

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Winnisquam Regional School District  
For the Year Ended June 30, 2012

The Superintendent of Schools and the Business Administrator, as "management" of the Winnisquam Regional School District (the "District"), a K-12 local education authority located in the Counties of Belknap and Merrimack, New Hampshire, submits this section of the District's annual financial report in order to present our discussion and analysis of the District's financial performance during the year ended June 30, 2012.

Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please read it in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total combined net assets increased by \$1,144,562 or 10.1% between June 30, 2011 and 2012.
- The District's total combined net assets amounted to \$12,463,215 at June 30, 2012. Net assets consisted of: \$11,200,849 invested in capital assets net of related debt and unrestricted net assets of \$1,077,289 and restricted net assets of \$185,077.
- The District's long-term liabilities, consisting of long-term debt, capital lease obligations, and compensated absences decreased by a net (additions less reductions) \$1,663,904 during the year ended June 30, 2012. The ending long-term liabilities consisted of \$1,385,000 due next year.
- During the year, the District's expenses were \$391,389 less than the \$23,925,823 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of the school district assessment and local, state and federal grants and contributions not restricted to specific purposes).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnisquam Regional School District  
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## OVERVIEW OF THE FINANCIAL STATEMENTS

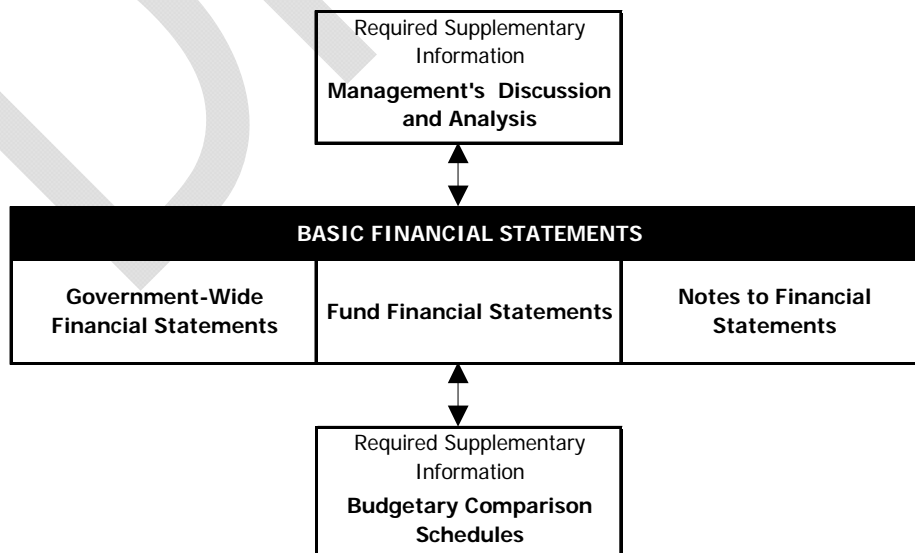
This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of seven primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, (6) other supplementary information, and (7) federal supplementary information.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

**Exhibit A-1**



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Exhibit A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

**Exhibit A-2**

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire District government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Assets	Balance Sheet	Statement of Fiduciary Assets
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Assets
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND LIABILITIES</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Winnisquam Regional School District  
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## District Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status and report net assets and changes in them. A net asset is the difference between assets and liabilities and is one way to measure the District's financial health, or financial position.

- Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the District other nonfinancial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

The government-wide financial statements of the District are included in the Governmental Activities category. Most of the District's basic services are included here, such as instruction, support services (including general and executive administration), and food services. General revenues, including the school district assessment, state aid, and federal and state grant programs, food service sales and federal reimbursements finance most of these activities.

## Fund Financial Statements:

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The District has two kinds of funds:

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

Fiduciary Funds - The District is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnisquam Regional School District  
For the Year Ended June 30, 2012

## CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Assets

Exhibit B-1 shows the composition of the District's total combined net assets, which increased between June 30, 2010 and 2011 by \$608,435 or 5.7% to \$11,318,653.

	Governmental Activities		
	2011	2012	Change
<b>Assets</b>			
Current and other assets	\$ 2,391,229	\$ 2,949,756	\$ 558,527
Noncurrent assets	24,976,944	24,076,998	(899,946)
<b>Total assets</b>	<b>27,368,173</b>	<b>27,026,754</b>	<b>(341,419)</b>
<b>Liabilities</b>			
Current liabilities	690,333	868,256	177,923
Noncurrent liabilities	15,359,187	13,695,283	(1,663,904)
<b>Total liabilities</b>	<b>16,049,520</b>	<b>14,563,539</b>	<b>(1,485,981)</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	10,110,321	11,200,849	1,090,528
Restricted		185,077	185,077
Unrestricted	1,208,332	1,077,289	(131,043)
<b>Total net assets</b>	<b>\$ 11,318,653</b>	<b>\$ 12,463,215</b>	<b>\$ 1,144,562</b>

A portion of the net assets are either invested in capital assets or restricted as to the purposes they can be used for.

- Restricted net assets represent capital projects net asset amounts that are not available for discretionary spending.

Unrestricted net assets are \$1,077,289 at June 30, 2012.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnisquam Regional School District  
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## Change in Net Assets

The District's total revenues were \$23,925,823 while total expenses were \$23,534,434 resulting in an increase in net assets of \$391,389.

Exhibit B-2 shows that 46.87%, of the District's total revenues came from the local school district assessment, while 39.70% came from unrestricted grants and contributions including the state education tax (collected and distributed by the town). Operating grants and contributions provided 7.69% of total revenues, while 2.13% related to charges for services.

### Exhibit B-2 SOURCES OF DISTRICT REVENUES

	2011		2012	
<b>Program Revenues</b>				
Charges for services	\$ 388,812	1.64%	\$ 510,023	2.13%
Operating grants and contributions	1,918,692	8.07%	1,840,343	7.69%
Capital grants and contributions	866,401	3.65%	833,682	3.48%
<b>General Revenues</b>				
School district assessment	11,099,276	46.70%	11,214,480	46.87%
Grants & contributions not rest.	9,293,297	39.10%	9,498,616	39.70%
Miscellaneous	199,342	0.84%	28,679	0.12%
	<u>\$ 23,765,820</u>	<u>100%</u>	<u>\$ 23,925,823</u>	<u>100%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Exhibit B-3 shows that 56.64% of the District's total expenses were for instruction, 35.62% were for support services and 6.73% of the District's total expenses were made for non-instructional services, including the food service program. Unallocated expenses represented 1.00% of total expenses.

## Exhibit B-3 DISTRICT EXPENSES

	<u>2012</u>	<u>2013</u>	<u>% of Total</u>	<u>\$ Change</u>
<b>Functions / Programs</b>				
Instruction	\$ 12,392,045	\$ 12,904,361	56.64%	\$ 512,316
Support services	8,719,843	8,114,752	35.62%	(605,091)
Non-Instruct. Services	1,454,021	1,533,295	6.73%	79,274
<b>Unallocated</b>				
Interest	503,826	96,400	0.42%	(407,426)
Capital outlay	36,480	81,284	0.36%	44,804
Depreciation	51,170	51,169	0.22%	51,169
	<u>\$ 23,157,385</u>	<u>\$ 22,781,261</u>	<u>100.00%</u>	<u>\$ (324,954)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnisquam Regional School District  
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## Governmental Activities

Exhibit B-4 presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions. The net cost reflects the amount funded by general revenues (local and statewide property taxes and general state aid).

### Exhibit B-4 TOTAL AND NET COST OF SERVICES

Functions / Programs	2011		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 12,392,045	\$ 10,700,974	\$ 12,904,361	\$ 11,373,335
Support services	8,719,843	8,719,843	8,114,752	7,987,254
Non-Instruct. Services	1,454,021	837,588	1,533,295	841,453
<b>Unallocated</b>				
Interest	503,826	(362,575)	96,400	(737,282)
Capital outlay	36,480	36,480	81,284	81,284
Depreciation	51,170	51,170	51,169	51,169
	<u>\$ 23,157,385</u>	<u>\$ 19,983,480</u>	<u>\$ 22,781,261</u>	<u>\$ 19,597,213</u>

The total cost of all governmental activities this year was \$22,781,261; the total net cost was \$19,597,213. The primary financing for these activities of the District was as follows:

#### General Revenues

- The amount that was paid by taxpayers through property taxes was \$14,176,813; which consisted of \$11,214,480 paid in the form of local property taxes and \$2,962,333 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.
- Amounts received from the State of New Hampshire were \$6,330,176 in equitable education aid, \$833,682 in school building aid, \$67,609 in vocational tuition and transportation aid, \$110,838 in catastrophic aid, \$5,485 in Ed Jobs Adequacy Aid and \$16,766 for Group I teacher's retirement.
- Local revenues include \$1,873 of earnings of investments and \$54,842 of diesel fuel sales, \$61,671 in tuition from other LEAs, \$53,566 in vocational tuition and \$10,198 of other local revenue.
- Federal sources include \$267,889 of Medicaid reimbursements, and \$200,622 from the Ed Jobs Fund.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Winnisquam Regional School District  
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## ANALYSIS OF BALANCES AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS

### Major Funds

#### General Fund

The general fund balance increased \$92,583 during the year from a surplus balance of \$1,227,373 at June 30, 2011 to a \$1,319,956 fund balance at June 30, 2012. \$1,141,710 of the ending fund balance was reserved for encumbrances and special purposes, while \$178,245 was unreserved undesignated. State law mandates that unreserved undesignated fund balance be used to reduce the school district assessment (derived taxes) in the subsequent year.

#### Grants Fund

The grants fund is classified as special revenue fund. It is made up of federal and state projects that are operated on a cost reimbursement basis.

#### Building Project Fund

The building project fund accounts for the financial resources to be used for the acquisition, construction or improvement of major capital facilities. The District currently maintains a building project fund for energy efficiency improvements including the construction of a bio-mass plant.

### Non-Major Funds

#### Food Service Fund

The food service fund is classified as a special revenue fund and is aggregated in the category non-major governmental funds in the basic financial statements. The food service fund balance increased during the year from a balance of \$60,247 at June 30, 2010 to a balance of \$104,101 at June 30, 2011.

#### E-Rate Fund

The E-Rate fund was classified as a special revenue fund and was aggregated in the category non-major governmental funds in the basic financial statements. It will be closed and the remaining funds transferred to the general fund in fiscal year 2012/13.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Winnisquam Regional School District  
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## GENERAL FUND BUDGETARY HIGHLIGHTS

### Actual Versus Final Budget Comparison

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) were more than the budgetary revenue estimates by \$248,331.
- Actual total outflows, (expenditures or charges to appropriations), were less than the budgeted appropriations by \$508,786.
- None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnisquam Regional School District  
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## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$24,076,998 (\$35,961,389 at cost or estimated cost less accumulated depreciation of \$11,884,391) in a broad range of capital assets, including land and land improvements, construction in progress, buildings and building improvements, machinery, equipment and vehicles as summarized in Exhibit C-1.

This amount represents a net decrease of 3.6% from the prior year. This year major changes are also summarized in Exhibit C-1.

Machinery, equipment and vehicles	1,146,940	1,305,310	13.81%
<b>Capital assets, at cost</b>	<u>35,760,019</u>	<u>35,961,389</u>	0.56%
Accumulated depreciation	10,783,075	11,884,391	10.21%
<b>Capital assets, net</b>	<u><u>\$ 24,976,944</u></u>	<u><u>\$ 24,076,998</u></u>	<u>-3.60%</u>

**Increase (Decrease) in Capital Assets, Net** \$ (899,946)

#### Changes

Land and improvements	\$ -
Construction in progress	-
Buildings and building improvements	43,000
Machinery, equipment and vehicles	158,370
Depreciation expense	<u>(1,101,316)</u>
	<u><u>\$ (899,946)</u></u>

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Debt

At June 30, 2012, the District had \$13,667,757 of net long-term obligations as summarized in Exhibit C-2.

This amount represents a net decrease of 9.22% over the prior year.

Long-Term Liabilities	2011	2012	Change
General obligation bonds	\$ 11,340,000	\$ 9,875,000	-12.92%
Capital leases	3,223,837	2,973,373	-7.77%
Compensated absences payable	492,564	819,384	66.35%
	15,056,401	13,667,757	-9.22%
Less current portion	1,715,464	1,385,000	19.26%
	<u>\$ 13,340,937</u>	<u>\$ 12,282,757</u>	<u>-7.93%</u>
<b>Increase (Decrease), Net</b>		<u>\$ (1,058,180)</u>	
<b>Changes</b>			
General obligation bonds principal payments during the year		\$ (1,465,000)	
Capital lease entered into		-	
Payments made against the capital leases during the year		(250,464)	
Change in compensated absences payable		326,820	
Change in current portion		330,464	
		<u>\$ (1,058,180)</u>	

State law (RSA 33:4) limits the amount of general obligation debt that the District may incur at any one time to 10% of the locally assessed valuation of the member municipalities as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. At June 30, 2012, the District was significantly below its legal debt limit of approximately \$118,694,317.

More detailed information about the District's long-term liabilities is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Winnisquam Regional School District  
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## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the School Board considered many factors when submitting the fiscal year 2012-2013 budget to the District voters.

- Overall Increase \$188,400 or 0.8%
  - Building improvements funded by the building capital reserve fund increased \$38,775.
  - Teacher's contractual salaries increased \$200,960 and a one-time bonus of \$138,500 was added while health insurance decreased (\$370,464) per separate warrant article. Custodians' salaries and related expenses increased \$10,165 per separate warrant article.
  - Teachers' retirement increased \$164,173 per legislative changes that ended state support for retirement.
  - Vocational tuition increased \$82,696 due to reduced state support and increased enrollment in programs.
  - New K-2 math curriculum was added for \$52,000.
  - Food Service and Federal Grant programs increased \$51,204.
  - Savings included (\$318,814) in spending cuts from the prior fiscal year due to reduced state funding.
    - Debt service decreased (\$107,246).
    - Teacher's retirement incentives decreased (\$83,934) due to a decline in retirements

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report, or requests for additional financial information, should be addressed to the District's Business Administrator. For contact information please visit the District's web site at [www.wrsdsau59.org](http://www.wrsdsau59.org) or call 603-286-4116.