

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Note: The following questions and answers were formulated using ASBO International's GASB Statement No. 34 Implementation Recommendations for School Districts (hereafter, referred to as ASBO's Implementation Recommendations). OPI supports ASBO's recommendations and encourages the use of this publication for further information and guidance. Other resources are GASB Implementation Guides (see GASB website at <http://www.gasb.org/repmoel/index.html>) and the AICPA (September 2002) Audits of State and Local Governments (GASB 34 Edition).

Q: What is MD&A and what information must be included in it?

A: MD&A is Management's Discussion and Analysis, which is RSI under GASB 34. MD&A is management's analysis, based on currently know facts as of the date of the auditor's report, of the district's financial position. It is required to precede the financial statements and provide the following analysis:

- **Management's** analysis of the district's financial position and results of operations.
- Comparison of current year assets, liabilities, revenues and expenses to the prior year.
- Explanation of significant changes in fund-based financial results and budgetary information.
- Description of capital asset and long-term debt activity during the year.
- Description of currently known facts, decisions or circumstances expected to have a significant effect on the future overall financial activities of the school district.

Q: Who prepares the MD&A?

A: The school district's management (i.e., Trustees, Superintendent and Clerk) is responsible for and must understand the MD&A. Ideally, the MD&A should be prepared prior the arrival of the auditor. A model MD&A is available on OPI's website at <http://www.opi.state.mt.us/schoolfinance/gasb34.html>.

Q: In the first year, what should we do if we don't have the prior year information required for the MD&A?

A: GASB 34 encourages prior year data in the year of implementation, but it is not required. The MD&A in the first year of implementation must at least include a statement to the effect that prior year information is not available, but will be presented in subsequent years.

Q: Should the MD&A include discussion and analysis of component units?

A: No, unless management determines that the effect of component units is significant compared to the total operations of the school district. The focus of the MD&A should be on the school district as a whole and to report the change in the school district's overall financial condition from the prior year to the current year.

Q: What format should be used to report the comparison of current year assets, liabilities, revenues and expenses to the prior year?

A: OPI recommends a format similar to that shown in its Model MD&A or in ASBO's Implementation Recommendations (Figures 1-1, 1-2 and 1-3, found on pages 15 and 16, are examples of condensed statements that meet or exceed GASB 34 minimum requirements).

Office of Public Instruction
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