

PERRY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

The discussion and analysis of Perry County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$225,863, which represents a 6.37% increase over fiscal year 2003.
- General revenues accounted for \$7,573,285 in revenue, or 72.26% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,907,906 or 27.74% of total revenues.
- The District had \$10,368,108 in expenses; only \$2,907,906 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,573,285 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,439,363 in revenues and \$6,835,127 in expenditures. The General Fund's fund balance, including the effect of prior period adjustments, decreased by \$261,450 from the prior year.
- Capital assets, net of accumulated depreciation, increased \$53,243.
- Long-term debt decreased \$177,713.

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.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or 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 District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

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 of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. 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 current 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 current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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 District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major Special Revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,768,892 as of June 30, 2004.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2004 and 2003.

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Current assets	\$ 3,481,797	\$ 3,458,928
Capital assets, net	<u>4,157,526</u>	<u>4,104,283</u>
Total assets	<u>7,639,323</u>	<u>7,563,211</u>
Current liabilities	452,930	424,968
Long-term debt outstanding	<u>3,417,501</u>	<u>3,595,214</u>
Total liabilities	<u>3,870,431</u>	<u>4,020,182</u>
Net assets:		
Invested in capital assets, net of related debt	1,260,337	944,937
Restricted	2,031,884	1,857,685
Unrestricted	<u>476,671</u>	<u>740,407</u>
Total net assets	<u>\$ 3,768,892</u>	<u>\$ 3,543,029</u>

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2004 were \$10,481,191. The total cost of all programs and services was \$10,368,108. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2004 and 2003.

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues	\$ 2,907,906	\$ 2,664,183
General revenues	<u>7,573,285</u>	<u>7,325,549</u>
Total revenues and special items	<u>10,481,191</u>	<u>9,989,732</u>
Expenses:		
Instruction	6,363,051	5,780,876
Support services	3,114,746	3,241,295
Non-instructional	702,808	689,708
Sixteenth section	26,421	47,413
Interest on long-term liabilities	<u>161,082</u>	<u>173,597</u>
Total expenses	<u>10,368,108</u>	<u>9,932,889</u>
Prior period adjustments	<u>112,780</u>	<u>0</u>
Increase in net assets	<u>\$ 225,863</u>	<u>\$ 56,843</u>

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District’s taxpayers by each of these functions.

	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 6,363,051	\$(4,516,779)
Support services	3,114,746	(2,687,245)
Non-instructional	702,808	(68,675)
Sixteenth section	26,421	(26,421)
Interest on long-term liabilities	<u>161,082</u>	<u>(161,082)</u>
Total expenses	<u>\$ 10,368,108</u>	<u>\$ (7,460,202)</u>

- Net cost of governmental activities of \$7,460,202, was financed by general revenue, which is made up primarily of property taxes \$1,926,017, and state revenue \$5,028,216.
- Investment earnings accounted for \$92,982 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,028,867, a decrease of \$5,093. \$535,172 or 17.67% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District’s discretion. The remaining fund balance of \$2,493,695 or 82.33% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$261,450. The fund balance of the remaining Major Funds and Other Governmental Funds showed an increase of \$256,357.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

The final budget amount presented in Schedule 1 of this report represents the last amended budget prior to the fiscal year. After the books were closed for the fiscal year, the School Board amended the budget to the actual revenues and expenditures for the year as allowed by state law.

Budgeted amounts for instruction expenditures were decreased due to several factors:

- Student reassignments to better utilize classroom staffing.
- Anticipated new programs that did not get started.
- Replacement of retiring/resigning teachers with teachers having lower certification and/or fewer years of service.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the District's total capital assets were \$6,773,427, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$85,870 from the previous year. Total accumulated depreciation as of June 30, 2004 was \$2,615,901 and total depreciation expense for the year was \$176,579, resulting in total net assets of \$4,157,526.

Debt Administration. At June 30, 2004, the District had \$3,417,501 in general obligation bonds and other long-term debt outstanding, of which \$201,340 is due within one year. Of this debt \$2,679,000 or 78.39% will be repaid with state revenues (EEF and MAEP funds).

CURRENT ISSUES

The Perry County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased only 3.51 mills over 5 years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will remain relatively constant for the fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent of Education, Perry County School District, P.O. Box 137, New Augusta, MS 39462.