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### President's View...Rob Burgess—Stop the World, I Want to Get Off!

Tagged: [Newsletter](#) • [Jul](#) • [2008](#)

**By:** Rob Burgess, CPA, Chief Financial Officer, Lakeshore Public Schools and President of MSBO

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**CEPI Announces New Data Tools**

The Center for Educational Performance and Information (CEPI) is providing a new data tool, the FID Comparison File, which allows users to easily perform side-by-side district financial comparisons.

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Have you ever had one of those days? Have you ever had one of those weeks? How about one of those careers?

Now that I am older than dirt, I must admit that I sometimes get impatient. Actually, I have always been one to get impatient. I just get MORE impatient. I guess my impatience has to do with wanting to make a difference in the lives and education of young people. I want my career to be meaningful. Don't you?

Sometimes we in the Business Office (or Transportation, Maintenance, Food Service, Technology, or Human Resources offices) do not get to see the day-to-day process of educating children. We don't see the custodians who go out of their way to allow a learning-disabled child feel special by raising the flag in front of school in the morning. We don't see the food service workers who go above and beyond the call of duty to greet children cheerfully in the lunch line (even though they themselves may be having a rotten day.) We don't see the bus drivers who maybe go the extra mile to tell a child who needs a confidence boost that they have a cool backpack. We don't get the hugs that the kindergarten teachers get.

When I go through the above mental gyrations, I really need to stop myself. Because the fact of the matter is that [MSBO](#) members DO MAKE A DIFFERENCE! All the efforts that we make to ensure the financial integrity of the district, to make sure the buses operate safely, to provide Michigan's school children with warm food and classrooms are meaningful.

Next time you are struggling with the day-to-day tasks of your job, remember the lyrics to an old song from Van Halen:

*"I get up, and nothing gets me down.  
You got it tough. I've seen the toughest around.  
And I know, baby, just how you feel.  
You've got to roll with the punches to get to what's real...  
Oh can't you see what I mean?  
Might as well jump. Jump !"*

And then jump right in to your day's work remembering that what we do on a daily basis is for the benefit of kids.

First GASB and Now SAS: OOOEEY VEIGH!

Speaking of frustration! A few years ago, we learned about the Governmental Accounting Standards Board (GASB). GASB is the nonprofit board, which establishes the accounting rules for how governments, including public schools, must record their books. Now comes the American Institute of Certified Public Accountants (AICPA) with their Statement of Auditing Standards (SAS). Great! As if FID, SRSD, MDE, and SID weren't already enough acronyms to be aware of!

The AICPA sets the rules the district's CPA auditors must use in auditing the books. In the last couple years, the AICPA issued SAS numbers 110 through 114. These rules apply to audits of not only school districts, but

also governments, and profit making companies including the companies of the Fortune 500. As a result of Enron and for many other reasons, auditors have to “tighten” the rules of how they audit.

I strongly suggest that you have a frank conversation and communicate, communicate, communicate with your auditors BEFORE the audit starts this year, DURING the audit, and AFTER the fieldwork but BEFORE the report is issued.

There are many things that you should know about the new AICPA SAS statements but maybe the most important is that the auditors are now required to report certain things (i.e., more things) to the Board of Education. Hopefully, your auditors will be conducive to working with you so that you can better prepare your Superintendent and the Board of Education so that they understand the nature of this new reporting and its significance (or lack thereof.) Some basic background on the new audit standards is:

**SAS 110: Assessing Audit Risk and Evaluating Audit Evidence**

This statement is a broadly sweeping update to the auditor’s requirement for their audit procedures including testing of internal controls. Keep in mind, in order to test internal controls, auditors will need to understand what those controls are. Guess who will need to give them information on internal controls? You (and other members of your staff) will.

**SAS 112: Communicating Internal Control Matters**

Since the auditors are required to spend time auditing internal controls, they are naturally required to spend time reporting the results of their audits. Auditors will be looking for and assessing internal “control deficiencies” especially “significant deficiencies” during their audit work. They will be required to report “deficiencies” that are “more than inconsequential.” SAS 112 is also the statement, which requires the district, not just the auditors, to have the expertise to prepare the annual financial statements. If the district does not have this expertise, then the auditors may claim that the district has a “significant deficiency” in its internal controls over financial statements.

**SAS 114: Communicating with Those Charged with Governance (i.e., the Board of Education)**

This statement requires the auditors to report all of the above (and more) to the Board of Education or at least an “Audit Committee” of the Board. They must report all “significant findings from the audit” to the Board.

In summary, the financial integrity of the school district is important to the Board of Education, to your community, and to the Michigan Department of Education Office of Audits. How we as MSBO members report that financial integrity is important. As outside and independent consultants, how the auditors report that integrity is also important. MSBO is here to help. Last year and this year, MSBO held an annual financial statement preparation workshop in June in Lansing to help train MSBO members. Stay tuned for more information on the new AICPA audit requirements from MSBO in the coming months. In the meantime, communicate with your auditors (and maybe your Superintendent) about the changes that may occur in the upcoming audit.

**Strategic Planning at MSBO**

Last but not least, I was blessed to host the annual retreat of the MSBO Board this year. The location I chose was New Buffalo. You can’t get any farther southwest and still be in Michigan’s Great Southwest. (In fact, there are plenty of folks in New Buffalo who really think that they are a suburb of Chicago, but that is another story.)

During our annual retreat, the MSBO Board and MSBO staff members participated in a strategic planning session. If there is one thing that I learned from that session, it is that MSBO Board members are

passionate about the business of educating Michigan's children. In addition, it is clear to me that I am blessed to be serving with a Board that considers service to the [MSBO](#) members as priority #1.

More will be reported on the [MSBO](#) strategic planning process at a later date. Stay tuned.

Have a great balance of the summer! Enjoy the beauty of the Great Lakes State!

## Executive Director's View...Tom White--Is K-12 School Funding a Legislative Priority?

Tagged: [Newsletter](#) • [Jul](#) • [2008](#)

**By:** Tom White, Executive Director, MSBO

It should be easy for anyone to understand why Michigan educators are upset about state funding. Though politicians say they believe education is the key to a brighter future for Michigan's economy, and we know it is the key to success for individual students, those of us involved in public education don't feel they've treated us like a priority.

Let's go back to 2002-03. That year, the state spent \$11.33 billion on K-12 School Aid. In 2007-08 the state spent \$11.42 billion. That's a difference of \$90 million or about 0.8% (eight tenths of one percent) over a five-year period. During that same time, total state spending rose by 9.2% and the Detroit CPI went up 11.9%. Community Colleges and Higher Education both received increases of 2.6% over that five-year period. Community Health spending (Medicaid) went up 55.4%, Corrections rose by 24.8% and Human Services spending increased by 14.6%. (All figures in this paragraph are from a Senate Fiscal Agency publication.)

Those numbers don't make education seem like a priority for state spending.

Let's look at it another way. In 2002-03 the Minimum Foundation Allowance was \$6,700 per pupil, in 2007-08 it was \$7,204, an increase of \$504 or 7.5 percent. The Maximum Foundation Allowance went from \$8,000 to \$8,433, an increase of \$433 per pupil or 5.46 percent over that same period. Remember, the CPI went up by 9.2 percent during that five-year span.

Given the modest increase in total appropriations of less than one percent since 2002-03 how did schools receive even these modest increases in funding? Declining enrollment is the major reason. In 2002-03, there were a total of 1.715 million students in Public School Academies and traditional K-12 schools in Michigan. In 2007-08 that number was 1.653 million. That's a decline of 62,000 students or 3.6 percent. Between 2007-08 and 2008-09 the state estimates Michigan will lose another 24,000 students.

The decline of 62,000 students reduced the state's financial obligations in the neighborhood of \$500 million; and it appears that increases in state funding over the past five years were possible primarily due to reductions in pupil population.

Because of this, there are increases in per pupil funding for education but total state spending remains relatively constant. On the local level it means that many districts have had increases in their Foundation Allowance, but because of declining enrollment, have less to spend. And you all know that the loss of students does not translate to an easy reduction in your major overhead costs. You run the same number of buses, but with fewer students, have the same number of classrooms, but with fewer students and so on. It's only after significant reductions in pupil population that the situation allows for reductions in overhead through closing buildings or fewer bus runs or the elimination of classes.

So where does this all go? First and foremost the numbers above are intended to help people understand what is really going on in funding for schools. Second, they reflect the admirable job that Michigan schools have done in maintaining programs in the face of significant hardship.

How have schools done it? They've made tough, unpleasant decisions on matters like contracting out services and holding down employment costs. We've seen shifts in expenses for extracurricular programs to parents and students. There have been school closings and reductions in all school staff. We've also seen

shifts to efficiency by greater collaboration on purchasing, transportation and the delivery of many services.

Unfortunately, what comes next is probably more of the same. While we must continue to work on finding additional dollars for education, the reality of our state's economic situation is grim for at least the next few years. No matter what the numbers reflect about an apparent disinvestment in education by Lansing, we can't expect much better in the near term.

That takes us to the bottom line. Here's the imperative we continue to face: schools must find ways to continue to do more with less. If we believe we are the answer to success for individual students, and to the economic vibrancy of our state, we must continue to seek solutions at the local level, through the creation of additional operational efficiencies while we simultaneously search for creative ways to improve student performance at lower cost.

**MSBO** will continue to partner with you in this effort. Our Board recently engaged in a planning session in which they established an overarching goal of helping bring more business solutions to our members. We'll partner with schools, private businesses, and other associations to help you continue to do the very important work in which you are engaged. Look for more details over next few months in our publications, and please continue to stay involved and make suggestions on how we can help you.

Thanks for all you do.

## Low Risk Auditee Status

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**By:** Kathleen Weller, Director Office of Audits, MDE

Last year many districts received audit findings related to SAS 112 saying that district personnel didn't have the expertise or knowledge to prepare financial statements according to GAAP. That was the correct way for the auditors to report it rather than as a management letter issue or disregarding it. Unfortunately, if it was reported as a material weakness, the district is not able to be a low risk auditee this year unless it applies for and receives a waiver. This is unfortunate because financial statement preparation issues don't affect the management of federal awards.

OMB Circular A-133 permits waivers for purposes of low-risk auditee status. (See Section .530). [Click here](#) for more information.

This process requires concurrence by the Michigan Department of Education. The Department has signed a generic concurrence letter for all districts to use. The [concurrence letter](#) has been put on the audits listserv and the MDE website.

## Getting Started with SafeSchools – Free Training Webinar

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SafeSchools, now partnered with [MSBO](#) , [MASA](#) and [MASB](#) , is an online safety training and tracking system designed specifically for school employees. All courses are written by expert authors and are set in a school environment. If your district is a member of both the [MASB](#) -SEG Property/Casualty Pool and the SEG Self-Insurer Workers' Compensation Fund, you qualify to receive all SafeSchools programs for FREE. If your district is not a member, you can receive access to this program at a very low subscription fee. This is possible due to the generous support of SET SEG.

Register now – two dates to choose from:

Wednesday, July 30, 2008 – 10 a.m.

Thursday, August 7, 2008 – 2 p.m.

The SafeSchools Webinar link, phone number, and instructions will be e-mailed two days prior to the webinar.

To reserve your spot – complete and fax the registration form to [Deneen Hansen](#) at 517.327.0768. If you have any questions, contact [Deneen](#) at 517.327.2585.

## miAccount offers better, faster, secure service to active members

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The Office of Retirement Services (ORS) is launching [miAccount](#), a secure section of the ORS website, where active members can view, print, and change their personal account information. Customers will need their unique Member ID to access miAccount.

ORS is moving to a Member ID rather than a social security number to safeguard customers' confidential retirement information. Note: Employer reporting will not be affected by the use of Member IDs; social security numbers will continue to be used to report wage and service information to ORS.

Unique Member IDs will be sent to your employees in their 2008 Member Statement, which we'll begin mailing this fall. They may receive the number sooner if they contact us before the statements are mailed.

New employees reported on or after April 1, 2008 will receive their Member ID in their personalized ORS welcome letter. This letter will encourage them to login to miAccount and nominate their beneficiary. The ORS would like employers to discontinue providing paper beneficiary nomination forms to new employees and, instead, encourage them to use miAccount.

Once your employees have received their Member ID and signed up with miAccount they will be able to submit and update beneficiary information online. Encourage your employees to login to miAccount to nominate their beneficiary.

## Join Us! MSBO's Facilities Director Conference - 10 years and going strong!

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Change. The politicians all tell us it's needed. We hear it from all sorts of people when they talk about public education. We know things can't remain the same, nothing really can, but especially as funds continue to dwindle.

Of course, many things have changed over the last decade since the first Facilities Director Conference in 1999. No matter what changes have occurred or are on the way; maintaining a safe, healthy, and comfortable environment for students remains essential to a successful educational program. Facilities departments provide crucial services for districts and as circumstances, technologies, school funding, and many other factors change it becomes vital to stay abreast of those changes. [MSBO](#)'s 10th Annual Facilities/Operations Director Conference is a great place to learn how to cope and thrive in these volatile times.

Pursue your Facilities Directors Certification, the new Operations Directors Certification for those overseeing transportation and facilities, work on your renewal, or just increase your awareness. There are 34 sessions to choose from and you'll also have many chances to sit with your peers and gain valuable insight into how others are dealing with the challenges most of us share. Don't miss this 10th Annual Facilities/Operations Director Conference, you will not be disappointed.

[Register online.](#)

View the [conference promo.](#)

Crystal Mountain [reservation form.](#)

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David Martell and Tom White pose for a picture at this year's golf outing.

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Comerica Securities

Dew-EI Corp.

Fanning/Howey Associates Inc.

Fifth Third Securities, Inc.

Flagstar Bank

French Associates, Inc.

GMB Architects/Engineers

Kingscott Associates, Inc.

Michigan Virtual University

MILAF+/The PFM Group

Oak Pointe Group

PARS - Public Agency Retirement Services

Plante & Moran, PLLC

Professional Educational Services Group LLC (PESG)

SafeSchools

Sehi Computer Products, Inc.

SHW Group

Skanska USA Building Inc.

Stifel Nicolaus

Testing Engineers & Consultants, Inc.

Thrun Law Firm, P.C.

Umbaugh

## News From CEPI

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### CEPI Announces New Data Tools

The Center for Educational Performance and Information (CEPI) is providing a new data tool, the FID Comparison File, which allows users to easily perform side-by-side district financial comparisons. This Excel spreadsheet allows the user to select two districts from drop-down menus and, based on these selections, the file will update preformatted tables displaying balance sheet, revenue, and expenditure data.

The [FID Comparison File](#) can be downloaded from the Data & Reports, Finances section of the [CEPI Website](#).

Please note that there is no "to do" for districts concerning this report. This is simply a communication regarding the accessibility of a new public data tool on the CEPI website.

If you have specific questions regarding allowable account codes, account code combinations, or other issues related to compliance with the Michigan Public School Accounting Manual Chart of Accounts (COA), contact [Glenda Rader](#) at the Department of Education at 517.335.0524.

If you have additional questions specific to the FID application, please e-mail [CEPI Customer Support](#) at 517.335.0505. Please include your name, district code, district name, telephone number with area code and extension, name of the CEPI application, and your specific questions.

### New Duplicative Data Reporting Notification Process Now Available

CEPI's website also has a new link where educational data personnel can report duplicative data requests from the state, [Help Reduce Data Duplication](#).

Notifications will be processed through the educational data governance process shared by eight state agencies.

## Kick off the School Year in Northern Michigan!

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**Thursday, September 18 and Friday, September 19, 2008.**

Join us at [MSBO](#) 's annual meeting in Northern Michigan at the Boyne Mountain Resort in Boyne Falls. Get useful information on the latest "hot topics" facing public education, including a legislative and state aid update.

This relaxing meeting is always informative. You will have a chance to network with colleagues and regenerate before digging back into the piles of work you have waiting for you!

A special thank you to our sponsors! The Thursday evening reception is compliments of STIFEL NICOLAUS and AIG Retirement and the Friday morning breakfast buffet is compliments of MILAF+.

[Tentative Agenda](#)

[Register online](#)

## Get Straight Talk at Group Solutions – ISD Current Issues

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Experienced ISD Business Managers will share their thoughts and experiences as they facilitate discussions on challenging topics facing ISDs. This session provides hands-on business office self-assessment, real-world problem solving, and networking especially geared toward ISDs.

Get straight talk, advice, and professional support to assist you in understanding the forces that make your position one of the most challenging in public education. Exposure to other ISD professionals facing the same issues you are and, together, helping to provide practical solutions.

Special thanks to STIFEL NICOLAUS who is sponsoring a reception prior to dinner.

[Register online.](#)

[Boyne Mountain Lodging Request Form](#)