

Management Discussion and Analysis

MSBO Financial Statement Preparation Workshop

June 8, 2022

Presented by:
Jason Helsen, SFO
Director of Financial Services
Muskegon Area ISD
(231) 767-7209
jhelsen@muskegonisd.org

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Management Discussion and Analysis (MD&A)

- Overview – Why, What, How
- Basic Criteria & Sections
- MD&A Resources
- MD&A Samples

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MD&A Overview – Why?

- A requirement of [GASB Statement 34](#)
- Original implementation might have included boilerplate language.
 - *Challenge – Go beyond the boilerplate!*
- Intended to give the reader of the financial statements an easy-to-understand overview of the school district's financial position and operational results.
- Management is required to explain the district's financial position and address the reasons it has improved or deteriorated compared with the prior year.
- Helps current and prospective clients understand what the financial statements show and do not show.

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MD&A Overview – What?

- The MD&A is required supplementary information (RSI). It precedes the basic financial statements, and is considered part of the audited financial statement report.
 - *Challenge – think about the historical record - what will it show in the future?*
- A brief description of the required financial statements for the benefit of users unfamiliar with how they are prepared.
- Based on currently known facts as of the date of the auditor's report.
- Discuss important trends and risks that have, or in the future may, affect the financial statements.
- Provides information about the quality and potential variability of the District's performance, to help users determine if past performance is indicative of future performance.
- Minimum criteria and basic headings – more to come in a few slides!

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MD&A Overview – How?

- What if's or information about potential developments or future planned events should not be included.
- Use this opportunity to your advantage... Tell your story. Let the readers know what a great job the District did with its finances.
 - *Challenge - Highlight points of emphasis with graphics!*
- Discuss material information that may not be fully reflected in the financial statements such as contingent liabilities and other contractual obligations
- Annual Comprehensive Finance Report districts- MD&A does not replace the transmittal letter (and vice versa). Districts presenting a transmittal letter in the comprehensive report are encouraged by GASB not to duplicate any of the information that is contained in the MD&A .

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MD&A Basic Criteria

Condensed Government-wide Statements:

Condensed financial information derived from government-wide financial statements

- Statement of Net Position
- Statement of Activities

Government-wide Analysis:

An analysis of the government's overall financial position and results of operations, including impact of important economic factors. For example, foundation allowance changes, Headlee rollbacks, pupil enrollment changes or other changes in funding are topics that might impact overall financial position.

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MD&A Basic Criteria

Fund Level Statements:

An analysis of balances and transactions of individual funds.

Budget Information:

An analysis of differences between original and final budgeted amounts and final budgeted amounts and actual amounts (if significant).

Capital Assets & Long-Term Debt:

A description of changes in capital assets and long-term debt during the year and changes therein (once written, probably won't change much unless there's a new bond issue).

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MD&A Basic Criteria

Infrastructure - N/A

A discussion of the condition of infrastructure assets. N/A for schools.

Current Events:

A description of currently known facts, decisions or conditions that are expected to have a material effect on financial position or results of operations (e.g. enrollment, state funding, etc.)

- You need to walk that line between forward-looking information (good) and forecasting (bad).

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MD&A Resources

I want to better understand or update or improve my MD&A. Where should I turn for more info?

- [GASB pronouncements webpage](#)
- [ASBO checklist](#)
- Other districts' reports
- MSBO Resources...such as today's session

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MD&A Resources GASB Pronouncements & Impacts

- GASB 68: [Accounting and Financial Reporting for Pensions](#)
- GASB 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#)
 - *The OPEB liability created another large liability on your balance sheet*
 - *Negative fund equity or net position is not a fun thing to explain, is it?*
 - *Get used to it. The MPSERS unfunded liability is not going away, which means we get to keep explaining the impact of GASB 68 and 75.*
- GASB 84 – [Fiduciary Activities](#)
 - *Former agency accounts – either general fund or special revenue funds.*
 - *Explain the impact on the report.*
 - *Make sure budget approach is accurate.*
- GASB 87 – [Leases](#)

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MD&A Resources ASBO COE Checklist

2. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A. Is an MD&A presented? (GASBS 34: 6; 2012 GAAFR, page 594; eGAAFR, page 525)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Is the MD&A presented preceding the basic financial statements? (GASBS 34: 8; 2012 GAAFR, pages 567 & 594; eGAAFR, page 525)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Does the MD&A describe the basic government-wide financial statements and the basic fund financial statements, as well as the difference in the kinds of information provided by each? (Cod[SL1]. Sec. 2200.109b; 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Does the MD&A provide condensed financial data extracted from the government-wide financial statements? If yes, does the condensed financial data include: (Cod. Sec. 2200.109b; 2012 GAAFR, pages 568-569; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
1. Total assets (distinguishing between capital and other assets)? (Cod. Sec. 2200.109b(1); 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Total deferred outflows of resources? (Cod. Sec. 2200.109b(2); eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Total liabilities (distinguishing between long-term liabilities and other liabilities)? (Cod. Sec. 2200.109b(3); 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Total deferred inflows of resources? (Cod. Sec. 2200.109b(4); eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Total net position (distinguishing among the net investment in capital assets; restricted net position; and unrestricted net position)? (Cod. Sec. 2200.109b(5); 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Program revenues by major source? (Cod. Sec. 2200.109b(6); 2012 GAAFR, page 568; eGAAFR, page 526)[SL2]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. General revenues by major source? (Cod. Sec. 2200.109b(7); 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Total revenues? (Cod. Sec. 2200.109b(8); 2012 GAAFR, page 568; eGAAFR, page 526)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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MD&A Resources Tips for Writing an Effective MD&A

1. Do not use jargon. Use plain language, with tables and charts.
2. Be brief, but candid and even-handed in your analysis.
3. Start from a top-down analysis and work towards the details.
4. Explain why things happened.
5. Look at other district's MD&A...what are they writing about? How are they writing?
6. Weave your risk factors into your narrative.
7. Try to quantify the effects of the identified risk factors.
8. Look forward, but do not predict or forecast.

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MD&A Resources MD&A Samples

- MAISD's MD&A follows this outline:

- Overview:
 - Explain what we are doing and what an MD&A is
 - Explain District-wide versus Fund Financial statements
- District-Wide Financial Analysis
 - Summary Statements of Net Position and Changes in Net Position
 - Explain significant variances and changes in the write up
- Fund Financial Statements
 - Significant variances and changes are explained in the write up
 - May include tables and summaries
- General Fund Budgetary Highlights
 - Explain budget variances in the write up
 - May include tables and summaries
- Capital Assets and Debt Summary
 - Note the use of tables
- Factors Bearing on the District's Future
 - Tell your story!
 - Explain your assumptions used when gazing into your crystal ball

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MD&A Resources MD&A Samples

- Muskegon Area ISD
 - [Financial statements FYE 6/30/2020](#)
- Reeths-Puffer Schools
 - [Comprehensive Annual Financial Report FYE 6/30/2020](#)
- Use the Transparency Icon to find other districts' reports



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Muskegon Area Intermediate School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Muskegon Area Intermediate School District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

The Governmental Accounting Standards Board in their Statement No. 34 adopted this new reporting model; *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in June 2000.

According to GASB 34, generally accepted accounting principles require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Muskegon Area Intermediate School District as a whole. The *District-wide Financial Statements* provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Intermediate School District's operations in more detail than the district-wide financial statements by providing information about the Intermediate School District's most significant funds: General Fund, Special Education Fund, and Vocational Education (Career Tech Center) Fund and Career Tech Capital Project.

Reporting the Intermediate School District as a Whole
District-Wide Financial Statements

The district-wide financial statements include the statement of net position and the statement of activities. These statements, which appear first in the Intermediate School District's financial statements, report

- **MAISD Overview:**
 - **Explain what we are doing and what an MD&A is**
 - **Explain Basic Financial Statements**

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

The management discussion and analysis report for Reeths-Puffer Schools (School District) is intended to assist the reader in focusing on significant financial issues, provide an overview of the School District's financial activity and identify changes in its financial position. This section of the financial statements also identifies all material deviations from the financial plan (initial budgets) and discloses individual fund issues and concerns that exist at the close of the fiscal year.

This information is required by GASB 34 (Governmental Accounting Standards Board's Statement No. 34). GASB 34 requires the presentation of two basic types of financial statements; namely, Government-Wide Financial Statements and Fund Financial Statements.

Overview of the Comprehensive Financial Statements

This comprehensive annual financial report consists of seven parts: (1) the introductory section, (2) the independent auditor's report, (3) management's discussion and analysis (this section), (4) the basic financial statements, (5) required supplementary information, (6) other supplemental information, and (7) the statistical section. The financial statements include notes that explain some of the information in the statements by providing detailed data. These statements are followed by a section of required supplementary information that further explains and supports the financial statements, utilizing a comparison to the School District's budget for the year. Additionally, the basic financial statements also include two kinds of statements that present different views of the School District.

Government-Wide Financial Statements

The government-wide statements provide a financial perspective of the School District as a whole. These statements use the "full accrual" basis of accounting. There are two (2) government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, whether they are currently available or not.

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid (full accrual accounting). The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for various district services.

Fund Financial Statements

Fund statements are reported under the "modified accrual" method of accounting. Under this basis of accounting, revenues are recorded when received, except where they are measurable and available within sixty (60) days of the close of the fiscal year. Expenditures are accounted for in the period that goods and services are used in school

- **R-PS Overview:**
- **Explain District-wide Financial Statements**
- **Give names and reasons for major District-Wide FSs**

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***Reporting the Intermediate School District's Most Significant Funds
Fund Financial Statements***

The Intermediate School District's fund financial statements provide detailed information about the most significant funds—not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the Intermediate School District has established other funds to help it control and manage money for particular purposes. The governmental funds of the Intermediate School District use the following accounting approach:

The Intermediate School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at the end of the year that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Intermediate School District's programs. The audited financial statements describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in a reconciliation schedule.

- [MAISD Overview of Fund F/S](#)
- [Explain reason for funds and basis of accounting](#)
- [Identify major funds and reasons why they exist](#)

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Muskegon Area Intermediate School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The Intermediate School District's Funds

The Intermediate School District uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide and may present greater insight into the Intermediate School District's overall financial health.

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of \$17.80 million, which is a decrease of approximately \$392,000 from 2018-19.

- The General Fund reflects a fund balance increase of \$307,686 from the prior year. Revenues decreased by approximately 1.8% from prior year levels and expenditures decreased by 1.3%. Transfers in increased from prior year by approximately \$95,000.
- In the Special Education Fund, the fund balance decreased by \$300,750 to \$920,482. Revenues decreased 0.4% while expenditures increased 2.2% in comparison with the prior year. Special Education expenses were up mostly due to the addition of the Lakeshore Learning center program, which was new to MAISD in 2019-2020.
- The Vocational Education Fund reflects a fund balance decrease of \$649. Revenues increased by 4.5% and expenditures decreased by 4.3%. Transfers out increased by 9.4%.
- In September 2002, voters approved a 1.0 mill tax levy for the new Muskegon Area Career Tech Center located on the Muskegon Community College campus. This countywide centralized program began administrative operations in October 2002. Classrooms in the newly built facility began in January 2005. Construction of the centralized Career Tech Center building was completed in June 2005. In June 2009, the Muskegon Area Intermediate School District and Muskegon Community College signed a land contract in order for the Muskegon Area Intermediate School District to acquire the Muskegon Area Career Tech Center plus additional land for future expansion. In 2013, the Muskegon Area Intermediate School District made the final payment to Muskegon Community College and ownership was transferred.

- [MAISD Overview of Fund FS](#)
- [Explain reason for funds and basis of accounting](#)
- [Identify major funds and reasons why they exist](#)

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Reeths-Puffer Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Furthermore, the net deficiency position of the School District has been exacerbated by the adoption of GASB Statements Numbers 68 and 75, which have greatly increased the long-term liabilities required to be recognized by the School District. GASB Statement Number 68 was adopted for the fiscal year ended June 30, 2015, and GASB Statement Number 75 was adopted for the fiscal year ended June 30, 2018. As of June 30, 2020, the School District reported liabilities of approximately \$72.9 million for its share of the unfunded liability for the MPSERS pension plan, approximately \$15.7 million for its share of the MPSERS OPEB liability as well as approximately \$4.5 million in additional OPEB liabilities. The adoption of GASB 68 and GASB 75 and the impact of the new statements are explored in more depth in Footnote J.

Statement of Net Position

	For the Year Ended June 30,	
	2020	2019
Assets		
Current assets	\$ 12,075,139	\$ 13,132,413
Capital assets (net of depreciation)	44,305,937	46,075,091
Total assets	56,381,076	59,207,504
Deferred outflows of resources	27,510,951	25,881,541
Total assets and deferred outflows of resources	83,892,027	85,089,045
Liabilities		
Current liabilities	19,466,879	20,433,828
Long-term liabilities	152,036,387	149,313,421
Total liabilities	171,503,266	169,747,249
Deferred inflows of resources	11,857,385	11,982,456
Total liabilities and deferred inflows of resources	183,360,651	181,729,705
Net Position		
Net investment in capital assets	9,544,123	6,021,646
Restricted funds	95,635	61,675
Unrestricted funds	(109,108,382)	(102,723,981)
Net position	\$ (99,468,624)	\$ (96,640,660)

• **R-PS District-Wide Financial Analysis**

- Note summary Statement of Net Position and Statement of Changes in Net Position tables
- Explain significant variances and changes in the write up

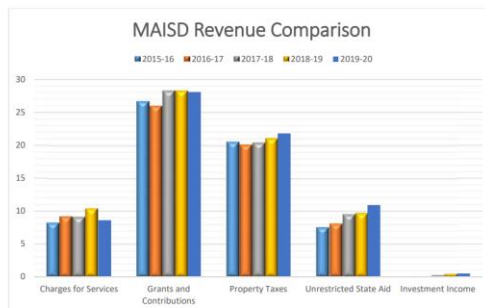
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Muskegon Area Intermediate School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for the years ended June 30, 2019 and 2020.

Table 2

	2018-19 Governmental Activities (in millions)	2019-20 Governmental Activities (in millions)
Revenue		
Program revenue		
Charges for services	\$ 10.4	\$ 8.6
Grants and contributions	28.3	28.1
General revenue		
Property taxes	21.1	21.8
Unrestricted state aid	9.7	10.9
Investment and other income	0.7	0.5
Total Revenue	\$ 70.2	\$ 69.9



Total Revenue by Fiscal Year:

2019-20 - \$69.9 Million
2018-19 - \$70.2 Million
2017-18 - \$67.9 Million
2016-17 - \$63.8 Million
2015-16 - \$63.2 Million

• **MAISD District-Wide Financial Analysis**

- Note summary Net Assets and Change in Net Assets tables
- Explain significant variances and changes in the write up
- Use visuals where appropriate – make sure they're factual, easy to read, and add to the experience (rather than detract from it)

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Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Intermediate School District revises its budget as we attempt to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Material variances from the final amended budgets are below.

- General Fund: Deferral of multiple revenue sources caused much of the overall budget variance. Multi-year flow-through grants such as Head Start (federal) and Great Start Readiness Program (state) are budgeted for the full award, but are not fully spent within the fiscal year. Similar results were experienced in both Project Safe (federal) and Section 31n Mental Health (state). Starting up new programs during the COVID partial shutdown proved challenging and as a result, both had large amounts of underspent revenue to be carried forward into future years. Several local grant sources were also deferred and contributed to similar budget variances in 2019-20. Grants and projects such as these have an impact on both revenue and expenditures, as budgets end up underspent and funding often carries over into the following fiscal year.
- Special Education Fund: The federal IDEA multi-year flow-through grants are budgeted for the full awards but are often not spent by the local school districts within that fiscal year. Similar unspent Medicaid funds contributed to lower than expected local revenue and outgoing inter-district transfers and will be carried forward for future years. Final budget adjustments attempted to take the impact of the COVID environment into consideration; however, several areas of spending still came in lower than budgeted as a result of the partial shutdown.
- Vocational Education Fund: There were no significant revenue variances in the fund. Expenditures came in under budget by approximately 6.7% in total – about double last year's final budget variance. Non-staff instructional spending came in about 11.5% under budget, the result of a significant portion of the school year being completed in a virtual environment. The final result was that planned deficit spending did not materialize and fund balance is steady at last year's level.

- **MAISD Budgetary Highlights:**
- **Explain significant variances and changes in the write up.**
- **How much detail is appropriate? Up to you and your circumstances.**

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Muskegon Area Intermediate School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Change in Fund Balance

	General Fund		Special Education Fund		Vocational Ed Fund	
	Fund Balance	Surplus (Deficit)	Fund Balance	Surplus (Deficit)	Fund Balance	Surplus (Deficit)
2009-10 Actual	\$ 4,513,250	\$ 527,677	\$ 1,405,656	\$ (339,051)	\$ 3,395,587	\$ 1,733,810
2010-11 Actual	\$ 4,925,512	\$ 412,262	\$ 1,534,394	\$ 128,738	\$ 4,710,594	\$ 1,315,007
2011-12 Actual	\$ 5,024,115	\$ 98,603	\$ 1,629,975	\$ 95,581	\$ 5,417,160	\$ 706,566
2012-13 Actual	\$ 5,264,515	\$ 240,400	\$ 1,812,997	\$ 183,022	\$ 5,623,858	\$ 206,698
2013-14 Actual	\$ 5,288,741	\$ 24,226	\$ 1,750,880	\$ (62,117)	\$ 5,861,664	\$ 237,806
2014-15 Actual	\$ 5,229,602	\$ (59,139)	\$ 750,251	\$ (1,000,629)	\$ 6,234,690	\$ 373,026
2015-16 Actual	\$ 5,296,109	\$ 66,507	\$ 956,900	\$ 206,649	\$ 6,428,827	\$ 194,137
2016-17 Actual	\$ 5,697,514	\$ 401,405	\$ 706,903	\$ (249,997)	\$ 6,674,746	\$ 245,919
2017-18 Actual	\$ 5,523,512	\$ (174,002)	\$ 974,410	\$ 267,507	\$ 2,762,327	\$ (3,912,419)
2018-19 Actual	\$ 5,872,168	\$ 348,656	\$ 1,221,232	\$ 246,822	\$ 2,777,265	\$ 14,938
2019-20 Actual	\$ 6,179,854	\$ 307,686	\$ 920,482	\$ (300,750)	\$ 2,776,616	\$ 649
2020-21 Budget	\$ 6,327,415	\$ 147,561	\$ 920,482	\$ -0-	\$ 2,208,078	\$ (568,538)

- **MAISD Fund Financial Results:**
- **What do you want to highlight? How do you present the information? Is it the same as in your board budget reports? Consistency is often your friend.**

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- State revenues lower than estimated: (\$469,124) – The variance represents about 1.5% of this category. This variance is directly related to the COVID-19 pandemic. The state deducted \$175 per FTE during the August 20th state aid payment. Federal revenue was given to offset this deduction at \$300 per student but could not be recognized in the 2019-20 year due to the timing of the signature provided by the Governor. These funds will show up in the 2020-21 fiscal year.
- Local revenue sources received from other districts higher than estimated: \$84,000 – This variance came in higher due to an unexpected receipt of one time funds as well as higher than anticipated receipts of Medicaid funds.
- Federal revenues lower than estimated: (\$5,000) – Since full grant allocations must be appropriated, any carryover shows up as a budget variance. Title I-A, and Title II-A budgets combined came in approximately \$34,000 under approved award amounts. IDEA revenue received matched approved award amounts. These grants are reimbursement-based, meaning this variance has no impact on the School District's bottom line. These amounts will be carried over into the 2020-21 year.
- Incoming Transfers and Other Sources higher than estimated: \$69,000 – This category represents indirect cost recovery from the food service fund, as well as irregular or non-recurring items like sale of fixed assets, insurance claim reimbursements, and prior period adjustments. The allowable food service indirect amount was higher than budgeted and is governed by Michigan Department of Education guidelines. A year-end reclassification of several miscellaneous items contributed to the difference between budget estimates and final figures.
- Revenue lower than budgeted: approximately (\$226,291) or about 0.58% of the \$38.9 million budget.

Expenditures

Budget variances in expenditures by functional category are highlighted below.

- **R-PS Budgetary Highlights:**
- **Significant variances are changes are explained in the write up**
- **May include tables and summaries**
- **Note some “Management is doing good stuff” or “Management did the best they could in a bad situation” comments.**

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Governmental Fund Budgetary Highlights

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- **MAISD Fund Basis Budgetary Highlights**
- **Explain budget variances in the write up**
- **How detailed?**

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Capital Asset and Debt Administration**Capital Assets**

At June 30, 2020, the Intermediate School District had \$35.4 million invested in capital assets. The net capital asset amount represents a net increase, including additions, deletions, and depreciation, of \$1,632,769 from last year, or 8.8%.

	June 30, 2019	June 30, 2020
Land	\$ 1,369,066	\$ 1,330,387
Buildings & Improvements	24,886,300	27,398,237
Furniture and equipment	4,599,068	4,772,615
Transportation equipment	1,915,202	1,884,162
Total capital assets	32,769,636	35,385,401
Less accumulated depreciation	14,246,335	15,229,331
Net Capital Assets	\$ 18,523,301	\$ 20,156,070

- **MAISD Capital Assets and Debt Summary**
- **Note the use of tables – This is getting exciting, eh?**
- **Often this is just a summary of the footnote info but remember it is an opportunity to highlight and explain significant factors and highlight operational changes.**

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Muskegon Area Intermediate School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

This year's \$2,511,937 increase in buildings and improvements largely relates to the Craig remodel and renovation. Capital asset additions in 2019-20 totaling \$2,615,765, less depreciation of \$1,057,483, lead to a net increase of \$1,632,769. Additions include building and improvements, furniture and equipment.

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	July 1, 2019	Additions	Debt Obligations		June 30, 2020	Current
			Deductions			
Debt obligations (Bonds, and notes from direct borrowings and direct placements)	\$ 73,162,726	\$ 29,220,471	\$ 32,715,582	\$ 69,667,615	\$ 11,272,258	
Compensated absences and early retirement obligations	791,443	231,772	233,218	789,997	200,750	
Net pension liability	66,272,669	12,785,508	6,189,536	72,868,641	-	
Net other postemployment benefits liability	20,537,676	1,698,199	2,052,733	20,183,142	-	
Total long-term obligations	\$160,764,514	\$ 43,935,950	\$ 41,191,069	\$163,509,395	\$ 11,473,008	

The ending balance of debt obligations as of June 30, 2020 is higher than the beginning balance by approximately \$2,700,000. Additions shown above represent borrowing related to the 2019-20 refunding bonds, accreted interest on capital appreciation bonds, and additions to the net pension liability and net other post-employment benefits liability. Reductions in outstanding debt include principle and interest payments made according to bonded debt schedules, retirements of School Bond Loan Fund debt, and amortization of bond premiums. For more information on debt, please see Note I in the notes to the financial statements.

In 2015-16, 2016-17 and 2019-20, the School District issued over \$75.1 million in refunding bonds combined over five issues to refinance outstanding debt at lower interest rates in order to lower costs and pass significant savings along to its taxpayers. These five issues refinanced multiple outstanding bond issues and achieved projected combined interest savings of over \$8.6 million.

- **R-PS Capital Assets and Debt Summary**
- **Note the use of tables – This is getting exciting, eh?**
- **Often this is just a summary of the footnote info but remember it is an opportunity to highlight and explain significant factors and highlight operational changes.**

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Economic Factors and Next Year's Budgets

As compared to the local school districts within the Muskegon Area Intermediate School District, the Intermediate School District is more dependent on property tax revenue and less dependent on state aid. The tax base of Muskegon County experienced an increase of 3.58% to \$4,801,952,209 for 2020. Muskegon Area Intermediate School District exists to provide services to local school districts, their staff, and the students they serve. Local district needs determine the nature and focus of our service efforts. The challenges our local districts currently face include: a general decline in student population, increased professional development needs due to legislation requirements, changes in special education laws and increased emphasis on early identification of children with special needs, and the loss of experienced teaching and administrative staff, to name just a few. All of these factors have an economic impact and directly affect the scope of our service effort.

Districts along with Muskegon Area Intermediate School District will continue to face challenges in educational funding.

- **MAISD Factors Bearing on the District's Future**
 - Tell your story!
 - This example is short and sweet for sure.
 - Put the onus on revenue where it belongs
 - Teach some history
 - Explain your assumptions used when gazing into your crystal ball

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Currently known facts, decisions, and conditions affecting the 2020-21 School Year

2020-21 Initial General Fund Budget (June 2020 Budget Hearing)

The adopted budget for the 2020-21 fiscal year projects an operational deficit of (\$695,391). This budget will be amended to reflect updated factors such as foundation grant information, actual student counts, and final staffing levels. This budget is based upon certain assumptions as well as over \$1.2 million in estimated reductions. The main assumptions for the 2020-21 budget are:

- State Aid Revenue – this budget is prepared based upon the state holding us harmless in funding due to the COVID-19 pandemic. At this time, we do not have a solid timeline for the passage of the state's

Consumers Energy Property Tax Appeal and Effects of Public Act 437 of 2012

In October 2011, management became aware of significant property tax appeals entered into by Consumers Energy, the School District's largest taxpayer. On June 26, 2012, the City of Muskegon and Consumers Energy entered into a stipulation agreement that resulted in paybacks of over \$4.5 million in property tax refunds to Consumers. Of this total, nearly \$2 million was the responsibility of Reeths-Puffer Schools. Payments were made during 2012-13 to clear the School District of liabilities that were previously accrued. Over \$1.36 million in operating tax refunds was paid in August 2012, with the remainder of approximately \$635,000 paid in January 2013.

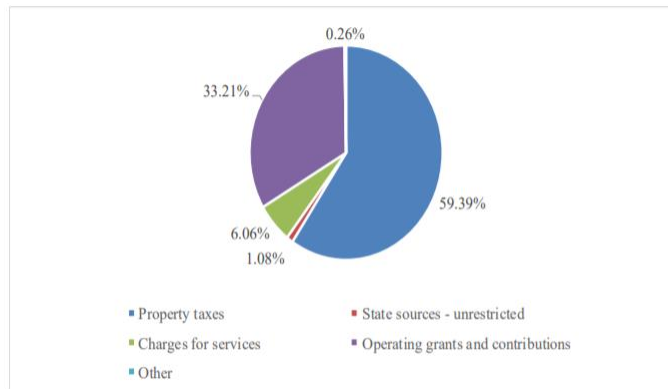
Employee Contracts (MEA affiliates)

As of the report date, the R-PEA and R-P OPPA are the two organized labor groups under contract for the 2020-21 school year. The R-PEA certified staff contract, covering teachers and non-teaching professional instructional

- **R-PS Factors Bearing on the District's Future**
 - Tell your story!
 - Reeths-Puffer's – a little more detailed...
 - Put the onus on revenue where it belongs
 - Teach some history
 - Explain your assumptions used when gazing into your crystal ball

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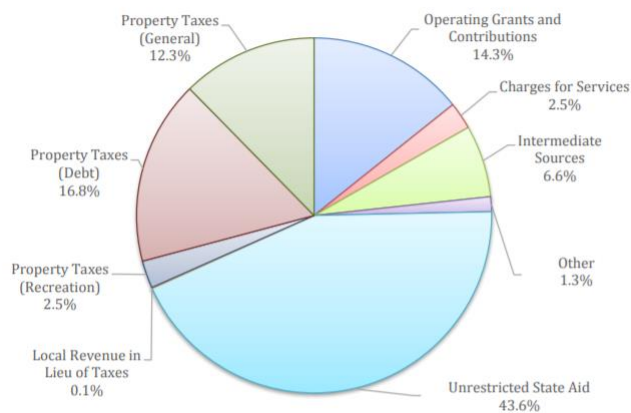
Revenues by Source - District Activities



- Use of Graphics
- What do you want to emphasize?
- How do you get your point across and make it easy to read?

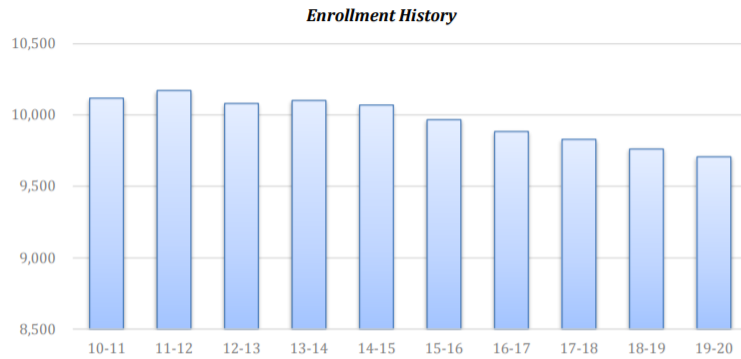
29

Government-wide Revenues



- Use of Graphics
- What do you want to emphasize?
- How do you get your point across and make it easy to read?

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- Use of Graphics
- What do you want to emphasize?
- How do you get your point across and make it easy to read?

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MD&A Resources Questions?

- Feel free to contact me if you would like to shamelessly “borrow” anything you’ve seen from the sample reports shown.
- Have a great start to the school year and have a safe drive home!
- Contact:

Jason Helsen, SFO
 Director of Financial Services
 Muskegon Area ISD
 (231) 767-7209
jhelsen@muskegonisd.org

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