

**MONT VERNON, NEW HAMPSHIRE
SCHOOL DISTRICT**

Financial Statements

June 30, 2012

and

Independent Auditor's Report

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Mont Vernon, New Hampshire School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mont Vernon, New Hampshire School District, as of and for the year ended June 30, 2012, which collectively comprise the Mont Vernon, New Hampshire School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mont Vernon, New Hampshire School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mont Vernon, New Hampshire School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for other post-employment benefits on pages i-vi and 19-21, respectively, 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.

Vachon Clukay & Company PC

December 6, 2012

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

Presented herewith please find the Management Discussion & Analysis Report for the Mont Vernon, New Hampshire School District (the District) for the fiscal year ending June 30, 2012. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the District's financial position, including the results of operations of all the funds of the District. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the District's financial activities have been included.

The District is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The basic financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to most private-sector companies.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All the funds of the District are included in two categories, governmental and fiduciary funds.

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Assets and Statement of Activities.

The District maintains numerous individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Federal Projects Fund, which are considered major funds. Data for the other governmental funds such as the Food Service Fund are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget. Budgetary information has not been included in these financial statements for the Federal Projects Fund as it is neither practical nor meaningful, as the awarded grants figures are not available at the time of the budget process.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of the general School District's operating budget. 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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

Financial Highlights

As of the close of the fiscal year, total assets exceeded liabilities by \$1,083,944 (i.e., net assets), a decrease of \$369,768 from the previous year.

Governmental funds reported combined ending fund balances of \$152,804, a decrease of \$171,618 from the previous year.

The General Fund shows an ending fund balance of \$123,561, a decrease of \$181,536 from the previous year.

The Nonmajor Governmental Fund shows an ending fund balance of \$29,243, an increase of \$9,918 from the previous year.

Comparative Analysis

The financial statements of the District have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34. Comparative financial analysis is provided in this statement to fiscal year ending June 30, 2011.

Government-Wide Financial Analysis

Statement of Net Assets for the fiscal years ending June 30, 2012 and 2011:

| | <u>FY 2012</u> | <u>FY 2011</u> |
|----------------------------------|-----------------------|-----------------------|
| Capital and other assets: | | |
| Capital assets, net | \$ 1,015,026 | \$ 1,192,822 |
| Other assets | 377,636 | 461,309 |
| Total Assets | <u>\$ 1,392,662</u> | <u>\$ 1,654,131</u> |
| Long-term and other liabilities: | | |
| Compensated absences | \$ 504 | \$ - |
| Other post-employment benefits | 83,382 | 63,532 |
| Other liabilities | 224,832 | 136,887 |
| Total Liabilities | <u>\$ 308,718</u> | <u>\$ 200,419</u> |
| Net Assets: | | |
| Invested in capital assets | \$ 1,015,026 | \$ 1,192,822 |
| Unrestricted | 68,918 | 260,890 |
| Total Net Assets | <u>\$ 1,083,944</u> | <u>\$ 1,453,712</u> |

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

Statement of Activities for the fiscal years ending June 30, 2012 and 2011:

| | <u>FY 2012</u> | <u>FY 2011</u> |
|------------------------------------|---------------------|---------------------|
| Program revenues: | | |
| Charges for services | \$ 49,887 | \$ 51,249 |
| Operating grants and contributions | 364,935 | 355,219 |
| Total Program revenues | <u>414,822</u> | <u>406,468</u> |
| General revenues: | | |
| Property taxes | 3,131,519 | 3,012,819 |
| State adequacy grant | 968,283 | 957,902 |
| Interest income | 812 | 1,677 |
| Miscellaneous | 1,913 | 1,280 |
| Total General revenues | <u>4,102,527</u> | <u>3,973,678</u> |
| Total Revenues | <u>4,517,349</u> | <u>4,380,146</u> |
| Expenses: | | |
| Instruction | 3,423,713 | 3,116,314 |
| Supporting service | 124,121 | 139,164 |
| Instructional staff services | 178,170 | 170,831 |
| General administration | 454,463 | 462,850 |
| Operation and maintenance of plant | 450,118 | 419,533 |
| Pupil transportation | 192,979 | 178,383 |
| Food service | 62,484 | 52,807 |
| Other miscellaneous | 1,069 | 2,060 |
| Debt service | - | 535 |
| Total Expenses | <u>4,887,117</u> | <u>4,542,477</u> |
| Change in net assets | (369,768) | (162,331) |
| Net assets, beginning of year | <u>1,453,712</u> | <u>1,616,043</u> |
| Net assets, end of year | <u>\$ 1,083,944</u> | <u>\$ 1,453,712</u> |

Financial Analysis

Government-Wide

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$1,083,944, a decrease of \$369,768 from the previous year. See page 4 of the Basic Financial Statements for a detailed reconciliation.

The largest portion of net assets \$1,015,026 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

The unrestricted net assets balance of \$68,918 is what is available to meet the government's ongoing obligations to its citizens and creditors.

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances for all fund types of \$152,804, a decrease of \$171,618 when compared to last year, including a \$181,536 decrease in the total General Fund balance. The General Fund is the chief operating fund of the District.

In the prior fiscal year, the District implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement caused the components of the Fund Balance to be presented differently when compared to prior years. A major example of this is that the Expendable Trust balances are now reported as part of the General Fund.

Fund Balances for the District may fall into one of the five following classifications – Non-spendable, Restricted, Committed, Assigned and Unassigned.

Assigned Fund Balances account for the largest percentage of the total Fund Balance and includes \$62,902 designated to offset the subsequent fiscal year tax rate and \$29,243 for Food Service Operations. The Committed Fund Balance includes an Expendable Trust balance of \$58,931. The Nonspendable Fund Balances include \$1,728 in prepaid expenses. Please see Note 12, Fund Balance Components, on page 18 for additional information.

General Fund Budgetary Highlights

Budgetary information for the major governmental funds (the General Fund) is included in the Required Supplementary Information section. The budgetary information is not presented for the Federal Projects Fund as it is neither practical nor meaningful.

Actual revenues on the budgetary basis exceeded the budgeted amount by \$41,256. A significant portion of this difference is due to additional funds received for special education Catastrophic Aid and Medicaid Reimbursement. Actual expenses on the budgetary basis were \$38,374 lower than expected. Savings were realized in Instruction, Supporting services, Instructional Staff Services, and General Administration. See Schedule on page 19 for additional information.

Capital Assets

The District considers a capital asset to be an asset whose cost equals or exceeds \$5,000 and has a useful life of greater than two years. Assets are depreciated using the straight-line method over the course of their useful life. See Note 6 in the notes to the basic financial statements for additional information on the capital assets activity.

**MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012**

Long-Term Obligations

During fiscal year 2012 the District showed an increase in total long-term obligations for compensated absences of \$504. Other post-employment benefits had a net increase in potential future payments of \$19,850. See Note 9 and Note 10 in the notes to the basic financial statements for additional information on long-term obligations.

Contacting District's Financial Management

This financial report serves to provide our citizens and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact SAU #39 Business Office at PO Box 849- 1 School Street, Amherst, NH 03031-0849.

EXHIBIT A
MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

| | Governmental Activities |
|----------------------------------|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 288,330 |
| Investments | 832 |
| Accounts receivable | 560 |
| Due from other governments | 86,186 |
| Prepaid expenses | 1,728 |
| Total current assets | <u>377,636</u> |
| Noncurrent assets: | |
| Depreciable capital assets, net | <u>1,015,026</u> |
| Total noncurrent assets | <u>1,015,026</u> |
| Total assets | <u><u>\$ 1,392,662</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 125,263 |
| Accrued expenses | 1,942 |
| Deferred revenue | 2,367 |
| Due to other governments | 95,260 |
| Total current liabilities | <u>224,832</u> |
| Noncurrent liabilities: | |
| Compensated absences | 504 |
| Other post-employment benefits | <u>83,382</u> |
| Total noncurrent liabilities | <u>83,886</u> |
| Total liabilities | <u>308,718</u> |
| NET ASSETS | |
| Invested in capital assets | 1,015,026 |
| Unrestricted | <u>68,918</u> |
| Total net assets | <u>1,083,944</u> |
| Total liabilities and net assets | <u><u>\$ 1,392,662</u></u> |

See accompanying notes to the basic financial statements

EXHIBIT B
MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2012

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|------------------------------------|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental Activities: | | | | |
| Instruction | \$ 3,423,713 | | \$ 304,054 | \$ (3,119,659) |
| Supporting services | 124,121 | | | (124,121) |
| Instructional staff services | 178,170 | | 34,767 | (143,403) |
| General administration | 454,463 | \$ 264 | | (454,199) |
| Operation and maintenance of plant | 450,118 | | | (450,118) |
| Pupil transportation | 192,979 | | 4,350 | (188,629) |
| Food service | 62,484 | 49,623 | 21,764 | 8,903 |
| Other miscellaneous | 1,069 | | | (1,069) |
| Total governmental activities | <u>\$ 4,887,117</u> | <u>\$ 49,887</u> | <u>\$ 364,935</u> | <u>(4,472,295)</u> |
| General revenues: | | | | |
| Property taxes | | | | 3,131,519 |
| State adequacy education grant | | | | 968,283 |
| Interest and investment earnings | | | | 812 |
| Miscellaneous | | | | 1,913 |
| Total general revenues | | | | <u>4,102,527</u> |
| Change in net assets | | | | (369,768) |
| Net assets - beginning | | | | <u>1,453,712</u> |
| Net assets - ending | | | | <u>\$ 1,083,944</u> |

See accompanying notes to the basic financial statements

EXHIBIT C
MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

| | General Fund | Federal Projects Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|-------------------------------------|-------------------|-----------------------------|----------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 288,330 | | | \$ 288,330 |
| Investments | 832 | | | 832 |
| Accounts receivable | 195 | | \$ 365 | 560 |
| Due from other governments | 44,291 | \$ 41,237 | 658 | 86,186 |
| Due from other funds | 7,281 | | 30,635 | 37,916 |
| Prepaid expenses | 1,728 | | | 1,728 |
| Total assets | <u>\$ 342,657</u> | <u>\$ 41,237</u> | <u>\$ 31,658</u> | <u>\$ 415,552</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 121,952 | \$ 3,311 | | \$ 125,263 |
| Accrued expenses | 1,942 | | | 1,942 |
| Deferred revenue | | 10 | \$ 2,357 | 2,367 |
| Due to other governments | 95,202 | | 58 | 95,260 |
| Due to other funds | | 37,916 | | 37,916 |
| Total liabilities | <u>219,096</u> | <u>41,237</u> | <u>2,415</u> | <u>262,748</u> |
| Fund balances: | | | | |
| Nonspendable | 1,728 | | | 1,728 |
| Committed | 58,931 | | | 58,931 |
| Assigned | 62,902 | | 29,243 | 92,145 |
| Total fund balances | <u>123,561</u> | <u>-</u> | <u>29,243</u> | <u>152,804</u> |
| Total liabilities and fund balances | <u>\$ 342,657</u> | <u>\$ 41,237</u> | <u>\$ 31,658</u> | |

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 1,015,026

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Compensated absences (504)

Other post-employment benefits (83,382)

Net assets of governmental activities \$ 1,083,944

See accompanying notes to the basic financial statements

EXHIBIT D

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

| | General Fund | Federal Projects Fund | Nonmajor Governmental Fund | Total Governmental Funds |
|------------------------------------|-------------------|-----------------------------|----------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 3,131,519 | | | \$ 3,131,519 |
| Intergovernmental | 1,183,731 | \$ 127,723 | \$ 21,764 | 1,333,218 |
| Charges for services | 264 | | 49,623 | 49,887 |
| Interest income | 812 | | | 812 |
| Miscellaneous | 413 | 1,500 | | 1,913 |
| Total Revenues | <u>4,316,739</u> | <u>129,223</u> | <u>71,387</u> | <u>4,517,349</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| Instruction | 3,319,838 | 94,456 | | 3,414,294 |
| Supporting services | 124,121 | | | 124,121 |
| Instructional staff services | 143,403 | 34,767 | | 178,170 |
| General administration | 433,246 | | | 433,246 |
| Operation and maintenance of plant | 283,619 | | | 283,619 |
| Pupil transportation | 192,979 | | | 192,979 |
| Food service | | | 61,469 | 61,469 |
| Other miscellaneous | 1,069 | | | 1,069 |
| Total Expenditures | <u>4,498,275</u> | <u>129,223</u> | <u>61,469</u> | <u>4,688,967</u> |
| Net change in fund balances | (181,536) | - | 9,918 | (171,618) |
| Fund balances at beginning of year | <u>305,097</u> | <u>-</u> | <u>19,325</u> | <u>324,422</u> |
| Fund balances at end of year | <u>\$ 123,561</u> | <u>\$ -</u> | <u>\$ 29,243</u> | <u>\$ 152,804</u> |

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

For the Year Ended June 30, 2012

| | |
|---|---------------------|
| Change in Fund Balances - Total Governmental Funds | \$ (171,618) |
| Amounts reported for governmental activities in the 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. This is the amount by which depreciation expense exceeded capital outlays in the current period. | (177,796) |
| Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (20,354) |
| Change in Net Assets of Governmental Activities | <u>\$ (369,768)</u> |

See accompanying notes to the basic financial statements

EXHIBIT E
MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | | Student Activities <u>Agency Fund</u> |
|---------------------------|-------------|---|
| | ASSETS | |
| Cash and cash equivalents | | \$ 8,374 |
| Total assets | | <u>\$ 8,374</u> |
| | LIABILITIES | |
| Due to student groups | | \$ 8,374 |
| Total liabilities | | <u>\$ 8,374</u> |

See accompanying notes to the basic financial statements

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mont Vernon, New Hampshire School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Mont Vernon, New Hampshire School District (the District) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Town of Mont Vernon, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the Town and is governed by an elected School Board. Administrative Services are provided to the District by School Administrative Unit #39. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

The *Federal Projects Fund* is used to account for the financial transactions related to various state and federal education grants and the related expenditures.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains one fiduciary fund, an agency fund known as the Student Activities Agency Fund. The fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Assets.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses)

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 2). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants and student fees.

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The District's budget represents functional appropriations as authorized by District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2012, the District applied \$244,827 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Years</u> |
|---------------------------------------|--------------|
| Buildings and improvements | 10-20 |
| Machinery, equipment, and furnishings | 5-20 |

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

Compensated Absences

District employees may earn vacation at five to twenty days per year dependent upon length of service and position. Vacation must be taken within sixty days of year end or is forfeited. No provision has been made in these financial statements for unused vacation at year end as it is not material to these financial statements. District employees may also accumulate sick leave days at varying rates dependent upon length of service and position. A provision for annual sick leave is made in the annual operating budget.

The compensated absences liability reported on the government-wide financial statements reflects the vacation pay earned and available for an individual employee on a separate benefit plan.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions of law, enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Policy

The District has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of the governmental fund types. Under Statement 54, the District has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Non-spendable Fund Balance:* Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance:* Amounts that can only be spent for specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

- *Committed Fund Balance:* Amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision making authority (the Annual District Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance:* Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance:* Amounts that are available for any purpose; these amounts are reported only in the General Fund, with the exception of any deficit balance of another governmental fund.

The School Board will return to the Town, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate.

The District's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the liability for other post-employment benefits.

NOTE 2—PROPERTY TAXES

Property taxes levied to support the Mont Vernon, New Hampshire School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Town of Mont Vernon, New Hampshire (an independent governmental unit) collects School District taxes as part of local property tax assessments. As collection agent, the Town is required to pay over to the District its share of property tax assessments through periodic payments based on cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2012, School District taxes were \$2,755,970 and State of New Hampshire Education taxes were \$375,549.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an "accounts receivable" since the revenue is both measurable and available.

NOTE 3—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2012, the District was a member of the Local Government Center (LGC). The District currently reports all of its risk management activities in its General Fund. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2012.

Property and Liability Insurance

The LGC provides certain property and liability insurance coverage to member school districts and school administrative units within New Hampshire. As a member of LGC, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended June 30, 2012, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The LGC provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 4—DEPOSITS AND INVESTMENTS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

| | |
|------------------------------------|-------------------|
| Statement of Net Assets: | |
| Cash and cash equivalents | \$ 288,330 |
| Investments | 832 |
| Statement of Fiduciary Net Assets: | |
| Cash and cash equivalents | 8,374 |
| | <u>\$ 297,536</u> |

Deposits and investments at June 30, 2012 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 296,704 |
| Investments | 832 |
| | <u>\$ 297,536</u> |

The School District's investment policy for governmental funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The District limits its investments to certificates of deposit and deposits with the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool, in accordance with New Hampshire State Law. Deposits for the Student Activities Agency Fund are at the discretion of the School Principal and Superintendent of Schools.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy for assurance against credit risk seeks to ensure the preservation of capital by limiting the types of investments and institutions to those stipulated by statute or fully covered by FDIC insurance or collateral. As of June 30, 2012 the District's investment in the NHPDIP, a state investment pool, is unrated.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's investment policy for assurance against custodial credit risk requires that all deposits and investments be covered by federal depository insurance, with any balance in excess of FDIC insurance limits collateralized.

Of the District's deposits with financial institutions at year end, \$43,185 was collateralized by securities held by the bank in the bank's name.

Investment in NHPDIP

The District is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The District's exposure to derivatives is indirect through its participation in the NHPDIP. The District's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 5—DUE FROM OTHER GOVERNMENTS

Receivables from other governments at June 30, 2012 consist of various federal and state funding, funds held by the Town of Mont Vernon Trustees of Trust Funds and the Town of Mont Vernon. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

| | |
|--|------------------|
| State of New Hampshire - Federal Projects grants | \$ 41,237 |
| State of New Hampshire - School Lunch Program | 658 |
| Town of Mont Vernon Trustees of Trust Funds | 43,931 |
| Town of Mont Vernon | 360 |
| | <u>\$ 86,186</u> |

NOTE 6—CAPITAL ASSETS

The following is a summary of changes in capital assets:

| | Balance July 1, 2011 | Additions | Reductions | Balance June 30, 2012 |
|---|-------------------------|---------------------|-------------|--------------------------|
| Capital assets: | | | | |
| Buildings and improvements | \$ 3,255,818 | | | \$ 3,255,818 |
| Machinery, equipment, and furnishings | 201,790 | | | 201,790 |
| Total capital assets at historical cost | <u>3,457,608</u> | <u>\$ -</u> | <u>\$ -</u> | <u>3,457,608</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,131,611) | (163,271) | | (2,294,882) |
| Machinery, equipment, and furnishings | (133,175) | (14,525) | | (147,700) |
| Total accumulated depreciation | <u>(2,264,786)</u> | <u>(177,796)</u> | <u>-</u> | <u>(2,442,582)</u> |
| Total capital assets, net | <u>\$ 1,192,822</u> | <u>\$ (177,796)</u> | <u>\$ -</u> | <u>\$ 1,015,026</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|-------------------|
| Instruction | \$ 9,419 |
| General administration | 863 |
| Operation and maintenance of plant | 166,499 |
| Food service | 1,015 |
| | <u>\$ 177,796</u> |

NOTE 7—DUE TO OTHER GOVERNMENTS

Payables to other governments at June 30, 2012 consist of charges and reimbursements due to Amherst School District and School Administrative Unit #39 in the amounts of \$95,122 and \$138, respectively.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

NOTE 8—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the year ended June 30, 2012 were 13.95% and 11.09% of covered payroll to teachers and general employees, respectively through July 31, 2011 and 11.30% and 8.80%, respectively, thereafter. The District contributes 100% of the employer cost for teachers and general employees of the District.

Under state law plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the years ending June 30, 2012, 2011, and 2010 were \$146,259, \$104,904, and \$95,011, respectively, equal to the required contributions for each year.

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides post-employment health care and life insurance benefits to its eligible retirees and their spouses. The District provides medical, prescription drug, mental health and substance abuse benefits, as well as life insurance, to retirees and their covered dependents. All active employees who retire from the District and meet eligibility requirements will receive these benefits. Retirees pay the full cost of the medical premium. Surviving beneficiaries continue to receive access to the District's medical coverage after the death of the retired employee, provided they pay the required premiums. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2011, the most recent actuarial valuation date, approximately 5 retirees and 40 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The District's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The District's annual OPEB cost for the year ending June 30, 2012 including the amount actually

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2011 is as follows:

| | |
|---|-------------------------|
| Annual Required Contribution (ARC) | \$ 21,304 |
| Interest on net OPEB obligation | 2,541 |
| Adjustment to ARC | <u>(2,977)</u> |
| Annual OPEB cost | 20,868 |
| Contributions made | <u>(1,018)</u> |
| Increase in net OPEB obligation | 19,850 |
| Net OPEB obligation - beginning of year | <u>63,532</u> |
| Net OPEB obligation - end of year | <u><u>\$ 83,382</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2012, 2011 and 2010 are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation | Covered Payroll | OPEB Cost % of Pay |
|-------------------------|---------------------|---|------------------------|--------------------|-----------------------|
| 6/30/2012 | \$ 20,868 | 4.9% | \$ 83,382 | \$ 1,467,364 | 5.7% |
| 6/30/2011 | \$ 26,450 | 27.4% | \$ 63,532 | \$ 1,569,159 | 1.7% |
| 6/30/2010 | \$ 25,058 | 14.6% | \$ 44,338 | \$ 1,530,887 | 1.6% |

The District's net OPEB obligation as of June 30, 2012 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation is as follows:

| | |
|---|-------------------------|
| Actuarial Accrued Liability (AAL) | \$ 75,911 |
| Actuarial value of plan assets | <u>-</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | <u><u>\$ 75,911</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |
| Covered payroll (active plan members) | \$ 1,467,364 |
| UAAL as a percentage of covered payroll | 5.2% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information will provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, when available.

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2011 actuarial valuation the Entry Age Normal Method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual medical cost trend of 8.5% which decreases to a 5.0% long-term rate for all medical benefits after seven years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

NOTE 10—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the District's long-term obligations for the year ended June 30, 2012 are as follows:

| Type | Balance July 1, 2011 | Additions | Reductions | Balance June 30, 2012 | Amounts Due Within One Year |
|----------------------|-------------------------|-----------|------------|--------------------------|-----------------------------------|
| Compensated absences | \$ - | \$ 504 | \$ - | \$ 504 | \$ - |

Compensated absences will be paid from the fund where the employee's salary is paid.

NOTE 11—INTERFUND BALANCES

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2012 are as follows:

| | | Due from Federal Projects Fund |
|--------|----------------------------|---|
| Due to | General Fund | \$ 7,281 |
| | Nonmajor Governmental Fund | 30,635 |
| | | <u>\$ 37,916</u> |

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012

NOTE 12—FUND BALANCE COMPONENTS

The components of the District's fund balance for its governmental funds at June 30, 2012 are as follows:

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Nonmajor Governmental Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| Nonspendable: | | | |
| Prepaid expenses | \$ 1,728 | | \$ 1,728 |
| Committed for: | | | |
| Expendable trusts | 58,931 | | 58,931 |
| Assigned for: | | | |
| Food service operations | | \$ 29,243 | 29,243 |
| Designated to offset subsequent fiscal year tax rate | 62,902 | | 62,902 |
| | <u>\$ 123,561</u> | <u>\$ 29,243</u> | <u>\$ 152,804</u> |

NOTE 13—COMMITMENTS

Transportation Contracts

The District entered into long-term contracts with independent bus companies during April 2009 and May 2009 to provide pupil transportation services and special education transportation services, respectively, through June 30, 2014. For the year ended June 30, 2012, the District expended \$103,805 for pupil transportation and \$98,652 for special education transportation, under the terms of the agreements.

NOTE 14—CONTINGENT LIABILITIES

Federal Grants

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation

There are various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of legal counsel and District management, the potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

SCHEDULE 1

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget - Favorable (Unfavorable) |
|------------------------------------|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| Revenues: | | | | |
| Taxes | \$ 3,131,519 | \$ 3,131,519 | \$ 3,131,519 | \$ - |
| Intergovernmental | 1,142,260 | 1,142,260 | 1,183,731 | 41,471 |
| Charges for services | - | - | 264 | 264 |
| Interest income | 1,600 | 1,600 | 779 | (821) |
| Miscellaneous | 71 | 71 | 413 | 342 |
| Total Revenues | <u>4,275,450</u> | <u>4,275,450</u> | <u>4,316,706</u> | <u>41,256</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| Instruction | 3,360,095 | 3,323,695 | 3,316,122 | 7,573 |
| Supporting services | 142,348 | 128,731 | 123,539 | 5,192 |
| Instructional staff services | 158,450 | 163,300 | 141,644 | 21,656 |
| General administration | 431,750 | 433,915 | 430,094 | 3,821 |
| Operation and maintenance of plant | 244,541 | 278,343 | 278,275 | 68 |
| Pupil transportation | 183,093 | 192,293 | 192,229 | 64 |
| Total Expenditures | <u>4,520,277</u> | <u>4,520,277</u> | <u>4,481,903</u> | <u>38,374</u> |
| Net change in fund balance | (244,827) | (244,827) | (165,197) | 79,630 |
| Fund balance at beginning of year | | | | |
| - Budgetary Basis | <u>244,827</u> | <u>244,827</u> | <u>244,827</u> | <u>-</u> |
| Fund balance at end of year | | | | |
| - Budgetary Basis | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79,630</u> | <u>\$ 79,630</u> |

See accompanying notes to the required supplementary information

SCHEDULE 2
MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended June 30, 2012

| Actuarial Valuation <u>Date</u> | Actuarial Value of <u>Assets</u> | Actuarial Accrued Liability (AAL) <u>Liability (AAL)</u> | Unfunded AAL (UAAL) <u>(UAAL)</u> | Funded <u>Ratio</u> | Covered <u>Payroll</u> | UAAL as a Percentage of Covered <u>Payroll</u> |
|---------------------------------------|--|---|--|------------------------|---------------------------|---|
| 7/1/2008 | \$ - | \$ 93,811 | \$ 93,811 | 0.0% | \$ 1,493,548 | 6.3% |
| 7/1/2011 | \$ - | \$ 75,991 | \$ 75,991 | 0.0% | \$ 1,467,364 | 5.2% |

See accompanying notes to the required supplementary information

MONT VERNON, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and expenditures were adjusted for non-budgetary activity and encumbrances as follows:

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Per Exhibit D | \$ 4,316,739 | \$ 4,498,275 |
| Non-budgetary revenues and expenditures | (33) | (1,069) |
| Encumbrances - June 30, 2011 | | (15,303) |
| Per Schedule 1 | <u>\$ 4,316,706</u> | <u>\$ 4,481,903</u> |

Major Special Revenue Fund

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

NOTE 2—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the District is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The District implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has only been presented for the two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.