

This section of the Coahoma Community College annual financial report presents our discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2004. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities.

The annual report consists of three basic financial statements that provide information on the College as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These Statements present financial information in a form similar to that use by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are one indicator of the College's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations and gifts as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

- Revenue from Tuition and Fees increased 14.89% as a result of increased student enrollment
- Enrollment increased by 7% based on headcount.

Year	Total Students Enrolled In Fall
1999	1,162
2000	1,260
2001	1,322
2002	1,633
2003	1,842
2004	1,964

- Appropriations from the Coahoma County Board of Supervisors and the Mississippi Legislature have provided for the construction of the Coahoma County Higher Education Center, a partnership between Coahoma Community College and Delta State University.
- Appropriations from the Coahoma County Board of Supervisors, State of Mississippi, and the Title III HBCU Grant provided funding for the Allied Health Training Facility, which will house the Associated Degree Nursing, Licensed Practical Nursing, Respiratory Care, and other certificate health programs. The Coahoma County Board of Supervisors will donate 4.25 acres to build this 25,900 square foot facility at an estimated cost of \$3,950,000.
- A recovery in the market increased the value of the endowment fund by 15.17%.

Coahoma Community College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2004

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

Condensed Statement of Net Assets

June 30, 2004

	<u>FY2004</u>	<u>FY2003</u>
Assets		
Current Assets	\$ 7,423,911	\$ 5,040,567
Noncurrent Assets:		
Capital, Net	15,673,611	16,178,898
Other	<u>3,550,543</u>	<u>3,005,580</u>
Total Assets	<u>26,648,065</u>	<u>24,225,045</u>
Liabilities		
Current Liabilities	2,122,369	956,719
Noncurrent Liabilities	<u>2,141,579</u>	<u>2,335,110</u>
Total Liabilities	<u>4,263,948</u>	<u>3,291,829</u>
Net Assets		
Invested in Capital Assets, Net	13,339,201	13,662,605
Restricted:		
Nonexpendable	3,179,962	2,761,031
Expendable	364,630	269,937
Unrestricted	<u>5,500,324</u>	<u>4,239,643</u>
Total Net Assets	<u>\$ 22,384,117</u>	<u>\$ 20,933,216</u>

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the College's bank accounts. The total amount of cash and cash equivalents reported as current assets on the College financial statements were \$4,420,755 at June 30, 2004, compared to \$3,061,545 at June 30, 2003.

Accounts Receivable

Accounts receivable relate to several transactions including county appropriations, and student tuition and fee billings. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The College receivables totaled \$1,670,448 at June 30, 2004, compared to FY2003, \$1,773,801.

Inventories

The College maintains inventories of resale merchandise as well as items for food purchases for the cafeteria. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories totaled \$212,292 at June 30, 2004, in comparison to \$196,517 for FY2003.

Noncurrent assets

Cash and Cash Equivalents

Cash and cash equivalents are those funds that are held in the bank accounts and in the State Treasurer's Short-Term Investment Pool (STIF). The cash and cash equivalents that are considered noncurrent are cash in endowment funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2004 totaled \$365,281, in comparison to \$233,332 at June 30, 2003.

Endowment Investments

Endowment investments include marketable securities held and managed by investment managers. These investments are recorded at fair market value. The fair market value at June 30, 2004 was \$3,179,962, in comparison to \$2,761,031 at June 30, 2003.

Capital Assets, Net

Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2004. The amount reported is net of accumulated depreciation. Capital assets, net totaled \$15,673,611 at June 30, 2004, in comparison to \$16,178,898 at June 30, 2003.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities represent amounts due at June 30, 2004 for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled \$781,130 at June 30, 2004, in comparison to \$722,788 at June 30, 2003.

Long-Term Liabilities-Current Portion

Long-term liabilities-current portion represents the portion principal payment for long term debt due within one year. The amount of current portion of bonds and notes at June 30, 2004, was \$193,531, in comparison to \$181,833 at June 30, 2003.

Noncurrent Liabilities

Deposits Refundable

Deposits refundable as of June 30, 2004 consists of student housing deposits to be refunded to students in the amount of \$700, in comparison to \$700 at June 30, 2003.

Long-Term Liabilities

This liability represents long term debt acquired by the institution for capital construction totaling \$2,140,879 as of June 30, 2004, in comparison to \$2,334,410 at June 30, 2003. The schedule of long term debt are (1) Coahoma AHS state aid capital improvement bonds, series 1998, \$415,000; (2) Department of Environmental Quality state revolving fund loan, \$160,879, and (3) Educational facilities note, series 1998, \$1,565,000.

Net Assets

Net assets represent the difference between the College's assets and liabilities. Total net assets at June 30, 2004 were \$22,384,117, compared to \$20,933,216 for FY 2003.

Restricted Net Assets

Restricted nonexpendable net assets consist of endowment gifts, gifts with specific restrictions, grants from third party agencies with expenditure restrictions, and loan funds. Restricted expendable net assets represents fund balances designated for capital projects and debt service.

Unrestricted Net Assets

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

Coahoma Community College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2004

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended June 30, 2004

	<u>FY2004</u>	<u>FY2003</u>
Operating Revenues:		
Tuition and Fees	\$ (320,349)	\$ 94,934
Grants and Contracts	13,170,533	12,140,112
Auxiliary Enterprises	639,688	566,674
Other Operating Revenues	<u>245,406</u>	<u>419,911</u>
Total Operating Revenues	<u>13,735,278</u>	<u>13,221,631</u>
Operating Expenses	<u>20,775,541</u>	<u>19,084,801</u>
Operating Loss	<u>(7,040,263)</u>	<u>(5,863,170)</u>
Nonoperating Revenues:		
State Appropriations	5,739,293	4,960,564
Local Appropriations	2,444,967	2,454,779
Noncapital Gifts	1,000	10,000
Investment Income, Net	52,309	48,500
Interest Expense on Capital Asset Related Debt	(114,823)	(124,818)
Other Nonoperating revenue (expenses)	<u>437,390</u>	<u>79,299</u>
Net Nonoperating Revenues	<u>8,560,136</u>	<u>7,428,324</u>
Income Before Other Revenues	1,519,873	1,565,154
Capital Appropriations	0	819,597
Capital Grants	3,818	1,024,522
Other additions (deletions), net	<u>(72,790)</u>	<u>(925,539)</u>
Total Other Revenues	(68,972)	918,580
Total Increase in Net Assets	1,450,901	2,483,734
Net Assets		
Net Assets at Beginning of Year, as originally reported	<u>20,933,216</u>	<u>18,449,482</u>
Net Assets at End of Year	<u>\$ 22,384,117</u>	<u>\$ 20,933,216</u>

Total operating loss for the fiscal year 2004 was \$7,040,263 compared to \$5,863,170 for FY2003. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, the College will show a significant operating loss.

The sources of operating revenue for the College are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The College strives to provide students with the opportunity to obtain a quality education. Future enrollments at the College may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2004 were \$13,735,278, compared to \$13,221,631 for FY2003. Tuition and fees were \$3,282,805, compared to \$2,857,406 for FY2003. Operating expenses, including depreciation of \$732,897, totaled \$20,775,541. Of this total \$11,118,345 or 54% was for instruction and student scholarships. Operating expenses for FY2003, including depreciation of \$685,257, totaled \$19,084,801. Of this total \$10,412,664 or 55% was for instruction and student scholarships.

Revenues

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes totaling \$3,282,805 for FY2004, in comparison to \$2,857,406 for FY2003.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

Coahoma Community College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2004

The following table details the College's grant and contract awards for the fiscal year ended June 30, 2004:

	<u>FY 2004</u>	<u>FY2003</u>
Federal Sources:		
Department of Education	\$ 11,042,963	\$ 10,468,941
State Sources:		
State Board for Community & Junior Colleges	1,489,811	1,476,351
Other Sources	<u>637,759</u>	<u>194,820</u>
Total All Sources	<u>\$ 13,170,533</u>	<u>\$12,140,112</u>

Sales and Services from Educational Activities

Other operating revenues consist of income from educational activities that totaled \$23,041 for the 2004 fiscal year, and \$10,838 for FY2003.

Sales and Services, Net

Sales and services, net, consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting.

Auxiliary Enterprises

Auxiliary enterprises primarily include the college bookstore, college housing, and the cafeteria/snackbar. Total auxiliary revenues totaled \$639,688 for fiscal year 2004, compared to \$566,674 for fiscal year 2003.

Operating Expenses

Operating expenses for FY2004 totaling \$20,775,541 include salaries and benefits of \$10,961,866, scholarships and fellowships of \$2,252,747, utilities of \$761,076, supplies of \$3,130,020, services of \$2,638,228, travel of \$298,707, and depreciation of \$732,897. Operating expenses for FY2003 totaling \$19,084,801 include salaries and benefits of \$10,139,135, scholarships and fellowships of \$2,834,153, utilities of \$603,474, supplies of \$2,123,037, services of \$2,404,526, travel of \$295,219, and depreciation of \$685,257.

Coahoma Community College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2004

	<u>FY2004</u>	<u>FY2003</u>
Expenses by Function:		
Instruction	\$ 8,865,598	\$ 7,578,511
Public Service	0	352,953
Academic Support	1,738,993	1,345,148
Student Services	1,817,356	1,820,242
Institutional Support	2,305,750	1,823,982
Operations and Maintenance of Plant	1,633,068	1,573,561
Student Financial Aid	2,252,747	2,834,153
Auxiliary Enterprises	1,429,132	1,070,994
Depreciation	<u>732,897</u>	<u>685,257</u>
Total Operating Expenses by Function	<u>\$ 20,775,541</u>	<u>\$ 19,084,801</u>

Nonoperating Revenues (Expenses)

State Aid

The College's largest source of nonoperating revenue is the State of Mississippi appropriations. The College received \$5,739,293 for 2003-2004 fiscal year, which was for operations and \$3,818 in state capital grants for purchase, construction, renovation and repair of fixed assets. During FY 2003, the College received \$4,960,564 in state appropriations, \$1,024,522 in state capital grants for purchase, construction, renovation and repair of fixed assets, and \$819,597 for the construction of the Student Affairs Complex.

County Appropriations

The College also receives revenue from the five county district in which the school resides. The College uses the funding for salaries and benefits, for operational purposes. The College receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The College received \$2,444,967 for the 2004 fiscal year from the supporting counties. This appropriation was fully recorded by the College during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts, the State Treasurer's Short-Term Investment Pool (STIF), and the unrealized gains and losses on the investments held with an outside agency. The investment income at June 30, 2004 was \$52,309.

Coahoma Community College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2004

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

Condensed Statement of Cash Flows (Direct Method)

For the Fiscal Year Ended June 30, 2004

	<u>FY2004</u>	<u>FY2003</u>
Cash and Cash Equivalents Provided (Used) by:		
Operating Activities	\$ (6,009,897)	\$ (5,033,632)
Noncapital Financing Activities	8,093,720	7,403,227
Capital and Related Financing Activities	(471,481)	(471,228)
Investing Activities	<u>(121,183)</u>	<u>(295,689)</u>
Net Increase in Cash and Cash Equivalents	1,491,159	1,602,678
Cash and Cash Equivalents – Beginning of the Year	3,294,877	1,692,199
Cash and Cash Equivalents – End of the Year	<u>\$4,786,036</u>	<u>\$ 3,294,877</u>

The major sources of funds included in operating activities include student tuition and fees, \$(282,174), auxiliary enterprises, \$652,120, and grants and contracts, \$14,377,469. The major uses of funds were payments to employees, \$10,962,698, and to suppliers, \$7,265,529. During FY 2003, the major sources of funds included in operating activities include student tuition and fees, \$224,064, auxiliary enterprises, \$598,068, grants and contracts, \$11,911,853. The major uses of funds during FY 2003 were payments to employees, \$10,151,322 and to suppliers, \$4,839,206.

The largest inflow of cash for FY2004 in the noncapital financing activities group is State Appropriations of \$5,736,860. This figure compares to the FY2003 amount of \$4,946,814.

Significant Capital Asset Transactions

None noted for the 2004 or 2003 fiscal years.

Factors Impacting Future Periods

There are a number of issues of community college-wide importance that directly impacted the fiscal year 2004 financial situation. The level of State support, compensation increases, student tuition and fees increases, insurance and energy cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the College in the years to come.

Various committees, partnerships and individuals are assessing the College's performance toward identified goals and avenues to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.