

MONT VERNON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Mont Vernon School District
Mont Vernon, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Mont Vernon School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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. 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, major fund, and the aggregate remaining fund information of the Mont Vernon School District, as of June 30, 2016, and the respective changes in financial position and, the respective 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, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the School District's Proportionate Share of Net Pension Liability, and the Schedule of School District Contributions 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

***Mont Vernon School District
Independent Auditor's Report***

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 Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mont Vernon School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

December 6, 2016

*Plodzik & Sanderson
Professional Association*

Mont Vernon School District
Management's Discussion and Analysis (MD&A)
Of the Annual Financial Report for the Year Ended June 30, 2016

INTRODUCTION

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #39, as management of the Mont Vernon School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of (\$688,053) on June 30, 2016, consisted of \$684,559 in capital assets net of debt, \$15,985 restricted for use in Food Service, and (\$1,388,597) unrestricted net position balance. This was an increase of \$271,760 from the previous fiscal year. See Note 11.
- Governmental funds reported combined ending fund balances of \$435,964, an increase of \$195,167 from the previous fiscal year. The General Fund shows an ending fund balance of \$419,979, an increase of \$193,120, and Nonmajor Governmental Funds show an ending balance of \$15,985, an increase of \$2,047 from the previous fiscal year. See Note 12.
- The District's non-current portion of long-term obligations of \$1,722,115 consisted of \$6,593 in compensated absences, \$146,052 in other postemployment benefits, and \$1,569,470 in pension liability. These liabilities are reflected as a reduction in net position. See Exhibit C-2 and Note 8.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

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 a private-sector business, and to provide both long-term and short-term information.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. This statement of net position includes debt, contractual obligations and compensable absences as elements of the liabilities of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. Growth in net position over time can generally be expected to reflect improving financial condition, while shrinkage would indicate declining financial condition. Other indicators of financial health might be changes in District revenues, facility condition, growth/decline in student population, and adequacy of District budgets.

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities." Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The School Board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental funds statements explaining the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others; the student activities funds and the private-purpose trust funds are fiduciary funds. The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and assets reported in these funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the district-wide financial statements because the District cannot use the assets to finance its operations.

Notes to the 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.

NET POSITION

Net Position for the period ending June 30, 2016. The current year's net position is higher than last year's. The District combined net position was (\$688,053) at June 30, 2016 compared to (\$959,813) at June 30, 2015.

Summary of Net Position			
Governmental Activities			
	June 30,	June 30,	Increase
	2016	2015	(Decrease)
Current Assets	612,173	709,566	(97,393)
Noncurrent Assets	684,559	728,800	(44,241)
Total Assets	1,296,732	1,438,366	(141,634)
Deferred outflows of Resources	185,279	132,913	52,366
Current Liabilities	176,209	469,044	(292,835)
Noncurrent Liabilities	1,722,115	1,751,671	(29,556)
Total Liabilities	1,898,324	2,220,715	(322,391)
Deferred Inflows of Resources	271,740	310,377	(38,637)
Net Investment in Capital Assets	684,559	728,800	(44,241)
Restricted	15,985	13,938	2,047
Unrestricted Net Position (Deficit)	(1,388,597)	(1,702,551)	313,954
Total Net Position	(688,053)	(959,813)	271,760

The District's negative net position is due to the following: As of June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

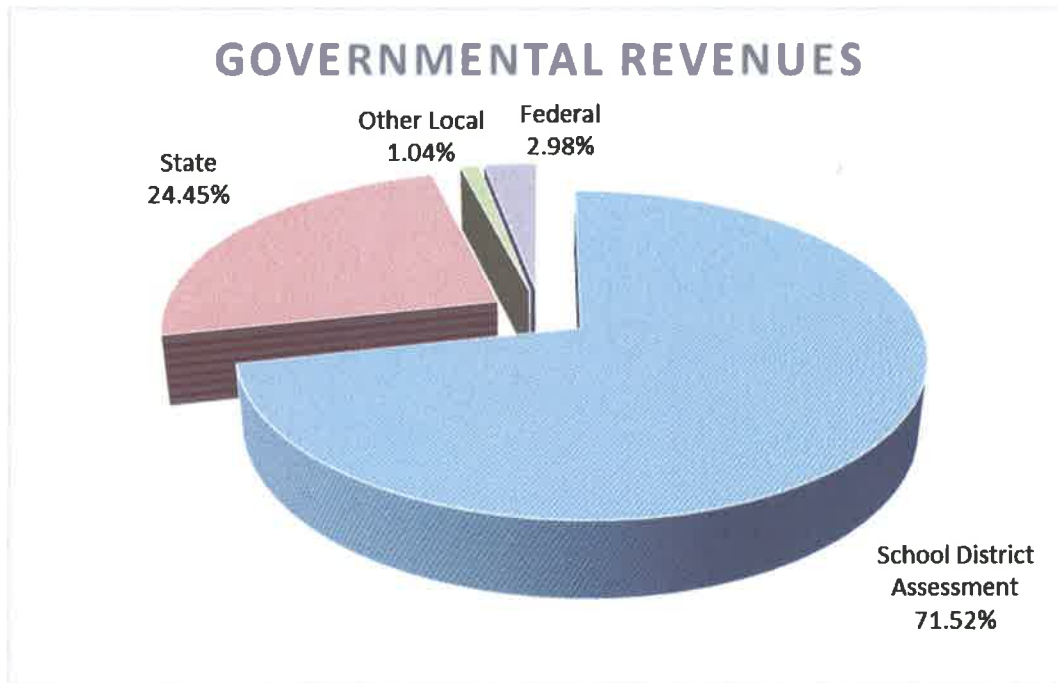
Changes in Net Position. The District's total revenue was \$4,577,265 and the total expenses \$4,305,505 resulting in an increase of net position of \$271,760. The largest part of the District's revenue came from the local tax assessment and the State of New Hampshire. The State of New Hampshire's sources include the locally raised property tax, federal aid received through the state, and various state aid programs. The majority of the District's expenses were for instruction.

Summary of Changes in Net Position
Governmental Activities

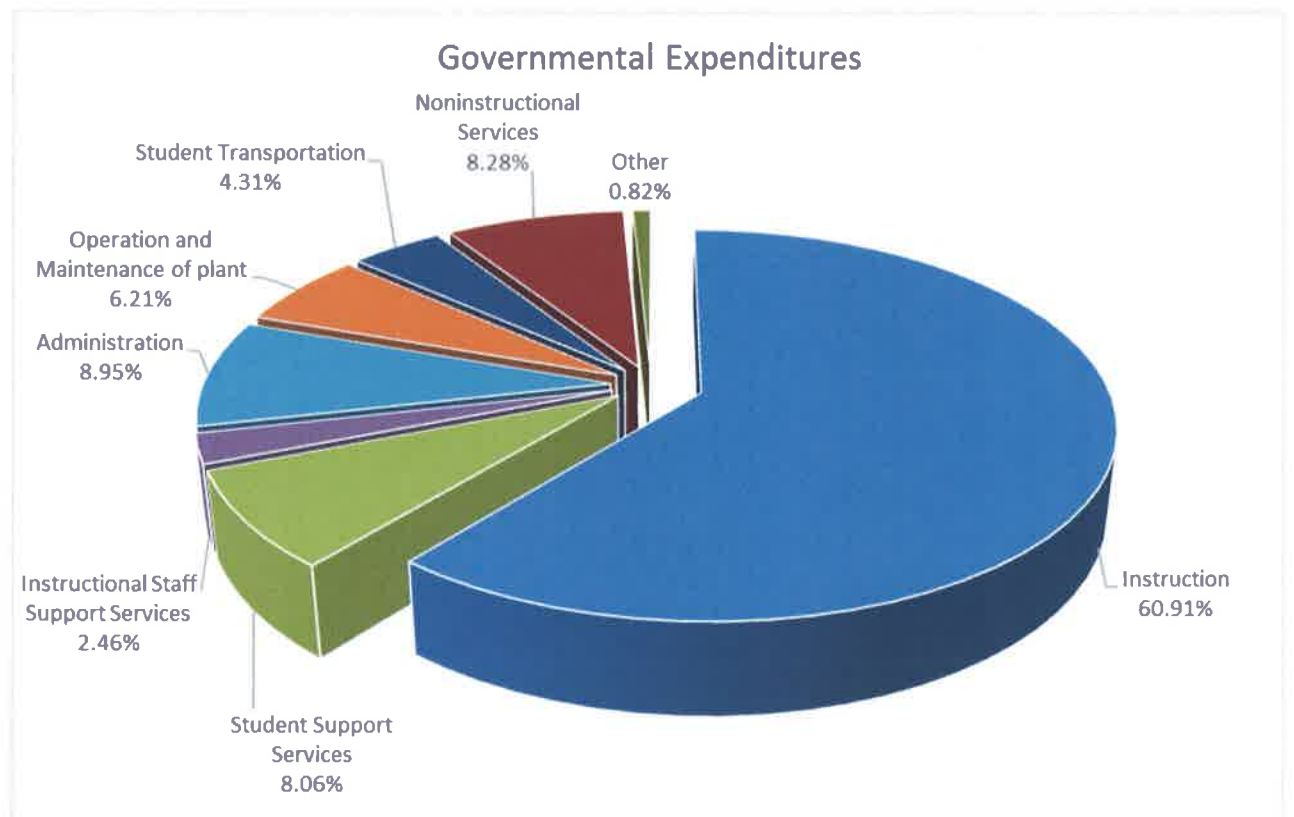
	June 30,	June 30,	Increase
	2016	2015	(Decrease)
Revenues:			
Program Revenue:			
Charges for Services	44,871	38,614	6,257
Operating Grants and Contributions	121,203	270,103	(148,900)
General Revenue:			
School District Assessment	3,273,846	3,088,246	185,600
Grants and Contributions not restricted			
to specific programs	1,134,925	812,180	322,745
Unrestricted Investment Income	677	437	240
Miscellaneous	1,743	3,217	(1,474)
Total Revenues	4,577,265	4,212,797	364,468
Expenses:			
Instruction	2,788,350	2,733,483	54,867
Support Services:			
Student	359,385	333,692	25,693
Instructional Staff	116,073	121,274	(5,201)
General Administration	25,123	454,962	(429,839)
Executive Administration	164,144	-	164,144
School Administration	213,226	-	213,226
Operation and Maintenance of Plant	333,563	356,625	(23,062)
Student Transportation	202,813	141,561	61,252
Other	38,473	-	38,473
Noninstructional Services	64,355	60,733	3,622
Total Expenses	4,305,505	4,202,330	103,175
Change in Net Position	271,760	10,467	261,293
Net Position, beginning, as restated	(959,813)	(970,280)	10,467
Net Position, ending	(688,053)	(959,813)	271,760

GOVERNMENTAL FUNDS SUMMARY

Summary of Revenues. The biggest share of revenue was derived from School District Assessment 71.52%. The state property tax is included as part of State revenue even though it is raised locally. This revenue statement includes revenues from the General Fund, Grants, and Food Service funds.



Summary of Net Expenditures. The School District used its resources as depicted below. The majority of expenditures were for instruction 60.91%. All support services total 30.81%. The remaining 8.28% was used for non-instructional services. This expenditure statement includes expenditures from the General Fund, Grants, and Food Service funds.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2016, the District reported capital assets of \$684,559, which consist of buildings & improvements, and machinery & equipment. More detailed information about the District's capital assets is presented in the notes to the financial statements.

	2016	2015	2016 over 2015
Buildings & Improvements	3,314,889	3,298,772	\$16,117
Machinery & Equipment	142,976	255,950	(\$112,974)
Totals at Historical Cost	3,457,865	3,554,722	(\$96,857)
Total Accumulated Depreciation	(2,773,306)	(2,825,922)	\$52,616
NET CAPITAL ASSETS	\$684,559	\$728,800	(\$44,241)

Long-Term Debt

The District has no general obligation bonds. Compensated absences had a net decrease in potential future payments of \$1,050. The liabilities for other post-employment benefits and net pension had a net increase in potential future payments of \$12,491.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Peter Warburton, Superintendent, or Adam Steel, Business Administrator, at (603) 673-2690 or by mail at:

Mont Vernon School District
ATTN: Business Office
PO Box 849
Amherst, NH 03031

BASIC FINANCIAL STATEMENTS

EXHIBIT A
MONT VERNON SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 468,099
Intergovernmental receivable	144,074
Capital assets, net of accumulated depreciation	684,559
Total assets	<u>1,296,732</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>185,279</u>
LIABILITIES	
Accounts payable	57,032
Accrued salaries and benefits	3,858
Intergovernmental payable	115,309
Unearned revenue	10
Noncurrent obligations:	
Due in more than one year	152,645
Net pension liability	1,569,470
Total liabilities	<u>1,898,324</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>271,740</u>
NET POSITION	
Net investment in capital assets	684,559
Restricted for:	
Food service	15,985
Unrestricted	<u>(1,388,597)</u>
Total net position	<u><u>\$ (688,053)</u></u>

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

EXHIBIT B
MONT VERNON SCHOOL DISTRICT
Statement of Activities
For Fiscal Year Ending June 30, 2016

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
Instruction	\$ 2,788,350	\$ 788	\$ 86,959	\$ (2,700,603)
Support services:				
Student	359,385	-	-	(359,385)
Instructional staff	116,073	-	13,426	(102,647)
General administration	25,123	-	-	(25,123)
Executive administration	164,144	-	-	(164,144)
School administration	213,226	-	-	(213,226)
Operation and maintenance of plant	333,563	-	-	(333,563)
Student transportation	202,813	-	-	(202,813)
Other	38,473	-	-	(38,473)
Noninstructional services	64,355	44,083	20,818	546
Total governmental activities	<u>\$ 4,305,505</u>	<u>\$ 44,871</u>	<u>\$ 121,203</u>	<u>(4,139,431)</u>
General revenues:				
School district assessment				3,273,846
Grants and contributions not restricted to specific programs				1,134,925
Unrestricted investment income				677
Miscellaneous				<u>1,743</u>
Total general revenues				<u>4,411,191</u>
Change in net position				271,760
Net position, beginning				(959,813)
Net position, ending				<u>\$ (688,053)</u>

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

EXHIBIT C-1
MONT VERNON SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 450,693	\$ 17,406	\$ 468,099
Intergovernmental receivable	122,217	21,857	144,074
Interfund receivable	19,296	-	19,296
Total assets	<u>\$ 592,206</u>	<u>\$ 39,263</u>	<u>\$ 631,469</u>
LIABILITIES			
Accounts payable	\$ 54,252	\$ 2,780	\$ 57,032
Accrued salaries and benefits	3,858	-	3,858
Intergovernmental payable	114,117	1,192	115,309
Interfund payable	-	19,296	19,296
Unearned revenue	-	10	10
Total liabilities	<u>172,227</u>	<u>23,278</u>	<u>195,505</u>
FUND BALANCES			
Restricted	-	15,985	15,985
Committed	161,775	-	161,775
Unassigned	258,204	-	258,204
Total fund balances	<u>419,979</u>	<u>15,985</u>	<u>435,964</u>
Total liabilities and fund balances	<u>\$ 592,206</u>	<u>\$ 39,263</u>	<u>\$ 631,469</u>

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

EXHIBIT C-2
MONT VERNON SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances of governmental funds (Exhibit C-1)		\$ 435,964
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 3,457,865	
Less accumulated depreciation	<u>(2,773,306)</u>	
		684,559
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 185,279	
Deferred inflows of resources related to pensions	<u>(271,740)</u>	
		(86,461)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (19,296)	
Payables	<u>19,296</u>	
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$ 6,593	
Other postemployment benefits	146,052	
Net pension liability	<u>1,569,470</u>	
		<u>(1,722,115)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (688,053)</u></u>

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

EXHIBIT C-3
MONT VERNON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal Year Ending June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
School district assessment	\$ 3,273,846	\$ -	\$ 3,273,846
Other local	3,208	44,583	47,791
State	1,118,349	840	1,119,189
Federal	41,209	95,230	136,439
Total revenues	4,436,612	140,653	4,577,265
EXPENDITURES			
Current:			
Instruction	2,806,325	62,326	2,868,651
Support services:			
Student	379,500	-	379,500
Instructional staff	102,647	13,426	116,073
General administration	23,658	-	23,658
Executive administration	183,512	-	183,512
School administration	214,225	-	214,225
Operation and maintenance of plant	292,339	-	292,339
Student transportation	202,813	-	202,813
Other	38,473	-	38,473
Noninstructional services	-	62,854	62,854
Total expenditures	4,243,492	138,606	4,382,098
Net change in fund balances	193,120	2,047	195,167
Fund balances, beginning	226,859	13,938	240,797
Fund balances, ending	\$ 419,979	\$ 15,985	\$ 435,964

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

EXHIBIT C-4
MONT VERNON SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For Fiscal Year Ending June 30, 2016

Net change in fund balances of total governmental funds (Exhibit C-3)			\$ 195,167
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. 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 capitalized capital outlay in the current period.			
Capitalized capital outlay	\$ 46,515		
Depreciation expense	(90,756)		
		(44,241)	
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.			
Contributions subsequent to the measurement date	\$ 185,279		
Net pension expense	(53,004)		
		132,275	
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.			
Decrease in compensated absences payable	\$ 1,050		
Increase in other postemployment benefits	(12,491)		
		(11,441)	
Change in net position of governmental activities (Exhibit B)			\$ 271,760

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

EXHIBIT D
MONT VERNON SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For Fiscal Year Ending June 30, 2016

For Fiscal Year Ending June 30, 2010

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
School district assessment	\$ 3,273,846	\$ 3,273,846	\$ 3,273,846	\$ -
Other local	471	471	2,884	2,413
State	1,118,327	1,118,327	1,118,349	22
Federal	25,000	25,000	41,209	16,209
Total revenues	4,417,644	4,417,644	4,436,288	18,644
EXPENDITURES				
Current:				
Instruction	3,104,514	3,056,637	2,806,325	250,312
Support services:				
Student	375,188	380,183	379,500	683
Instructional staff	114,930	119,962	102,647	17,315
General administration	25,854	26,654	23,658	2,996
Executive administration	187,255	187,455	183,512	3,943
School administration	237,030	218,203	214,225	3,978
Operation and maintenance of plant	244,272	292,339	292,339	-
Student transportation	223,858	219,278	202,813	16,465
Other	26,283	38,473	38,473	-
Total expenditures	4,539,184	4,539,184	4,243,492	295,692
Net change in fund balance	\$ (121,540)	\$ (121,540)	192,796	\$ 314,336
Increase in committed fund balance			(56,133)	
Unassigned fund balance, beginning			121,541	
Unassigned fund balance, ending			\$ 258,204	

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

EXHIBIT E
MONT VERNON SCHOOL DISTRICT
Fiduciary Fund
Statement of Net Position
June 30, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 11,988</u>
LIABILITIES	
Due to student groups	<u>\$ 11,988</u>

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

MONT VERNON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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MONT VERNON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Mont Vernon School District, in Mont Vernon, New Hampshire (the School District) is a municipal corporation governed by an elected five-member School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

The following is a summary of the more significant accounting policies:

1-B Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The accounts of the School 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The School District’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the School District. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds, and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are district assessments, intergovernmental revenues, and other local sources. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. The School District’s fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

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Major Fund – The School District reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Nonmajor Funds – The School District also reports two nonmajor governmental funds. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The School District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, the district assessment, and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the School District funds certain programs by specific grants, resources, and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs and then general revenues.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prioritization and Use of Available Resources – When both restricted and unrestricted resources are available for use, it is the School District's practice to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use in the general fund, it is the School District's practice to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources are available for use in any other governmental fund, it is the School District's practice to use committed resources first, then assigned, and then unassigned as needed.

1-C Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist of demand deposits. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

MONT VERNON SCHOOL DISTRICT
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1-E Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-F Capital Assets

General capital assets are those assets of a capital nature which the School District owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset’s life are expensed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building improvements	20
Equipment	5-30

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-G Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-H Compensated Absences

The School District’s policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation, sick pay, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

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1-I Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-J Net Position/Fund Balances

Net position in government-wide financial statements is classified as follows:

Net Investment in Capital Assets – This classification includes the School District's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable -- This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

MONT VERNON SCHOOL DISTRICT
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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general fund, as well as the nonmajor grants and food service fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2016, \$121,540 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis, present the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 4,436,288
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	324
Per Exhibit C-3 (GAAP basis)	<u>\$ 4,436,612</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$480,087 and the bank balances totaled \$895,578.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 468,099
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E)	11,988
Total cash and cash equivalents	<u>\$ 480,087</u>

Custodial Credit Risk – The School District's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the School District's investments.

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NOTE 4 – RECEIVABLES

Receivables at June 30, 2016, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and expendable trust funds held by the Town of Mont Vernon Trustees of Trust Funds. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 19,296</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, ending</u>
At cost:				
Being depreciated:				
Buildings and building improvements	\$ 3,298,772	\$ 16,117	\$ -	\$ 3,314,889
Equipment	255,950	30,398	(143,372)	142,976
Total capital assets	<u>3,554,722</u>	<u>46,515</u>	<u>(143,372)</u>	<u>3,457,865</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,647,259)	(82,925)	-	(2,730,184)
Equipment	(178,663)	(7,831)	143,372	(43,122)
Total accumulated depreciation	<u>(2,825,922)</u>	<u>(90,756)</u>	<u>143,372</u>	<u>(2,773,306)</u>
Net book value, all capital assets	<u>\$ 728,800</u>	<u>\$ (44,241)</u>	<u>\$ -</u>	<u>\$ 684,559</u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Support services:	
Instructional staff	
General administration	\$ 1,466
Operation and maintenance of plant	87,789
Noninstructional services	1,501
Total depreciation expense	<u>\$ 90,756</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$185,279 and \$271,740, respectively in the government-wide activities at June 30, 2016 consist of amounts related to pensions. See Note 9 for further information on deferred amounts related to pensions.

MONT VERNON SCHOOL DISTRICT
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NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2016:

	Balance, July 1, 2015	Additions	Reductions	Balance, June 30, 2016
Compensated absences	\$ 7,643	\$ -	\$ 1,050	\$ 6,593
Net other postemployment benefits	133,561	12,491	-	146,052
Total long-term liabilities	<u>\$ 141,204</u>	<u>\$ 12,491</u>	<u>\$ 1,050</u>	<u>\$ 152,645</u>

No portion of the above long-term liabilities is due within one year.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$114,004, \$139,424, and \$132,913, respectively, which were paid in full in each year.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016 the School District reported a liability of \$1,569,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the School District's proportion was 0.03961781% which was a decrease of 0.00335813% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$53,004. At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 195,353
Net difference between projected and actual investment earnings on pension plan investments	-	41,947
Difference between expected and actual experience	-	34,440
Contributions subsequent to the measurement date	185,279	-
Total	<u>\$ 185,279</u>	<u>\$ 271,740</u>

The \$185,279 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (78,621)
2017	(78,621)
2018	(78,621)
2019	(22,400)
2020	(13,477)
Totals	<u>\$ (271,740)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which apply to 2015 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unconstrained Fixed Income	7.00%	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 2,066,004	\$ 1,569,470	\$ 1,146,173
June 30, 2014	\$ 2,124,766	\$ 1,613,139	\$ 1,181,504
June 30, 2013	\$ 2,529,705	\$ 1,973,216	\$ 1,505,435

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

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NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District's contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

Annual required contribution/OPEB cost	\$ 31,880
Interest on net OPEB obligation	5,342
Adjustment to annual required contribution	<u>(7,574)</u>
Annual OPEB cost (expense)	29,648
Contributions made	<u>(17,157)</u>
Increase in net OPEB obligation	12,491
Net OPEB obligation - beginning of year	133,561
Net OPEB obligation - end of year	<u><u>\$ 146,052</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the four preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 29,648	\$ 17,157	57.87%	\$ 146,052
June 30, 2015	\$ 29,308	\$ 17,157	37.05%	\$ 133,561
June 30, 2014	\$ 23,101	\$ 17,157	37.22%	\$ 115,111
June 30, 2013	\$ 22,030	\$ 17,157	21.80%	\$ 100,609
June 30, 2012	\$ 20,868	\$ 17,157	4.90%	\$ 83,382

As of July 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$219,489, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,489. The covered payroll (annual payroll of active employees covered by the plan) was \$1,516,839 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 14.50%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MONT VERNON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2020 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2016 was 30 years.

NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION

The governmental activities net position at June 30, 2016 consisted of the following:

	Governmental Activities
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 684,559
Restricted for:	
Food service	15,985
Unrestricted	(1,388,597)
Total net position	<u>\$ (688,053)</u>

NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2016 consist of the following:

	General Fund	Other Governmental Fund	Total Governmental Funds
Restricted:			
Food service	\$ -	\$ 15,985	\$ 15,985
Committed:			
Expendable trust	105,641	-	105,641
Amounts voted from surplus	56,134	-	56,134
Total committed fund balance	<u>161,775</u>	<u>-</u>	<u>161,775</u>
Unassigned	<u>258,204</u>	<u>-</u>	<u>258,204</u>
Total governmental fund balances	<u>\$ 419,979</u>	<u>\$ 15,985</u>	<u>\$ 435,964</u>

NOTE 13 – RISK MANAGEMENT

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2016 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Mont Vernon School District billed and paid for the year ended June 30, 2016 was \$6,909 for workers' compensation and \$9,152 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

MONT VERNON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 14 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 6, 2016, the date the June 30, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
MONT VERNON SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For Fiscal Year Ending June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2016	\$ -	\$ 219,489	\$ 219,489	0.00%	\$ 1,516,839	14.5%
July 1, 2015	\$ -	\$ 210,530	\$ 210,530	0.00%	\$ 1,487,097	14.2%
July 1, 2014	\$ -	\$ 199,099	\$ 199,099	0.00%	\$ 1,457,938	13.7%
July 1, 2011	\$ -	\$ 75,991	\$ 75,991	0.00%	\$ 1,467,364	5.2%
July 1, 2008	\$ -	\$ 93,811	\$ 93,811	0.00%	\$ 1,493,548	6.3%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
MONT VERNON SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For Fiscal Year Ending June 30, 2016

Fiscal Year End	Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	July 1, 2015	0.03961781%	\$ 1,569,470	\$ 1,457,938	107.65%	65.47%
June 30, 2015	July 1, 2014	0.04297594%	\$ 1,613,139	\$ 1,180,727	136.62%	66.32%
June 30, 2014	July 1, 2013	0.04584840%	\$ 1,973,216	\$ 965,118	204.45%	59.81%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT H
MONT VERNON SCHOOL DISTRICT
Schedule of School District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For Fiscal Year Ending June 30, 2016

<u>Fiscal Year End</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	July 1, 2015	\$ 132,913	\$ 132,913	\$ -	\$ 1,457,938	9.12%
June 30, 2015	July 1, 2014	\$ 139,424	\$ 139,424	\$ -	\$ 1,125,472	11.81%
June 30, 2014	July 1, 2013	\$ 114,004	\$ 114,004	\$ -	\$ 1,180,727	9.66%

The notes to the required supplementary information is an integral part of this schedule.

MONT VERNON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2016, and the four preceding years.

Assumption and Methodology:

Census Collection Date: The census used in this report represents the eligible population as of July 1, 2014.

Mortality: RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

Discount Rate: An interest rate of 4.00% was used.

Retirement Rates: The following are representative assumed retirement rates for eligible employees.

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	.03010	.03000
60	.12500	.13000
65	.24000	.19000
>=70	1.0000	1.0000

Termination Rates: These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

<u>Age</u>	<u>Male</u>	<u>Female</u>
35	0.05500	0.06000
40	0.04500	0.05000
45	0.04000	0.04000
50	0.03500	0.03500

Participation Rate: It was assumed that 85% of future retirees eligible for coverage will elect the will elect coverage under the MTB5 (07) RX 10 / 20 / 45 plan. Part time employees who are less than 75% full-time-equivalent are excluded from the valuation.

Percent Married: It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.

Per Capita Costs: Are based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in section of this report. The premiums paid by the School District are independent of the School District's experience and demographic profile, and are expected to change consistent with a community rated plan.

Trend: It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical</u>
June 30, 2015	(1.53%)
June 30, 2016	9.00%
June 30, 2017	8.00%
June 30, 2018	7.00%
June 30, 2019	6.00%
June 30, 2020	5.00%

MONT VERNON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Actuarial Value of Assets: None.

Administrative Expenses: Included in the premiums used.

Actuarial Cost Method: This report was developed using the Entry Age Normal (EAN) - Level Dollar Open Method cost method.

Morbidity/Implicit Rate Subsidy (Pre 65 Employees): Benefits provided by the School District are experienced rated benefits. The premiums offered to the active and retired employee are identical in terms of costs and scope. This offering of benefits is referred to as blended rate premiums.

When the same premiums are charged to active employees and retirees, and the School District is unable to obtain age-adjusted premium information for the retirees from the insurer, GASB 45 requires the School District to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

For the purpose of this valuation, the following morbidity table was used to adjust the blended premiums based on an average age of the pre 65 population of 56 as of July 1, 2014. This illustration is based on the MTB5 (07) RX 10 / 20 / 45 plan.

Age	Factor	Adjusted Per Capita
20	52.86%	\$4,424.22
25	56.94%	\$4,766.15
30	62.25%	\$5,210.82
35	69.07%	\$5,791.43
40	77.77%	\$6,509.31
45	88.85%	\$7,436.81
50	103.00%	\$8,621.31
55	121.15%	\$10,140.86
60	144.59%	\$12,102.45

Additional Comments: The amounts in this OPEB valuation represent a closed group and do not reflect new entrants after the census collection date, July 1, 2014.

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2015 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	3.80% per year
Investment Rate of Return	7.75% per year

MONT VERNON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.
Other Information:	
Notes	Contribution rates for Fiscal Year 2015 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
MONT VERNON SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For Fiscal Year Ending June 30, 2016

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 3,273,846	\$ 3,273,846	\$ -
Other local sources:			
Investment income	400	353	(47)
Miscellaneous	71	2,531	2,460
Total from other local sources	471	2,884	2,413
State sources:			
Adequacy aid (grant)	763,805	763,805	-
Adequacy aid (tax)	353,889	353,889	-
Catastrophic aid	633	655	22
Total from state sources	1,118,327	1,118,349	22
Federal sources:			
Medicaid	25,000	24,633	(367)
Other	-	16,576	16,576
Total from federal sources	25,000	41,209	16,209
Total revenues	4,417,644	\$ 4,436,288	\$ 18,644
Fund balance used to reduce school district assessment	121,540		
Total revenues and use of fund balance	\$ 4,539,184		

SCHEDULE 2
MONT VERNON SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For Fiscal Year Ending June 30, 2016

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
Instruction:			
Regular programs	\$ 2,619,095	\$ 2,392,535	\$ 226,560
Special programs	423,530	400,078	23,452
Other	14,012	13,712	300
Total instruction	<u>3,056,637</u>	<u>2,806,325</u>	<u>250,312</u>
Support services:			
Student	380,183	379,500	683
Instructional staff	119,962	102,647	17,315
General administration	26,654	23,658	2,996
Executive administration	187,455	183,512	3,943
School administration	218,203	214,225	3,978
Operation and maintenance of plant	292,339	292,339	-
Student transportation	219,278	202,813	16,465
Other	38,473	38,473	-
Total support services	<u>1,482,547</u>	<u>1,437,167</u>	<u>45,380</u>
Total appropriations and expenditures	<u>\$ 4,539,184</u>	<u>\$ 4,243,492</u>	<u>\$ 295,692</u>

SCHEDULE 3
MONT VERNON SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For Fiscal Year Ending June 30, 2016

Unassigned fund balance, beginning		\$ 121,541
Changes:		
Fund balance used to reduce school district assessment		(121,540)
2015-2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 18,644	
Unexpended balance of appropriations (Schedule 2)	295,692	
2015-2016 Budget surplus		314,336
Increase in committed fund balance		(56,133)
Unassigned fund balance, ending		<u>\$ 258,204</u>

SCHEDULE 4
MONT VERNON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For Fiscal Year Ending June 30, 2016

	Special Revenue Funds		
	Food Service	Grants	Total
ASSETS			
Cash and cash equivalents	\$ 17,406	\$ -	\$ 17,406
Intergovernmental receivable	2,551	19,306	21,857
Total assets	<u>\$ 19,957</u>	<u>\$ 19,306</u>	<u>\$ 39,263</u>
LIABILITIES			
Accounts payable	\$ 2,780	\$ -	\$ 2,780
Intergovernmental payable	1,192	-	1,192
Interfund payable	-	19,296	19,296
Unearned revenue	-	10	10
Total liabilities	<u>3,972</u>	<u>19,306</u>	<u>23,278</u>
FUND BALANCES			
Restricted	<u>15,985</u>	<u>-</u>	<u>15,985</u>
Total liabilities and fund balances	<u>\$ 19,957</u>	<u>\$ 19,306</u>	<u>\$ 39,263</u>

SCHEDULE 5
MONT VERNON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For Fiscal Year Ending June 30, 2016

	Special Revenue Funds		
	Food Service	Grants	Total
Revenues:			
Local	\$ 44,083	\$ 500	\$ 44,583
State	840	-	840
Federal	19,978	75,252	95,230
Total revenues	<u>64,901</u>	<u>75,752</u>	<u>140,653</u>
Expenditures:			
Current:			
Instruction	-	62,326	62,326
Support services:			
Instructional staff	-	13,426	13,426
Noninstructional services	62,854	-	62,854
Total expenditures	<u>62,854</u>	<u>75,752</u>	<u>138,606</u>
Net change in fund balances	2,047	-	2,047
Fund balances, beginning	13,938	-	13,938
Fund balances, ending	<u>\$ 15,985</u>	<u>\$ -</u>	<u>\$ 15,985</u>

SCHEDULE 6
MONT VERNON SCHOOL DISTRICT
Mont Vernon Village School Student Activities Fund
Schedule of Changes in Student Activities Fund
For Fiscal Year Ending June 30, 2016

Balance, beginning	Additions	Deductions	Balance, ending
<u>\$ 14,795</u>	<u>\$ 25,734</u>	<u>\$ 28,541</u>	<u>\$ 11,988</u>