

**MUNICIPAL ANNUAL FINANCIAL REPORT PACKAGE**  
**Other Comprehensive Basis of Accounting (OCBOA)**  
**Large Municipalities**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

If completed, modified cash basis entities should consider the MD&A to be supplementary information, not required supplementary information.

The MD&A should introduce the basic financial statements and provide an analytical overview of the government's financial activities. The MD&A provides financial managers with the opportunity to present both short-term and long-term analyses of the government's activities. It is placed BEFORE the basic financial statements. The MD&A should provide basic financial information in a narrative format for users of the financial statements that do not desire to go into great detail on the various transactions and balances. The use of charts and graphs in conjunction with narratives is encouraged, but not required. Completion of the M, D & A is optional for OCBOA entities.

The MD&A should provide an objective and easy-to-read analysis of the government's financial activities based upon currently known facts, decisions or conditions. For the purposes of the MD&A, GASB 34 defines "currently known facts" as information that management is aware of as of the date of the independent audit's report. Therefore, any matters (known facts) that arise between the preparation of the MD&A and annual financial report by the government and the date of the independent auditor's report, must be analyzed for possible modification of the MD&A.

The MD&A should include comparisons of the current year to the prior year based on the government-wide information with emphasis being placed on the current year. The fact-based analysis should discuss both the positive and negative aspects of the comparison with the prior year.

The MD&A should focus on the primary government. Comments in MD&A should distinguish between information pertaining to the primary government and that of component units. The decision to discuss matters relating to a component unit should be based on the individual component unit's significance to the total of all discretely presented component units and that individual component unit's relationship with the primary government.

MD&A CONTENTS OUTLINE - The MD&A must contain the following:

- a. **A brief discussion of the basic financial statements.** This should include the relationships of the statements to each other taking into account the differences in financial statement format.
- b. **Condensed financial information derived from government-wide financial statements comparing the current year to the prior year.** At a minimum, the MD&A should present the information needed to support the analysis of cash balances and results of operations from cash transactions as required in item c below. The MD&A should include the following elements:
  - ✓ total assets
  - ✓ total net position, distinguishing among restricted amounts and unrestricted amounts
  - ✓ program revenues, by major source

- ✓ general revenues, by major source
- ✓ total revenues
- ✓ program expenses, at a minimum by function
- ✓ total expenses
- ✓ excess (deficiencies) before contributions to any term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers
- ✓ contributions
- ✓ special and extraordinary items
- ✓ transfers
- ✓ the change in net position
- ✓ the ending net position

- c. **An analysis of the government's overall cash balance and the results of operations resulting from cash transactions. This should assist users in assessing whether cash balances have improved or deteriorated as a result of the year's operations.** This analysis should address:
- ✓ both governmental and business-type activities as reported in the government-wide financial statements,
  - ✓ and should further include reasons for significant changes from the prior year and not just the amounts or percentages of changes.

In addition, important economic factors, such as changes in the tax base, that significantly affected operating results for the year should be discussed.

- d. **An analysis of balances and transactions of individual funds.** This analysis should address:
- ✓ the reasons for significant changes in fund cash balances,
  - ✓ and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.
- e. **An analysis of significant variations between the original and final budget amounts and between final budget amounts and the actual budget results for the General Fund.** This analysis should include any currently known reasons for these variations that are expected to have a significant effect on future services or liquidity.
- f. **A description of currently known facts, decisions, or conditions that are expected to have a significant effect on cash or the results of operations resulting from cash transactions.** For example, because of their effect on cash, current debt issuances and significant capital acquisitions should be discussed.