

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

**FINANCIAL STATEMENTS
JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORTS**

TWINFIELD UNION SCHOOL DISTRICT NO. 33

JUNE 30, 2017

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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, 2017, 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, 2017, 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules 1 and 2 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 February 14, 2018 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
February 14, 2018

*Margaret Bennett &
Hugh Mason, P.C.*

**TWINFIELD UNION SCHOOL DISTRICT NO. 33
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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.

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, 2017. The summary of the comparative information from the Statement of Net Position at June 30, 2016 and 2017 is indicated below:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Current Assets	\$ 316,859	\$ 568,151
Capital Assets, net	<u>2,970,601</u>	<u>2,819,621</u>
Total Assets	<u>3,287,460</u>	<u>3,387,772</u>
Deferred Outflows of Resources	<u>139,157</u>	<u>157,908</u>
Current Liabilities	165,104	259,043
Noncurrent Liabilities	<u>973,123</u>	<u>1,032,652</u>
Total Liabilities	<u>1,138,227</u>	<u>1,291,695</u>
Deferred Inflows of Resources	<u>-</u>	<u>9,511</u>
Net Investment in Capital Assets	2,112,896	2,056,726
Restricted	224,203	252,468
Unrestricted	<u>(48,709)</u>	<u>(64,720)</u>
Total Net Position	<u>\$ 2,288,390</u>	<u>\$ 2,244,474</u>

The Statement of Net Position shows total net position of the District as of June 30, 2017 of \$2,244,474 a decrease of \$43,916 or 1.92% from last year's net position of \$2,288,390.

Of the June 30, 2017 total assets, 16.8% or \$568,151 are current assets (cash, investments, and receivables), as compared to the prior year when 9.6% or \$316,859 represented current assets.

Noncurrent assets consist of net capital assets (buildings and improvements, vehicles and equipment), and for the period ended June 30, 2017, these are 83.2% or \$2,819,621 as compared to June 30, 2016 when noncurrent assets represented 90.4% or \$2,970,601. 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 and total \$157,908 at June 30, 2017 compared to \$139,157 in the prior year.

Total liabilities of the District are \$1,291,695 as compared to \$1,138,227 for the prior year. Of the June 30, 2017 total liabilities, 20.1% or \$259,043 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 \$165,104 or 14.5%.

Noncurrent liabilities for the period ended June 30, 2017 are \$1,032,652 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 \$973,123.

Total deferred inflows of resources consist of deferred pension credits and were \$9,511 at June 30, 2017 compared to \$0 in the prior year.

Net position of the District is \$2,244,474 as of June 30, 2017, in comparison to \$2,288,390, in the prior year. \$2,056,726 represents a net investment in capital assets for the period ended June 30, 2017, as compared to the prior year of \$2,112,896. \$252,468 represents amounts restricted for various grant programs for the period ended June 30, 2017, as compared to the prior year of \$224,203. \$64,720 represents an unrestricted deficit for the period ended June 30, 2017, as compared to an unrestricted deficit of \$48,709 in the prior year.

The comparison between June 30, 2016 and June 30, 2017 for the Statement of Activities is indicated below:

	Governmental Activities			
	<u>2016</u>		<u>2017</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Expenses				
Education Expense	\$7,223,749	91.55%	\$7,432,887	94.09%
Grant Programs Expense	403,389	5.11%	394,128	4.99%
Capital Projects Expense	1,543	0.02%	1,872	0.02%
Food Service Expense	211,292	2.68%	18,556	0.23%
Interest Expense	50,296	0.64%	52,396	0.66%
Total Expenses	<u>7,890,269</u>	<u>100.00%</u>	<u>7,899,839</u>	<u>100.00%</u>
Program Revenues				
Grants and Contributions	1,746,554	93.94%	1,556,537	92.67%
Charges for Services	44,265	2.38%	46,947	2.79%
Other	68,338	3.68%	76,233	4.54%
Total Program Revenues	<u>1,859,157</u>	<u>100.00%</u>	<u>1,679,717</u>	<u>100.00%</u>
General Revenues				
Education Spending Grant	5,914,994	98.82%	6,151,385	99.60%
Insurance Proceeds	31,056	0.52%	-	
Investment Income	39,539	0.66%	24,821	0.40%
Total General Revenues	<u>5,985,589</u>	<u>100.00%</u>	<u>6,176,206</u>	<u>100.00%</u>
Total Revenues	<u>7,844,746</u>		<u>7,855,923</u>	
Change in Net Position	<u>\$ (45,523)</u>		<u>\$ (43,916)</u>	

The Statement of Activities reports total expenses for 2017. 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, 2017, the net program costs of \$6,220,122 were more than general revenues of \$6,176,206 and caused a decrease in net position of \$43,916, compared to the year ended June 30, 2016 where the net program costs of \$6,031,112 were less than general revenues of \$5,985,589 and caused a decrease in net position of \$45,523. General revenues received by the District primarily consisted of the Education Spending Grant and investment income. Revenues received relating to the Education Spending Grant were \$6,151,385 and \$5,914,994 for 2017 and 2016, respectively. Revenues received relating to investment income were \$24,821, and \$39,539 for 2017 and 2016, respectively.

Financial Analysis of the District's Funds

Governmental Funds

The combined fund balance of the governmental funds was \$382,598 at June 30, 2017.

The General Fund, the primary operating fund of the District, reported fund expenditures and other financing uses greater than revenues and other financing sources, which caused an increase in the fund balance of \$77,680. The District's General Fund had an unassigned fund balance of \$177,892.

The Grants Fund, used to account for grants restricted to certain program purposes and not available for general operations, reported revenues less than expenditures, which caused a decrease in fund balance of \$1,345. The Grants Fund had a restricted fund balance of \$26,030 at June 30, 2017.

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 \$29,610. The Debt Service Fund had a restricted fund balance of \$226,438 at June 30, 2017.

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 \$7,904. At June 30, 2017, the District's Other Governmental Funds had an unassigned fund deficit of \$47,762.

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 2017, the Trust Fund of the District reported donations in excess of scholarship awards, which caused an increase in net position of \$600. As of June 30, 2017, the District's Trust Funds had a total net position of \$19,551. As of June 30, 2017, the District also held \$36,065 as an agent for various student activity groups.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the District had invested \$7,060,879 in a broad range of capital assets including buildings, building improvements, and vehicles and equipment. Total depreciation for the year was \$219,999. The net value of capital assets of the District as of June 30, 2017 was \$2,819,621 after deducting accumulated depreciation of \$4,241,258.

Short-term Debt

During FY17, the District borrowed and repaid a \$1,376,698 revenue anticipation note with interest at 2.75%. Interest expense related to this note was \$37,755.

Long-term Debt

As of June 30, 2017, the District had an obligation to repay debt of \$641,619. The current portion was \$1,913 and \$639,706 was the long-term portion. The District's bond with Community Bank N.A. (formerly 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 \$54,583 in principal payments and \$8,891 in interest on its long-term debt during the year.

As of June 30, 2017, the District had capital lease obligations in the amount of \$121,276. The current portion was \$71,577 and \$49,699 was the long-term portion. The District paid \$70,438 in principal payments and \$5,751 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 less than budgeted revenues by \$6,128. Of this \$6,128 difference, the significant variances of revenues less than budget include \$35,141 in intergovernmental state revenues, off set by excess of budgeted revenue of \$29,013 in other income sources.

Expenditures were budgeted at \$7,066,863 while actual expenditures were \$6,972,532 for a favorable difference of \$94,331. The significant variances in actual expenditures in excess of budgeted expenditures include \$88,114 in regular education. These were off set by a favorable variance of \$159,710 in special education.

General Fund expenditures and other financing uses were less than revenues and other financing sources by \$77,680, 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, 2017

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Investments	\$ 226,438
Accounts receivable	35,073
Due from Supervisory Union, net	<u>306,640</u>
Total current assets	<u>568,151</u>
Noncurrent assets -	
Capital assets	7,060,879
less - accumulated depreciation	<u>(4,241,258)</u>
Total noncurrent assets	<u>2,819,621</u>
Total assets	<u>3,387,772</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>157,908</u>
LIABILITIES:	
Current liabilities -	
Bank overdraft	125,813
Accounts payable	31,245
Accrued expenses	8,944
Due to fiduciary funds	19,551
Current portion of long-term debt	1,913
Current portion of capital lease	<u>71,577</u>
Total current liabilities	<u>259,043</u>
Noncurrent liabilities -	
Accrued compensated absences	2,087
Capital lease	49,699
Long-term debt	639,706
Net pension liability	<u>341,160</u>
Total noncurrent liabilities	<u>1,032,652</u>
Total liabilities	<u>1,291,695</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension credits	<u>9,511</u>
NET POSITION:	
Net investment in capital assets	2,056,726
Restricted	252,468
Unrestricted	<u>(64,720)</u>
Total net position	<u>\$ 2,244,474</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, 2017

		Program Revenues				
	Expenses	Grants and Contributions	Charges for Services	Other	Net (Expense) Revenue and Change in Net Position	
FUNCTIONS/PROGRAMS:						
Governmental activities -						
Education	\$ 7,432,887	\$ 1,268,499	\$ 5,483	\$ 15,224	\$ (6,143,681)	
Grant programs	394,128	288,038	40,004	61,009	(5,077)	
Capital projects	1,872	-	-	-	(1,872)	
Food service	18,556	-	1,460	-	(17,096)	
Interest expense	<u>52,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,396)</u>	
 Total governmental activities	 \$ <u>7,899,839</u>	 \$ <u>1,556,537</u>	 \$ <u>46,947</u>	 \$ <u>76,233</u>	 (6,220,122)	
 GENERAL REVENUES - EDUCATION SPENDING GRANT					6,151,385	
- INVESTMENT INCOME					<u>24,821</u>	
					<u>6,176,206</u>	
 CHANGE IN NET POSITION					 (43,916)	
NET POSITION, July 1, 2016					<u>2,288,390</u>	
NET POSITION, June 30, 2017					\$ <u>2,244,474</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, 2017
(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Grants</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Investments	\$ -	\$ -	\$ 226,438	\$ -	\$ 226,438
Accounts receivable	35,073	-	-	-	35,073
Due from Supervisory Union	188,259	125,411	-	15,636	329,306
Due from other funds	<u>139,537</u>	<u>20,200</u>	<u>-</u>	<u>50,500</u>	<u>210,237</u>
 Total assets	 \$ <u>362,869</u>	 \$ <u>145,611</u>	 \$ <u>226,438</u>	 \$ <u>66,136</u>	 \$ <u>801,054</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Bank overdraft	\$ 125,813	\$ -	\$ -	\$ -	\$ 125,813
Accounts payable	27,554	3,691	-	-	31,245
Accrued expenditures	8,944	-	-	-	8,944
Due to Supervisory Union	22,666	-	-	-	22,666
Due to other funds	<u>-</u>	<u>115,890</u>	<u>-</u>	<u>113,898</u>	<u>229,788</u>
Total liabilities	<u>184,977</u>	<u>119,581</u>	<u>-</u>	<u>113,898</u>	<u>418,456</u>
FUND EQUITY:					
Fund balances -					
Restricted	-	26,030	226,438	-	252,468
Unassigned	<u>177,892</u>	<u>-</u>	<u>-</u>	<u>(47,762)</u>	<u>130,130</u>
Total fund balances (deficit)	<u>177,892</u>	<u>26,030</u>	<u>226,438</u>	<u>(47,762)</u>	<u>382,598</u>
 Total liabilities and fund equity	 \$ <u>362,869</u>	 \$ <u>145,611</u>	 \$ <u>226,438</u>	 \$ <u>66,136</u>	 \$ <u>801,054</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, 2017
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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	\$	382,598
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		7,060,879
Accumulated depreciation		(4,241,258)
Liabilities not due and payable in the current year are not reported in the governmental funds.		
Accrued compensated absences		(2,087)
Capital lease		(121,276)
Long-term debt		(641,619)
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		157,908
Deferred pension credits		(9,511)
Net pension liability		<u>(341,160)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>2,244,474</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, 2017

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	General	Grants	Debt	Other	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES:					
Education spending grant	\$ 6,151,385	\$ -	\$ -	\$ -	\$ 6,151,385
Intergovernmental -					
State	883,304	32,532	-	-	915,836
State Teachers' Retirement System	385,195	-	-	-	385,195
Federal	-	254,710	-	-	254,710
Local	-	796	-	-	796
Charges for services	5,483	40,004	-	1,460	46,947
Investment earnings	30,339	-	(5,518)	-	24,821
Other income	15,224	61,009	-	-	76,233
Total revenues	<u>7,470,930</u>	<u>389,051</u>	<u>(5,518)</u>	<u>1,460</u>	<u>7,855,923</u>
EXPENDITURES:					
Regular education	3,216,913	248,360	-	-	3,465,273
Special education	992,096	-	-	-	992,096
Co-curricular	113,673	1,642	-	-	115,315
Support services -					
Students	283,366	33,055	-	-	316,421
Instructional staff	381,358	17,807	-	160	399,325
Central administration	364,406	-	-	-	364,406
School administration	380,582	-	-	-	380,582
Other support services	993,702	93,264	-	-	1,086,966
Food service	-	-	-	18,396	18,396
State Teachers' Retirement System	385,195	-	-	-	385,195
Debt service - Principal	54,583	-	-	-	54,583
- Interest	46,645	-	-	-	46,645
Capital lease - Principal	70,438	-	-	-	70,438
- Interest	5,751	-	-	-	5,751
Capital outlay	69,019	-	-	-	69,019
Miscellaneous	-	-	1,872	-	1,872
Total expenditures	<u>7,357,727</u>	<u>394,128</u>	<u>1,872</u>	<u>18,556</u>	<u>7,772,283</u>
EXCESS OF REVENUES					
OR (EXPENDITURES)	<u>113,203</u>	<u>(5,077)</u>	<u>(7,390)</u>	<u>(17,096)</u>	<u>83,640</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, 2017

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	<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	30,209	-	-	-	30,209
Interfund transfers in (out)	<u>(65,732)</u>	<u>3,732</u>	<u>37,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(35,523)</u>	<u>3,732</u>	<u>37,000</u>	<u>25,000</u>	<u>30,209</u>
 NET CHANGE IN FUND BALANCES	 77,680	 (1,345)	 29,610	 7,904	 113,849
 FUND BALANCES (DEFICIT), July 1, 2016	 <u>100,212</u>	 <u>27,375</u>	 <u>196,828</u>	 <u>(55,666)</u>	 <u>268,749</u>
 FUND BALANCES (DEFICIT), June 30, 2017	 \$ <u>177,892</u>	 \$ <u>26,030</u>	 \$ <u>226,438</u>	 \$ <u>(47,762)</u>	 \$ <u>382,598</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, 2017**

(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 \$ 113,849

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	69,019
Depreciation	(219,999)

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	(30,209)
Debt service - principal on long-term debt	54,583
Debt service - principal on capital lease	70,438

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 (increase) in accrued compensated absences	3,936
---	-------

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>(105,533)</u>
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Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(43,916)</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, 2017

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over <u>(Under)</u>
REVENUES:			
Education spending grant	\$ 6,151,385	\$ 6,151,385	\$ -
Intergovernmental - State	918,445	883,304	(35,141)
Charges for services	6,033	5,483	(550)
Investment earnings	12,000	30,339	18,339
Other income	<u>4,000</u>	<u>15,224</u>	<u>11,224</u>
Total revenues	<u>7,091,863</u>	<u>7,085,735</u>	<u>(6,128)</u>
EXPENDITURES:			
Regular education	3,128,799	3,216,913	88,114
Special education	1,151,806	992,096	(159,710)
Co-curricular	118,775	113,673	(5,102)
Support services -			
Students	289,867	283,366	(6,501)
Instructional staff	402,719	381,358	(21,361)
Central administration	358,964	364,406	5,442
School administration	382,022	380,582	(1,440)
Other support services	1,031,302	1,062,721	31,419
Debt service - Principal	155,020	54,583	(100,437)
- Interest	47,589	46,645	(944)
Capital lease - Principal	-	70,438	70,438
- Interest	<u>-</u>	<u>5,751</u>	<u>5,751</u>
Total expenditures	<u>7,066,863</u>	<u>6,972,532</u>	<u>(94,331)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	<u>25,000</u>	<u>113,203</u>	<u>88,203</u>
OTHER FINANCING SOURCES (USES):			
Capital lease proceeds	-	30,209	30,209
Interfund transfers in (out)	<u>(25,000)</u>	<u>(65,732)</u>	<u>40,732</u>
Total other financing sources (uses):	<u>(25,000)</u>	<u>(35,523)</u>	<u>10,523</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>77,680</u>	\$ <u>77,680</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, 2017

	<u>Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash	\$ -	\$ 36,065
Due from other funds	<u>19,551</u>	<u>-</u>
Total assets	<u>19,551</u>	<u>36,065</u>
 LIABILITIES:		
Due to student organizations	<u>-</u>	<u>36,065</u>
 NET POSITION:		
Held in trust for specific purposes	\$ <u>19,551</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, 2017

	<u>Trust Fund</u>
ADDITIONS:	
Donations	\$ 2,300
 DEDUCTIONS:	
Scholarships	<u>1,700</u>
CHANGE IN NET POSITION	600
NET POSITION, July 1, 2016	<u>18,951</u>
NET POSITION, June 30, 2017	\$ <u>19,551</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, 2017

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, 2017

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 sinking fund.

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 at an annual District Meeting of the Towns of Plainfield and Marshfield. The accounting method used for budget presentation varies from U.S. GAAP as described in note 10. 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, 2017

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 using quoted prices in active markets for identical assets. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. The District does not own investments valued with level 2 or level 3 inputs, which would use quoted prices for similar assets, or in inactive markets, or other methods for estimating 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 value at the date of acquisition. 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 and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.
- 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, 2017

1. Summary of significant accounting policies (continued):

L. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the applicable statement of net position. Governmental funds 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 (VSTRS). The District recognizes this net pension expense 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 10 for reconciling details.

2. Deposits and investments:

Fair value and classification - Deposits and investments are stated at fair value as described in note 1.H. The classification of investments as of June 30, 2017 are as follows:

Cash - money market account	\$ 10,012
U.S. Government Bonds	<u>216,426</u>
	\$ <u>226,438</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Deposits and investments (continued):

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 the 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, 2017, the District's depository accounts were fully insured or collateralized.

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, 2017 are as follow:

	Fair <u>Value</u>	<u>Investment Maturity</u>		
		<u>Less than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>
U.S. Government Bonds	\$ <u>216,426</u>	\$ <u>-</u>	\$ <u>56,420</u>	\$ <u>160,006</u>

3. Capital assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>
Capital assets, depreciated:				
Buildings	\$ 3,273,127	\$ -	\$ -	\$ 3,273,127
Building improvements	1,883,439	20,829	-	1,904,268
Vehicles and equipment	<u>1,835,294</u>	<u>48,190</u>	-	<u>1,883,484</u>
Total capital assets, depreciated	<u>6,991,860</u>	<u>69,019</u>	<u>-</u>	<u>7,060,879</u>
Less accumulated depreciation:				
Buildings	1,647,699	65,463	-	1,713,162
Building improvements	954,331	51,791	-	1,006,122
Vehicles and equipment	<u>1,419,229</u>	<u>102,745</u>	-	<u>1,521,974</u>
Total accumulated depreciation	<u>4,021,259</u>	<u>219,999</u>	<u>-</u>	<u>4,241,258</u>
Capital assets, net	\$ <u>2,970,601</u>	\$ <u>(150,980)</u>	\$ <u>-</u>	\$ <u>2,819,621</u>

Depreciation expense of \$219,999 in the governmental activities was fully allocated to the education function.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ 139,537	\$ -
Grants Fund	20,200	115,890
Other Governmental Funds	<u>50,500</u>	<u>113,898</u>
	210,237	229,788
Fiduciary funds -		
Trust Fund	<u>19,551</u>	<u>-</u>
	\$ <u>229,788</u>	\$ <u>229,788</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, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds -		
General Fund	\$ -	\$ 65,732
Grants Fund	3,732	-
Debt Service Fund	37,000	-
Other Governmental Funds	<u>25,000</u>	<u>-</u>
	\$ <u>65,732</u>	\$ <u>65,732</u>

The transfer from the General Fund to the Debt Service Fund in the amount of \$37,000 was to fund the current year contribution to the sinking fund in relation to the District's general obligation bond. Transfers totaling \$28,732 from the General Fund to the Other Governmental Funds were approved by the Board in the FY2017 budget.

6. Related parties:

The District is billed for its appropriate share of expenditures relating to administrative services provided by the WNESU. The District paid assessments of \$1,494,405 to the WNESU for the year ended June 30, 2017.

The District has \$329,306 in accounts receivable from and \$22,666 in accounts payable to the WNESU at June 30, 2017.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

7. Debt:

Short-term - During the year, the District borrowed and repaid \$1,376,698 on a line of credit in the form of a 2.75% revenue anticipation note which matured in June 2017. Interest expense related to this note was \$37,755.

Subsequent to year end, the District obtained a line of credit in the form of a 2.80% revenue anticipation note in the amount of \$1,151,377, which matures June 30, 2018. 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, 2017 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. Matures October 2033.	<u>41,619</u>
	<u>\$ 641,619</u>

Long-term debt activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:				
Construction bond	\$ 600,000	\$ -	\$ 600,000	\$ -
Notes payable:				
RF3-238-4	43,476	1,857	41,619	1,913
Deficit reduction	<u>52,726</u>	<u>52,726</u>	<u>-</u>	<u>-</u>
	<u>\$ 696,202</u>	<u>\$ 54,583</u>	<u>\$ 641,619</u>	<u>\$ 1,913</u>

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

7. Debt (continued):

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
Fiscal year -		
2018	\$ 1,913	\$ 7,248
2019	1,970	7,191
2020	2,029	7,132
2021	2,090	7,071
2022	2,153	7,009
2023-2027	611,771	28,033
2028-2032	13,645	2,161
2033	<u>6,048</u>	<u>276</u>
	\$ <u>641,619</u>	\$ <u>66,121</u>

The District is required to make annual payments of \$37,000 to the sinking fund at Community Bank N.A. (formerly Merchants Bank) d/b/a Community Bank Trust Services. The District reports the annual deposits as transfers to a debt service fund and, at June 30, 2017, has a net unfunded balance of \$378,000.

8. Capital lease:

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, 2017 are as follows:

Year ending June 30,	
2018	\$ 76,189
2019	26,428
2020	<u>26,429</u>
Total minimum lease payments	129,046
Less: amount representing interest	<u>(7,770)</u>
Present value of minimum lease payments	\$ <u>121,276</u>

9. Deficit fund balance:

As of June 30, 2017, the Food Service Fund, included in Other Governmental Funds, has a deficit fund balance of \$98,262. Management intends to recover this deficit through transfers from the General Fund.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

10. 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	\$ 7,470,930	\$ 7,357,727
On-behalf payments - VSTRS net pension expense	<u>(385,195)</u>	<u>(385,195)</u>
Budget basis	\$ <u>7,085,735</u>	\$ <u>6,972,532</u>

11. 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 employers. 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, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

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.

Contributions: Member teachers are required to contribute 5.5% (Group A); or 5.0% (Group C if member has five or more years of service at July 1, 2014); otherwise 6.0% (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 \$134,951, \$132,358 and \$127,257 to the System in 2017, 2016 and 2015, respectively.

Pension liabilities and pension expense: The District does not contribute directly to the plan; therefore no net pension liability needs to be recorded by the District. However, the District is required to report the District's portion of the following items as calculated by the System:

District's share of	
VSTRS net pension liability	\$ 5,091,082
VSTRS net pension expense	\$ 385,195

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

11. Pension plans (continued):

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, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

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 included 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), 4.875% (Group B), 10.0% (Group C) or 11.35% (Group D) of their annual covered salary, and the District is required to contribute 4.0% (Group A), 5.5% (Group B), 7.25% (Group C) or 9.85% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5.0% 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, 2017, 2016, and 2015, were \$23,641, \$40,289, and \$41,047, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements 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. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the District's 0.2651% proportionate share of the VMERS Defined Benefit Plan.

District's share of VMERS net pension liability	\$ 341,160
Deferred outflows of resources - Deferred pension expense	\$ 157,908
Deferred inflows of resources - Deferred pension credits	\$ 9,511

Additional 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.

TWINFIELD UNION SCHOOL DISTRICT NO. 33
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

11. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

The District adopted GASB Statement No 68 in FY 2015 and is developing the ten years of required supplementary information in schedules 1 and 2. This historical pension information includes the District's Proportionate Share of Net Pension Liability of VMERS and District's Contributions to VMERS.

TWINFIELD UNION SCHOOL DISTRICT NO. 33

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY**

Schedule 1

**VMERS
JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.2651%	0.2936%	0.2851%
District's proportionate share of the net pension liability	\$ 341,160	\$ 226,387	\$ 26,024
District's covered payroll	\$ 429,845	\$ 732,536	\$ 763,665
District's proportionate share of the net pension liability as a percentage of its covered payroll	79.368%	30.905%	3.408%
VMERS net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
VMERS**

Schedule 2

JUNE 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 23,641	\$ 40,289	\$ 41,047
Contributions in relation to the contractually required contribution	<u>23,641</u>	<u>40,289</u>	<u>41,047</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 429,845	\$ 732,536	\$ 763,665
Contributions as a percentage of covered payroll	5.500%	5.500%	5.375%

**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 Superintendent and 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Montpelier, Vermont
February 14, 2018

Mudgett Jenett
Theresa Wilson, P.C.