

## **Management's Discussion and Analysis**

This section of \_\_\_\_\_'s annual financial report presents a discussion and analysis of the financial performance of the university/college/technology center during the fiscal year ended June 30, 2006, with comparative information presented for the fiscal years ended June 30, 2005 and June 30, 2004. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

### **Using This Annual Report**

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on \_\_\_\_\_ as a whole and present a long-term view of the university's/college's/technology center's finances.

### **The Statement of Net Assets**

The Statement of Net Assets presents the financial position of the university/college/technology center at the end of the fiscal year and includes all assets and liabilities of the university/college/technology center. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the university/college/technology center. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the university's/college's/technology center's equity in property, plant, and equipment owned by the university/college/technology center. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the university/college/technology center but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

*(Insert condensed comparative Statement of Net Assets)*

Institution			
Statement of Net Assets (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>			
Current assets			
Capital assets,			
net			
Other assets			
<b>Total Assets</b>			
<b>Liabilities:</b>			
Current			
liabilities			
Noncurrent			
liabilities			
<b>Total Liabilities</b>			
<b>Net Assets:</b>			
Invested in			
capital assets,			
net of related			
debt			
Restricted –			
nonexpendable			
Restricted –			
expendable			
Unrestricted			
<b>Total Net Assets</b>			

Comparison of FY 2006 to FY 2005

*(Insert bullet points for discussion of material increases/decreases in assets and liabilities.)*

Comparison of FY 2005 to FY 2004

*(Insert bullet points for discussion of material increases/decreases in assets and liabilities.)*

Component Unit			
Statement of Net Assets (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>			
Current assets			
Capital assets,			
net			
Other assets			
<b>Total Assets</b>			
<b>Liabilities:</b>			
Current			
liabilities			
Noncurrent			
liabilities			
<b>Total Liabilities</b>			
<b>Net Assets:</b>			
Invested in			
capital assets,			
net of related			
debt			
Restricted –			
nonexpendable			
Restricted –			
expendable			
Unrestricted			
<b>Total Net Assets</b>			

Comparison of FY 2006 to FY 2005

*(Insert bullet points for discussion of material increases/decreases in assets and liabilities.)*

Comparison of FY 2005 to FY 2004

*(Insert bullet points for discussion of material increases/decreases in assets and liabilities.)*

Many of the university's/college's/technology center's unrestricted net assets have been designated or reserved for specific purposes such as: repairs and replacement of equipment, future debt service, quasi-endowments, capital projects, and student loans. The following graph shows the allocations:

*(Insert comparative charts/graphs for both the institution and the component unit detailing allocations of unrestricted net assets for FY 2006, FY 2005, and FY 2004.)*

Comparison of FY 2006 to FY 2005

*(Insert bullet points for discussion of material increases/decreases in allocations of unrestricted net assets.)*

Comparison of FY 2005 to FY 2004

*(Insert bullet points for discussion of material increases/decreases in allocations of unrestricted net assets.)*

## The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the university/college/technology center, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

*(Insert condensed comparative Statement of Revenues, Expenses, and Changes in Net Assets)*

Institution			
Statement of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating revenues:</b>			
Net tuition and fees			
Gifts			
Grants and contracts			
Auxiliary			
Other			
<b>Total operating revenues</b>			
Operating expenses			
<b>Operating loss</b>			
<b>Nonoperating revenues and expenses:</b>			
State appropriations			
Gifts			
Grants & contracts			
Investment income			
Other revenues and expenses			
<b>Total nonoperating revenues and expenses</b>			
<b>Income (loss) before other revenues, expenses, gains, or losses</b>			

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Other revenues, expenses, gains, or losses:</b>			
Capital appropriations			
Capital grants and gifts			
Additions to permanent endowments			
Other			
<b>Total other revenues, expenses, gains, or losses</b>			
<b>Increase (decrease) in net assets</b>			
Net assets at beginning of year, as originally reported			
Cumulative effect of changes in accounting principle			
<b>Net asset at beginning of period, restated</b>			
<b>Net assets at end of year</b>			

Component Unit			
Statement of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating revenues:</b>			
Net tuition and fees			
Gifts			
Grants and contracts			
Auxiliary			
Other			
<b>Total operating revenues</b>			
Operating expenses			
<b>Operating loss</b>			

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Nonoperating revenues and expenses:</b>			
State appropriations			
Gifts			
Grants & contracts			
Investment income			
Other revenues and expenses			
<b>Total nonoperating revenues and expenses</b>			
<b>Income (loss) before other revenues, expenses, gains, or losses</b>			
<b>Other revenues, expenses, gains, or losses:</b>			
Capital appropriations			
Capital grants and gifts			
Additions to permanent endowments			
Other			
<b>Total other revenues, expenses, gains, or losses</b>			
<b>Increase (decrease) in net assets</b>			
Net assets at beginning of year, as originally reported			
Cumulative effect of changes in accounting principle			
<b>Net asset at beginning of period, restated</b>			
<b>Net assets at end of year</b>			

## Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the university's/college's/technology center's operating activities for the years ended June 30, 2006, June 30, 2005, and June 30, 2004 (amounts are presented in thousands of dollars).

***(Insert comparative charts/graphs of revenues by source for the institution and the component unit)***

### Comparison of FY 2006 to FY 2005

***(Insert bullet points for discussion of material increases/decreases in both operating and nonoperating revenues. Discuss the institution first and then the component unit.)***

### Comparison of FY 2005 to FY 2004

***(Insert bullet points for discussion of material increases/decreases in both operating and nonoperating revenues. Discuss the institution first and then the component unit.)***

## Expenses

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below.

### *Natural Classification*

***(Insert comparative tables of operating expenses by natural classification for the institution and the component unit for FY 2006, FY 2005, and FY 2004.)***

***(Insert comparative charts/graphs of operating expenses by natural classification for the institution and the component unit for all three years.)***

### Comparison of FY 2006 to FY 2005

***(Insert bullet points for discussion of material increases/decreases in expenses by natural classification. Discuss the institution first and then the component unit.)***

### Comparison of FY 2005 to FY 2004

***(Insert bullet points for discussion of material increases/decreases in expenses by natural classification. Discuss the institution first and then the component unit.)***



*Program Classification*

***(Insert comparative table of operating expenses by function for the institution for FY 2006, FY 2005, and FY 2004. The functions will not apply to the component unit.)***

***(Insert comparative charts/graphs of operating expenses by function for the institution for all three years.)***

Comparison of FY 2006 to FY 2005

***(Insert bullet points for discussion of material increases/decreases in expenses by program classification.)***

Comparison of FY 2005 to FY 2004

***(Insert bullet points for discussion of material increases/decreases in expenses by program classification.)***

## The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the university's/college's/technology center's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

*(Insert condensed comparative Statement of Cash Flows)*

Institution			
Statement of Cash Flows (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Cash provided (used)</b>			
<b>by:</b>			
Operating activities			
Noncapital financing activities			
Capital and related financing activities			
Investing activities			
<b>Net increase (decrease) in cash</b>			
<b>Cash, beginning of year</b>			
<b>Cash, end of year</b>			

Comparison of FY 2006 to FY 2005

*(Insert bullet points for discussion of material increases/decreases in sources/uses of cash.)*

*(Insert bullet noting whether the institution's liquidity improved or declined during the year)*

Comparison of FY 2005 to FY 2004

*(Insert bullet points for discussion of material increases/decreases in sources/uses of cash.)*

*(Insert bullet noting whether the institution's liquidity improved or declined during the year)*

**Capital Assets and Debt Administration**

Capital Assets

\_\_\_\_\_ had \$\_\_\_\_\_ invested in capital assets, net of accumulated depreciation of \$\_\_\_\_\_ at June 30, 2006; \$\_\_\_\_\_ invested in capital assets, net of accumulated depreciation of \$\_\_\_\_\_ at June 30, 2005; and \$\_\_\_\_\_ invested in capital assets, net of accumulated depreciation of \$\_\_\_\_\_ at June 30, 2004. Depreciation charges totaled \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_ for the years ended June 30, 2006, June 30, 2005, and June 30, 2004, respectively. Details of these assets are shown below.

*(Insert comparative schedule of capital assets, net of depreciation)*

Institution			
Schedule of Capital Assets, Net of Depreciation (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land			
Land improvements & infrastructure			
Buildings			
Equipment			
Library holdings			
Projects in progress			

*(Insert section discussing material increases/decreases in capital assets, as well as major capital additions completed during the fiscal year and their source of funding for FY 2006, FY 2005, and FY 2004.)*

Component Unit			
Schedule of Capital Assets, Net of Depreciation (in thousands of dollars)			
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land			
Land improvements & infrastructure			
Buildings			
Equipment			
Library holdings			
Projects in progress			

*(Insert section discussing material increases/decreases in capital assets, as well as major capital additions completed during the fiscal year and their source of funding for FY 2006, FY 2005, and FY 2004.)*

*(Insert paragraph discussing the institution's planned capital expenditures in the next fiscal year and their source of funding. Conclude with the following sentence: More detailed information about the university's/college's/technology center's capital assets is presented in Note \_ to the financial statements.)*

### Debt

The university/college/technology center had \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_ in debt outstanding at June 30, 2006, June 30, 2005, and June 30, 2004, respectively. The component unit had \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_ in debt outstanding at June 30, 2006, June 30, 2005, and June 30, 2004, respectively. The table below summarizes these amounts by type of debt instrument.

*(Insert comparative schedules for the institution and the component unit of outstanding debt by type of debt instrument, such as bonds, notes, commercial paper, lease obligations, etc. for FY 2006, FY 2005, and FY 2004.)*

*(Insert paragraph discussing material increases/decreases in outstanding debt, including any new debt issuances/repayments during the fiscal year and TSSBA's revenue bond rating. Conclude with the following sentence: More detailed information about the university's/college's/technology center's long-term liabilities is presented in Note \_ to the financial statements.)*

### **Economic Factors That Will Affect the Future**

*(Insert paragraph discussing items known that are expected to have a significant effect on financial position or results of operations in the future for the institution and the component unit. Examples include state funding conditions and new fee policies.)*

### **Requests for Information**

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the university's/college's/technology center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to *(include name and address of institution personnel)*.

## Management's Discussion and Analysis Checklist

*The template provided includes all required items. If you decide to develop your own MD&A, please ensure that the following items are included:*

- \_\_\_\_\_ 1. Total assets, distinguishing between capital and other assets.
- \_\_\_\_\_ 2. Total liabilities, distinguishing between long-term liabilities and other liabilities.
- \_\_\_\_\_ 3. Total net assets, distinguishing among amounts invested in capital assets, net of related debt, restricted amounts; and unrestricted amounts.
- \_\_\_\_\_ 4. Revenues by major source.
- \_\_\_\_\_ 5. Total revenues.
- \_\_\_\_\_ 6. Program expenses, by function at a minimum.
- \_\_\_\_\_ 7. Total expenses.
- \_\_\_\_\_ 8. Contributions.
- \_\_\_\_\_ 9. Special and extraordinary items.
- \_\_\_\_\_ 10. Change in net assets.
- \_\_\_\_\_ 11. Ending net assets.