

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

**FINANCIAL STATEMENTS
JUNE 30, 2015
AND
INDEPENDENT AUDITOR'S REPORTS**

TWINFIELD UNION SCHOOL DISTRICT NO. 33

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education
Twinfield Union School District No. 33

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Twinfield Union School District No. 33 (the District), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial

position thereof and the budgetary comparison for the General 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 December 9, 2015, 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 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
December 9, 2015

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. The intent of the Management's Discussion and Analysis 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.

During FY15, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the District's net pension liability and to report the District's deferred pension expenses as deferred outflows of resources and deferred pension credits as deferred inflows of resources in the Government-wide Statement of Net Position.

Financial Statements

The accompanying financial statements include two separate presentations: government-wide financial statements and fund 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 presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The assets include any capital assets and the liabilities include any long-term debt. 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 District programs 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 three categories: governmental funds, proprietary funds 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, Grants Fund and Debt Service Fund.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. At this time, the District does not have any proprietary funds.

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. The fiduciary funds reported by the District are the Trust Fund and the Agency Funds.

Government-wide Financial Analysis

The Statement of Net Position shows the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the District at June 30, 2015. The summary of the comparative information from the Statement of Net Position at June 30, 2014 and 2015 is indicated below:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Current Assets	\$ 214,373	\$ 399,535
Capital Assets, net	3,289,574	3,176,325
Total Assets	<u>3,503,947</u>	<u>3,575,860</u>
Deferred Outflows of Resources	-	41,521
Current Liabilities	441,887	276,017
Noncurrent Liabilities	785,471	903,794
Total Liabilities	<u>1,227,358</u>	<u>1,179,811</u>
Deferred Inflows of Resources	-	103,657
Net Investment in Capital Assets	2,389,591	2,193,162
Restricted	32,637	201,672
Unrestricted	(145,639)	(60,921)
Total Net Position	<u>2,276,589</u>	<u>2,333,913</u>
Restatement	(66,043)	-
Total Net Position (as restated)	<u>\$ 2,210,546</u>	<u>\$ 2,333,913</u>

The Statement of Net Position shows total net position of the District as of June 30, 2015 of \$2,333,913, an increase of \$123,367 or 5.6% from last year's net position of \$2,210,546, as restated.

Of the June 30, 2015 total assets, 11% or \$399,535 are current assets (cash, investments, and receivables), as compared to the prior year when 6% or \$214,373 represented current assets.

Noncurrent assets consist of net capital assets (buildings and improvements, vehicles and equipment), and for the period ended June 30, 2015, these are 89% or \$3,176,325 as compared to June 30, 2014 when noncurrent assets represented 94% or \$3,289,574. Net capital assets decreased due to the current year depreciation expense being greater than current year capital asset additions.

Deferred outflows of resources consist of deferred pension expense, as required by the implementation of GASB Statement No. 68, and total \$41,521 at June 30, 2015.

Total liabilities of the District are \$1,179,811 as compared to \$1,227,358 for the prior year. Of the June 30, 2015 total liabilities, 23% or \$276,017 are current liabilities (payables, accrued expenses, and the current portions of long-term debt and capital lease). This compares to this same period last year of \$441,887 or 36%.

Noncurrent liabilities for the period ended June 30, 2015 are \$903,794 and represent the long-term portion of accrued compensated absences, long-term debt and capital lease and net pension liability as compared to the prior reporting period of \$785,471.

Total deferred inflows of resources consist of deferred pension credits, as required by the implementation of GASB Statement No. 68, and deferred grant revenue, and total \$103,657 at June 30, 2015.

Net position of the District is \$2,333,913 as of June 30, 2015, in comparison to \$2,210,546, as restated, in the prior year. \$2,193,162 represents a net investment in capital assets for the period ended June 30, 2015, as compared to the prior year of \$2,389,591. \$201,672 represents amounts restricted for various grant programs for

the period ended June 30, 2015, as compared to the prior year of \$32,637. \$60,921 represents an unrestricted deficit for the period ended June 30, 2015, as compared to an unrestricted deficit of \$145,639 in the prior year.

The comparison between June 30, 2014 and June 30, 2015 for the Statement of Activities is indicated below:

	Governmental Activities			
	2014		2015	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Expenses				
Education Expense	\$ 7,239,957	92.17%	\$ 6,917,965	91.84%
Grant Programs Expense	347,066	4.42%	354,498	4.71%
Capital Projects Expense	3,187	0.04%	1,498	0.02%
Food Service Expense	245,361	3.12%	211,820	2.81%
Interest Expense	19,740	0.25%	47,077	0.62%
Total Expenses	<u>7,855,311</u>	<u>100.00%</u>	<u>7,532,858</u>	<u>100.00%</u>
Program Revenues				
Grants and Contributions	2,118,855	94.61%	1,553,633	84.45%
Charges for Services	106,284	4.75%	97,164	5.28%
Other	14,507	0.64%	188,831	10.26%
Total Program Revenues	<u>2,239,646</u>	<u>100.00%</u>	<u>1,839,628</u>	<u>99.99%</u>
General Revenues				
Education Spending Grant	5,497,993	99.95%	5,790,481	99.55%
Investment Income	2,862	0.05%	26,116	0.45%
Total General Revenues	<u>5,500,855</u>	<u>100.00%</u>	<u>5,816,597</u>	<u>100.00%</u>
Total Revenues	<u>7,740,501</u>		<u>7,656,225</u>	
Change in Net Position	<u>\$ (114,810)</u>		<u>\$ 123,367</u>	

The Statement of Activities reports total expenses for 2015. Government-wide expenses include all governmental fund expenditures plus depreciation of capital assets, and exclude debt principal payments and capital asset purchases. Program revenues are derived from three sources: grants and contributions, charges for services and revenues from other sources.

For the year ended June 30, 2015, the net program costs of \$5,693,230 were less than general revenues of \$5,816,597 and caused an increase in net position of \$123,367, compared to the year ended June 30, 2014 where the net program costs of \$5,615,665 were more than general revenues of \$5,500,855 and caused a decrease in net position of \$114,810. General revenues received by the District consisted of the Education Spending Grant and investment income. Revenues received relating to the Education Spending Grant were \$5,790,481 and \$5,497,993 for 2015 and 2014, respectively. Revenues received relating to investment income were \$26,116 and \$2,862 for 2015 and 2014, respectively.

Financial Analysis of the District's Funds

Governmental Funds

The combined fund balance of the governmental funds was \$225,566 at June 30, 2015.

The General Fund, the primary operating fund of the District, reported fund expenditures and interfund transfers less than revenues and capital lease proceeds, which caused an increase in the fund balance of \$34,881. The District's General Fund had an assigned fund balance of \$20,796 at June 30, 2015, and an unassigned fund balance of \$43,189 for a total fund balance of \$63,985.

The Grants Fund, used to account for grants restricted to certain program purposes and not available for general operations, reported revenues in excess of expenditures, which caused an increase in fund balance of \$21,096. The Grants Fund had a restricted fund balance of \$53,233 at June 30, 2015.

The Debt Service Fund, used to account for the sinking fund associated with the District's general obligation bond, reported an increase in fund balance of \$37,040. The Debt Service Fund had a restricted fund balance of \$148,439 at June 30, 2015.

Other Governmental Funds accounts for all of the District's nonmajor funds (Food Service Fund, Capital Projects Fund, and Endowment Fund). The Other Governmental Funds reported an increase in fund balance of \$100,647. At June 30, 2015, the District's Other Governmental Funds had an unassigned fund balance deficit of \$40,091.

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 2015, the Trust Fund of the District reported scholarship awards in excess of donations, which caused a decrease in net position of \$1,750. As of June 30, 2015, the District's Trust Funds had a total net position of \$15,703. As of June 30, 2015, the District also held \$53,035 as an agent for various student activity groups.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the District had invested \$6,985,337 in a broad range of capital assets including buildings, building improvements, and vehicles and equipment. Total depreciation for the year was \$225,313. The net value of capital assets of the District as of June 30, 2015 was \$3,176,325 after deducting accumulated depreciation of \$3,809,012.

Short-term Debt

During FY15, the District borrowed and repaid a \$1,125,679 revenue anticipation note with interest at 2.55%. Interest expense related to this note was \$28,626.

Long-term Debt

As of June 30, 2015, the District had an obligation to repay debt of \$759,730. The current portion was \$63,529 and \$696,201 was the long-term portion. The District's bond with Merchants Bank matures in March 2026. The Debt Service Fund receives a transfer from the General Fund of \$37,000 each year toward that debt. The District also paid \$59,002 in principal payments and \$40,822 in interest on its long-term debt during the year.

As of June 30, 2015, the District had capital lease obligations in the amount of \$223,433. The current portion was \$61,929 and \$161,504 was the long-term portion. The District paid \$52,013 in principal payments and \$6,255 in interest on its capital leases during the year.

General Fund Budgetary Highlights

The District's General Fund budget is prepared according to the requirements of Vermont law. 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 \$87,513. Of this \$87,513 difference, the significant variances of revenues in excess of budget include \$16,116 in investment earnings and \$73,608 in other income sources.

Expenditures were budgeted at \$6,786,455 while actual expenditures were \$6,804,672 for an unfavorable difference of \$18,217. The significant variances in actual expenditures in excess of budgeted expenditures include \$40,050 in regular education, \$67,084 in plant operation and \$68,942 in transportation.

General Fund expenditures and other financing uses were less than revenues and other financing sources by \$34,881, compared to budgeted revenues and other financing sources being equal to expenditures and other financing uses.

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 should be directed to Christina Kimball, 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, 2015

	Governmental <u>Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 1,932
Investments	148,439
Accounts receivable	110,295
Due from Supervisory Union, net	138,869
Total current assets	<u>399,535</u>
Noncurrent assets -	
Capital assets	6,985,337
less - accumulated depreciation	<u>(3,809,012)</u>
Total noncurrent assets	<u>3,176,325</u>
Total assets	<u>3,575,860</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>41,521</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	124,060
Accrued expenses	10,796
Due to fiduciary funds	15,703
Current portion of long-term debt	63,529
Current portion of capital lease	61,929
Total current liabilities	<u>276,017</u>
Noncurrent liabilities -	
Accrued compensated absences	20,065
Capital lease	161,504
Long-term debt	696,201
Net pension liability	26,024
Total noncurrent liabilities	<u>903,794</u>
Total liabilities	<u>1,179,811</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred grant revenue	23,410
Deferred pension credits	80,247
Total deferred inflows or resources	<u>103,657</u>
NET POSITION:	
Net investment in capital assets	2,193,162
Restricted	201,672
Unrestricted	<u>(60,921)</u>
Total net position	\$ <u>2,333,913</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		<u>Program Revenues</u>			Net (Expense)
		Grants and <u>Contributions</u>	Charges for <u>Services</u>	<u>Other</u>	Revenue and Change in <u>Net Position</u>
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS:					
Governmental activities -					
Education	\$ 6,917,965	\$ 1,132,531	\$ 8,883	\$ 79,358	\$ (5,697,193)
Grant programs	354,498	267,738	30,420	77,436	21,096
Capital projects	1,498	-	-	1,538	40
Food service	211,820	153,364	57,861	30,499	29,904
Interest expense	<u>47,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,077)</u>
 Total governmental activities	 \$ <u>7,532,858</u>	 \$ <u>1,553,633</u>	 \$ <u>97,164</u>	 \$ <u>188,831</u>	 <u>(5,693,230)</u>
GENERAL REVENUES - EDUCATION SPENDING GRANT					5,790,481
- INVESTMENT INCOME					<u>26,116</u>
					<u>5,816,597</u>
CHANGE IN NET POSITION					123,367
NET POSITION, July 1, 2014, as restated					<u>2,210,546</u>
NET POSITION, June 30, 2015					\$ 2,333,913

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(Page 1 of 2)

	General <u>Fund</u>	Grants <u>Fund</u>	Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
ASSETS					
Cash	\$ 1,932	\$ -	\$ -	\$ -	\$ 1,932
Investments	-	-	148,439	-	148,439
Accounts receivable	89,142	-	-	21,153	110,295
Due from Supervisory Union	69,245	30,007	-	65,171	164,423
Due from other funds	<u>49,803</u>	<u>58,884</u>	<u>-</u>	<u>-</u>	<u>108,687</u>
Total assets	\$ <u>210,122</u>	\$ <u>88,891</u>	\$ <u>148,439</u>	\$ <u>86,324</u>	\$ <u>533,776</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 115,959	\$ 8,101	\$ -	\$ -	\$ 124,060
Accrued expenditures	8,771	-	-	2,025	10,796
Due to Supervisory Union	21,407	4,147	-	-	25,554
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,390</u>	<u>124,390</u>
Total liabilities	<u>146,137</u>	<u>12,248</u>	<u>-</u>	<u>126,415</u>	<u>284,800</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred grant revenue	<u>-</u>	<u>23,410</u>	<u>-</u>	<u>-</u>	<u>23,410</u>
FUND BALANCES:					
Restricted	-	53,233	148,439	-	201,672
Assigned	20,796	-	-	-	20,796
Unassigned (deficit)	<u>43,189</u>	<u>-</u>	<u>-</u>	<u>(40,091)</u>	<u>3,098</u>
Total fund balances	<u>63,985</u>	<u>53,233</u>	<u>148,439</u>	<u>(40,091)</u>	<u>225,566</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>210,122</u>	\$ <u>88,891</u>	\$ <u>148,439</u>	\$ <u>86,324</u>	\$ <u>533,776</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, 2015
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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	\$ 225,566
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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	6,985,337
Accumulated depreciation	(3,809,012)

Liabilities not due and payable in the current year are not reported in the governmental funds.

Capital lease	(223,433)
Long-term debt	(759,730)
Compensated absences	(20,065)

Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.

Deferred pension expense	41,521
Deferred pension credits	(80,247)
Net pension liability	<u>(26,024)</u>

Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>2,333,913</u>
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The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Page 1 of 3)

	General <u>Fund</u>	Grants <u>Fund</u>	Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
REVENUES:					
Education spending grant	\$ 5,790,481	\$ -	\$ -	\$ -	\$ 5,790,481
Intergovernmental					
State	994,130	10,397	-	7,039	1,011,566
State Teachers' Retirement					
System	138,401	-	-	-	138,401
Federal	-	237,574	-	146,325	383,899
Local	-	19,767	-	-	19,767
Charges for services	8,883	30,420	-	57,861	97,164
Investment earnings	26,116	-	-	-	26,116
Other income	79,358	77,436	1,538	30,499	188,831
Total revenues	<u>7,037,369</u>	<u>375,594</u>	<u>1,538</u>	<u>241,724</u>	<u>7,656,225</u>
EXPENDITURES:					
Regular education	2,998,354	205,616	-	-	3,203,970
Special education	1,146,292	174	-	-	1,146,466
Co-curricular	104,098	3,422	-	-	107,520
Support services -					
Students	230,868	44,625	-	-	275,493
Instructional staff	366,792	20,616	-	265	387,673
Central administration	352,462	3,564	-	-	356,026
School administration	379,335	-	-	-	379,335
Other	991,183	-	-	-	991,183
Food service	-	-	-	211,555	211,555
Community services	-	76,481	-	-	76,481
State Teachers' Retirement System	138,401	-	-	-	138,401
Debt service - Principal	59,002	-	-	-	59,002
- Interest	34,822	-	6,000	-	40,822
Capital lease - Principal	52,013	-	-	-	52,013
- Interest	6,255	-	-	-	6,255
Capital outlay	83,196	-	-	28,868	112,064
Miscellaneous	-	-	1,498	-	1,498
Total expenditures	<u>6,943,073</u>	<u>354,498</u>	<u>7,498</u>	<u>240,688</u>	<u>7,545,757</u>
EXCESS OF REVENUES					
OR (EXPENDITURES)	<u>94,296</u>	<u>21,096</u>	<u>(5,960)</u>	<u>1,036</u>	<u>110,468</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Page 2 of 3)

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
OTHER FINANCING SOURCES (USES):					
Capital lease proceeds	83,196	-	-	-	83,196
Interfund transfers in (out)	<u>(142,611)</u>	<u>-</u>	<u>43,000</u>	<u>99,611</u>	<u>-</u>
Total other financing sources (uses)	<u>(59,415)</u>	<u>-</u>	<u>43,000</u>	<u>99,611</u>	<u>83,196</u>
NET CHANGE IN FUND BALANCES	34,881	21,096	37,040	100,647	193,664
FUND BALANCES (DEFICIT), July 1, 2014, as restated	<u>29,104</u>	<u>32,137</u>	<u>111,399</u>	<u>(140,738)</u>	<u>31,902</u>
FUND BALANCES (DEFICIT), June 30, 2015	\$ <u>63,985</u>	\$ <u>53,233</u>	\$ <u>148,439</u>	\$ <u>(40,091)</u>	\$ <u>225,566</u>

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

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

(Page 3 of 3)

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

Net change in fund balances - total governmental funds	\$ 193,664
--	------------

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	112,064
Depreciation	(225,313)

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term liabilities consumes the current financial
resources of governmental funds. Neither transaction has any effect on net position.

Capital lease proceeds	(83,196)
Debt service - principal on long-term debt	59,002
Debt service - principal on capital leases	52,013

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.

Decrease in compensated absences	13,439
----------------------------------	--------

Changes in net pension asset or liability and related deferred outflows/inflows of resources
will increase or decrease the amounts reported in the government-wide statements, but are
only recorded as an expenditure when paid in the governmental funds.

Net (increase) decrease in net pension obligation	<u>1,694</u>
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Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>123,367</u>
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The notes to financial statements are an integral part of this statement.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over (Under)
REVENUES:			
Education spending grant	\$ 5,785,817	\$ 5,790,481	\$ 4,664
Intergovernmental - State	996,588	994,130	(2,458)
Charges for services	13,300	8,883	(4,417)
Investment earnings	10,000	26,116	16,116
Other income	<u>5,750</u>	<u>79,358</u>	<u>73,608</u>
Total revenues	<u>6,811,455</u>	<u>6,898,968</u>	<u>87,513</u>
EXPENDITURES:			
Regular education	2,958,304	2,998,354	40,050
Special education	1,225,571	1,146,292	(79,279)
Co-curricular	105,796	104,098	(1,698)
Guidance	151,464	137,776	(13,688)
Health	85,414	92,080	6,666
Speech	-	1,012	1,012
Library	144,477	136,783	(7,694)
Technology	175,323	177,486	2,163
Professional development	40,500	52,523	12,023
Board of Education	371,641	349,940	(21,701)
Superintendent's office	-	2,522	2,522
Principal's office	383,864	379,335	(4,529)
Fiscal services	171,522	154,211	(17,311)
Plant operation	569,192	636,276	67,084
Transportation	214,950	283,892	68,942
Debt service - Principal	149,073	111,015	(38,058)
- Interest	<u>39,364</u>	<u>41,077</u>	<u>1,713</u>
Total expenditures	<u>6,786,455</u>	<u>6,804,672</u>	<u>18,217</u>
EXCESS OF REVENUES OR (EXPENDITURES)	<u>25,000</u>	<u>94,296</u>	<u>69,296</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	83,196	83,196
Operating transfers in (out)	<u>(25,000)</u>	<u>(142,611)</u>	<u>(117,611)</u>
Total other financing sources (uses):	<u>(25,000)</u>	<u>(59,415)</u>	<u>(34,415)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>34,881</u>	\$ <u>34,881</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, 2015

	<u>Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash	\$ -	\$ 53,035
Due from other funds	<u>15,703</u>	<u>-</u>
Total assets	<u>15,703</u>	<u>53,035</u>
LIABILITIES:		
Due to student organizations	<u>-</u>	<u>53,035</u>
NET POSITION:		
Held in trust for specific purposes	\$ <u>15,703</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, 2015

	Trust <u>Fund</u>
ADDITIONS:	
Donations	\$ 700
DEDUCTIONS:	
Scholarships	<u>2,450</u>
CHANGE IN NET POSITION	(1,750)
NET POSITION, July 1, 2014	<u>17,453</u>
NET POSITION, June 30, 2015	\$ <u><u>15,703</u></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, 2015

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 (the Board) to provide public school education for the Towns of Marshfield and Plainfield, Vermont. Functions of the Office of the Superintendent and central administration are provided by the Washington Northeast Supervisory Union (WNESU). As currently structured, the WNESU is the administrative oversight district for the Cabot Town School District and this District.

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

Separate financial statements are provided for governmental funds 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. Nonmajor funds, if any, are summarized in a single column.

- 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, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The District reports the following major governmental funds:

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

Grants Fund - The Grants Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified services.

Debt Service Fund - The Debt Service Fund accounts for the District's qualified school construction bond.

The District also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of the District. The District's fiduciary funds are the Trust Fund and Agency Funds.

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

- E. Budgets and budgetary accounting - The District adopts a budget for the General Fund and the Grants Fund at an annual School District Meeting of the Towns of Plainfield and Marshfield. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The District does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of significant accounting policies (continued):

- G. Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through 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. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash, cash equivalents and investments - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the District are reported at fair value.
- I. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District does not retroactively report infrastructure assets. There have been no infrastructure additions since the implementation of GASB Statement No. 34. 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. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

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

- J. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, are reported as separate sections in the Government-wide Statement of Net Position and the Balance Sheet - Governmental Funds. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.
- K. Compensated absences - It is the District's policy to permit certain employees to accumulate earned but unused vacation pay benefits based upon their length of employment (subject to certain carryover limitations and time restrictions). Upon retirement, termination or death, employees are compensated for these accrued benefits at their current rates of pay. Compensated absences are reported in the government-wide financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of significant accounting policies (continued):

L. Long-term obligations - In the government-wide financial statements, governmental activities report long-term debt and other long-term obligations as liabilities in the Statement of Net Position. In the fund financial statements, governmental fund types report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

M. 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 District 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 General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The District's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned unless the Board specifies otherwise.

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 (STRS). The District recognizes these pension contributions as intergovernmental grant revenue and education expenditures in the government-wide financial statements and in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The amounts are not budgeted and have been excluded from the budget basis statement; see note 12 for reconciling details.

O. New accounting standard - The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the District's net pension liability and the District's deferred outflows and/or deferred inflows of resources for the pension plans in the Government-wide Statement of Net Position and to include an expanded description of the pension plans in the notes to financial statements.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. Deposits and investments:

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District does not have a policy for custodial credit risk. As of June 30, 2015, the District's depository accounts were fully insured or collateralized. The classification and fair value of investments as of June 30, 2015 are as follows:

Cash - money market account	\$ 364
U.S. Government Bonds	<u>148,075</u>
	<u>\$ 148,439</u>

Interest rate risk - Interest rate risk is the risk that changes in interest rates will affect the fair value of certain investments. The District does not have a policy for interest rate risk. Investments subject to interest rate risk and their maturities as of June 30, 2015 are as follow:

	Fair Value	Investment Maturity		
		Less than One Year	1 to 5 Years	6 to 10 Years
U.S. Government Bonds	\$ <u>148,075</u>	\$ <u>-</u>	\$ <u>9,068</u>	\$ <u>139,007</u>

3. Capital assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets, depreciated:				
Buildings	\$ 3,273,127	\$ -	\$ -	\$ 3,273,127
Building improvements	1,883,439	-	-	1,883,439
Vehicles and equipment	<u>1,850,088</u>	<u>112,064</u>	<u>133,381</u>	<u>1,828,771</u>
Total capital assets, depreciated	<u>7,006,654</u>	<u>112,064</u>	<u>133,381</u>	<u>6,985,337</u>
Less accumulated depreciation:				
Buildings	1,516,773	65,463	-	1,582,236
Building improvements	847,035	56,338	-	903,373
Vehicles and equipment	<u>1,353,272</u>	<u>103,512</u>	<u>133,381</u>	<u>1,323,403</u>
Total accumulated depreciation	<u>3,717,080</u>	<u>225,313</u>	<u>133,381</u>	<u>3,809,012</u>
Capital assets, net	\$ <u>3,289,574</u>	\$ <u>(113,249)</u>	\$ <u>-</u>	\$ <u>3,176,325</u>

Depreciation expense of \$225,313 in the governmental activities was fully allocated to the education function.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental funds -		
General Fund	\$ 49,803	\$ -
Grants Fund	58,884	-
Other Governmental Funds	<u>-</u>	<u>124,390</u>
	108,687	124,390
Fiduciary funds -		
Trust Fund	<u>15,703</u>	<u>-</u>
	<u>\$ 124,390</u>	<u>\$ 124,390</u>

5. Interfund transfers:

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Interfund transfers for the year ended June 30, 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 142,611
Debt Service Fund	43,000	-
Other Governmental Funds	<u>99,611</u>	<u>-</u>
	<u>\$ 142,611</u>	<u>\$ 142,611</u>

Transfers from the General Fund to the Debt Service Fund in the amount of \$43,000 were to fund the current year contribution to the sinking fund in relation to the District's general obligation bond. Transfers from the General Fund to the Other Governmental Funds were to reserve construction funds received from the state and to reduce the prior year deficit as approved by the Board.

6. Related parties:

The District is billed for its appropriate share of expenditures relating to administrative services provided by the WNESU. The District paid an assessment of \$1,130,936 to the WNESU for the year ended June 30, 2015.

The District has \$164,423 in accounts receivable from and \$25,554 in accounts payable to the WNESU at June 30, 2015.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. Debt:

Short-term - During the year the District borrowed and repaid \$1,125,679 on a line of credit in the form of a 2.55% revenue anticipation note which matured in June 2015. Interest expense related to this note was \$28,626.

Subsequent to year end, the District obtained a revenue anticipation note in the amount of \$1,152,883 with interest of 2.90%, which matures June 30, 2016. As of the date of this report, the District has borrowed this note in full.

Long-term - Outstanding long-term debt as of June 30, 2015 is as follows:

Bond payable, Merchants Bank, General Obligation Bond of \$600,000 for new roof, with annual interest of 1%. Annual deposit of \$37,000 is made into in a sinking fund which is restricted for payment of the bond upon maturity in March 2026.	\$ 600,000
Note payable, Vermont Agency of Natural Resources - RF3-238-4, interest and fees at 3%. Annual interest and principal payments of \$3,161 beginning October 2014. Matures October 2033.	45,279
Note payable, Merchants Bank, deficit reduction borrowing, with interest of 3.06%. Annual principal payments ranging from \$48,252 to \$52,725 beginning June 2015. Matures June 2017.	105,451
Note payable, Merchants Bank, for the purchase of a new truck, with interest of 2.45%. Annual principal payments of \$9,000. Matures December 2015.	<u>9,000</u>
	<u>\$ 759,730</u>

Long-term debt activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:				
Construction bond	\$ 600,000	\$ -	\$ 600,000	\$ -
Notes payable:				
RF3-238-4	47,029	1,750	45,279	1,803
Deficit reduction	153,703	48,252	105,451	52,726
New truck	<u>18,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>
	<u>\$ 818,732</u>	<u>\$ 59,002</u>	<u>\$ 759,730</u>	<u>\$ 63,529</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. Debt (continued):

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal year -		
2016	\$ 63,529	\$ 10,806
2017	54,582	8,917
2018	1,913	7,248
2019	1,970	7,191
2020	2,029	7,132
2021-2025	11,097	34,708
2026-2030	612,862	14,944
2031-2035	<u>11,748</u>	<u>897</u>
	\$ <u>759,730</u>	\$ <u>91,843</u>

In prior years, the District's General Obligation Bond of \$600,000 was reported net of deposit into a sinking fund restricted for payment of the bond upon maturity in March 2026. The District is required to make annual payments of \$37,000 to the sinking fund at the Merchants Bank d/b/a Merchants Trust Company. The District reports the annual deposits as transfers to a debt service fund and, after four annual payments, has a net unfunded balance of \$452,000.

8. Capital leases:

The District has entered into lease agreements as lessee for financing the acquisition of various capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the District. The cost of the assets acquired by capital leases is the present value of the future lease payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

Year ending June 30,	
2016	\$ 68,082
2017	68,082
2018	68,080
2019	18,321
2020	<u>18,322</u>
Total minimum lease payments	240,887
Less: amount representing interest	<u>(17,454)</u>
Present value of minimum lease payments	\$ <u>223,433</u>

9. Fund balances:

As of June 30, 2015 the General Fund reported an assigned fund balance of \$20,796 for deficit reduction and future school operating expenditures. The General Fund also reported an unassigned fund balance of \$43,189.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. Deficit fund balances:

As of June 30, 2015, the Food Service Fund has a deficit fund balance of \$30,661. Management intends to recover this deficit through fiscal year 2016 expenditure savings.

As of June 30, 2015, the Capital Projects Fund has a deficit fund balance of \$9,929. Management intends to recover this deficit through a transfer in fiscal year 2016 from the unassigned fund balance of the General Fund at June 30, 2015.

11. Restatements:

The District has restated beginning net position of the governmental activities of the government-wide financial statements from \$2,276,589 to \$2,210,546, a decrease of \$66,043 comprised of a decrease of \$66,442 for the change in accounting principles in connection with the implementation of GASB Statement No. 68 for pension obligations, an increase of \$111,399 for the establishment of the Debt Service Fund, and a decrease of \$111,000 to report the full liability of \$600,000 for the general obligation bond.

12. Budgetary basis of accounting:

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

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 7,037,369	\$ 6,943,073
On-behalf payments - STRS	<u>(138,401)</u>	<u>(138,401)</u>
Budget basis	\$ <u>6,898,968</u>	\$ <u>6,804,672</u>

13. Pension plans:

State Teachers' Retirement System of Vermont -

Plan description: The District participates in the State Teachers' Retirement System of Vermont (the System or the plan), a cost-sharing multiple-employer defined benefit public employee retirement system with a special funding situation in which the State of Vermont contributes to the plan on behalf of the participating districts. The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. It covers nearly all teachers and school administrators in schools supported by the State. 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. Information can also be obtained online at: <http://www.vermonttreasurer.gov/retirement/teachers-vstrs>.

Benefits provided: The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on the number of years of creditable service and are determined as a percentage of average final compensation in the three highest consecutive years of service. Eligibility for benefits requires five years of service.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

13. Pension plans (continued):

State Teachers' Retirement System of Vermont (continued) -

Contributions: 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 State is a nonemployer contributor to the plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The District's teachers contributed \$127,257 and \$138,025 to the system in 2015 and 2014, respectively.

Pension liabilities and pension expense: In 2015, the District implemented a change in governmental accounting and reporting which was mandated by the Governmental Accounting Standards Board in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Since the District does not contribute directly to the plan, no net pension liability needs to be recorded by the District. However, the District is now required to report the District's portion of the following items as calculated by the System:

STRS net pension liability	\$ 3,511,174
STRS net pension expense	\$ 138,401

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. 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. Information can also be obtained online at: <http://www.vermonttreasurer.gov/retirement/municipal-vmers>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups in the plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.75% (Group B), 9.625% (Group C) or 11.25% (Group D) of their annual covered salary, and the District is required to contribute 4% (Group A), 5.375% (Group B), 7.0% (Group C) or 9.75% (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, 2015, 2014, and 2013 were \$41,047, \$36,782, and \$34,033, respectively. The amounts contributed were equal to the required contributions for each year.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

13. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

Pension liabilities, deferred outflows of resources, deferred inflows of resources: In 2015, the District implemented a change in governmental accounting and reporting which was mandated by the Governmental Accounting Standards Board in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The impact on these financial statements is to include the District's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. Financial statements of the individual funds have not been affected by the change in 2015, but may be affected by certain estimates or accruals in future years. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on their calculation of the District's 0.2851 % proportionate share of the VMERS Defined Benefit Plan.

District's share of	
VMERS net pension liability	\$ <u>26,024</u>
Deferred outflow of resources -	
Deferred pension expense	\$ <u>41,521</u>
Deferred inflow of resources -	
Deferred pension credits	\$ <u>80,247</u>

Other information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

Required supplementary information: Implementation of GASB Statement No. 68 requires reporting of ten years of historical pension information by employers. This information will be built up by year for the next ten years in schedules of the District's Proportionate Share of Net Pension Liability of VMERS and District Contributions to VMERS. The required information the year ended June 30, 2015 is as follows:

District's proportion of the net pension liability	<u>0.2851%</u>
District's proportionate share of the net pension liability	\$ <u>26,024</u>
District's covered-employee payroll	\$ <u>763,665</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>3.408%</u>
VMERS net position as a percentage of the total pension liability	<u>98.32%</u>
Contractually required contribution (fully paid)	\$ <u>41,047</u>
Contributions as a percentage of covered-employee payroll	<u>5.375%</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

14. 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. The annual fee for fiscal year 2016 is \$68,753.

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Twinfield Union School District No. 33 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2015.

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 on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2015-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of


our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script, reading "Mudgett, Jennott & Krogh-Wisner, P.C.", positioned to the right of the "Purpose of this Report" section.

Montpelier, Vermont
December 9, 2015

TWINFIELD UNION SCHOOL DISTRICT NO. 33
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

2015-001 Capital Assets and Long-term Obligations:

During our audit, it was noted that the District did not properly record current year activity related to capital assets in the general ledger. It was also noted that the District did not properly recognize capital lease proceeds. We proposed adjustments to correct capital assets, accumulated depreciation and depreciation expense, and to recognize capital lease proceeds and related capital outlay. The presentation of capital assets and long-term obligations such as capital leases, and related activity, is required for complete financial reporting. We recommend that the District review their capital assets and long-term obligations for proper reporting on a regular basis.

Management's response - We will review the current system of internal controls for this recommendation to determine any changes which need to be made to assure that such is adequately being addressed. We will implement any changes needed in internal control so that such is applied to all transactions and accounts of the District, including capital asset and long term obligations.