Concentration of Support

The District's General Fund receives approximately 87% of its revenue from the Vermont Education Spending Grant. Additionally, the District receives grants from the State of Vermont for special education and transportation.

**Sandgate Town School District
Notes to the Financial Statements**

NOTE 4 - Going Concern

As required by the Vermont Legislature, Battenkill Valley Supervisory Union formed a merger study committee in order to implement the consolidation of local school districts and supervisory unions into certain unified districts with a single governance structure.

While the Union has completed the study, there has not been a decision regarding merger scenarios as of the date of these financial statements. When a potential scenario has been determined by the designated committee, the voters of the District will be required to ratify its decision. In light of the preceding, there is substantial doubt that Sandgate Town School District will exist as an independent entity after July 1, 2018.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Select Board

Sandgate Town School District

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 Sandgate Town School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sandgate Town School District's basic financial statements, and have issued our report thereon dated January 19, 2018.

Internal Control over Financial Reporting

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

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

Purpose of this Report

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

A handwritten signature in red ink that reads "Jeffrey R. Bradley CPA, P.C." The signature is written in a cursive style.

Jeffrey R. Bradley CPA, P.C.

Essex Junction, Vermont

January 19, 2018

**SANDGATE TOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<i>Original & Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Education Spending	\$ 805,304	\$ 805,304	\$ -
State Miscellaneous Grants	13,332	13,122	(210)
Special Education	66,914	77,442	10,528
Early Education	3,937	3,937	-
Tuition Receipts	-	13,100	13,100
Investment Income	400	724	324
Miscellaneous	200	29,968	29,768
<i>Total Revenues</i>	<u>890,087</u>	<u>943,597</u>	<u>53,510</u>
<i>Expenditures:</i>			
Elementary Education	417,354	416,353	1,001
Secondary Education	268,857	285,120	(16,263)
District Administration	4,753	48,871	(44,118)
Plant Operations	2,526	2,526	-
Student Transportation	24,566	24,566	-
Special Education	150,571	141,038	9,533
Early Education	15,460	28,085	(12,625)
<i>Total Expenditures</i>	<u>884,087</u>	<u>946,559</u>	<u>(62,472)</u>
Excess (Deficiency) of Revenues Over Expenditures	6,000	(2,961)	(8,961)
<i>Other Financing Sources (Uses):</i>			
Operating Transfer In (Out)	(6,000)	(6,000)	-
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (8,961)</u>	<u>\$ (8,961)</u>

The accompanying notes are an integral part of these financial statements.