

REQUIRED COMPONENTS OF A SCHOOL DISTRICT'S MD&A-MANAGEMENT'S DISCUSSION AND ANALYSIS

Refer to GASB 34 Paragraphs 8 through 11. Also refer to GASB Statement 37 for amendments.

The MD&A covers four broad topical areas:

Conceptual information about your district's financial statements.

A summary of the financial information in the statements.

Events concerning capital assets and long-term debt.

Disclosure of known future events that might have a material impact on the future finances in your district.

MD&A requirements are general rather than specific. Financial managers are encouraged to disclose the most relevant information and to avoid "standard" statements. Avoid repeating information presented in the letter of transmittal.

At a minimum, GASB No. 34 requires the following information as adapted from the GASB No. 34 Implementation Guide and amended by GASB Statement No. 37. Note the information presented within the MD&A should be confined to the topics presented by GASB and discussed in A through H below. Information that does not address the required topics should not be included in MD&A, but may be provided elsewhere in the CAFR. At a minimum, MD&A should include:

A) A brief discussion of the basic financial statements, including their individual purpose. The discussion should assist the reader in understanding the nuances of each of the statement formats. Provide the reader with a discussion on the basic financial statements presented, their relationship to one another, and the significant differences in the information they provide.

B) Condensed financial information derived from district-wide financial statements comparing the current year to the prior year. Charts and graphs may be used to supplement information presented in the MD&A but should not be used in place of condensed financial statements. At a minimum, districts should present the information needed to support their analyses of financial position and results of operations to include these elements:

1) Total assets, including a distinction between capital and other assets.

2) Total liabilities, including a distinction between long-term liabilities and other liabilities.

- 3) Total net assets, distinguished among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts.
- 4) Program revenues, by major source.
- 5) General revenues, by major source.
- 6) Total revenues.
- 7) Program expenses, by function.
- 8) Total expenses.
- 9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers.
- 10) Contributions.
- 11) Special and extraordinary items.
- 12) Transfers.
- 13) Change in net assets.
- 14) Ending net assets.

C) An analysis of the district's overall financial position, including the impact of the current year's results and a comparison of those results with the prior year. Go beyond the reporting of figures to include a discussion of the reasons for the significant changes. Address governmental and business-type activities separately in order to best inform the reader. First year implementing districts may consider the following provision of GASB 34 paragraph 145:

"In the first period that this Statement is applied, governments are not required to restate prior periods for purposes of providing the comparative data for MD&A as required in paragraph 11. However, governments are encouraged to provide comparative analyses of key elements of total governmental funds, and total enterprise funds in MD&A for that period. Also in the first year of implementation, MD&A should include a statement that, in future years, when prior-year information is available, a comparative analysis of government-wide data will be presented."

D) An analysis of balances and transactions of individual funds. The analysis should include the reasons for material changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

E) An analysis of significant variations between original and final budget amounts and between final budget amounts and actual results for the general fund.

F) A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

G) A discussion by governments that use the modified approach to report some or all of their infrastructure assets.

H) A description of currently known facts, decisions, or conditions that are expected to have a material effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets). The discussion should include only events or decisions that have occurred, been enacted, adopted, agreed upon, or contracted as of the date of the auditor's report. Reference should be made to the expected effect on both governmental and business type activities.