

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**

**Financial Statements**

**With Schedule of Expenditures of Federal Awards**

**June 30, 2011**

**and**

**Independent Auditor's Report**

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

**Report on Compliance With Requirements That Could  
Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance  
With OMB Circular A-133**

**Schedule of Findings and Questioned Costs**

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Winchester, New Hampshire School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester, New Hampshire School District, as of and for the year ended June 30, 2011, which collectively comprise the Winchester, New Hampshire School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Winchester, New Hampshire School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Winchester, New Hampshire School District, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Winchester, New Hampshire School District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 on our consideration of Winchester, New Hampshire School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages i-v and 19-20, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winchester, New Hampshire School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Cloutay & Company PC

June 20, 2013

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

Presented herewith please find the Management Discussion & Analysis Report for the Winchester School District for the fiscal year ending June 30, 2011. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the District's financial position, and the results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an accurate understanding of the District's financial activities have been included.

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

**Overview of the Financial Statements**

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

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

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

***Government-Wide Financial Statements***

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

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

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

***Fund Financial Statements***

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, Federal Projects Fund, Project Access Fund, and Food Service Fund, which are all considered major funds.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget. Budgetary information is neither practical nor meaningful for the District's other major governmental funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

***Notes to the Basic Financial Statements***

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

***Other Information***

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

**Government-Wide Financial Analysis**

***Statement of Net Assets***

The table below provides a summary of the District's net assets for the years ended June 30, 2011 and 2010:

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

	<u>2011</u>	<u>2010</u>
Capital and other assets:		
Capital assets, net	\$ 3,133,327	\$ 3,312,071
Other assets	830,668	1,726,321
Total assets	<u>\$ 3,963,995</u>	<u>\$ 5,038,392</u>
Long-term and other liabilities:		
Long-term liabilities	\$ 2,616,997	\$ 2,793,961
Other liabilities	486,120	571,246
Total liabilities	<u>\$ 3,103,117</u>	<u>\$ 3,365,207</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 683,155	\$ 672,885
Unrestricted	177,723	1,000,300
Total net assets	<u>\$ 860,878</u>	<u>\$ 1,673,185</u>

***Statement of Activities***

Changes in net assets for the fiscal years ended 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Program revenues:		
Charges for services	\$ 189,404	\$ 130,561
Operating grants and contributions	1,433,036	1,261,699
Capital grants and contributions	64,691	61,928
Total program revenues	<u>1,687,131</u>	<u>1,454,188</u>
General revenues:		
Property taxes	4,575,203	4,784,919
State adequacy education grant	4,059,076	2,933,560
State fiscal stabilization funding	-	1,125,516
Interest and investment earnings	281	3,040
Miscellaneous	46,092	57,951
Total general revenues	<u>8,680,652</u>	<u>8,904,986</u>
Total revenues	<u>10,367,783</u>	<u>10,359,174</u>
Program expenses:		
Instruction	7,698,147	7,040,410
Supporting services	474,509	479,583
Instructional staff services	544,440	505,230
General administration	713,152	776,825
Operation and maintenance of plant	821,409	817,441
Pupil transportation	645,068	587,837
Food service	191,261	164,154
Interest and fiscal charges	92,104	100,855
Total program expenses	<u>11,180,090</u>	<u>10,472,335</u>

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

Change in net assets	(812,307)	(113,161)
Net assets - beginning of year	<u>1,673,185</u>	<u>1,786,346</u>
Net assets - ending of year	<u>\$ 860,878</u>	<u>\$ 1,673,185</u>

***Comparative Analysis***

The financial statements of the Winchester School District have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34. Comparative financial analysis is provided in this statement to fiscal year ending June 30, 2010.

**WINCHESTER SCHOOL DISTRICT ACTIVITIES**

As shown in the above statement the District experienced a decrease in net assets of (\$812,307) on the full accrual basis of accounting. Variances between the final budgeted amounts and actual results in the General Fund are shown on page 19.

The General Fund ended the fiscal year with a total fund balance of \$45,410, which is a decrease of (\$865,542) from the prior year. The District used \$454,620 of beginning fund balance to offset the tax rate.

The fund balance of the Project Access Fund increased by \$22,970 from the prior year to \$218,981, due to ongoing operations of the after school programs.

The fund balance of the Food Service Fund increased by \$28,788 from the prior year to \$119,240, as a result of its normal food service operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There was no difference between the original and final budgets for the General Fund in the current fiscal year. Actual revenues on the budgetary basis exceeded the budgeted amount by \$92,884. A significant portion of this difference is due to additional intergovernmental revenue sources. Actual total appropriations were in excess of budgeted amounts by \$492,080, with both Instruction and Pupil Transportation well above estimates.

**CAPITAL ASSETS**

Winchester School District considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During fiscal year 2011, the net capital assets of the District decreased by (\$178,744). The decrease was a result of no current fiscal year capital asset additions and current period depreciation expense of (\$178,744). See Note 7 in the Notes to the Basic Financial Statements for a summary of all capital asset activity.



**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2011**

**LONG-TERM OBLIGATIONS**

During fiscal year 2011, Winchester School District had a reduction in bonds payable of \$175,000 from payments made during the year on an existing obligation. Compensated absences and accrued retirement benefits payable had increases of \$9,050 and \$3,000, respectively. Both compensated absences and accrued retirement benefits payable are determined in accordance with contractual agreements. See Note 9 in the Notes to the Basic Financial Statements for a summary of all long-term obligation activity.

**CONTACTING WINCHESTER SCHOOL DISTRICT FINANCIAL MANAGEMENT**

This financial report is intended to provide our citizens and creditors with a general overview of the Winchester School District's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact Winchester School District Business Office at 85 Parker Street, Winchester, NH 03470 or by telephone at (603) 239-8061.

EXHIBIT A  
**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Statement of Net Assets**  
June 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 81,200
Investments	1,648
Accounts receivable	11,591
Due from other governments	725,972
Inventory	10,257
Total Current Assets	<u>830,668</u>
Noncurrent Assets:	
Capital assets:	
Depreciable capital assets, net	<u>3,133,327</u>
Total Noncurrent Assets	<u>3,133,327</u>
Total Assets	<u>\$ 3,963,995</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 155,134
Accrued expenses	311,738
Deferred revenue	19,248
Current portion of deferred bond premium	14,014
Current portion of bond payable	175,000
Current portion of accrued retirement benefits payable	18,300
Current portion of compensated absences payable	14,050
Total Current Liabilities	<u>707,484</u>
Noncurrent liabilities:	
Deferred bond premium	161,158
Bond payable	2,100,000
Accrued retirement benefits payable	65,700
Compensated absences payable	68,775
Total Noncurrent Liabilities	<u>2,395,633</u>
Total Liabilities	<u>3,103,117</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	683,155
Unrestricted	<u>177,723</u>
Total Net Assets	<u>860,878</u>
Total Liabilities and Net Assets	<u>\$ 3,963,995</u>

*See accompanying notes to the basic financial statements*



EXHIBIT C  
**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2011

	<u>General Fund</u>	<u>Federal Projects Fund</u>	<u>Project Access Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 37,045			\$ 44,155	\$ 81,200
Investments	1,648				1,648
Accounts receivable	11,591				11,591
Due from other governments	419,824	\$ 261,051	\$ 28,116	16,981	725,972
Due from other funds	286,192	53,084	243,949	47,847	631,072
Inventory				10,257	10,257
<b>Total Assets</b>	<u>\$ 756,300</u>	<u>\$ 314,135</u>	<u>\$ 272,065</u>	<u>\$ 119,240</u>	<u>\$ 1,461,740</u>
<b>Liabilities:</b>					
Accounts payable	\$ 155,134				\$ 155,134
Accrued expenses	263,960	\$ 8,695			272,655
Deferred revenue		19,248			19,248
Due to other funds	291,796	286,192	\$ 53,084		631,072
<b>Total Liabilities</b>	<u>710,890</u>	<u>314,135</u>	<u>53,084</u>	<u>\$ -</u>	<u>1,078,109</u>
<b>Fund Balances:</b>					
Nonspendable				10,257	10,257
Committed	415,326				415,326
Assigned			218,981	108,983	327,964
Unassigned	(369,916)				(369,916)
<b>Total Fund Balances</b>	<u>45,410</u>	<u>-</u>	<u>218,981</u>	<u>119,240</u>	<u>383,631</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 756,300</u>	<u>\$ 314,135</u>	<u>\$ 272,065</u>	<u>\$ 119,240</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 3,133,327

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

Deferred bond premium	(175,172)
Bond payable	(2,275,000)
Accrued retirement benefits payable	(84,000)
Compensated absences payable	(82,825)
Accrued interest on long-term obligations	<u>(39,083)</u>

Net assets of governmental activities \$ 860,878

See accompanying notes to the basic financial statements

EXHIBIT D  
**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2011**

	General Fund	Federal Projects Fund	Project Access Fund	Food Service Fund	Total Governmental Funds	
<b>Revenues:</b>						
Taxes	\$ 4,575,203				\$ 4,575,203	
Intergovernmental	4,630,006	\$ 750,429		\$ 176,368	5,556,803	\$ (813,784)
Charges for services	26,196		\$ 122,540	40,668	189,404	
Investment income	252			29	281	
Miscellaneous	21,020		25,072		46,092	
<b>Total Revenues</b>	<u>9,252,677</u>	<u>750,429</u>	<u>147,612</u>	<u>217,065</u>	<u>10,367,783</u>	
<b>Expenditures:</b>						
Current operations:						
Instruction	7,269,538	287,858			7,682,038	
Supporting services	468,496		124,642		474,509	(178,744)
Instructional staff services	95,202				544,440	
General administration	705,832				713,152	
Operation and maintenance of plant	649,708				649,708	
Pupil transportation	645,068				645,068	
Food service				188,277	188,277	14,014
Debt service:						
Principal retirement	175,000				175,000	
Interest and fiscal charges	109,375				109,375	
<b>Total Expenditures</b>	<u>10,118,219</u>	<u>750,429</u>	<u>124,642</u>	<u>188,277</u>	<u>11,181,567</u>	175,000
Net change in fund balances	(865,542)	-	22,970	28,788	(813,784)	
Fund balances at beginning of year, as restated	910,952	-	196,011	90,452	1,197,415	
Fund balances at end of year	<u>\$ 45,410</u>	<u>\$ -</u>	<u>\$ 218,981</u>	<u>\$ 119,240</u>	<u>\$ 383,631</u>	

Change in Fund Balances - Total Governmental Funds

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Governmental funds report the effect of bond issuance premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Some expenses reported in the statement of activities, such as compensated absences and accrued retirement benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Change in Net Assets of Governmental Activities

\$ (812,307)

EXHIBIT E  
WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	ASSETS	Student Activities Agency Fund
Cash and cash equivalents		\$ 13,400
Total Assets		<u>\$ 13,400</u>
	LIABILITIES	
Due to student groups		\$ 13,400
Total Liabilities		<u>\$ 13,400</u>

*See accompanying notes to the basic financial statements*

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Financial Reporting Entity***

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

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

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

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

**2. Fund Financial Statements:**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

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

The *Project Access Fund* accounts for the financial transactions related to the operation of the District's after school program, which also serves the Hinsdale and Monadnock Regional School Districts.

The District has also elected to report the Food Service Fund as a major fund. The *Food Service Fund* accounts for the financial transactions related to food service operations. It accounts for all charges for services, state and federal grants, and related food service expenditures

**2. Fiduciary Funds:**

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

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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



**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

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

**1. Revenues – Exchange and Non-exchange Transactions:**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**2. Deferred Revenue:**

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

**3. Expenses/Expenditures:**

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

***Budgetary Data***

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

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2011, the District applied \$454,620 of its unappropriated fund balance to reduce taxes.

***Inventory***

Inventories of governmental funds are presented at the lower of cost or market. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental funds when purchased.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

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

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-40
Vehicles and equipment	5-6

***Compensated Absences and Accrued Retirement Benefits***

District teachers may accumulate sick leave days at a rate of one per month, cumulative over a period of fifteen years to a maximum of 150 days. Upon retirement, school teachers may be eligible to receive \$50 per day for each unused sick day to a maximum of 150 days, providing certain conditions are met. Upon retirement under the New Hampshire Retirement System, District teachers with more than twenty years of employment are entitled to \$300 for each year of service.

For governmental fund financial statements, compensated absences and accrued retirement benefits are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absences and accrued retirement benefits liabilities are reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences and accrued retirement benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Deferred Bond Premium***

The issuance of general obligation bonds that resulted in a difference between the acquisition price and the carrying value of the debt has been reported in the accompanying financial statements as a deferred bond premium. The deferred bond premium is amortized as a component of interest expense over the life of the related bond. The balance of the deferred bond premium as of June 30, 2011 is \$175,172.

***Net Assets***

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

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

***Fund Balance Policy***

During the year ended June 30, 2011, the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of governmental fund types. Under Statement 54, the District has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same formal action that imposed the constraint originally.
- *Assigned Fund Balance*: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

As of June 30, 2011, the District has not adopted a fund balance policy. In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

***Interfund Activity***

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

***Estimates***

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2011

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Other Post-Employment Benefits*

The District did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB Statement 45 were required to be implemented by the District during the fiscal year ended June 30, 2010.

**NOTE 3--PROPERTY TAXES**

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

Under state statutes, the Town of Winchester, New Hampshire (an independent governmental unit) collects School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agent, the Town is required to pay over to the District its share of property tax assessments through periodic payments based on cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2011, School District taxes were \$3,974,094 and State of New Hampshire Education taxes were \$601,109.

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

**NOTE 4--RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2011 the District was a member of the Local Government Center (LGC). The District currently reports all of its risk management activities in its General Fund. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2011.

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

***Property and Liability Insurance***

The LGC provides certain property and liability insurance coverage to member school districts and school administrative units within New Hampshire. As a member of the LGC, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended June 30, 2011, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

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

**NOTE 5--DEPOSITS AND INVESTMENTS**

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

Deposits and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 81,200
Investments	1,648
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	13,400
	<u>\$ 96,248</u>

Deposits and investments at June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 94,600
Investments	1,648
	<u>\$ 96,248</u>

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have an investment policy regarding credit risk for its governmental funds. As of June 30, 2011, the District's investment in the NHPDIP, a state investment pool, is unrated.

***Investment in NHPDIP***

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

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

**NOTE 6--DUE FROM OTHER GOVERNMENTS**

Receivables from other governments at June 30, 2011 consist of various federal and state funding, funds held by the Town of Winchester Trustees of Trust Funds, and reimbursements from other local governmental units. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

State of New Hampshire - Federal Projects grants	\$ 261,051
State of New Hampshire - School Lunch Program	16,981
Town of Winchester - Trustees of Trust Funds	415,326
Hinsdale, New Hampshire School District	14,058
Monadnock Regional School District	14,058
School Administrative Unit #38	4,498
	<u>\$ 725,972</u>

**NOTE 7--CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets:				
Buildings and improvements	\$ 6,782,939			\$ 6,782,939
Vehicles and equipment	39,277			39,277
Total other capital assets at historical cost	<u>6,822,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,822,216</u>

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

Less accumulated depreciation for:				
Buildings and improvements	(3,485,123)	(171,700)		(3,656,823)
Vehicles and equipment	(25,022)	(7,044)		(32,066)
Total accumulated depreciation	<u>(3,510,145)</u>	<u>(178,744)</u>	<u>-</u>	<u>(3,688,889)</u>
Total capital assets, net	<u>\$ 3,312,071</u>	<u>\$(178,744)</u>	<u>\$ -</u>	<u>\$ 3,133,327</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,059
Operation and maintenance of plant	171,701
Food service	2,984
	<u>\$ 178,744</u>

**NOTE 8--DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

***Funding Policy***

Plan members are required to contribute 5.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the year ended June 30, 2011 were 8.02% and 9.16% of covered payroll to teachers and general employees, respectively. The District contributes 75% of the employer cost for teachers employed by the District and the State of New Hampshire contributes the remaining 25% of the employer cost. The District contributes 100% of the employer cost for general employees of the District. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of \$54,909 and \$7,727 have been reported as a revenue and expenditure in the General Fund and Federal Projects Fund, respectively, in these financial statements.

Under state law plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the years ending June 30, 2011, 2010, and 2009 were \$210,031, \$181,512, and \$143,344, respectively, equal to the required contributions for each year.



**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

**NOTE 9--LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the District's long-term obligations for the year ended June 30, 2011 are as follows:

<u>Type</u>	<u>Balance</u>			<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>		
Bonds payable	\$ 2,450,000		\$ (175,000)	\$ 2,275,000	\$ 175,000
Accrued retirement benefits payable	81,000	\$ 3,000		84,000	18,300
Compensated absences payable	73,775	10,000	(950)	82,825	14,050
	<u>\$ 2,604,775</u>	<u>\$ 13,000</u>	<u>\$ (175,950)</u>	<u>\$ 2,441,825</u>	<u>\$ 207,350</u>

Payments on the general obligation bonds are paid out of the General Fund. The accrued retirement benefits and compensated absences liabilities will be paid from the fund where the employee's salary is paid.

**General Obligation Bonds**

Bonds payable at June 30, 2011 is comprised of the following individual issue:

\$3,504,725 of 3.5378% 2003 Series C Non Guaranteed Bonds; due in annual installments of \$175,000 through August 2023	<u>\$ 2,275,000</u>
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General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2011 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 175,000	\$ 100,625	\$ 275,625
2013	175,000	91,875	266,875
2014	175,000	83,125	258,125
2015	175,000	76,125	251,125
2016	175,000	69,125	244,125
2017-2021	875,000	216,344	1,091,344
2022-2024	525,000	32,156	557,156
	<u>\$ 2,275,000</u>	<u>\$ 669,375</u>	<u>\$ 2,944,375</u>

**NOTE 10--INTERFUND BALANCES**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2011 are as follows:

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

	Due from			Totals
	General Fund	Federal Projects Fund	Project Access Fund	
General Fund		\$ 286,192		\$ 286,192
Federal Projects Fund			\$ 53,084	53,084
Project Access Fund	\$ 243,949			243,949
Food Service Fund	47,847			47,847
	<u>\$ 291,796</u>	<u>\$ 286,192</u>	<u>\$ 53,084</u>	<u>\$ 631,072</u>

**NOTE 11--COMPONENTS OF FUND BALANCE**

The components of the District's fund balance for its governmental funds at June 30, 2011 are as follows:

	General Fund	Federal Projects Fund	Project Access Fund	Food Service Fund	Total Governmental Funds
<b><i>Nonspendable :</i></b>					
Inventory				\$ 10,257	\$ 10,257
<b><i>Committed for:</i></b>					
Capital reserves	\$ 415,326				415,326
<b><i>Assigned for:</i></b>					
Project Access operations			\$ 218,981		218,981
Food service operations				108,983	108,983
<b><i>Unassigned :</i></b>					
General Fund (deficit)	(369,916)				(369,916)
	<u>\$ 45,410</u>	<u>\$ -</u>	<u>\$ 218,981</u>	<u>\$ 119,240</u>	<u>\$ 383,631</u>

**NOTE 12--CONTINGENT LIABILITIES**

***Federal Grants***

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

***Litigation***

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

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2011

**NOTE 13--RESTATEMENT OF EQUITY**

*Governmental Funds Statements*

Effective July 1, 2010, the District retroactively changed its method of financial reporting to conform to a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 54). This new standard changes how fund balance is reported and changes the definition of the governmental fund types. As a result, the Capital Reserve Funds, previously reported as a major governmental fund of the District, has been reclassified into the General Fund for reporting purposes.

The impact of the restatement on the governmental funds as of July 1, 2010 is as follows:

	General Fund	Capital Reserve Funds
Fund Balance - July 1, 2010 (as previously reported)	\$ 495,668	\$ 415,284
Amount of restatement due to:		
Reclassification of Capital Reserve Funds	<u>415,284</u>	<u>(415,284)</u>
Fund Balance - July 1, 2010, as restated	<u>\$ 910,952</u>	<u>\$ -</u>

**NOTE 14--SUBSEQUENT EVENTS**

In October 2010, the District received permission from the State Board of Education to hold a special meeting for its voters to determine whether or not to withdraw from SAU #38. The results of the special meeting vote concluded that the District will withdraw from SAU #38; however, the District continued to receive accounting and administrative services from SAU #38 through June 30, 2011. As of July 1, 2011, the District performs its own accounting and administrative services.

SCHEDULE 1  
**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 4,575,203	\$ 4,575,203	\$ 4,575,203	\$ -
Intergovernmental	4,502,639	4,502,639	4,575,097	72,458
Charges for services	15,000	15,000	26,196	11,196
Investment income	2,000	2,000	210	(1,790)
Miscellaneous	10,000	10,000	21,020	11,020
<b>Total Revenues</b>	<u>9,104,842</u>	<u>9,104,842</u>	<u>9,197,726</u>	<u>92,884</u>
<b>Expenditures:</b>				
<b>Current operations:</b>				
Instruction	6,805,724	6,805,724	7,221,586	(415,862)
Supporting services	466,852	466,852	464,950	1,902
Instructional staff services	107,416	107,416	93,631	13,785
General administration	771,052	771,052	695,374	75,678
Operation and maintenance of plant	630,292	630,292	646,558	(16,266)
Pupil transportation	493,751	493,751	645,068	(151,317)
<b>Debt service:</b>				
Principal retirement	175,000	175,000	175,000	-
Interest and fiscal charges	109,375	109,375	109,375	-
<b>Total Expenditures</b>	<u>9,559,462</u>	<u>9,559,462</u>	<u>10,051,542</u>	<u>(492,080)</u>
<b>Net change in fund balance</b>	(454,620)	(454,620)	(853,816)	(399,196)
<b>Fund balances at beginning of year</b>				
- Budgetary Basis	<u>483,900</u>	<u>483,900</u>	<u>483,900</u>	-
<b>Fund balances at end of year</b>				
- Budgetary Basis	<u>\$ 29,280</u>	<u>\$ 29,280</u>	<u>\$ (369,916)</u>	<u>\$ (399,196)</u>

See accompanying notes to the required supplementary information

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
 June 30, 2011

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

*General Fund*

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 9,252,677	\$ 10,118,219
Non-budgetary revenues	(42)	
Encumbrances - June 30, 2010		(11,768)
On-behalf fringe benefits	(54,909)	(54,909)
Per Schedule 1	<u>\$ 9,197,726</u>	<u>\$ 10,051,542</u>

*Major Special Revenue Funds*

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District over drafted its statutory appropriations without obtaining prior approval of the New Hampshire Department of Revenue Administration as follows:

Total appropriations	\$ 9,559,462
Budgetary expenditures	<u>(10,051,542)</u>
Statutory overdraft	<u>\$ (492,080)</u>

**NOTE 3—BUDGETARY FUND BALANCE**

The components of the General Fund budgetary fund balance at June 30, 2011 are as follows:

Unassigned (deficit)	<u>\$ (369,916)</u>
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SCHEDULE I  
**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>		
Pass Through Payments from New Hampshire Department of Education School Breakfast Program	10.553	\$ 37,027
National School Lunch Program	10.555	139,778
Fresh Fruit and Vegetable Program	10.582	<u>12,079</u>
<b>Total Department of Agriculture</b>		<u>188,884</u>
<b>DEPARTMENT OF EDUCATION</b>		
Pass Through Payments from New Hampshire Department of Education Title I Grants to Local Educational Agencies	84.010	
#80281		517
#10153		257,914
#10311		3,641
#00151		<u>28,604</u>
		<u>290,676</u>
Safe and Drug-Free Schools and Communities - State Grants #10004	84.186	<u>28,881</u>
Twenty-First Century Community Learning Centers #16285	84.287	<u>154,939</u>
Improving Teacher Quality State Grants #14639	84.367	53,746
#04933		8,237
#04966		<u>58,121</u>
		<u>120,104</u>
Title I Grants to Local Educational Agencies, Recovery Act #99006	84.389	3,200
#99023		<u>84,829</u>
		<u>88,029</u>
Special Education - Grants to States, Recovery Act #99010	84.391	<u>56,206</u>
Education Jobs Fund - Recovery Act	84.410	<u>142,069</u>
<b>Total Department of Education</b>		<u>880,904</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Pass Through Payments from New Hampshire Department of Education Learn and Serve America - School and Community Based Programs #16407	94.004	<u>3,867</u>
<b>Total Corporation For National and Community Service</b>		<u>3,867</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 1,073,655</u>

See notes to schedule of expenditures of federal awards

**WINCHESTER, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2011

**NOTE 1—GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Winchester, New Hampshire School District (the District). The District's reporting entity is defined in Note 1 of the District's basic financial statements. All federal funds are included on the schedule.

**NOTE 2—BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is described in Note 1 of the District's basic financial statements.

**NOTE 3—NON-CASH TRANSACTIONS**

The District participates in the USDA Food Distribution Program which is a non-cash program. On the Schedule of Expenditures of Federal Awards, \$15,012 has been reported as part of the National School Lunch Program which represents the value of commodities received by the District.

**NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The recognition of expenditures of federal awards has been reported as intergovernmental revenues in the District's basic financial statements in the following funds:

General Fund	\$ 142,069
Federal Projects Fund	742,702
Food Service Fund	<u>173,872</u>
	<u>\$ 1,058,643</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the School Board  
Winchester, New Hampshire School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester, New Hampshire School District, as of and for the year ended June 30, 2011, which collectively comprise the Winchester, New Hampshire School District's basic financial statements and have issued our report thereon dated June 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

Management of Winchester, New Hampshire School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

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



We noted certain matters that we reported to management of the Winchester, New Hampshire School District in a separate letter dated June 20, 2013.

This report is intended solely for the information and use of management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vachon Clukey & Company PC

June 20, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the School Board  
Winchester, New Hampshire School District

Compliance

We have audited the Winchester, New Hampshire School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Winchester, New Hampshire School District's major federal programs for the year ended June 30, 2011. The Winchester, New Hampshire School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Winchester, New Hampshire School District's management. Our responsibility is to express an opinion on the Winchester, New Hampshire School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Winchester, New Hampshire School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Winchester, New Hampshire School District's compliance with those requirements.

In our opinion, the Winchester, New Hampshire School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Winchester, New Hampshire School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Winchester, New Hampshire School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an

opinion on the effectiveness of the Winchester, New Hampshire School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vachon Cloutay & Company PC

June 20, 2013

**Winchester, New Hampshire School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: *adverse*  
 Internal control over financial reporting:  
   Material weakness(es) identified? \_\_\_\_\_yes      X   no  
   Significant deficiency(ies) identified  
     not considered to be material weaknesses? \_\_\_\_\_yes      X   none reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_yes      X   no

**Federal Awards**

Internal Control over major programs:  
   Material weakness(es) identified? \_\_\_\_\_yes      X   no  
   Significant deficiency(ies) identified  
     not considered to be material weaknesses? \_\_\_\_\_yes      X   none reported

Type of auditor’s report issued on compliance  
 for major programs: *unqualified*

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)? \_\_\_\_\_yes      X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I, Part A Cluster
84.391	Special Education Cluster
84.410	Education Jobs Fund - Recovery Act

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000.

Auditee qualified as low-risk auditee? \_\_\_\_\_yes      X   no

**Section II--Financial Statement Findings**

There were no findings relating to the financial statements required to be reported by GAGAS.

**Section III--Federal Award Findings and Questioned Costs**

There were no findings and questioned costs as defined under OMB Circular A-133 .510(a).