

TWINFIELD UNION SCHOOL DISTRICT NO. 33
AUDIT REPORT
JUNE 30, 2011

Jeffrey R. Bradley CPA, P.C.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
AUDIT REPORT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Twinfield Union School District No. 33

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twinfield Union School District No. 33, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Twinfield Union School District No. 33's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the Twinfield Union School District No. 33'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 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* and should be considered in assessing the results of our audit.

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 through 5 and 20 through 22 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.



Jeffrey R. Bradley CPA, P.C.

Mendon, Vermont

January 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Twinfield Union School District No. 33's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$2,757,797 at June 30, 2011. During the year, the District's expenses were \$7,071,047, less than the \$7,101,384 generated in taxes and other revenues for governmental activities. The general fund reported a fund balance this year of \$0, after a transfer of \$80,424 to the Reserve Fund, as approved by voter article at the 2011 Annual District Meeting.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending. *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, special education, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$7,101,384, (an increase of 4.1%) over the preceding year. The increase in revenues is primarily due to an increase in the grant support and tuition receipts.

General Fund Budgetary Highlights

Actual expenditures for the fiscal year exceeded budgeted amounts by \$150,388. On the other hand, resources available were \$280,812 above the final budgeted amount due primarily to increased instructional and special education revenues in excess of anticipated amounts. As noted earlier, the District also received a corresponding revenue increase due to tuition receipts and prior year adjustments. The net result of operating activities was a net increase in the general fund balance of \$80,424, which was then transferred to the reserve fund at fiscal year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5,950,696 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$53,153 or 0.9 percent increase over last year.

Long Term Debt

At year-end the District had no notes or bond payable, but has \$63,273 in bus lease/purchase obligations outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Average daily enrollment was taken into account when adopting the general fund budget for 2012. The District will use this data to finance programs we currently offer. Expenditures are budgeted to rise nearly 4.2 percent from \$5,759,483 to \$5,937,611.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Washington Northeast Supervisory Union's Business office at PO Box 470, Plainfield, VT 05667 or rbillings@washnesu.org.

TWINFIELD UNION SCHOOL DISTRICT NO. 33

STATEMENT OF NET ASSETS

JUNE 30, 2011 and 2010

	2011	2010
Current Assets	\$ 396,771	\$ 401,823
Capital Assets	2,752,506	3,043,413
Total Assets	<u>\$ 3,149,277</u>	<u>\$ 3,445,236</u>
Current Liabilities	\$ 323,841	\$ 387,303
Long Term Liabilities	67,639	170,225
Total Liabilities	<u>391,480</u>	<u>557,528</u>
Nonspendable General Fixed Assets	2,689,233	2,873,188
Other Net Assets	68,564	14,520
Total Net Assets	<u>2,757,797</u>	<u>2,887,708</u>
Total Liabilities and Net Assets	<u>\$ 3,149,276</u>	<u>\$ 3,445,236</u>

STATEMENT OF ACTIVITIES

Fiscal Years Ending June 30, 2011 and 2010

	2011	2010
Program Revenues:		
Operating Grants and Contributions	\$ 2,147,299	\$ 1,685,555
General Revenues:		
Education Spending & Misc Grants	4,863,520	4,913,225
Tuitions		127,543
Investment Earnings	39,393	32,785
Miscellaneous	51,172	62,977
Total General Revenues	<u>4,954,085</u>	<u>5,136,530</u>
Total Revenues	<u>7,101,384</u>	<u>6,822,085</u>
Programs:		
Instructional & Operating Costs	\$ 3,827,355	4,147,858
Special Education	1,273,548	1,205,212
General Administration	764,758	642,343
Food Service	183,732	178,270
Maintenance of Plant, Grounds and Transportation	834,692	567,090
Depreciation	186,962	241,560
Total Expenses	<u>7,071,047</u>	<u>6,982,333</u>
Change in Net Assets	30,337	(160,248)
Net Assets - Beginning	<u>2,727,460</u>	<u>2,887,708</u>
Net Assets - Ending	<u>\$ 2,757,797</u>	<u>\$ 2,727,460</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<i>Governmental Activities</i>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 170
Accounts Receivable	198,735
Prepaid Expenses	74,187
Due from Other Governments	123,678
Total Current Assets	<u>396,770</u>
Noncurrent Assets:	
Property, Plant & Equipment, net of applicable depreciation	2,752,506
TOTAL ASSETS	<u><u>\$ 3,149,276</u></u>
 LIABILITIES AND NET ASSETS	
<i>Liabilities:</i>	
Current Liabilities:	
Accrued Expenditures/Deferred Revenue	\$ 243,167
Current Portion of Early Retirement Payable	49,702
Current Portion of Long Term Debt	30,972
Total Current Liabilities	<u>323,841</u>
Noncurrent Liabilities:	
Notes Payable (Buses)	32,301
Early Retirement Payable	35,338
Total Noncurrent Liabilities	<u>67,639</u>
Total Liabilities	<u>391,480</u>
 <i>Net Assets:</i>	
Nonspendable General Fixed Assets	2,689,233
Restricted for Specific Purposes	153,603
Assigned for Prepaid Expenses	74,187
Unassigned	(159,226)
Total Net Assets	<u>2,757,797</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 3,149,276</u></u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2011 and 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		June 30, 2010 Total
				Governmental Activities	June 30, 2011 Total	
Governmental Activities:						
Regular Instruction	\$ 2,722,971	\$ 114,317	\$ 210,415	\$ (2,398,239)	\$ (2,398,239)	\$ (2,576,559)
Instructional and Related Support	446,516	-	618,104	171,588	171,588	31,359
Co-curricular activities	91,405	-	-	(91,405)	(91,405)	(99,838)
Guidance Services	129,307	-	-	(129,307)	(129,307)	(142,061)
Health Services	78,159	-	-	(78,159)	(78,159)	(93,373)
Curriculum Development	29,844	-	-	(29,844)	(29,844)	(94,077)
Educational Media Services	128,739	-	-	(128,739)	(128,739)	(133,654)
Supervisory Union Assessment	171,704	-	-	(171,704)	(171,704)	(149,126)
School Administration	593,054	-	-	(593,054)	(593,054)	(493,217)
Care/Upkeep of Building	560,862	-	-	(560,862)	(560,862)	(567,090)
Special Education	1,273,548	-	794,054	(479,493)	(479,493)	(329,978)
Technology	29,092	-	-	(29,092)	(29,092)	(81,363)
Transportation	273,830	-	96,768	(177,062)	(177,062)	(139,759)
Community Services	137,635	-	131,000	(6,635)	(6,635)	-
Board of Education Services	-	-	-	-	-	(29,448)
Food Service	183,732	77,287	105,354	(1,092)	(1,092)	(2,485)
Debt Service	33,687	-	-	(33,687)	(33,687)	(27,006)
Depreciation	186,962	-	-	(186,962)	(186,962)	(241,560)
Total governmental activities	7,071,047	191,604	1,955,695	(4,923,748)	(4,923,748)	(5,169,235)
General revenues:						
Education Spending				4,857,267	4,857,267	4,892,248
State Miscellaneous Grants				6,253	6,253	20,977
Investment earnings				39,393	39,393	32,785
Miscellaneous				51,172	51,172	62,977
Total general revenues				4,954,085	4,954,085	5,008,987
Change in net assets				30,337	30,337	(160,248)
Net assets-beginning				2,727,460	2,727,460	2,887,708
Net assets-ending				\$ 2,757,797	\$ 2,757,797	\$ 2,727,460

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
COMBINED BALANCE SHEET -
GOVERNMENTAL FUND TYPES
JUNE 30, 2011 and 2010

	<i>Governmental Fund Types</i>			
	General	Other	Total	Total
	Fund	Funds	June 30, 2011	June 30, 2010
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 170	\$ 170	\$ 15,820
Accounts Receivable	-	198,735	198,735	65,566
Prepaid Expenses	74,187	-	74,187	-
Due from Other Funds	28,703	-	28,703	20,443
Due from Other Governments	123,678	-	123,678	133,688
TOTAL ASSETS	\$ 226,568	\$ 198,905	\$ 425,472	\$ 235,517
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accrued Expenditures/Deferred Revenue	\$ 226,568	\$ 16,599	\$ 243,167	\$ 58,668
Due to Other Governments	-	-	-	13,710
Due to Other Funds	-	28,703	28,703	20,443
Total Liabilities	226,568	45,302	271,870	92,821
<i>Fund Balances:</i>				
<i>Restricted:</i>				
For Reserve Fund	-	146,138	146,138	43,002
For School Bus Purchase	-	7,464	7,464	7,464
<i>Assigned:</i>				
For Early Retirement Distributions	49,702	-	49,702	92,230
For Prepaid Expenses	74,187	-	74,187	-
Unassigned	(123,889)	-	(123,889)	-
Total Fund Balances	-	153,603	153,603	142,696
TOTAL LIABILITIES & FUND BALANCES	\$ 226,568	\$ 198,905	\$ 425,472	\$ 235,517

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts reported for Governmental Activities in the Statement of Net Assets are different due to the following:	\$ 153,603
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	2,752,506
Early Retirement Liabilities, under GASB 34, is not recorded in the fund financial statements. However, the government wide financial statements require the inclusion of these items.	(85,040)
Long Term Debt, under GASB 34, is not recorded in the fund financial statements. However, the government wide financial statements require the inclusion of long term debt.	<u>(63,272)</u>
Net Assets - Government-Wide Financial Statements	<u><u>\$ 2,757,797</u></u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010

	General	Other	TOTAL	TOTAL
	Fund	Governmental	June 30, 2011	June 30, 2010
		Funds		
<i>Revenues:</i>				
Education Spending Support Grant	\$ 4,857,267	\$ -	\$ 4,857,267	\$ 4,892,248
State Miscellaneous Grants	6,253	-	6,253	23,107
Special Education	601,980	-	601,980	564,024
Early Education	29,282	-	29,282	29,481
State Placed Student Reimbursement	162,793	-	162,793	114,300
Transportation Receipts	96,768	-	96,768	69,996
Subgranted Federal Funds	209,199	408,905	618,104	570,329
Food Program Sales	-	77,287	77,287	81,289
State & Federal Support - School Lunch	-	105,354	105,354	94,497
Other State, Local and Miscellaneous Grants & Service Fees	-	131,000	131,000	71,985
Tuition Receipts & Services to Other LEAs	114,317	-	114,317	46,255
Interest Income	39,393	-	39,393	32,785
On-behalf Teachers' Retirement Contribution	210,415	-	210,415	168,814
Miscellaneous	51,172	-	51,172	64,568
<i>Total Revenues</i>	<i>6,378,838</i>	<i>722,545</i>	<i>7,101,384</i>	<i>6,823,678</i>
<i>Expenditures:</i>				
<i>Elementary Education:</i>				
Regular Instruction	\$ 1,252,909	\$ -	\$ 1,252,909	\$ 1,257,834
Co-curricular activities	390	-	390	552
Guidance Services	45,952	-	45,952	64,162
Health Services	39,943	-	39,943	47,910
Curriculum Development	16,025	-	16,025	37,983
Educational Media Services	63,728	-	63,728	67,179
Special Education	258,428	-	258,428	262,486
Occupational & Physical Therapy	44,505	-	44,505	45,863
Speech Services	80,266	-	80,266	80,087
Behavioral Support	36,719	-	36,719	15,749
Psychological Services	7,864	-	7,864	12,357
Technology	38,532	-	38,532	61,595
Transportation	324	-	324	-
<i>Secondary Education:</i>				
Regular Instruction	1,593,460	-	1,593,460	1,514,591

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010

	General	Other Governmental	TOTAL	TOTAL
	Fund	Funds	June 30, 2011	June 30, 2010
<i>Secondary Education (continued)</i>				
Co-curricular activities	91,015	-	91,015	99,838
Guidance Services	83,356	-	83,356	77,899
Health Services	38,216	-	38,216	45,463
Curriculum Development	12,596	-	12,596	55,486
Educational Media Services	65,011	-	65,011	66,475
Special Education	545,035	-	545,035	487,082
Speech Services	8,377	-	8,377	8,012
Occupational & Physical Therapy	17,271	-	17,271	15,250
Behavioral Support	210	-	210	58,847
Psychological Services	94,347	-	94,347	81,060
Technology	39,619	-	39,619	48,099
Transportation	-	-	-	32,100
<i>Pre-Kindergarten:</i>				
Regular Instruction	4,236	-	4,236	13,847
Special Education	43,480	-	43,480	36,664
Speech Services	11,023	-	11,023	12,179
Occupational & Physical Therapy	1,350	-	1,350	7,743
Curriculum Development	1,223	-	1,223	609
Transportation	47,522	-	47,522	1,041
<i>Shared Expenditures:</i>				
Debt Service	33,687	-	33,687	27,006
Board of Education Services	-	-	-	29,447
Supervisory Union Assessment	171,704	-	171,704	149,126
Supervisory Union Special Education Assessment	124,669	-	124,669	81,832
Business Office	198,956	-	198,956	192,361
School Administration	394,098	-	394,098	300,856
Operation/Maintenance of Plant	536,683	24,179	560,862	567,090
Transportation	255,683	-	255,683	208,655
Instructional and Related Support - Grant & Medicaid Funds	-	446,516	446,516	446,621
Community Services - Grant Funds	-	137,635	137,635	-
Food Service	-	183,732	183,732	178,270
<i>Total Expenditures</i>	<u>6,298,414</u>	<u>792,062</u>	<u>7,090,476</u>	<u>6,797,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>80,424</u>	<u>(69,517)</u>	<u>10,908</u>	<u>26,372</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010

	General Fund	Other Governmental Funds	TOTAL June 30, 2011	TOTAL June 30, 2010
<i>Other Financial Sources (Uses):</i>				
Operating Transfers In	-	80,424	80,424	9,961
Operating Transfers Out	(80,424)	-	(80,424)	(9,961)
<i>Total Other Financial Sources (Uses)</i>	(80,424)	80,424	-	-
Excess (Deficiency) of Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	0.00	10,908	10,908	26,372
Fund Balances - Beginning	-	142,695	142,695	116,323
Fund Balances - Ending	\$ 0.00	\$ 153,603	\$ 153,603	\$ 142,695

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, 2011

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

Net change in fund balances - Governmental Funds Financial Statements	\$ 10,908
Changes in Early Retirement liability are not reported in the Governmental Funds Financial Statements.	92,230
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	(102,500)
Repayment of bond or note principal is not an expense in the Statement of Activities	29,699
Change in net assets - Statement of Activities	<u>\$ 30,337</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the accounting policies of Twinfield Union School District No. 33:

REPORTING ENTITY

The Board of Directors is the basic level of government (and highest level of decision making), which has financial accountability, and control over all activities related to educational services for the citizens of Marshfield and Plainfield, Vermont. The Board receives funding from local, state and federal government sources, and must comply with the requirements of these funding sources entities. There are no other organizational units that meet the criteria to be included in these financial statements.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The statement of net assets and the statement of activities are presented to distinguish between governmental activities of the District. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in governmental funds.

Program Revenues - Program revenues included in the Statement of Activities derive directly from parties outside the school board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the school board's general revenues.

Allocation of Indirect Expenses - The school board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Capital assets are reported in the government wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, library collection, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately. Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The school board maintains a threshold level of \$2,000 or more for capitalizing capital assets. Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets, other than land, are depreciated using the straight line method over the following useful lives:

TWINFIELD UNION SCHOOL DISTRICT NO. 33

NOTES TO FINANCIAL STATEMENTS

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10-25 years
Buildings and building improvements	25-50 years
Furniture and fixtures & Equipment	5-10 years

BASIS OF PRESENTATION - GOVERNMENTAL FUND FINANCIAL STATEMENTS (FFS)

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the summarized by type in the financial statements. The following fund types are utilized by the District:

GOVERNMENTAL FUND TYPES

General Fund – The General Fund is established to be the general operating fund of the District. It is used to account for all financial resources except those to be properly accounted for in another fund. Other Governmental Fund – This fund is established to account for the proceeds and expenditures of specific revenue sources that are legally restricted in nature.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied. Governmental fund financial statements use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they both become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except as indicated below.

FUND BALANCES

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form (items that are not expected to be converted to cash).

Restricted - Fund balance is reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through enabling legislation (ordinances).

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - FUND BALANCES (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of Directors.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

DEFERRED REVENUE

Deferred revenue occurs when assets are received prior to revenue recognition criteria have been satisfied. Grant revenue is recognized to the extent that allowable expenditures in accordance with the grant agreement have been incurred by the District.

Note 2 - CASH

The cash deposits in the District's accounts as of the balance sheet date consisted of the following risk categories: Category 1 - FDIC Insured deposits or collateralized deposits with securities held in the Depositor's name; Category 2 - Collateralized deposits held with the financial institution's name; Category 3 - Uncollateralized deposits (such as cash on hand).

Description	Book Balance	Bank Balance
Insured – FDIC (Category 1)	\$89,174	\$132,918
Uninsured, Collateralized by Bank, Secured by Federal Obligations (Category 2)	0	0
Uninsured, uncollateralized (Category 3)	0	0
TOTALS	\$89,174	\$132,918

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS

Note 3 – CHANGES IN GENERAL FIXED ASSETS

The following is a schedule detailing the balance of the investment in general fixed assets:

Description	Balance July 1, 2010	Change	Current Depreciation	Balance June 30, 2011
Buildings, Equipment, Furnishings	\$5,950,696	\$84,462	\$0	\$6,035,158
Accumulated Depreciation	(3,095,690)	0	(186,962)	(3,282,652)
Net Book Value	\$2,855,006	\$84,462	(\$186,962)	\$2,752,506

Note 4 – LONG TERM DEBT

The District entered into a lease/purchase agreement for 2 school buses, for which the District has the option to purchase the buses at no cost at the lease's end. The lease capitalization rate for the lease term is 4.29%, and the lease payments for fiscal years 2012 and 2013 are \$33,687 annually.

Fiscal Year Ending	Interest	Principal	Total
June 30, 2012	\$2,714	\$30,972	\$33,686
June 30, 2013	1,386	32,301	33,687
Totals	\$4,100	\$63,272	\$67,373

Note 5 – EARLY RETIREMENT INCENTIVE LIABILITY

As of the balance sheet date, former teachers employed by the District are currently receiving early retirement incentive payments. These amounts have been accrued on the government wide financial statements, but the fiscal year 2012 payments have been reserved in the General fund balance:

Year ending June 30,	
2012	\$49,702
2013	22,939
2014	12,399
Totals	\$85,040

Note 6 – PENSION PLAN

The District is a participating member in the Vermont Teachers' And Municipal Employees Retirement System, which are a cost sharing, multiple employer PERS (public employee retirement system) administered by the State of Vermont. A PERS provides

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS

retirement, death and disability benefits to its participants, in return for annual contributions paid on their behalf. A PERS issues annual financial information (including its actuarial valuations of plan assets and liabilities), and is available upon request from the State of Vermont.

Vermont Teachers' Retirement System

The State of Vermont makes retirement contributions for all eligible covered salaries on the behalf of the District. The District's total payroll was \$3,840,826 while its eligible covered payroll was \$2,718,547 resulting in an estimated \$96,237 of withheld payments from the 57 members who are required to contribute 3.54% of compensation as Group C members. The Vermont Legislature annually contributes to the Vermont Teachers' Retirement System via budgetary appropriation. The appropriation for the fiscal year ended June 30, 2011 equated to 7.74% of covered payroll, therefore \$210,415 was recorded as an on-behalf employee benefit in these financial statements. All teachers become members of the retirement system upon employment. Vesting occurs upon reaching 5 years of creditable service.

Vermont Municipal Employees' Retirement System

The State of Vermont makes retirement contributions for all eligible covered salaries on the behalf of the Union. The District's total payroll was \$3,840,826 while its eligible covered payroll was \$700,315 resulting in an estimated \$31,514 of withheld payments from the 35 members who are required to contribute 4.5% of compensation as Group B members. The amounts paid for employer contributions (5% of gross salary) are included as expenditures in the financial statements. Therefore, a total of \$35,016 was deposited to these accounts for the employees' benefit for this plan. All employees become members of the retirement system upon employment. Vesting occurs upon reaching 5 years of creditable service for defined benefit plans, and 1 year for defined contribution plans.

Note 7 – COMMITMENTS AND CONTINGENCIES

The District receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that any possible disallowed costs, if any, would be immaterial to these financial statements. The District is also exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries to employees and others; and natural disasters. These risks are provided for in various insurance contracts. Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years.

Note 8 – SUBSEQUENT EVENTS

On July 1, 2011, the District agreed to borrow up to \$1,217,565 in anticipation of next year's property tax revenue. The utilized portion of the obligation accrues interest at 2.00%, and is due to repaid in full no later than June 30, 2012.

Jeffrey R. Bradley CPA, P.C.

~ Member ~

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**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 Board of Directors
Twinfield Union School District No 33

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twinfield Union School District No. 33, as of and for the year ended June 30, 2011, which collectively comprise the Twinfield Union School District No. 33's basic financial statements and have issued our report thereon dated January 20, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Twinfield Union School District No. 33's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Twinfield Union School District No. 33's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twinfield Union School District No 33's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twinfield Union School District No. 33's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Twinfield Union School District No. 33

January 20, 2012

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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jeff R. Bradley CPA, P.C.", written in a cursive style.

Jeffrey R. Bradley CPA, P.C.

Mendon, Vermont

January 20, 2012

TWINFIELD UNION SCHOOL DISTRICT NO. 33
REQUIRED SUPPLEMENTAL INFORMATION

BUDGETS AND BUDGETARY ACCOUNTING

The District is required by State statute to adopt annual budgets for its General Fund. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

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

A. The Superintendent of Schools and Business Manager for Washington Northeast Supervisory Union submit to the Board of Directors a proposed operating budget in the fall of the preceding fiscal year, details of the proposed expenditures and the means to finance them, utilizing the data obtained by the Principal and its department heads. The voters approve the annual total budgeted expenditures, and the management team amends throughout the fiscal year as warranted. Any amendment cannot exceed the voter approved amount.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues:</i>			
Education Spending Support Grant	\$ 4,857,267	\$ 4,857,267	\$ -
State Miscellaneous Grants	2,100	6,253	4,153
Special Education	599,820	601,980	2,160
Early Education	29,282	29,282	-
State Placed Student Reimbursement	-	162,793	162,793
Transportation Receipts	94,375	96,768	2,393
Subgranted Federal Funds	171,602	209,199	37,597
Tuition Receipts & Services to Other LEAs	72,665	114,317	41,652
Interest Income	49,000	39,393	(9,607)
Miscellaneous	11,500	51,172	39,672
<i>Total Revenues</i>	<u>5,887,611</u>	<u>\$ 6,168,423</u>	<u>\$ 280,812</u>
<i>Expenditures:</i>			
<i>Elementary Education:</i>			
Regular Instruction	1,111,715	1,147,701	(35,986)
Co-curricular activities	1,455	390	1,065
Guidance Services	43,750	45,952	(2,202)
Health Services	35,873	39,943	(4,070)
Curriculum Development	14,794	16,025	(1,231)
Educational Media Services	62,824	63,728	(904)
Special Education	278,436	258,428	20,008
Occupational & Physical Therapy	20,237	44,505	(24,268)
Speech Services	85,859	80,266	5,593
Behavioral Support	15,949	36,719	(20,770)
Psychological Services	69,058	7,864	61,193
Technology	35,463	38,532	(3,069)
Transportation	200	324	(124)
<i>Secondary Education:</i>			
Regular Instruction	1,399,264	1,488,252	(88,988)
Co-curricular activities	90,927	91,015	(88)
Guidance Services	80,344	83,356	(3,011)

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<i>Expenditures (continued):</i>	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Secondary Education:</i>			
Health Services	35,876	38,216	(2,340)
Curriculum Development	16,810	12,596	4,214
Educational Media Services	62,428	65,011	(2,583)
Special Education	577,475	545,035	32,439
Speech Services	7,831	8,377	(546)
Occupational & Physical Therapy	27,093	17,271	9,822
Behavioral Support	-	210	(210)
Psychological Services	117,235	94,347	22,887
Technology	36,809	39,619	(2,810)
<i>Pre-Kindergarten:</i>			
Regular Instruction	1,125	4,236	(3,111)
Special Education	47,689	43,480	4,209
Speech Services	9,163	11,023	(1,860)
Occupational & Physical Therapy	-	1,350	(1,350)
Curriculum Development	200	1,223	(1,023)
Transportation	-	47,522	(47,522)
<i>Shared Expenditures:</i>			
Debt Service	33,687	33,687	-
Supervisory Union Assessment	191,388	171,704	19,684
Supervisory Union Special Education Assessment	127,076	124,669	2,407
Business Office	153,449	198,956	(45,507)
School Administration	303,895	394,098	(90,203)
Operation/Maintenance of Plant	606,223	536,683	69,539
Transportation	236,012	255,683	(19,670)
<i>Total Expenditures</i>	<u>5,937,611</u>	<u>6,087,999</u>	<u>(150,388)</u>
Excess (Deficiency) of Revenues Over Expenditures	(50,000)	80,424	130,424
Operating Transfers to Other Governmental Funds	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources			
Over Expenditures and Other Financing Uses	<u>\$ (50,000)</u>	<u>\$ 80,424</u>	<u>\$ 130,424</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	<u>Private Purpose</u>	
	<u>Student</u>	<u>Student</u>
	<u>Activities</u>	<u>Activities</u>
ASSETS		
Cash and Cash Equivalents	\$ 89,004	\$ 86,529
TOTAL ASSETS	<u>\$ 89,004</u>	<u>\$ 86,529</u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Due to Student Groups/Deferred Revenue	89,004	86,529
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 89,004</u>	<u>\$ 86,529</u>

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