

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

The discussion and analysis of Aberdeen 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 increased \$711,999, which represents 17.6% increase from fiscal year 2003. This is due to an increase in cash reserves and a reduction in liabilities.
- General revenues account for \$10,729,457 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,007,474 or 22% of total revenues.
- The District had \$12,993,839 in expenses; only \$3,007,474 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,729,457 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,756,890 in revenues and \$9,321,769 in expenditures. The General Fund's fund balance increased \$353,568 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$21,222 due to the purchase of new equipment.
- Long-term debt decreased by \$444,853.

## 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.

The government-wide financial statements can be found on pages immediately following this report.

**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. These reconciliations are located in Exhibits C and D.

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.

The basic governmental fund financial statements can be found on pages immediately following this report.

**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. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets in Exhibit E.

**Proprietary funds.** The Aberdeen School District has no proprietary funds.

**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. The notes to the financial statements can be found at the end of the 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 fund. This required supplementary information can be found in this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. 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 \$4,755,482 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 year ended June 30, 2004.

	<b>2003-04</b>	<b>2002-03</b>
	<b><u>Amount</u></b>	<b><u>Amount</u></b>
Current assets	\$ 3,824,992	\$3,625,552
Capital assets, net	<u>2,733,904</u>	<u>2,712,682</u>
<b>Total assets</b>	<b><u>6,558,896</u></b>	<b><u>6,338,234</u></b>
Current liabilities	77,501	123,985
Long-term debt outstanding	<u>1,725,913</u>	<u>2,170,766</u>
<b>Total liabilities</b>	<b><u>1,803,414</u></b>	<b><u>2,294,751</u></b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,093,358	733,419
Restricted	969,425	970,786
Unrestricted	<u>2,692,699</u>	<u>2,339,278</u>
<b>Total net assets</b>	<b><u>\$ 4,755,482</u></b>	<b><u>\$4,043,483</u></b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$445,000 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2004 were \$13,736,931. The total cost of all programs and services was \$12,993,839. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

	<u>2003-04</u> <u>Amount</u>	<u>2002-03</u> <u>Amount</u>
<b>Revenues:</b>		
Program revenues	\$ 3,007,474	\$ 3,245,206
General revenues	<u>10,729,457</u>	<u>9,810,741</u>
<b>Total revenues</b>	<u>13,736,931</u>	<u>13,055,947</u>
<b>Expenses:</b>		
Instruction	7,511,244	7,527,010
Support services	4,603,308	4,155,388
Non-instructional	819,900	818,165
Sixteenth section	00	00
Interest on long-term liabilities	<u>59,387</u>	<u>99,301</u>
<b>Total expenses</b>	<u>12,993,839</u>	<u>12,599,864</u>
<b>Increase in net assets</b>	<u>\$ 743,092</u>	<u>\$ 456,083</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>2003-04</u> <u>Total</u> <u>Expenses</u>	<u>2002-03</u> <u>Total</u> <u>Expenses</u>	<u>2003-04</u> <u>Net (Expense)</u> <u>Revenue</u>	<u>2002-03</u> <u>Net (Exp)</u> <u>Revenue</u>
Instruction	\$ 7,511,244	\$7,527,010	\$(4,593,790)	\$(5,178,279)
Support services	4,603,308	4,155,388	(4,603,308)	(4,152,187)
Non-instructional	819,900	818,165	(729,880)	75,109
Sixteenth section	00	00	00	00
Interest on long-term liabilities	<u>59,387</u>	<u>99,301</u>	<u>(59,387)</u>	<u>( 99,301)</u>
<b>Total expenses</b>	<u>\$ 12,993,839</u>	<u>\$12,599,864</u>	<u>\$ (9,986,365)</u>	<u>\$ (9,354,658)</u>

- Net cost of governmental activities (\$9,986,365), was financed by general revenue, which is made up of primarily property taxes (\$3,158,804) and state revenue (\$6,825,886).
- Investment earnings accounted for \$122,245 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 \$3,769,708, an increase of \$219,084 due primarily to increase in revenues. \$2,763,612 or 73% 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 \$1,006,096 or 27% 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 increase in fund balance in the General Fund for the fiscal year was \$353,568. The fund balance of other governmental funds showed a decrease due primarily to expending accumulated funds in closed-out grant awards, debt service funds and capital projects funds.

## **BUDGETARY HIGHLIGHTS**

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

- Budget amounts for revenue from federal sources was decreased due to not receiving all federal grants budgeted as these are reimbursable grants and can only be received when expended in these grants.
- Budgeted amounts for facilities acquisition and construction expenditures were increased due primarily to completing construction projects earlier than anticipated.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major funds 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 \$5,976,809, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$262,439 from the previous year. Total accumulated depreciation as of June 30, 2004 was \$3,242,905 and total depreciation expense for the year was \$213,237, resulting in total net assets of \$2,733,904.

Additional information of the District's capital assets can be found in Notes to the Financial Statements of this report.

**Debt Administration.** At June 30, 2004, the District had \$1,725,913 in general obligation bonds and other long-term debt outstanding, of which \$355,000 is due within one year.

The District maintains a AA- bond rating.

Additional information of the District's long-term debt can be found in Notes to the Financial Statements of this report.

## **CURRENT ISSUES**

The Aberdeen District is financially stable. The District is proud of its community support of the public schools and has established a Community Advisory Committee to assist the District with maintaining good relations.

The District has committed itself to financial excellence for many years. The millage has increased 0.20 mills for operations and decreased 2.30 mills for debt service since the year ended June 30, 2003. In addition, the District's 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 increase by 75 students during the 2004-2005 fiscal year. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Aberdeen School District, P. O. Box 607, Aberdeen, MS 39730-0607.