

**TWINFIELD UNION SCHOOL DISTRICT NO. 33
PLAINFIELD & MARSHFIELD, VERMONT**

**FINANCIAL STATEMENTS
JUNE 30, 2013
AND
INDEPENDENT AUDITOR'S REPORTS**

TWINFIELD UNION SCHOOL DISTRICT NO. 33

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Twinfield Union School District No. 33

Reports on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twinfield Union School District No. 33 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 Twinfield Union School District No. 33, as of June 30, 2013, and the respective changes in financial

position, and the respective budgetary comparison for the General Fund and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the District's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 the 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 District's internal control over financial reporting and compliance.

Montpelier, Vermont
January 31, 2014

*Mudgett, Jennett &
Krogh-Wisner, P.C.*

**TWINFIELD UNION SCHOOL DISTRICT NO. 33
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

This section of the Twinfield Union School District No. 33 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. The intent of the Management's Discussion and Analysis (MDA) is to look at the District's financial performance as a whole. With this in mind, please also refer to the District's financial statements, which immediately follow this section.

The MDA is required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June, 1999.

Financial Statements

The implementation of the GASB Statement No. 34 requires two separate presentations of financial statements. The Government-wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The Statement of Net Position includes all assets of the District, including net investments in capital assets, and all liabilities, including long-term debt; with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities focuses on the programs of the District and presents information showing how the District's net position changed during the year.

The fund financial statements present financial position and activities by fund using the modified accrual or accrual basis of accounting. 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 funds of the District can be divided into two categories: governmental and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of spendable resources and their balance at the end of the fiscal year. The District's major governmental funds are the General Fund, the Grants Fund and the Capital Projects Fund.

Fiduciary funds are used to account for resources held for the benefit of other parties (in trust or agency funds). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Government-wide Financial Analysis

The Statement of Net Position shows the total assets, liabilities and net position of the District at June 30, 2013. The following is a summary of the comparative information from the Statement of Net position at June 30, 2013 and 2012:

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Current Assets	\$ 383,883	\$ 354,181
Capital Assets, net	2,885,641	3,232,921
Total Assets	<u>3,269,524</u>	<u>3,587,102</u>

	Governmental Activities	
	<u>2012</u>	<u>2013</u>
Current Liabilities	213,469	638,930
Noncurrent Liabilities	545,795	556,773
Total Liabilities	<u>759,264</u>	<u>1,195,703</u>
Net Investment in Capital Assets	2,290,340	2,644,106
Restricted	288,027	97,532
Unrestricted	(68,107)	(350,239)
Total Net Position	<u>\$ 2,510,260</u>	<u>\$ 2,391,399</u>

The Statement of Net Position shows total assets of the District as of June 30, 2013 are \$2,391,399 a decrease of \$118,861 or -4.73% from last year's net position of \$2,510,260. The decrease is primarily attributable to a decrease in cash and increase in liabilities representing a note payable.

Of the June 30, 2013 total assets, 9.87% or \$354,181 are current assets (cash, accounts receivable and prepaid expenses), as compared to the prior year when 11.7% or \$383,883 represented current assets.

Noncurrent assets consist of net capital assets (buildings and improvements, vehicles and equipment), and for the period ending June 30, 2013 these are 90.13% or \$3,232,921 as compared to June 30, 2012 when noncurrent assets represented 88.3% or \$2,885,641. Net capital assets increased due to the increase in capital additions.

Total liabilities of the District are \$1,195,703 as compared to \$759,264 for the prior year. Of the June 30, 2013 total liabilities, 53.44% or \$638,930 are current liabilities (accounts payable, due to trust funds, and the current portions of other post-employment benefits, long-term debt and capital lease). This compares to this same period last year of \$213,469 or 28.1%.

Noncurrent liabilities for the period ending June 30, 2013 are \$556,773 and represent the long-term portion of other post-employment benefits, long-term debt and capital lease as compared to the prior reporting period of \$545,795.

Net position of the District is \$2,391,399 as of June 30, 2013, in comparison to \$2,510,260 in the prior year. \$2,644,106 or 110.57% represents a net investment in capital assets for the period ending June 30, 2013, as compared to the prior year of \$2,290,340 or 91.24%. \$97,532 represents amounts restricted for various grant programs for the period ending June 30, 2013, as compared to the prior year of \$288,027. \$350,239 or -14.65% represents an unrestricted deficit for the period ending June 30, 2013, as compared to an unrestricted deficit of \$68,107 in the prior year. It is intended that the deficit reported as unrestricted net position (\$350,239) will be recovered by assessments, savings in the District's budget to achieve future surpluses and options for deficit financing.

The comparison between June 30, 2012 and June 30, 2013 for the Statement of Activities is indicated below:

	Governmental Activities			
	2012		2013	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Expenses				
Education Expense	\$ 6,938,591	96.76%	\$ 7,187,720	96.79%
Capital Projects Expense	-	0.00%	-	0.00%
Food Service Expense	204,435	2.85%	205,435	2.77%
Interest Expense	27,591	0.38%	33,081	0.45%
Total Expenses	<u>7,170,617</u>	<u>100.00%</u>	<u>7,426,236</u>	<u>100.00%</u>
Program Revenue				
Grants and Contributions	1,801,292	91.35%	1,962,658	93.02%
Charges for Services	92,867	4.71%	83,243	3.95%
Other	77,705	3.94%	64,032	3.03%
Total Program Revenue	<u>1,971,864</u>	<u>100.00%</u>	<u>2,109,933</u>	<u>100.00%</u>
General Revenue				
Education Spending Grant	4,932,383	99.47%	5,150,541	99.68%
Investment Income	26,345	0.53%	16,314	0.32%
Total General Revenue	<u>4,958,728</u>	<u>100.00%</u>	<u>5,166,855</u>	<u>100.00%</u>
Total Revenue	<u>6,930,592</u>		<u>7,276,788</u>	
Change in Net Position	<u>\$ (240,025)</u>		<u>\$ (149,448)</u>	

The Statement of Activities reports total expenses for 2013. Government-wide expenses include all governmental fund expenditures plus depreciation of capital assets, and exclude debt principal payments and capital asset purchases. Program revenue is derived from three sources: grants and contributions, charges for services and revenue from other sources.

For the year ended June 30, 2013 the net program costs of \$5,316,303 were more than general revenues of \$5,166,855 and caused a decrease in net position of \$149,448, compared to the year ended June 30, 2012 where the net program costs of \$5,198,753 were more than general revenues of \$4,958,728 and caused a decrease in net position of \$240,025. General revenues received by the District consisted of the Education Spending Grant and investment income. Revenue received relating to the Education Spending Grant was \$5,150,541 and \$4,932,383 for 2013 and 2012, respectively. Revenue received relating to investment income was \$16,314 and \$26,345 for 2013 and 2012, respectively.

Financial Analysis of the District's Funds

Governmental Funds

The General Fund, the primary operating fund of the District, reported fund revenues in excess of expenditures, which caused an increase in the fund balance of \$25,715. At June 30, 2013, the District's General Fund had a nonspendable fund balance of \$8,566, a committed fund balance of \$71,783 and no unassigned fund balance for a total fund balance of \$80,349.

The Grants Fund, which accounts for the proceeds of specific grant sources that are legally restricted to expenditures for specific purposes, reported fund revenues in excess of expenditures, which caused an increase in the fund balance of \$860. At June 30, 2013, the District's Grants Fund had a restricted fund balance of \$25,249.

The Capital Projects Fund, which accounts for the resources used for the acquisition, construction or improvement of major capital facilities, infrastructure or equipment, reported loan proceeds and transfers less than expenditures, causing a decrease in fund balance of \$493,956. At June 30, 2013 the Capital Projects Fund had an unassigned deficit fund balance of \$284,716 and no restricted or committed fund balance, for a total fund deficit of \$284,716.

Other Governmental Funds accounts for all of the District's non-major funds (Bus Sinking Fund, Food Service Fund and Endowment Fund). No reported revenues or expenditures during the year and transfer of the Bus Sinking Fund fund balance of \$7,464 resulted in no Bus Sinking Fund fund balance. The Food Service Fund, which accounts for the operations of the food service program, reported fund expenditures in excess of revenues, which caused a decrease in the fund balance of \$6,395. At June 30, 2013 the District's Other Governmental Funds had a restricted fund balance of \$500 and unassigned deficit of \$39,968.

Fiduciary Funds

The District reports fiduciary (trust and agency) funds which account for resources held for the benefit of other parties and are excluded from the government-wide financial statements. During 2013, the Trust Funds of the District reported scholarship awards in excess of scholarship donations, which caused a decrease in net position of \$3,220. As of June 30, 2013, the District's Trust Funds had a total net position of \$17,914. At June 30, 2013, the District also held \$72,341 as an agent for various student activity groups.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the District had invested \$6,909,914 in a broad range of capital assets including buildings, building improvements, and vehicles and equipment. Total depreciation for the year was \$220,494. The net value of capital assets of the District as of June 30, 2013 was \$3,232,921 after deducting accumulated depreciation of \$3,676,993.

Long-term Debt

As of June 30, 2013, the District had an obligation to repay debt of \$572,924. The current portion was \$46,000 and \$526,924 was the long-term portion. The District's indebtedness to Merchants Bank is for one bond which matures in March 2026. The District paid \$46,000 in principal payments and \$6,266 in interest on its long-term debt during the year.

General Fund Budgetary Highlights

The District's budget is prepared according to the requirements of Vermont law. The most significant budgeted fund is the General Fund. The operating budget includes proposed expenditures and estimated revenues. On-behalf payments for licensed educators' retirement, paid by the state, are not budgeted.

For the General Fund, actual revenues were in excess of budgeted revenues by \$49,517. Of this \$49,517 difference, the significant variances of revenues in excess of budget include \$134,237 in state grants and \$34,082 in other income sources. Revenues where the funds received were less than the anticipated amount include \$11,686 in investment earnings. The District also received an education spending grant of \$5,150,541 from the State of Vermont Education Fund.

Expenditures and other financing uses were budgeted at \$6,342,897 while actual expenditures and other financing uses were \$6,402,699 for an unfavorable difference of \$59,802. The significant variances in actual expenditures in excess of budgeted expenditures include \$157,246 in regular education, \$39,218 in transportation and \$26,689 in technology.

General Fund expenditures were less than revenues by \$25,251, compared to budgeted revenues in excess of expenditures by \$68,000.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the School District's finances, and to reflect the School District's accountability for the monies it receives. Questions about this report or additional related audit financial information needs should be directed to Augustus Dibble, Business Manager, Washington Northeast Supervisory Union, P.O. Box 470, Plainfield, VT 05667.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 38,950
Accounts receivable	161,898
Prepaid expenses	8,566
Due from other districts	<u>144,767</u>
Total current assets	<u>354,181</u>
Noncurrent assets -	
Capital assets	6,909,914
less - accumulated depreciation	<u>(3,676,993)</u>
Total noncurrent assets	<u>3,232,921</u>
Total assets	<u>3,587,102</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	54,853
Due to trust funds	17,914
Note payable	500,000
Current portion - early teacher retirement	12,399
Current portion - capital lease	7,764
Current portion - long-term debt	<u>46,000</u>
Total current liabilities	<u>638,930</u>
Noncurrent liabilities -	
Other post-employment benefits	21,722
Capital lease	8,127
Long-term debt	<u>526,924</u>
Total noncurrent liabilities	<u>556,773</u>
Total liabilities	<u>1,195,703</u>
NET POSITION:	
Net investment in capital assets	2,644,106
Restricted	97,532
Unrestricted	<u>(350,239)</u>
Total net position	<u>\$ 2,391,399</u>

The notes to financial statements are an integral part of this statement.

		Program Revenues			Net (Expense)
		Grants and Contributions	Charges for Services	Other	Revenue and Changes in Net Position
	Expenses				
FUNCTIONS/PROGRAMS:					
Governmental activities -					
Education	\$ 7,187,720	\$ 1,836,599	\$ 22,253	\$ 52,041	\$ (5,276,827)
Capital Projects	-	-	-	-	-
Food Service	205,435	126,059	60,990	11,991	(6,395)
Interest	<u>33,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,081)</u>
Total governmental activities	\$ <u>7,426,236</u>	\$ <u>1,962,658</u>	\$ <u>83,243</u>	\$ <u>64,032</u>	<u>(5,316,303)</u>
GENERAL REVENUES - EDUCATION SPENDING GRANT					5,150,541
- INVESTMENT INCOME					<u>16,314</u>
					<u>5,166,855</u>
CHANGE IN NET POSITION					(149,448)
NET POSITION, July 1, 2012, as restated					<u>2,540,847</u>
NET POSITION, June 30, 2013					\$ <u>2,391,399</u>

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**TWINFIELD UNION SCHOOL DISTRICT NO. 33
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2013

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<u>ASSETS</u>	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Cash	\$ 38,950	\$ -	\$ -	\$ -	\$ 38,950
Accounts receivable	160,284	1,240	-	374	161,898
Prepaid expenditures	8,566	-	-	-	8,566
Due from other districts	-	122,877	-	21,890	144,767
Due from other funds	<u>423,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,393</u>
Total assets	\$ <u>631,193</u>	\$ <u>124,117</u>	\$ <u>-</u>	\$ <u>22,264</u>	\$ <u>777,574</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 50,844	\$ 1,016	\$ 2,993	\$ -	\$ 54,853
Note payable	500,000	-	-	-	500,000
Due to other funds	<u>-</u>	<u>97,852</u>	<u>281,723</u>	<u>61,732</u>	<u>441,307</u>
Total liabilities	<u>550,844</u>	<u>98,868</u>	<u>284,716</u>	<u>61,732</u>	<u>996,160</u>
 <u>FUND BALANCES:</u>					
Nonspendable	8,566	-	-	-	8,566
Restricted	-	25,249	-	500	25,749
Committed	71,783	-	-	-	71,783
Unassigned	<u>-</u>	<u>-</u>	<u>(284,716)</u>	<u>(39,968)</u>	<u>(324,684)</u>
Total fund balances (deficit)	<u>80,349</u>	<u>25,249</u>	<u>(284,716)</u>	<u>(39,468)</u>	<u>(218,586)</u>
Total liabilities and fund equity	\$ <u>631,193</u>	\$ <u>124,117</u>	\$ <u>-</u>	\$ <u>22,264</u>	\$ <u>777,574</u>

The notes to financial statements are an integral part of this statement.

**TWINFIELD UNION SCHOOL DISTRICT NO. 33
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2013
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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ (218,586)
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds	
Capital assets	6,909,914
Accumulated depreciation	(3,676,993)
Liabilities not due and payable in the current year are not reported in the governmental funds	
Other post-employment benefits	(21,722)
Early teacher retirement	(12,399)
Long-term debt	(572,924)
Capital leases	<u>(15,891)</u>
Net Position of Governmental Activities - Government-wide Statement of Net Position	<u>\$ 2,391,399</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Page 1 of 3)

	General Fund	Grants Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
REVENUE:					
Education spending grant	\$ 5,150,541	\$ -	\$ -	\$ -	\$ 5,150,541
Intergovernmental - State	1,446,795	5,371	-	3,053	1,455,219
- Federal	43,350	321,058	-	123,006	487,414
- Local	-	20,025	-	-	20,025
Charges for services	22,253	-	-	60,990	83,243
Investment earnings	16,314	-	-	-	16,314
Other income	35,582	16,459	-	11,991	64,032
Total revenue	<u>6,714,835</u>	<u>362,913</u>	<u>-</u>	<u>199,040</u>	<u>7,276,788</u>
EXPENDITURES:					
Regular education	3,233,413	159,466	-	-	3,392,879
Special education	1,163,431	104,766	-	-	1,268,197
Co-curricular and athletics	95,448	1,000	-	-	96,448
Support services -					
Students	226,778	53,526	-	-	280,304
Instructional staff	290,856	13,019	-	80	303,955
Central administration	230,674	-	-	-	230,674
School administration	471,981	-	-	-	471,981
Other	901,205	30,276	-	-	931,481
Food service	-	-	-	205,355	205,355
Debt service - Principal	9,000	-	37,000	-	46,000
- Interest	24,602	-	6,000	-	30,602
Capital lease - Principal	39,717	-	-	-	39,717
- Interest	2,479	-	-	-	2,479
Capital outlay	-	-	513,880	-	513,880
Total expenditures	<u>6,689,584</u>	<u>362,053</u>	<u>556,880</u>	<u>205,435</u>	<u>7,813,952</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

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	General Fund	Grants Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
EXCESS OF REVENUE OR (EXPENDITURES)	25,251	860	(556,880)	(6,395)	(537,164)
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out)	(35,536)	-	43,000	(7,464)	-
Loan proceeds	36,000	-	19,924	-	55,924
Total other financing sources (uses)	464	-	62,924	(7,464)	55,924
NET CHANGE IN FUND BALANCES	25,715	860	(493,956)	(13,859)	(481,240)
FUND BALANCES (DEFICIT), June 30, 2012	54,634	24,389	209,240	(25,609)	262,654
FUND BALANCES (DEFICIT), June 30, 2013	\$ 80,349	\$ 25,249	\$ (284,716)	\$ (39,468)	\$ (218,586)

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

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RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:

Net change in fund balances - total Governmental Funds	\$ (481,240)
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	513,880
Depreciation	(220,494)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Proceeds from long-term debt	(55,924)
Principal payments on long-term debt	46,000
Principal payments on capital leases	39,717
Changes in other post-employment benefits accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Increase in other post-employment benefits	(14,326)
Decrease in early teacher retirement	<u>22,939</u>
Change in Net Position of Governmental Activities - Government-wide Statement of Activities	\$ <u>(149,448)</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Education spending grant	\$ 5,148,419	\$ 5,150,541	\$ 2,122
Intergovernmental - State	990,137	1,124,374	134,237
- Federal	158,049	43,350	(114,699)
Charges for services	16,792	22,253	5,461
Investment earnings	28,000	16,314	(11,686)
Other income	1,500	35,582	34,082
Total revenue	<u>6,342,897</u>	<u>6,392,414</u>	<u>49,517</u>
EXPENDITURES:			
Regular education	2,753,746	2,910,992	(157,246)
Special education	1,199,412	1,163,431	35,981
Co-curricular and athletics	93,500	95,448	(1,948)
Guidance	123,710	121,264	2,446
Health	78,969	81,983	(3,014)
Speech	-	5,576	(5,576)
Occupational therapy	-	17,955	(17,955)
Library	128,320	137,117	(8,797)
Technology	127,050	153,739	(26,689)
Professional development	32,000	34,583	(2,583)
Board of Education	92,690	87,235	5,455
Superintendent's office	288,311	230,674	57,637
Principal's office	388,167	384,746	3,421
Fiscal services	152,750	152,617	133
Plant operation	589,527	530,936	58,591
Transportation	143,851	183,069	(39,218)
Debt service - Principal	49,790	48,717	1,073
- Interest	33,104	27,081	6,023
Total expenditures	<u>6,274,897</u>	<u>6,367,163</u>	<u>(92,266)</u>
EXCESS OF REVENUE OR (EXPENDITURES)	68,000	25,251	(42,749)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	36,000	36,000
Operating transfers in (out)	(68,000)	(35,536)	32,464
Total other financing sources (uses):	<u>(68,000)</u>	<u>464</u>	<u>68,464</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>25,715</u>	\$ <u>25,715</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Intergovernmental - State	\$ -	\$ 5,371	\$ 5,371
- Federal	229,336	321,058	91,722
- Local	-	20,025	20,025
Other income	<u>-</u>	<u>16,459</u>	<u>16,459</u>
Total revenue	<u>229,336</u>	<u>362,913</u>	<u>133,577</u>
EXPENDITURES:			
Regular education	174,474	159,466	15,008
Special education	-	104,766	(104,766)
Co-curricular and athletics	-	1,000	(1,000)
Support services -			
Students	54,862	53,526	1,336
Instructional staff	-	13,019	(13,019)
Other	<u>-</u>	<u>30,276</u>	<u>(30,276)</u>
Total expenditures	<u>229,336</u>	<u>362,053</u>	<u>(132,717)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>860</u>	\$ <u>860</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash	\$ -	\$ 72,341
Due from other funds	<u>17,914</u>	<u>-</u>
Total assets	<u>17,914</u>	<u>72,341</u>
LIABILITIES:		
Due to student organizations	<u>-</u>	<u>72,341</u>
Total liabilities	<u>-</u>	<u>72,341</u>
NET POSITION:		
Held in trust for specific purposes	\$ <u>17,914</u>	\$ <u>-</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Trust Funds</u>
ADDITIONS:	
Donations	\$ 8,380
DEDUCTIONS:	
Scholarships	<u>11,600</u>
CHANGE IN NET POSITION	(3,220)
NET POSITION, July 1, 2012	<u>21,134</u>
NET POSITION, June 30, 2013	\$ <u>17,914</u>

The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies:

The Twinfield Union School District No. 33 (the District) is organized according to State law under the governance of the Board of Education to provide public school education for the Towns of Marshfield and Plainfield, Vermont. The District provides elementary and secondary educational services. Functions of the Office of the Superintendent are provided to the District by the Washington Northeast Supervisory Union (WNESU), of which the District is a member.

- A. 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.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

- B. 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 nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

In the government-wide statement of net position, the financial position of the District is consolidated and incorporates capital assets as well as 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

- C. 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, fund balances, revenue and expenditures.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The District reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Grants Fund - The Grants Fund accounts for the proceeds of specific grant sources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund - The Capital Projects Fund accounts for resources used for the acquisition, construction or improvement of major capital facilities, infrastructure or equipment.

The District also reports Other Governmental Funds, which are nonmajor funds that include the Bus Sinking Fund, the Food Service Fund and the Endowment Fund. Additionally, the District reports fiduciary (trust and agency) funds which are excluded from the governmental funds and government-wide financial statements.

- D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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 on a current financial resource 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 are recorded when the fund liability is incurred, if measurable, except for principal and interest on long-term debt which are recognized when due.

- E. Budgets and budgetary accounting - The District adopts annual budgets for the General Fund and Grants Fund. The budgets are prepared by District administration with direction from the Board of Education, and assistance from the WNESU. The proposed budgets are published in the Annual Report of the District and the total appropriation for each budget is approved by voters at the annual meeting of the District. Annual appropriations lapse at year end.
- F. Cash and investments - The District'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. Investments of the District are reported at fair market value. Unrealized gains and losses are reflected in the individual fund and government-wide operations.
- G. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies (continued):

- H. Capital assets - Capital assets, which include buildings, building improvements, and vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	7 - 25 years
Vehicles and equipment	5 - 25 years

- I. Other post-employment benefits - Sick leave does not vest for any employee. It is accounted for as an expenditure when paid. The District is liable to pay certain employees' vested vacation days upon voluntarily terminating employment. Termination benefits as of June 30, 2013 are \$21,722.
- J. Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognize the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- K. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable 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 Town Meetings.

Assigned fund balance includes amounts that are intended to be used by the District for specific purposes as authorized by the Board.

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in another classification.

The District has not established policies or procedures for committing or assigning fund balance nor a policy specifying the order in which to apply expenditures to fund balance.

- L. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies (continued):

- M. 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; and natural disasters. The District manages these risks through commercial insurance packages 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.
- N. On-behalf payments - The State of Vermont makes payments on behalf of the District's teachers to the State Teachers' Retirement System of Vermont. As required by GASB Statement No. 24, the District recognized these pension contributions as intergovernmental grant revenue and education expenditures in the government-wide financial statements and in the statement of revenue, expenditures and changes in fund balances. The amounts are not budgeted and have been excluded from the budget basis statements; see note 11 for reconciling details.
- O. New accounting standard - The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The impact on these financial statements was to change the term "Net Assets" to "Net Position." In the future, deferred outflows of resources and deferred inflows of resources, if applicable, would be reported in the statement of net position.

2. Cash:

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The District's bank balance was fully insured or collateralized at June 30, 2013.

3. Interfund receivable and payable:

As of June 30, 2013 interfund receivable and payable balances, due to the pooling of cash, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental funds -		
General Fund	\$ 423,393	\$ -
Grants Fund	-	97,852
Capital Projects Fund	-	281,723
Other Governmental Funds	-	61,732
	<u>423,393</u>	<u>441,307</u>
Fiduciary funds -		
Trust Fund	<u>17,914</u>	<u>-</u>
	<u>17,914</u>	<u>-</u>
	<u>\$ 441,307</u>	<u>\$ 441,307</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. Transfers:

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Operating transfers during the year consisted of a \$7,464 transfer of committed funds for a school bus from the Bus Sinking Fund to the General Fund to help defray bus financing costs and a \$43,000 budgeted transfer from the General Fund to the Capital Projects Fund to fund debt service payments on the District's roof project debt. The District also transferred surplus funds of \$25,715 from the General Fund to the Reserve Fund; however, those two funds are combined for financial reporting purposes.

5. Capital assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increase	Decrease	Balance June 30, 2013
Capital assets, not depreciated:				
Work in progress	\$ 305,496	\$ 513,880	\$ 819,376	\$ -
Total capital assets, not depreciated	<u>305,496</u>	<u>513,880</u>	<u>819,376</u>	<u>-</u>
Capital assets, depreciated:				
Buildings	3,273,127	-	-	3,273,127
Building improvements	976,655	819,376	-	1,796,031
Vehicles and equipment	1,840,756	-	-	1,840,756
Total capital assets, depreciated	<u>6,090,538</u>	<u>819,376</u>	<u>-</u>	<u>6,909,914</u>
Less accumulated depreciation:				
Buildings	1,385,847	65,463	-	1,451,310
Building improvements	688,951	78,168	-	767,119
Vehicles and equipment	1,381,701	76,863	-	1,458,564
Total accumulated depreciation	<u>3,456,499</u>	<u>220,494</u>	<u>-</u>	<u>3,676,993</u>
Capital assets, net	\$ <u>2,939,535</u>	\$ <u>1,112,762</u>	\$ <u>819,376</u>	\$ <u>3,232,921</u>

Depreciation expense of \$220,494 was charged to expenses of the education function on the government-wide statement of activities.

6. Debt:

Short-term - The District obtains revenue anticipation notes for cash flow purposes in anticipation of the collection of taxes and the Education spending grant. During the year, the District borrowed and repaid a \$1,255,424 revenue anticipation note at 1.96% interest. Interest expense for this note was \$24,337.

The District executed a \$955,098 line of credit with interest of 0.86% due June 30, 2014. The District had borrowed \$500,000 on this line of credit at June 30, 2013 and the full amount of \$955,098 subsequent to year end. In November 2013, the District paid off this \$955,098 line of credit plus interest of \$2,619.

Subsequent to year end the District obtained a \$1,654,707 revenue anticipation note due June 30, 2014 with interest at 0.95%.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. Debt (continued):

Long-term - The District is indebted at year end as follows:

Bond payable, Merchants Bank - Qualified School Construction Bond for new roof, payable in annual principal payments of \$37,000 plus biannual interest payments of \$3,000. Final payment of principal and interest due in March 2026.	\$ 526,000
Loan payable, Vermont Agency of Natural Resources - RF3-238, interest and fees at 3%. Annual interest and principal payments of \$4,842 starting in October 2014. Matures October 2033.	19,924
Note payable, Merchants Bank - Note for the purchase of a new truck, payable in four annual principal payments of \$9,000 plus interest at 2.45%. Final payment of principal and interest due on December 15, 2015.	<u>27,000</u>
	\$ <u>572,924</u>

Below is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Construction bond	\$ 563,000	\$ -	\$ 37,000	\$ 526,000	\$ 37,000
RF3-238	-	19,924	-	19,924	-
Truck note	<u>-</u>	<u>36,000</u>	<u>9,000</u>	<u>27,000</u>	<u>9,000</u>
	\$ <u>563,000</u>	\$ <u>55,924</u>	\$ <u>46,000</u>	\$ <u>572,924</u>	\$ <u>46,000</u>

The annual debt service requirement to maturity, including interest, as of June 30, 2013 is as follows:

<u>Fiscal year -</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 46,000	\$ 6,662
2015	48,681	8,602
2016	48,761	8,301
2017	39,844	7,998
2018	39,929	7,912
2019-2023	193,709	35,199
2024-2028	<u>156,000</u>	<u>18,000</u>
	\$ <u>572,924</u>	\$ <u>92,674</u>

In December 2013, the District received the remaining \$52,105 on its RF3-238 loan authorized in the Vermont Environmental Protection Agency agreement dated April 13, 2010. The total loan amount of \$72,029 includes \$25,000 which is subject to forgiveness by the State of Vermont within 12 months pending their review and approval of the project. As a result of their method of administration of payment for the

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. Debt (continued):

Long-term (continued) -

project, the net loan of \$47,029 to be repaid by the District to the VT/EPA Drinking Water State Revolving Fund is less than the \$65,000 authorized by the voters.

7. Capital leases:

In January 2009, the District entered into a lease agreement as lessee for financing the acquisition of school buses. In December 2012, the District paid the final amount on this capital lease which included principal of \$32,301 and interest of \$1,386.

In July 2010, the District entered into a lease agreement as lessee for financing the acquisition of a school bus. This lease agreement qualifies as a capital lease for accounting purposes. The cost of this asset is capitalized and depreciated on the government-wide statements. As of June 30, 2013, the cost and accumulated depreciation of this asset was \$78,900 and \$23,670, respectively. The present value of the minimum lease payments is recorded as a liability in the government-wide statements. Future minimum lease payments and the net present value as of June 30, 2013 are as follows:

Year ending June 30,	
2014	\$ 8,509
2015	<u>8,509</u>
Total minimum lease payments	17,018
Less: amount representing interest	<u>(1,127)</u>
Present value of minimum lease payments	\$ <u>15,891</u>

In October 2013, the District entered into a capital lease agreement for the acquisition of two school buses and the financing for an energy efficient lighting project. The amount financed through this capital lease totals \$233,883 payable in five annual payments of \$49,760 which includes annual interest at 3.19%.

8. Pension plans:

State Teachers' Retirement System of Vermont -

Plan description: The District participates in the State Teachers' Retirement System of Vermont (the System), a cost-sharing multiple-employer defined benefit public employee retirement system, administered by the State of Vermont, which makes annual contributions to the System. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 16, Chapter 55, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of the System is vested in a Board of Trustees consisting of eight members. The System issues annual financial information which is available and may be reviewed at the System's office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. Pension plans (continued):

State Teachers' Retirement System of Vermont (continued) -

Funding policy: Member teachers are required to contribute 5.5% (Group A) or 5.0% (Group C) of their annual covered salary and the State contributes the balance of an actuarially determined rate. The current State rate is 1.92% of annual covered payroll plus a payment to liquidate the unfunded accrued liability. The District estimates the State's fiscal 2013 contribution to the System on behalf of the District's teachers to be \$322,421. The teachers also contributed \$139,631. The contribution requirements of plan members and the State are established and may be amended by the System's Board of Trustees. The District is not required to contribute to the System.

The June 30, 2012 actuarial valuation of the System indicates an asset market value of approximately \$1,491,619,901; asset actuarial value (adjusted to recognize asset gains/losses over 5 years) of \$1,517,410,471; and actuarial accrued liability of \$2,462,912,787; leaving an unfunded actuarial accrued liability of \$945,502,316.

Vermont Municipal Employees' Retirement System -

Plan description: The District contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305.

Funding policy: Defined benefit plan members are required to contribute 2.5% (Group A), 4.5% (Group B), 9.25% (Group C) or 11.00% (Group D) of their annual covered salary and the District is required to contribute 4% (Group A), 5% (Group B), 6.5% (Group C) or 9.5% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the District is required to contribute an equal dollar amount. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. The District's contributions to VMERS for the years ended June 30, 2013 and 2012, were \$34,033 and \$35,505, respectively, which were equal to the required contributions for each year.

The July 1, 2012 actuarial valuation of VMERS reports asset market value of \$417,443,451 and actuarial accrued liability of \$488,571,748, leaving an actuarial shortfall of \$71,128,297.

9. Other post-employment benefits:

As of June 30, 2013, a former teacher is receiving early retirement incentive payments with a remaining liability of \$12,399 to the District. This benefit is financed on a pay as you go basis through annual operations. In the government-wide financial statements, the District has recognized the liability for post-

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. Other post-employment benefits (continued):

employment benefits attributable to teachers that have elected to participate in the retirement incentive program and have been approved by the District to receive post-employment benefits.

10. Related party:

The District is billed for its share of expenses relating to administrative services provided by the WNESU. The District paid an assessment of \$426,834 to the WNESU for the year ended June 30, 2013.

At June 30, 2013, an amount of \$144,767 was due from the WNESU.

11. Budgetary basis of accounting:

These financial statements include totals for General Fund revenue and expenditures on the District's budgetary accounting basis, which vary from the totals of revenue and expenditures recognized on the basis of accounting prescribed by GAAP, as follows:

	<u>Revenue</u>	<u>Expenditures</u>
GAAP basis	\$ 6,714,835	\$ 6,689,584
On-behalf payments - STRS	<u>(322,421)</u>	<u>(322,421)</u>
Budget basis	\$ <u>6,392,414</u>	\$ <u>6,367,163</u>

12. Fund balances and deficits:

As of June 30, 2013, the District's General Fund reported a nonspendable fund balance of \$8,566 for prepaid expenditures. The remaining \$71,783 has been committed by voters as a reserve fund for future school tax rate stabilization.

As of June 30, 2013, the District's Grants Fund reported \$25,249 of fund balance that is restricted by federal and state grant requirements.

As of June 30, 2013, the District's Capital Projects Fund reported an unassigned deficit of \$284,716. Management intends to recover this deficit through future operations and long-term debt borrowings.

As of June 30, 2013, the District's Other Governmental Funds reported fund balances totaling \$500 that are donor restricted until the use of these funds is determined by the Board. The District's Other Governmental Funds also reported an unassigned deficit of \$39,968. Management intends to recover this deficit with future budgeted transfers from the General Fund.

13. Commitment:

In May 2013, the District entered into a three-year technical support contract beginning July 1, 2013 with the option to extend for one year. Annual fees for FY14, FY15, and FY16 are \$66,108, \$66,108 and \$68,753, respectively.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. Net position restatement:

The District restated beginning net position of the governmental activities on the government-wide financial statements from \$2,510,260 to \$2,540,847 to correct the recorded value and related liability for the capital lease of a bus and to recognize certain capital project costs incurred in fiscal 2012 in that year.

**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***

The Board of Education
Twinfield Union School District No. 33

We have audited, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in the *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 Twinfield Union School District No. 33 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 13-1 and 13-2, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatements, 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 an instance of noncompliance required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses, as item 13-2.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 result 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 the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable of any other purpose.

Montpelier, Vermont
January 31, 2014

*Mudgett, Jennette E.
Krogh-Wisner, P.C.*

TWINFIELD UNION SCHOOL DISTRICT NO. 33
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

13-1 General ledger - excluded activity:

Condition - The District did not record in its general ledger capital asset additions of \$513,880 and related depreciation expense totaling \$220,494. The District also did not record long-term liability activity in its general ledger during the year under audit.

The District did not record in its general ledger cash activity for student activity monies held at the District. The balance of this cash account at year-end was \$72,341 and is reported in the financial statements as a fiduciary fund.

Audit adjustments were proposed to record this activity for the year ended June 30, 2013.

Criteria - Accounting principles generally accepted in the United States of America require the District to account for all transactions and balances of assets, liabilities, revenues and expenses of the District. That would include funds and accounts that are only reported in the government-wide financial statements or the fiduciary funds.

Cause - The District did not make the necessary entries in its general ledger to record capital asset, long-term liabilities, and fiduciary activity.

Effect - The accounting records have not been maintained in a complete form during the year. General ledger controls have not been extended to all transactions and balances which increases the risk of errors or omissions.

Recommendation - We recommend that the District maintain complete general ledger records of all transactions and balances. We also recommend that the system of internal control be applied to all transactions and accounts of the District. This should include any capital assets, long-term liabilities, and agency funds which the District is responsible for in a fiduciary capacity.

Management's response - We will review the current system of internal control for this recommendation to determine any changes which need to be made to assure that such is adequately being addressed. We will implement any correction changes needed in internal control so that such is applied to all transactions and accounts of the District, including the capital assets, long-term liabilities, and agency funds. We will record the required transactions on the general ledger records for the capital funds, long-term liabilities and student activity monies as indicated above and review the balances for any reconciliation needed and enter any needed adjustments on the general ledger.

13-2 Voter approved transfers and voter committed fund balance:

Condition - The District did not record, in its general ledger, a voter authorized transfer that moves surplus fund balance in the General Fund at June 30, 2013 to the Reserve Fund. Additionally, it was noted that the District recorded a transfer of reserve funds of the General Fund to the Capital Projects Fund without voter approval. Audit adjustments have been proposed to correct the recording of interfund transfers.

It was also noted that the District does not have a formal policy that addresses the levels of authority required to spend restricted, committed, or assigned funds held in the District's governmental funds. The financial statements have been adjusted to present fund balance in accordance with the five categories defined within accounting principles generally accepted in the United States of America.

**TWINFIELD UNION SCHOOL DISTRICT NO. 33
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

13-2 Voter approved transfers and voter committed fund balance (continued):

Criteria - The District is obligated to execute and record financial activity that is approved by voters during District meetings. The District is also required to adhere to the requirements of various fund balance classifications which would include obtaining voter approval to use voter committed funds.

Cause - The District retained detailed minutes of voter approved articles but did not make the necessary entries within the District's general ledger. Additionally, the District has recorded fund balance amounts in the general ledger but has not categorized how these fund balances can be spent in accordance with accounting principles generally accepted in the United States of America.

Effect - The District's general ledger did not reflect the interfund transfers authorized by voters.

Recommendation - We recommend that the District execute and record in the District's general ledger the interfund transfers and any other financial transactions authorized by voters. We also recommend that the District develop a formal written fund balance policy that addresses fund balance classifications and rules for the use of restricted, committed, or assigned funds.

Management's response - We have implemented a review of voter ballot items needed to be approved by the voters for next Town Meeting. We will record the approved voter ballot items for appropriate transfers as approved. We will develop and implement a formal written fund balance policy as categorized for spending in accordance with accounting principles generally accepted in the United States of America. This policy will address fund balance classifications and rules for the use of restricted, committed or assigned funds.