



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

Financial Accountability:
*Management's Discussion and
Analysis*

Presented by
David Becker, CPA
James Marta, CPA, ARPM

Overview

- Introduction
- What is the MD&A
- MD&A Requirements
- Challenges
- Adding value through charts and graphs



What is the MD&A?

- Required Supplementary Information
- What is the purpose?
- What should it be?
- What shouldn't it be?



MD&A Purpose

- Improved Financial Reporting
 - Accountability
 - More useful information
 - Reach a wider range of users
- Introduce Basic Financial Statements
 - Government-wide financial statements
 - Fund financial statements
- Provide Analytical Overview
 - Based on currently know facts
 - Comparative years
 - Short and long-term outlook



What should the MD&A be?

- Objective
- Easily readable
- Assess financial position and direction
- Interesting



What the MD&A shouldn't be?

- Biased towards only the good stuff
- Cluttered with irrelevant or immaterial information
- Too long or too short
- The same every year

GOOD
NEWS,
BAD
NEWS

MD&A Requirements – Eight Sections

- Brief discussion of the basic financial statements
- Condensed comparative financial information
- Analysis of overall financial position and results of operations
- Individual fund analysis



MD&A Requirements – Eight Sections

- Budget/Actual analysis for general fund
- Significant capital asset and long-term debt activity
- Infrastructure – Modified approach discussion (if applicable)
- Facts, decisions or conditions that will have a significant financial impact



MD&A Challenges

- Financial information is highly aggregated so analysis needs sufficient description
- Meaningful financial analysis
- MD&A should not replicate information required by CAFR

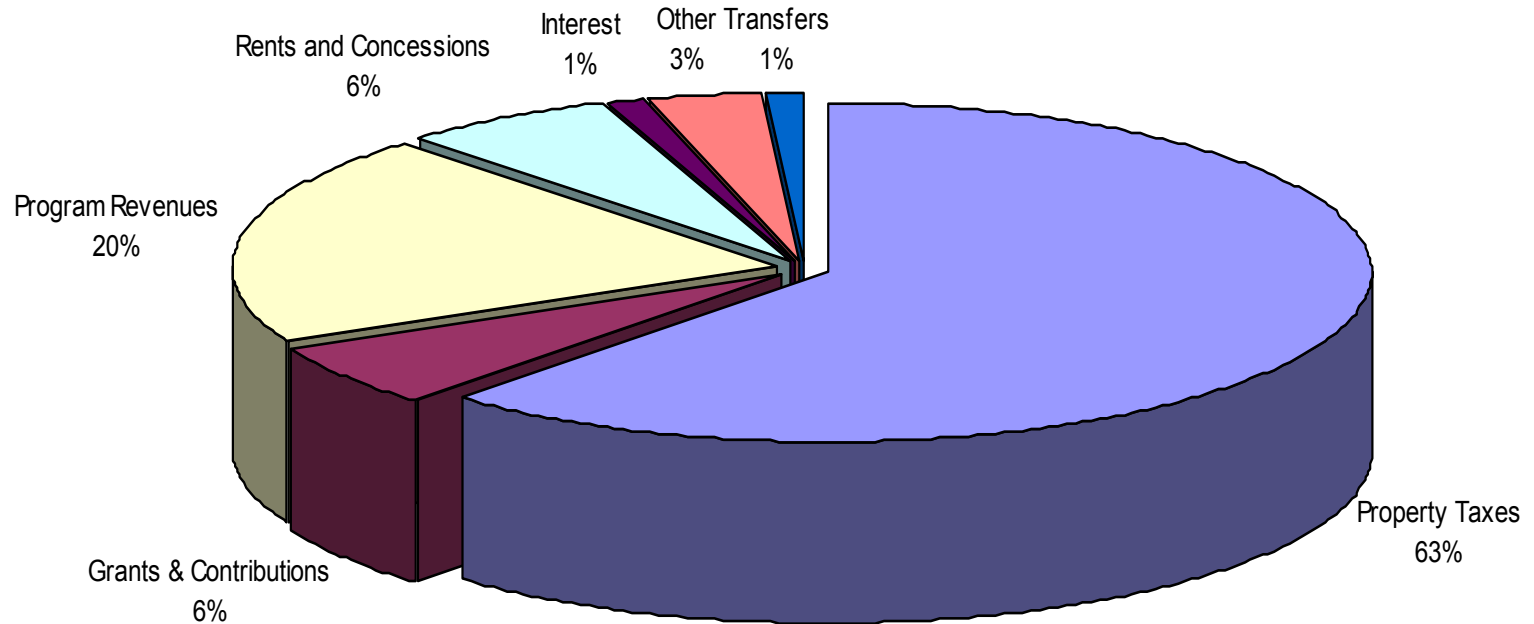


Adding Value through Charts and Graphs

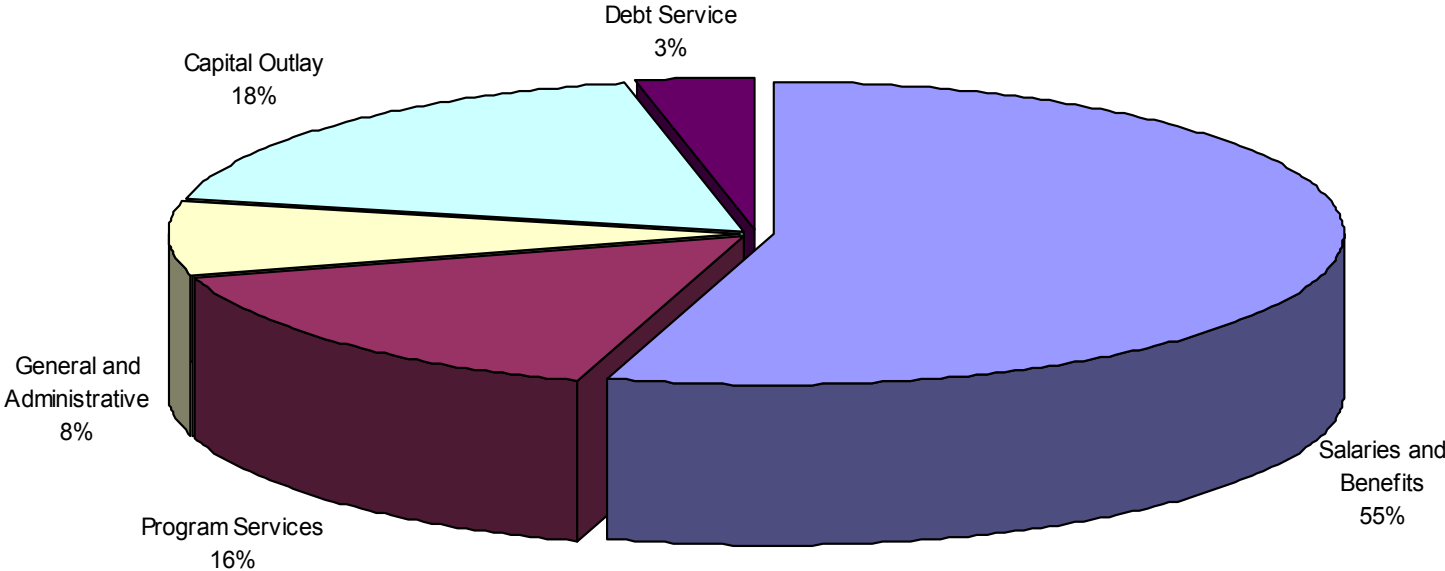
- MD&A vs CAFR
- Government-wide vs Funds
- Provide sufficient analysis and relevance
- Using non-financial data
- Types of graphs
- Does it add value
- The following are samples:



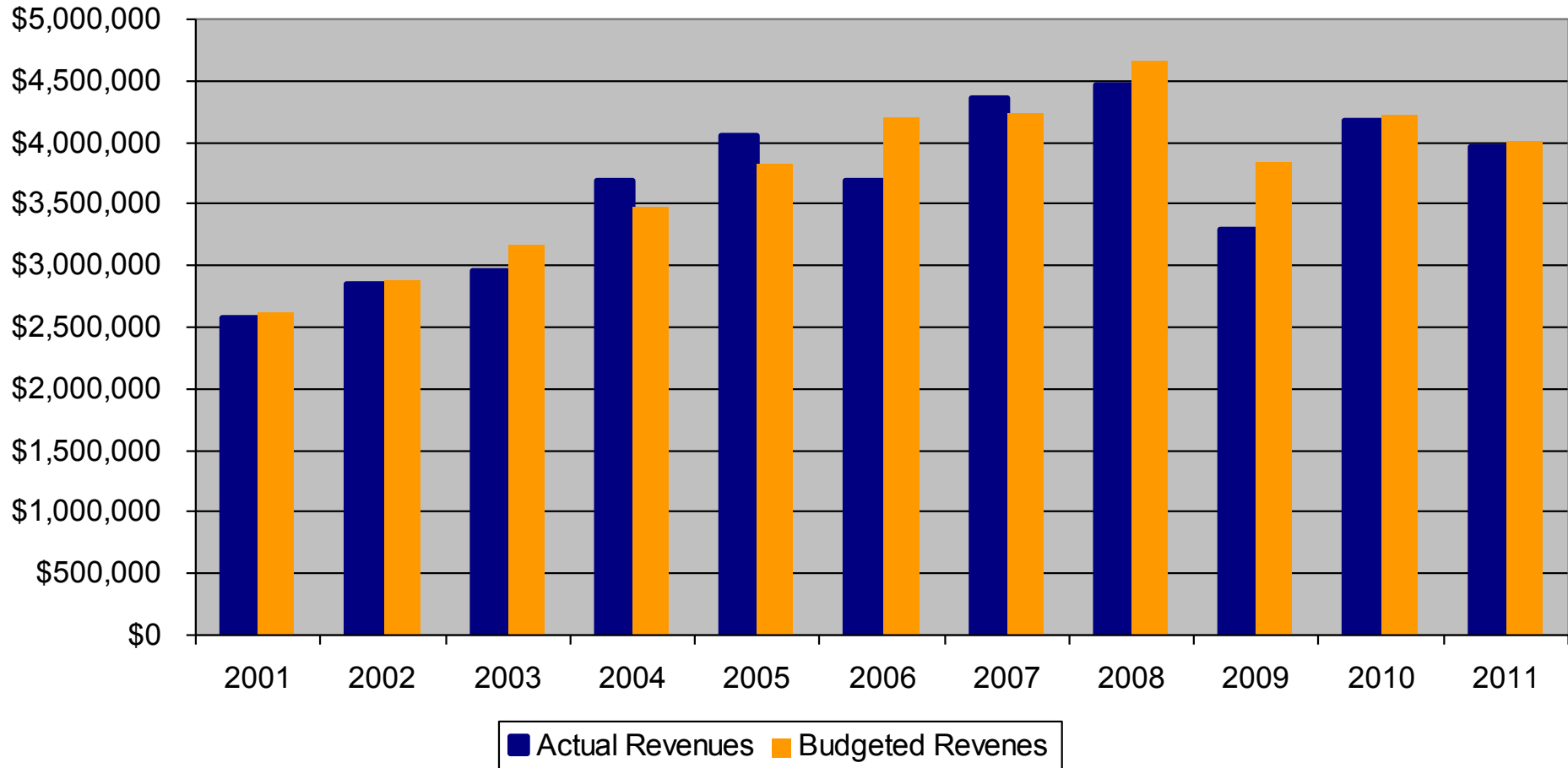
Revenues by Source 2011



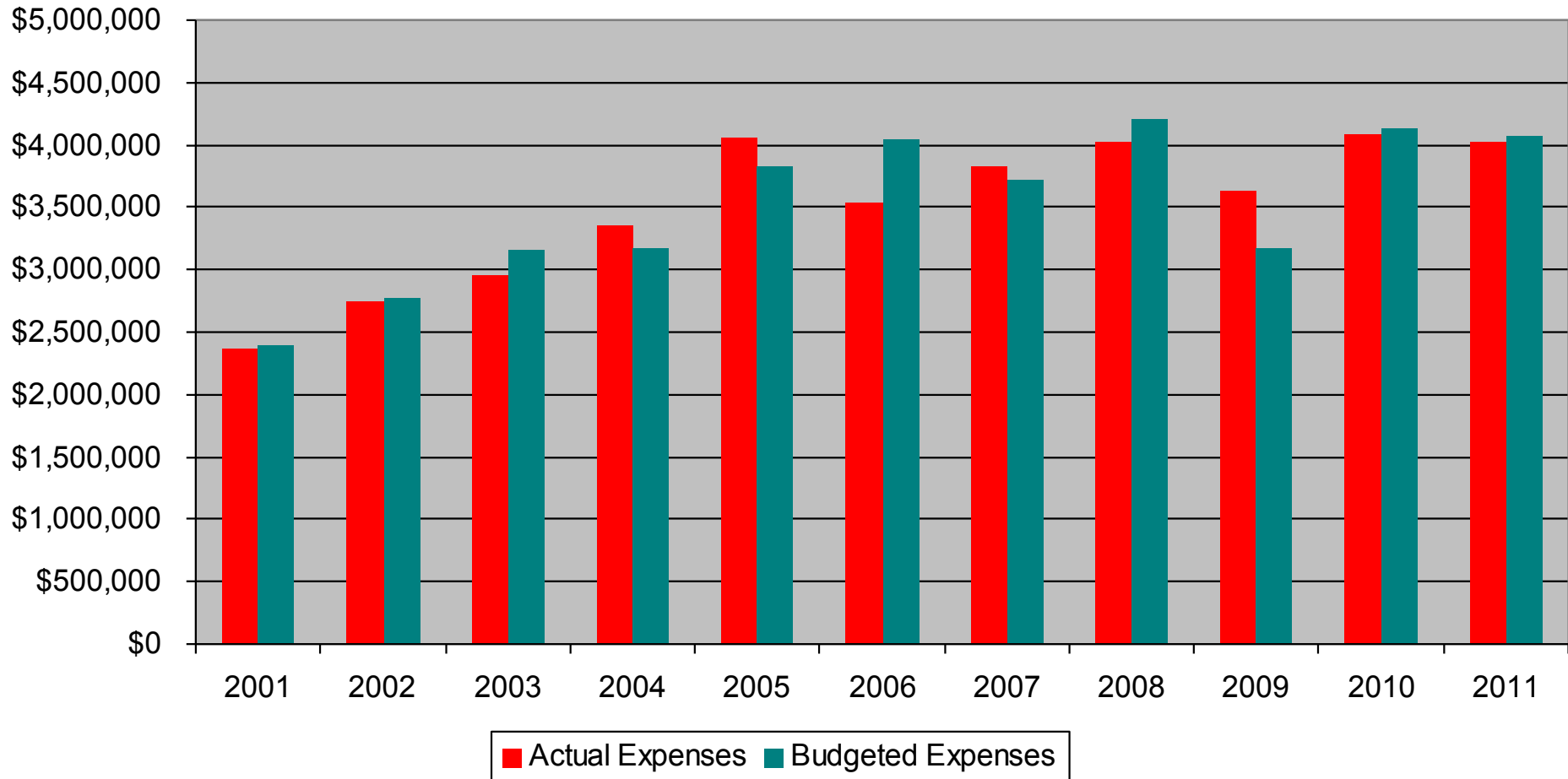
Expenditures by Classification 2011



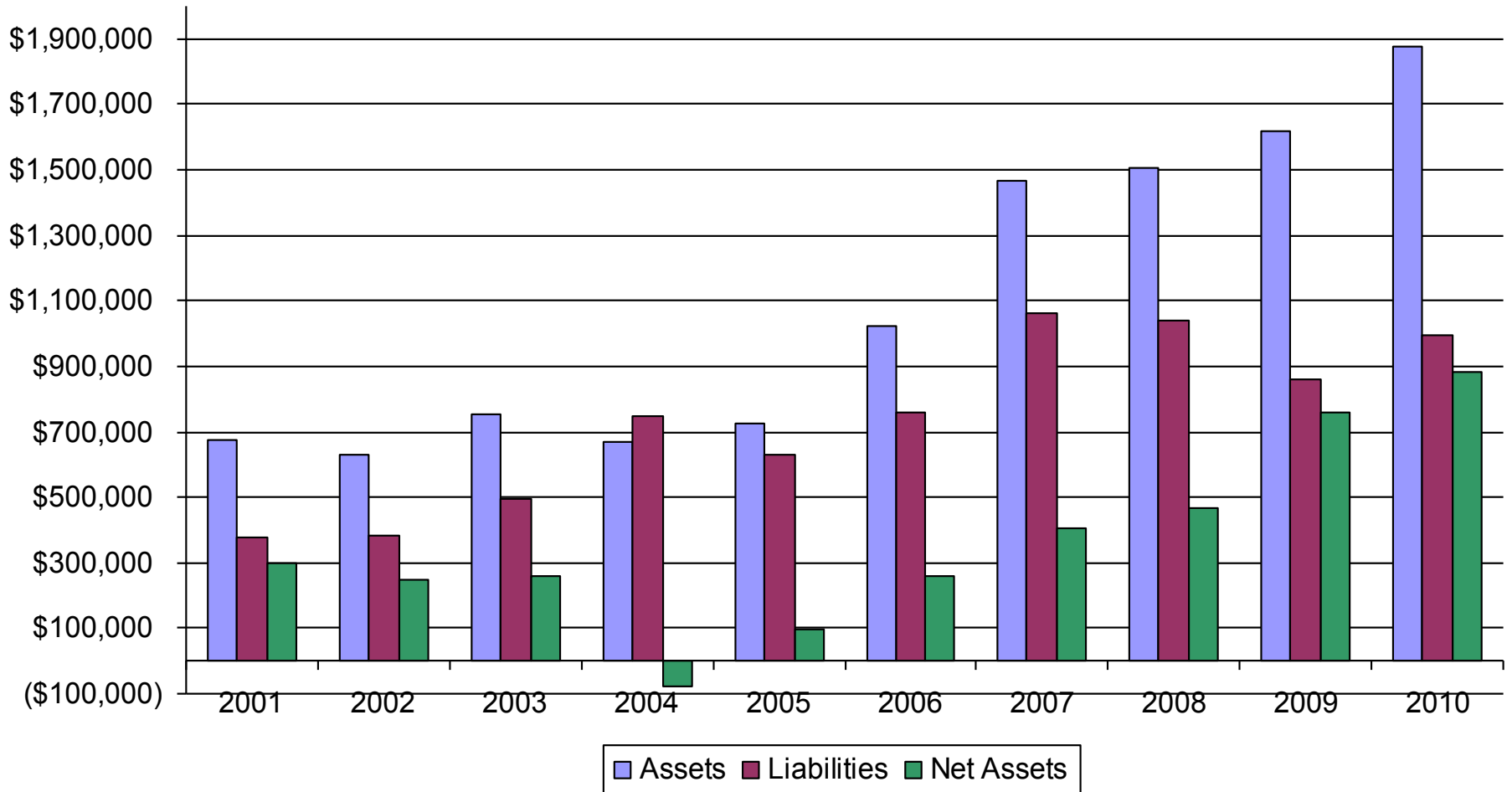
General Fund Budget vs Actual



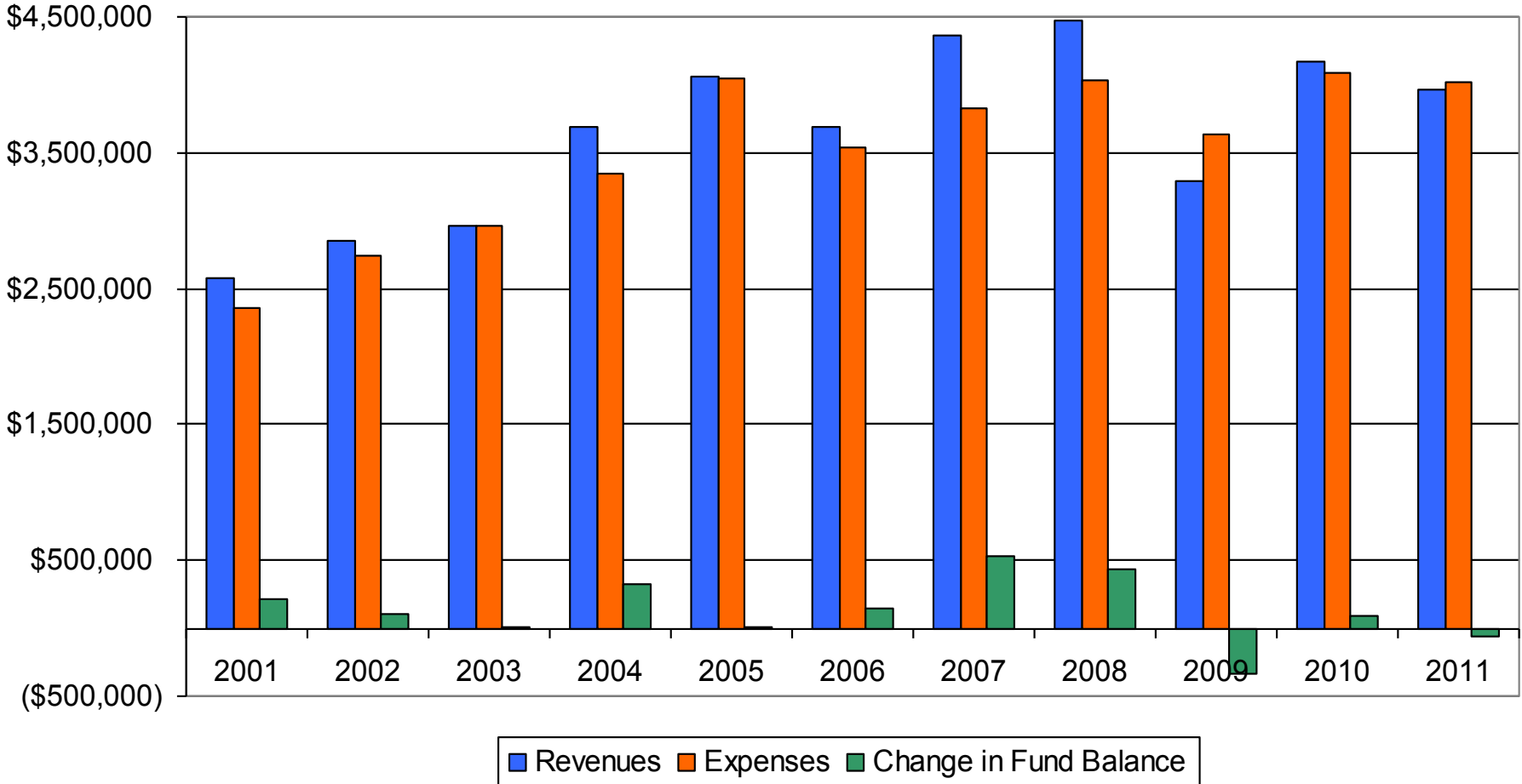
General Fund Budget vs Actual



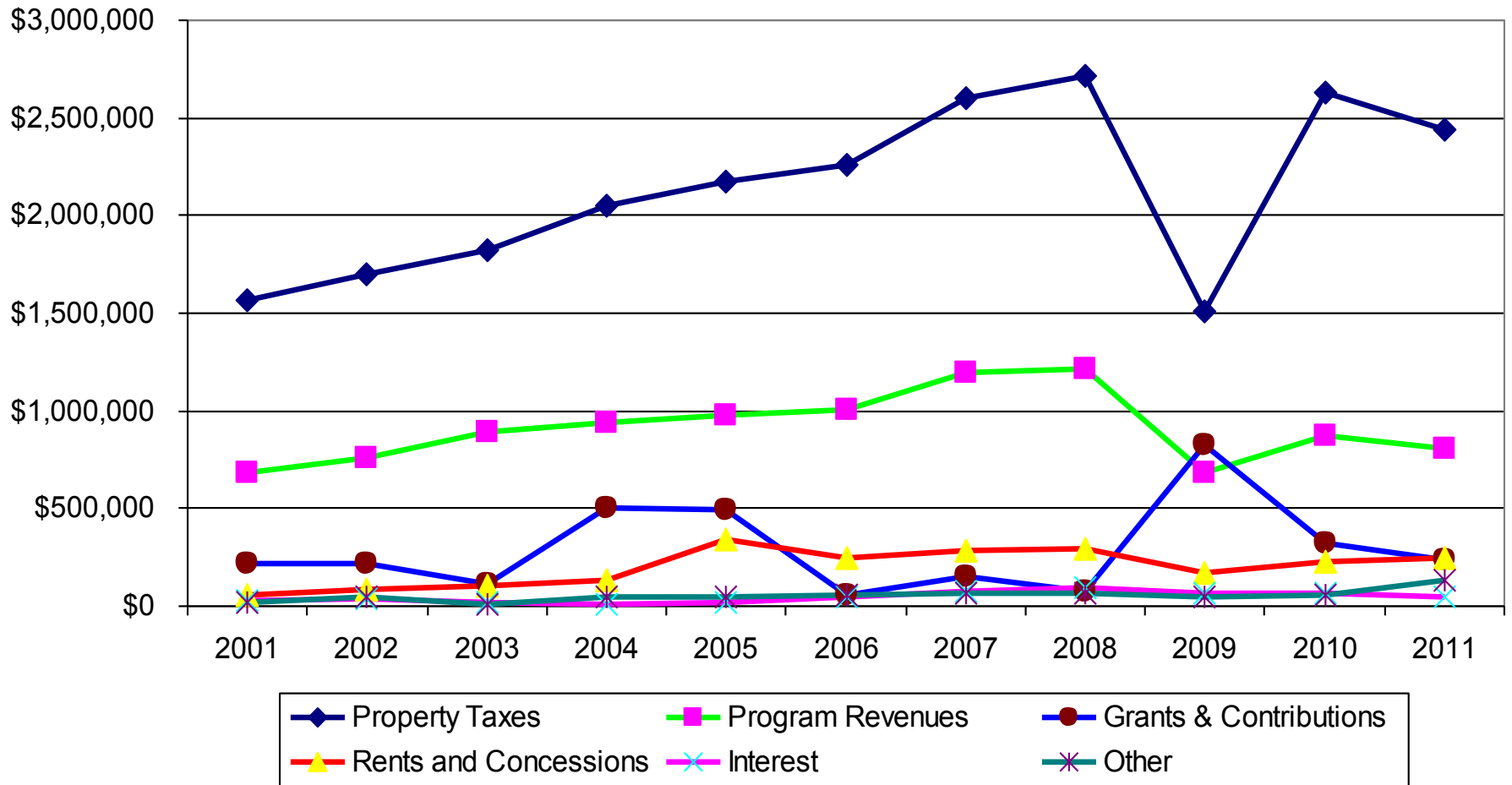
Statement of Net Assets



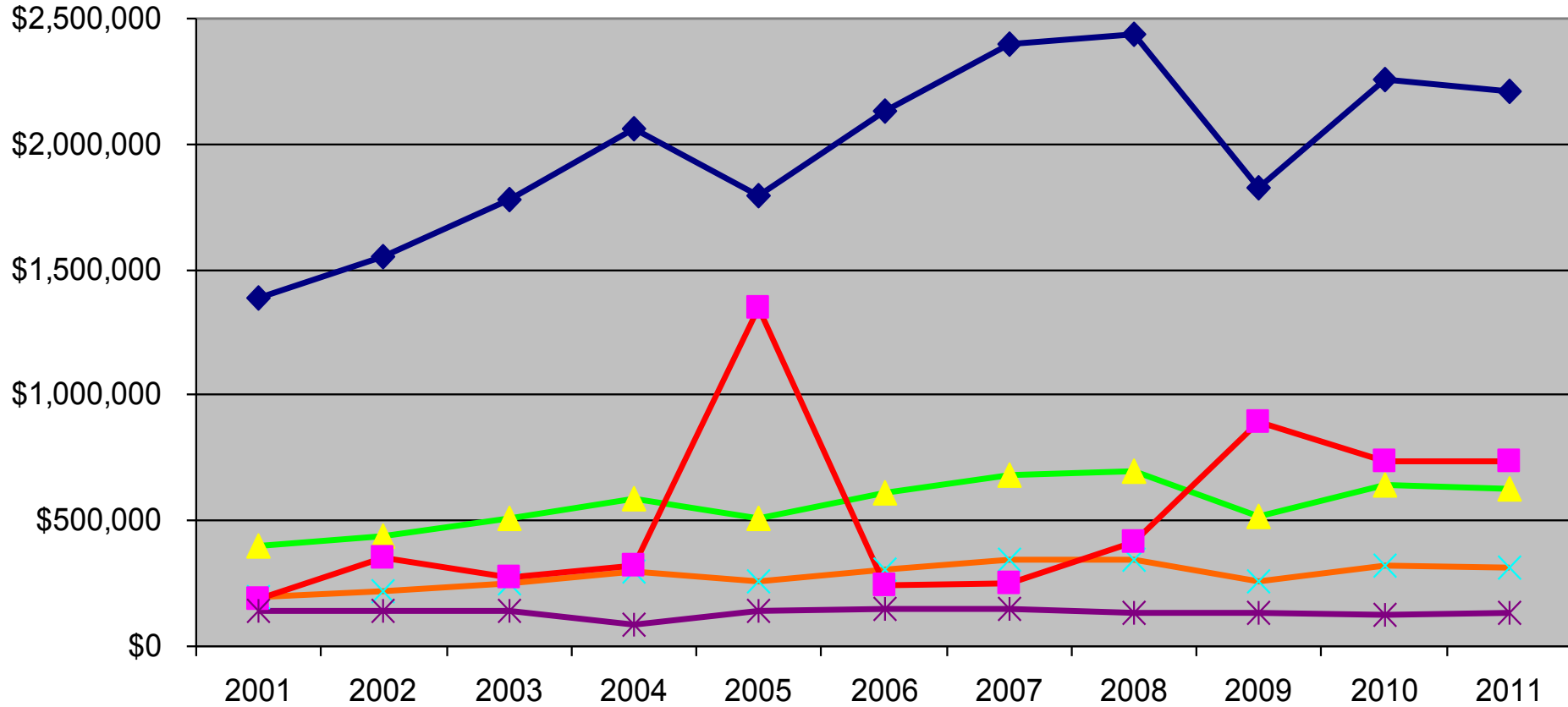
General Fund Statement of Revenues and Expenditures



General Fund Revenues by Source



General Fund Expenditures



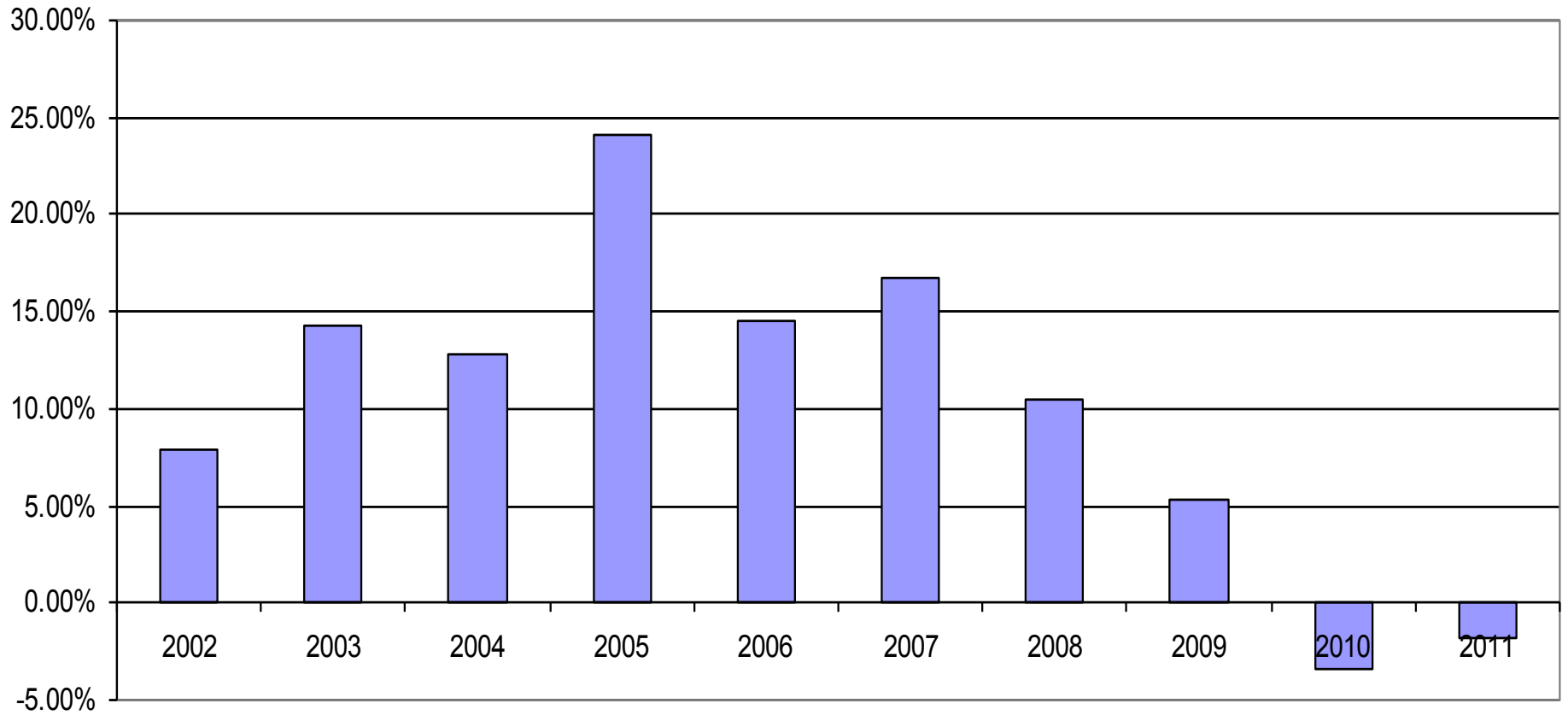
◆ Salaries and Benefits
 ■ Capital Outlay

▲ Program Services
 * Debt Service

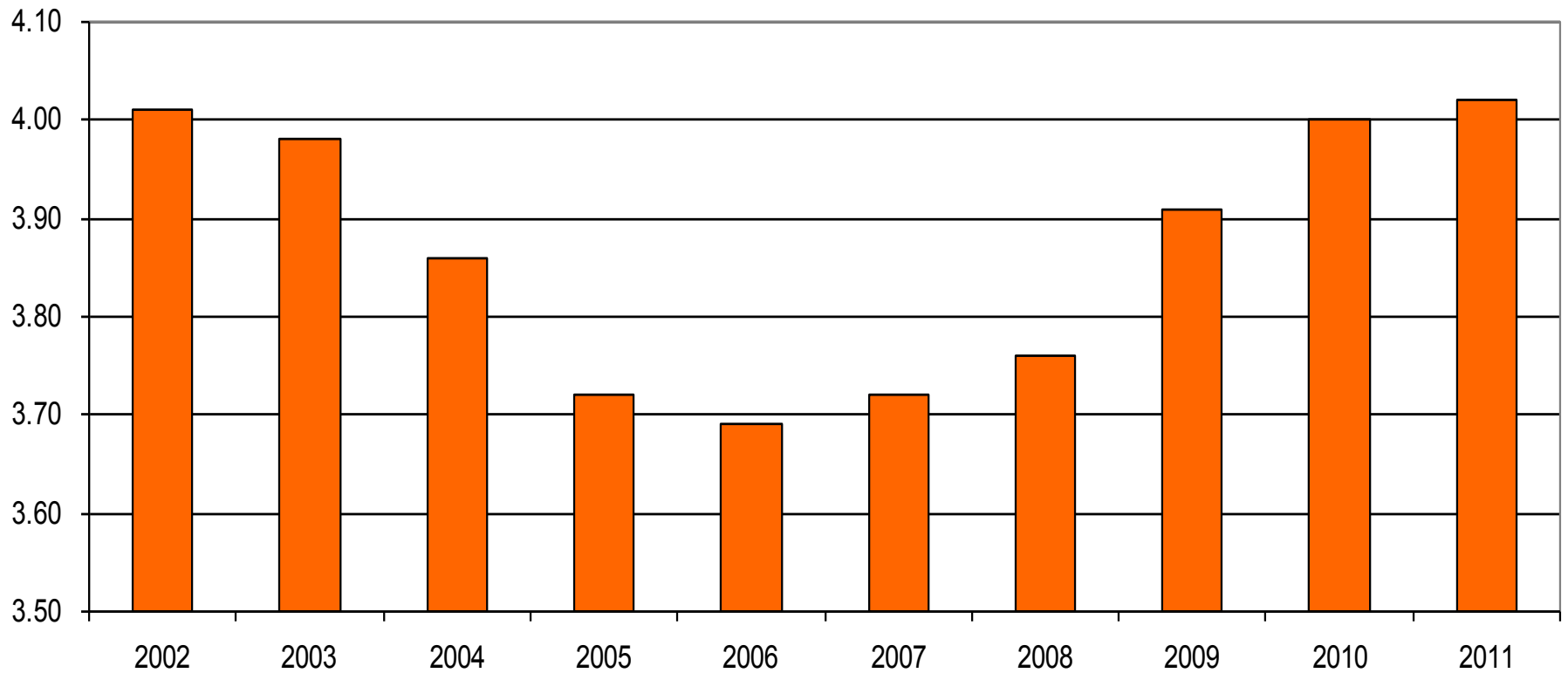
× General and Administrative



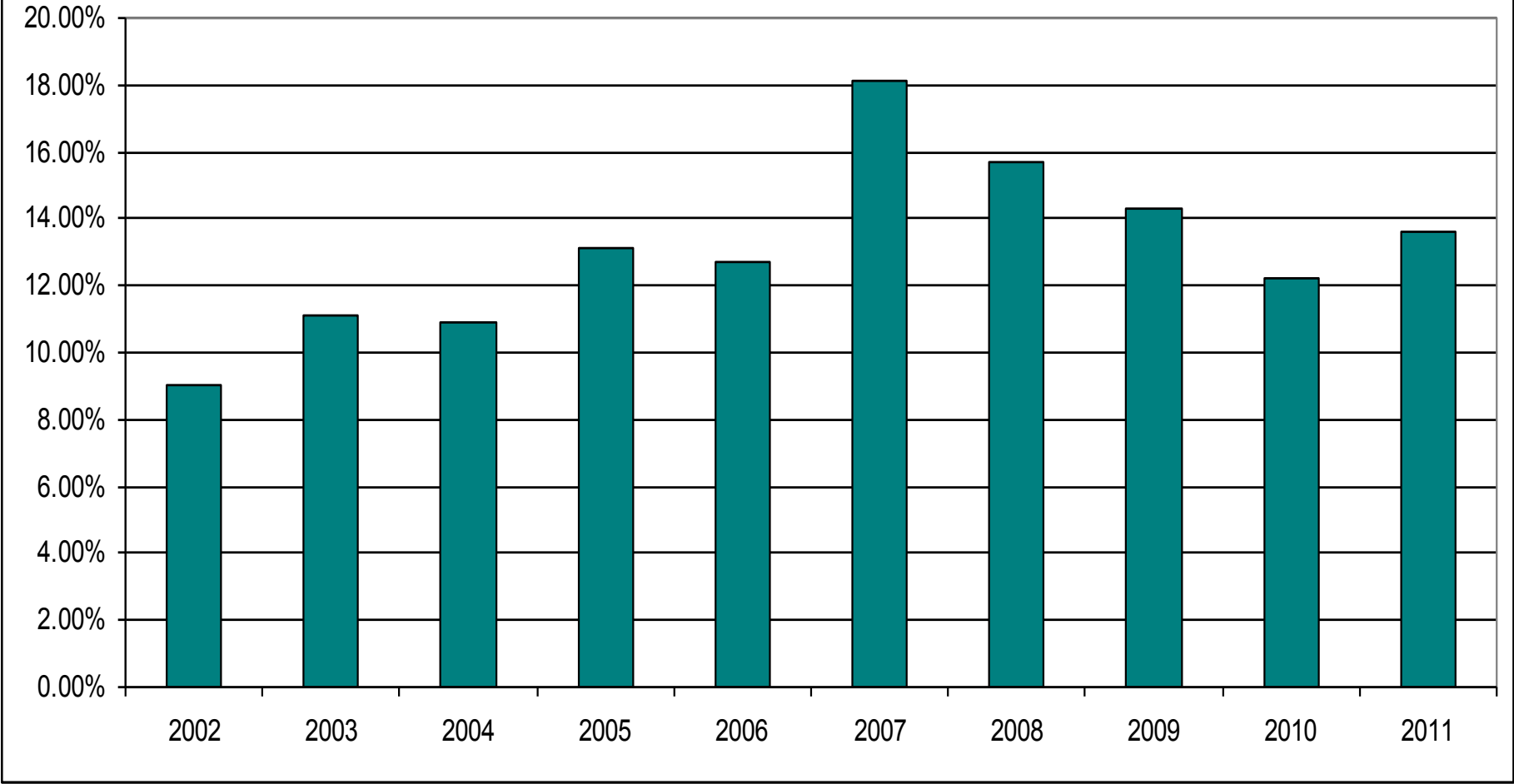
Property Taxes Change in Assessed Valuation



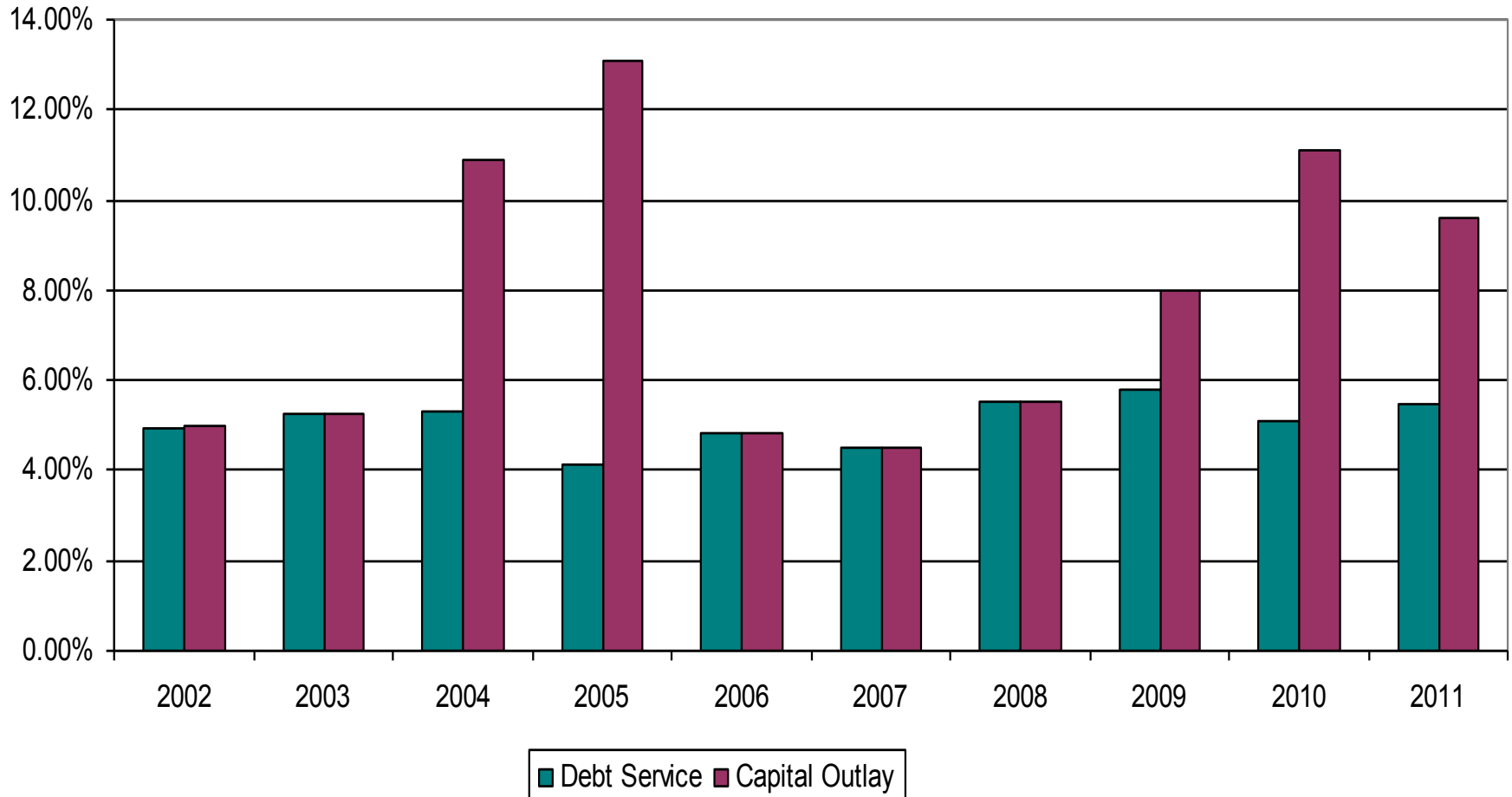
XYZ Fire District Average Response Times In Minutes



Change in Health Insurance Costs



Percentage of Operating Expenditures



Other considerations

- Cash flow analysis
- Level and types of services provided
- FTE Trends
- Debt service and capital expenditures
- Others?



Conclusion

- Keep it simple
- Provide short-term and long-term analysis
- Use charts and graphs to enhance descriptions
- Provide accountability
- Add Value

be simple, be social:
**DON'T
MAKE
THEM
THINK**
Engage them!

