

**CHARIHO REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

As management of the CHARIHO Regional School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

- General Fund revenues accounted for \$51.6 million in revenues, or 89.4 percent of all fiscal year 2009 governmental fund revenues, compared to \$49.9 million, or 90.8 percent for fiscal year 2008. Program specific revenues in the form of grants and contributions accounted for \$4.8 million or 8.3 percent of total fiscal year 2009 governmental fund revenues, compared to \$4.8 million or 8.6 percent for fiscal year 2008.
- The District had approximately \$57.0 million in expenses related to governmental activities; of which \$6.7 million of these expenses were offset by program specific charges for services or grants and contributions. An increase from \$56.1 million in expenses from fiscal year 2008; of which \$7.0 million of expenses were offset by program specific charges for services or grants and contributions.
- The District had business-type activity in several major and nonmajor proprietary funds. The Lunch fund had operating and non-operating revenues totaled \$892,100 and operating expenses totaled \$917,022 (including depreciation of \$6,435) leaving a net loss of \$24,922. Operating and non-operating revenues totaled \$1,055,241 and operating expenses totaled \$1,050,527 (including depreciation of \$7,610), leaving net income of \$4,714 for 2008.
- Among major funds, the General Fund had \$51.6 million in fiscal year 2009 revenues as compared to \$51.6 in 2008, which primarily consisted of contributions from the Towns of Charlestown, Richmond, and Hopkinton, and \$53.7 million in expenditures in 2009 compared to \$50.1 in 2008. The General Fund's fund balance decreased from \$7.7 million to \$5.7 million.
- The General Fund's fund balance at the close of the fiscal year consisted of the following:
  - \$ 2,250,000 designated for 2009-10 expenditures
  - \$ 951,579 designated for participation in health care plan
  - \$ 400,000 designated for debt service payments
  - \$ 100,000 designated for management study
  - \$ 75,000 reserved for special education expenditures
  - \$ 1,990,993 unreserved and undesignated

*(School Comm. Fee vote)*  
In May 2009, the District voted to approve a withdrawal of the health plan's cumulative fund balance maintained at West Bay Community Health to be used towards debt service payments of \$400,000 and management study commitments of \$100,000. The withdrawal reduced the June 30, 2009 fund balance designation for health plan by \$500,000 and increased the designation for debt service payments and management study as stated above.

- The District's long-term liabilities stayed consistent compared to prior year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## REVENUE SOURCES (CONTINUED)

Housing Aid: In accordance with RI General Law 16-7-35 to 16-7-47, districts that undertake school housing projects for maintenance, renovation or new construction supported by general obligation bonds, and certain lease revenue bonds, capital leases, and capital reserve funds, are eligible for state housing aid reimbursement. Housing aid by law has a one year reference which results in the first payment of the construction entitlement being made in the fiscal year following the completion of the project. Housing aid received from the State for FY 2009 totaled \$782,536.

Intergovernmental grants. Revenues in this category are proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues are derived principally from federal and state governments and private foundations. These funds are detailed in the financial statements under the caption of Grant Programs.

**EXPENDITURES BY FUNCTION** – The expenditures of governmental activities are categorized by function in the six areas as listed below:

Instruction: Includes instructional teachers, substitutes, instructional paraprofessionals, pupil-use technology and software and instructional materials, trips and supplies.

Instructional support: Includes pupil support in the areas of guidance and counseling, library and media, extracurricular, student health services and academic interventions. Also includes teacher support in the areas of curriculum development, staff development, program management, therapists, psychologists, evaluators and social workers.

Operations: Includes non-instructional student support in the areas of in-district transportation, food service, safety, building upkeep, utilities, maintenance, data processing and business operations.

Other commitments (non-operating): Includes debt service, out of district public, parochial, private and charter school pass-throughs, retiree benefits and community service programs.

Leadership: Includes the costs of principals, school office, deputies, senior administrators, superintendent, school board and legal.

Fringe benefits: Include the costs for district provided benefits, primarily employer retirement contributions, social security, medicare, health, dental and life insurance premiums.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were minor differences between the District's original budget and the final amended budget. There were no additional appropriations necessary during the fiscal year.

Actual revenues and other sources were less than budgeted amounts by \$362,914. Factors contributing to this include, a lower number of career and technical center students from sending districts, thus receipt of less than anticipated career and technical center student tuitions and less than budgeted interest on investments due to extremely low interest rates.

*Some identified past over-estimations*

Actual expenditures were less than budgeted amounts by \$1,337,200. Significant positive budget variances occurred in the Instruction category (\$256,489 primarily due to a number of staff positions that were filled at lower than anticipated salaries, along with a reduction in the number of filled positions) in the Instructional Support category (\$235,893 primarily due to staff positions that were filled at lower than anticipated salaries, along with purchased services that were unexpended due to changes in student population) in the Operations category (\$493,033 primarily due to lower than anticipated in-district transportation costs, lower than anticipated salaries in the areas of custodial overtime, and savings due to significantly reduced heating fuel prices) in the Other Commitments category (\$148,052 primarily due to lower than anticipated out-of-district transportation costs, special education tuition costs and retiree benefits) and the Employee Benefit category (\$177,686 primarily due to payroll expense (fica/retirement contribution) savings due to lower than expected salaries and reduced health insurance costs.) The Schedule of Revenues and Expenditures - Budget and Actual is presented on Exhibit E-1, following the Notes to the Financial Statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**CAPITAL ASSETS** As of June 30, 2009, the District's investment in capital assets for its governmental activities was \$28.4 million less accumulated depreciation of \$11.5 million for a net investment in capital assets of \$16.9 million. This investment in capital assets includes buildings and building improvements, equipment and vehicles.

### CAPITAL RESERVE FUND

The District maintains a Capital Reserve Fund for costs incurred for capital projects. The RI law was changed in 1998 to allow Housing Aid reimbursement of non-bonded capital projects paid for out of a district capital reserve fund. However, the district must document that projects reimbursed under this provision of the law are indeed supported by properly constituted capital reserve funds. The district, therefore, maintains a separate fund for this specific purpose. The funds to support these projects come from contributions from participating Towns

### LONG TERM LIABILITIES

At June 30, 2009, the District had long-term liabilities, all related to governmental activities, totaling \$3.9 million consisting of a capital lease payable and compensated absences, with the amounts due within one year estimated to be \$1.02 million. Additional information related to the District's long term liabilities can be found in Note 14 to the Financial Statements.

### FACTORS AFFECTING NEXT YEAR'S BUDGET (FY 2010)

- Reduction in pension contributions of \$93,905
  - Reduction in health care premiums of \$367,433
  - Reduction in portable classroom lease expenses of \$86,420
  - Increase in charter school tuitions of \$225,464
  - Decrease in interest on investments of \$375,000
- AND PENS IM Reform which should lower Bottom line by more than 1/2 million S. Thompson
- \$2,250,000 of the General Fund's fund balance was appropriated for spending in the 2009-10 budget
  - In the aggregate, member town contributions to the District decreased by \$458,633, or .94%, for the 2009-10 fiscal year.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the CHARIHO Regional School District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

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Wood River Junction, RI 02894