Accounting Manual and Fund Accounting for Michigan School Districts in 2019

*Presented by*
Eric Formberg, CPA, CGFM, Plante Moran, PLLC

**Objectives**

- Basics – Accounting Methods and Rules
- Specifics of Funds
- Government Wide Statements (GASB 34)
- Michigan Public School Accounting Manual
- Single Audit
- Budget Requirements
Fund Accounting – Where did it come from?

- Bank accounts for specific purposes
- Accounting types of funds received

Accounting Methods

- Cash
- Accrual
- Modified Accrual
### Accounting Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Revenues are Recognized</th>
<th>Expenses are Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>When they are received</td>
<td>When they are paid</td>
</tr>
<tr>
<td>Accrual</td>
<td>When they become receivable/earned</td>
<td>When they become payable (when work is performed or goods are received, amounts are due)</td>
</tr>
<tr>
<td>Modified Accrual</td>
<td>Hybrid between cash and accrual – special rules, converts to cash “soon”</td>
<td></td>
</tr>
</tbody>
</table>
Regulatory Influence

FRANK & ERNEST by Bob Thaves

THE THREE BRANCHES OF GOVERNMENT

THESE DAYS THE SEPARATION OF POWERS JUST MEANS THEY GO TO SEPARATE CORNERS BETWEEN ROUNDS.

Governmental Accounting Standards Board (GASB)

- GASB Pronouncements
- GASB and the State Accounting Manual
- The Reporting Model – What the statements look like (later in this session!)
- MDE accounting structure and FID
Examples of Recent Pronouncements

GASB 42 – Impairment of Capital Assets
- Discusses required reporting of effects of capital asset impairments

GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions
- Provides for improved reporting of fund balance by establishing a hierarchy of fund balance classifications. Clarifies Special Revenue Fund definition.

GASB 63/65 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Items Previously Reported as Assets and Liabilities
- Adds deferred outflows and deferred inflows to the Fund Balance Sheet and Government-Wide Statement of Net Position
One “Huge” Pronouncement

GASB 68/75 – Financial Reporting for Pensions (68 year 5, 75 year 2!)
- 68=pension, 75=OPEB
- Adds MPSERS unfunded net pension liability and net OPEB liability to the Government-wide Statements (really!)
- Adds deferred inflows and outflows
- Huge liability numbers, but NO impact the funds, just the governmentwide
- ORS provides key data
- OAG auditing ORS data
- SD providing district level data

Report Filing

- Financial Statements, Single Audit Package, Management Letter (audit results letter to Board of Education) to ISD/MDE by November 1
  - Notify Office of Audits when Data Collection Form (DCF) is certified
  - DCF form – complicated, lots of q’s and boxes and numbers!
- Financial Statements and Audit Results Letter (AUC 260) to Treasury within 120 days of year end
  - Covered by filing on MDE site
- Financial Statements, Single Audit, Corrective Action Plan, Schedule of Prior Audit Findings, and Data Collection to Clearinghouse
- Bond Financial Report to Treasury
- PDF submissions required
- MDE submission will cover most state level submissions
Auditing Standards

- **Statement of Auditing Standards (SAS)**
  - Defines how the audit is done
  - Specifies certain communications and certain references within the auditor’s opinion.

- **AUC 260, AUC 265 – Letters to Board**
  - 260 – discusses audit process and results
  - 265 – internal control matters, covered by GAS reporting

- **Independence Standards (AICPA and Government Auditing Standards (GAS))**

**Implications**
- Focus on internal controls
- Likelihood of findings
- Non audit services, statement preparation
- School Accounting Manual guidelines
- Need for business office SKE
- More time with your Auditor (lucky you!)

What Do Schools Do?

- Can you list?
- Remember, what you list you must account for!
- Understand Concepts, Use Accounting Manual
Funds - Overview

- **General**
  - Districts operating fund

- **Special Revenue**
  - Food Service
  - Athletics (included in General Fund)
  - Vocational
  - Special Education
  - Other Public Purpose (Expendable Trust Funds)...benefit Gov't
  - Student Activities (new "location", same activity for most Districts)

- **Capital Projects**
- **Debt**
- **Permanent (Nonexpendable) Trust (GASB 34)**
- **Agency (and Trust...benefit is outside Gov't)**
  - Trust and Agency Funds treatment changes for 2020, GASB 84 requirements
  - Student Activity Funds will be either “custodial funds” or special revenue

Account Structure – The FID

- **Full Account Structure includes 26 digits:**

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<th>Fund</th>
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<th>Major Class/Function</th>
<th>Suffix/Object</th>
<th>Program</th>
<th>Grant Code</th>
<th>Facility/School</th>
<th>Other</th>
</tr>
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<tr>
<td>XX</td>
<td>X</td>
<td>XXX</td>
<td>XXXX</td>
<td>XXX</td>
<td>XXXX</td>
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<td>XXXX</td>
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- B = Balance Sheet
- R = Revenue
- E = Expenditure

**Key Take Away - Everything has a place!**
General Fund

- **Revenue**
  - Local Sources
    - Property taxes
    - Tuition
    - Interest
    - Other
  - Other political subdivision sources
    - Other government sources
  - State sources
    - Unrestricted
      - Foundation Allowance
      - mpsers 147a1, 2

General Fund

- **Revenue (continued)**
  - Restricted
    - Special education
    - At Risk
    - 147c1
    - 147e
  - Federal sources
    - Through the State
    - Direct
  - Transfers and other
    - Proceeds from Debt
    - Inter-fund Transfer
General Fund

- **Expenditures**
  - Instruction
    - Basic programs
      - Elementary grades
        - Teacher’s salaries
        - Teacher’s fringe benefits
      - Teaching supplies
      - Purchased services
        - Purchase of classroom equipment
          - Middle/Junior high school
          - High school

General Fund

- **Expenditures (continued)**
  - Instruction
    - Added needs
      - Special Education
      - Vocational education
    - Adult education
General Fund

Expenditures (continued)

- Supporting services
  - Pupil
  - Instructional staff
  - General administration
  - School administration
  - Business
  - Operations and maintenance
  - Transportation
  - Central
- ESSA increases requirements to report costs at building level, requires significant allocation of costs
- MDE has issued guidance on how should allocated
General Fund

- Expenditures (continued)
  - Community services
  - Transfers and other

Special Revenue Funds

Special Revenue Funds account for certain activities where results of operations is a focus. Per GASB 54, Special Revenue Funds must derive a substantial portion of revenue from restricted or committed sources.
- Food Service
- Book Store
- Community Education
- Latchkey
- Special Education Center Program
- Student Activities Fund - NEW for 2019/20 (fund 29)
- Public Purpose (Expendable) Trusts...that benefit district

Under GASB 84 if student activity funds do not meet test to be “Custodial” WILL be required to be reported as special revenue fund

See 1022 Committee guidance
Food Service

- Who manages program?
- Collection of Money
  - Cash, debit cards, prepay, web
- Key Controls
  - Activity “restricted” due to federal funds
  - All fund activity considered “federal”
  - Actively regulated by MDE
  - Allowable transfer to General Fund (apply unrestricted rate)
  - Capital asset acquisition – MDE preapproval required, preapproval list

Bookstore

- Management
- Collection of Money
  - Staff accountability?
- Key Controls
  - Activity can be part of General Fund, segregation generally a commitment/fund is budgeted by the Board
Athletics – most often part of GF

- General Fund support
- Pay to Participate
- Ticket Sales, passes, accountability
  - Risk – what was not recorded
- Employee vs. Independent Contractor
- Volunteer vs. Employee
- Booster Clubs
- Key Controls
- Important information, but part of GF
  - keeping track/reporting on information?

Debt Funds

- Revenue
  - Property taxes
  - Interest on delinquent taxes
  - PPT allocation from state of MI
  - Earnings from investments
  - Sale of surplus properties
  - Borrowing from School Bond Loan Fund
    - Significant changes in operations due to new law
  - Debt Defeasance - complex journal entry!
  - State aid – rare
Debt Funds

- **Expenditures**
  - Redemption of bonds
  - Interest on outstanding bonds
  - Paying agent fees
  - Repayments to School Bond Loan Fund

Capital Projects Funds

- **Revenue**
  - Proceeds from sale of bonds
  - Property taxes – special millage (sinking funds)
  - Federal or State funds for approved projects
  - Sale of surplus properties
  - Earnings on investments
  - Transfers from General Fund (limited by law)
Capital Projects Funds

- **Expenditures**
  - Bond issue
    - Site acquisition and preparation
    - Build new buildings and major additions
    - Renovate existing building
    - Furnish new or completely renovate buildings
    - School buses
    - Technology, with certain limitations
    - Not maintenance

- **Expenditures (continued)**
  - Sinking Fund (2 types) – tracked separately, allowability documentation is key!
  - Old (millage prior to 3.16.17)
    - Site acquisition
    - New buildings
    - Repair of existing buildings
    - Technology, with certain limitations
  - New (same plus)
    - Technology
    - Security
  - Arbitrage
  - Transfers out
  - Bond & Sinking Fund Audit Guide
    - updated 9/17
Trust & Agency Funds

Used for assets under the administrative control of the school district functioning in a trustee capacity

- **Public Purpose “Expendable Trust”…district benefit**
  - Principal can be spent
- **Permanent “Non-expendable Trust”…district benefit**
  - Principal must remain
- **Either “type”…benefit outside district…private purpose**
- **KEY Q – IS THERE A TRUST?**
  - If not trusted then likely should be grouped with student activities for evaluation under GASB 84
Custodial “Agency” Funds

Custodial in nature. Used to report assets received & disbursed for student groups and other school groups. The district acts as the receiving and paying agent for these groups. Focus is generally on student groups but can include other activities:
- Year Book
- Student Council
- Class of ________
- Generally excludes PTO’s, Boosters

Many q’s in this area but KEY MATTER is “does the District have “administrative involvement”? If yes, then will not qualify for Custodial treatment.

Student Activity Funds - Procedures

- Written
- Central vs. Building Control
- Accounting Procedures
- Check requests
- Cash management
- Charges to Fund
- Audit
- Business Office Monitoring
- Not “material” but…
Inter Fund Transfers

Payment of one fund to another fund.

- Debt to General
- Trust to General
- Capital Projects to General, BE CAREFUL!
- Food Service to General, BE CAREFUL!
  - Unrestricted rate, but do not apply to food and certain other costs
- General Fund to Debt or Capital...limited by law to 20% of state aid

Do they “balance”?
  - Check this during the year, can create heartburn

Inter Fund Transfers and Due To/ Form

- One checking account
- Automated systems
- Transactions transparent
- Sweep accounts
- Transfers In MUST EQUAL Transfers Out
  - Know how your system handles inter funds so they are recorded correctly
  - Settle accounts at least annually
- Due To must equal Due From
  - Clear activity, settle accounts, reconcile
Fund Balance

- Surplus vs. Deficit
- Legal requirements
- Non-spendable – prepaid, inventory
- Restricted – legally required: debt, bonded/sinking fund projects, food service, SE Center Program
- Committed – Board determined
- Assigned – Board determined, can be delegated
- Unassigned – What’s left
- Fund Balance and Union Contracts
- How much is enough? Is there a Board Policy on Fund Balance?
Fund Balance as a Percentage of Expenditures

One method of estimating an appropriate fund balance is to compare it to total expenditures.

*Assume that total expenditures and transfers out are $20,000,000*

<table>
<thead>
<tr>
<th>Weeks</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>5</td>
<td>37</td>
</tr>
<tr>
<td>6.75</td>
<td>47</td>
</tr>
</tbody>
</table>

Fund balance equal to 5% of expenditures = $1,000,000
Fund balance equal to 10% of expenditures = $2,000,000
State average 2017/2018 (including Detroit) had fund balance equal to 13% of expenditures = $2,600,000

Note Early Warning tests use unrestricted Revenue as the base

The Reporting Model
What the Financial Statements Must Contain
GASB 34 and Michigan Schools

Key Elements

- **MD&A** - overview of financial statements and outlook
- **Government-wide reporting** — full accrual aggregated
- **Fund level reporting** — major funds, aggregated other
- **Disclosures** - footnotes
- **Original, amended budget & actual format** — GF and major SRF
- **Supplemental** — combining other funds, debt schedules, other
Government-wide Statements ONLY!

- The district maintains the two additional sets of records...
  - Long term debt
  - Fixed (capital) assets, including depreciation
- Information needed for FID as well

Long Term Debt

Liabilities not recognized in the governmental funds, typically...
- Un-matured principal of bonds
- Disclosure of defeased debt
- Compensated absences
- Early retirement incentives
- Net Pension/OPEB Liabilities - MPSERS
- Leases
- Self insurance
Fixed Assets

Do not represent financial resources available for expenditure, but are items for which financial resources have been used.
- Purchased from General or Capital Projects Funds
- Land, Buildings, Equipment
- Historical costs only
- Need to depreciate
- Valuation methods
- Management software
- Closed buildings – impairment adjustment

Fund Level Reporting

- Significant Issues
  - Concept of major and non-major funds
  - Reconciliation to the government-wide statements
  - Budget comparison includes the original budget as well as the final amended budget and reports it in additional information (RSI)
    - What if athletics was not budgeted within the General Fund?
    - All Special Revenue Funds must be budgeted, including the new Student Activities Fund (29)
Fund Level Reporting

- **Significant Issues (continued)**
  - Are governmental fund liabilities valued under “interpretation #6”…biggest impact on compensated absences and self insurance?
  - Are unavailable revenues (deferred inflow) booked when funds are not received within 60 days?
  - Are unearned revenues recorded as a liability? (unused at-risk funds)
  - Some funds (ie: school lunch) might be treated as enterprise funds (not the case in MI)
  - Are deferred inflows and outflows reported, reconciled and included in footnotes? Fund and GW

Government-wide Reporting

- **FOCUS ON NET POSITION ISSUES**
  - **Net Position Broken into 3 pieces**
    - Net investment on capital assets: Net fixed assets less outstanding debt, such as bonded debt, bus notes, capital leases
    - Restricted net assets: Externally imposed restriction of Net Assets such as bond proceeds, sinking fund and debt millage as well as food service
    - Unrestricted: Remainder – likely (-)
Quiz Time!

What information does the Management's Discussion and Analysis (MD&A) provide?

- A. A statement that compares current-year revenues received with expenditures for the same time period on a fund-by-fund basis
- B. A management report including all financial transactions on an accrual basis accounting
- C. A narrative introduction and overview to the annual financial statements prepared by school district personnel
- D. An opinion of the auditor as to the viability of the school district

Quiz Time - answer!

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How do we Account for All the School Activity?

Michigan Public School Accounting Manual

Michigan Department of Education’s Bulletin 1022 Accounting Manual & FID

- Purpose
- Attempts to conform with GAAP
- Accounts
  1. Fund
  2. Function
  3. Object
- Located on MDE website, state aid and school finance section
  - Annual updates, chart of accounts, Referent Group consensus
- Q&A Guide for GASB 34, other unique accounting issues (including the new GASB 84)
- Follows Federal Financial Accounting for Local and State School Systems
- FID – upload of trial balance and financial information
  - Required by the financial submission due date
Legislative Citations (1)

- **MCL 380.622** – The intermediate school board shall keep a set of coded accounts to be approved by the superintendent of public instruction and shall have it books audited at least annually by a certified public accountant.

Legislative Citations (2)

- **MCL 380.1281** – The state board shall:
  - Prescribe appropriate uniform pupil and finance accounting records for use in school districts, public school academies and intermediate school districts and promulgate rules for their adoption.
  - The state board shall examine and audit the official records and accounts of school districts… and may compel proper accounting by legal action instituted by direction of the attorney general.
**Legislative Citations (3)**

- **MCL 141.436**
  - The General Appropriations Act shall be consistent with uniform charts of accounts prescribed… by the state board of education.

**Administrative Rules (1)**

- **R 340.851-340.854**
  - All local school districts and intermediate districts commencing July 1, 1976, shall maintain complete financial accounting records in accordance with these rules.
  - The charts of accounts prescribed and published by the department of education shall be used by all local and intermediate districts….
Administrative Rules (2)

- **R 340.851-340.854**
  - A system of accrual accounting shall be adopted by each school district to ensure that services and materials purchased for a given fiscal year are charged in the accounting system for that year.
  - Additional detailed accounts may be utilized if the school district has need for them.

Section II – Requirements (1)

- Describes Fund Accounting
- Defines each of the Fund Types
- Provides information on Tax Provisions
- Provides Guidance on Budget and Salary Compensation Transparency Reporting
- Provides overview of Single Audit Requirements
Section II – Accounting Issues (1)

Provides guidance on various accounting issues that are unique to Michigan public schools

Section II – Accounting Issues (2)

- GASB interpretation 6 – Recognition and Measurement of Certain Liabilities and Expenditures
- GASB #33- Accrual of Revenues in Governmental Funds
- Accounting for the Recovery of Indirect Cost
- Reporting Requirements for Districts with a Deficit Fund Balance
Section II – Accounting Issues (3)

- GASB #54 - Description of Fund Balance Types
- Accounting for Internal Service Funds
- Accounting for Advance Refunding of Long Term Debt
- GASB 68
- GASB 84
- Etc.

Section III– Coding Structure

Defines the Various Components of an Account Code for Reporting to MDE
Section IV– Budget Preparation and Management

Provides the MCLs and various other tools necessary for creating and adhering to a budget.

Section IV– Budget Preparation and Management (2)

Minimum Level of Detail Required for a budget
Revenue:

1xx – Local Source
2xx – Other Political Subdivisions
3xx – State Source
4xx – Federal Source
5xx – Other Public Schools and Other Financing Sources
6xx – Fund Modifications
Section IV– Budget Preparation and Management (3)

Minimum Level of Detail Required for a budget
Expenditures:
1xx – Instruction
   11x- Basic
   12x- Added Needs
   13x- Adult and Continuing Educ

Section IV– Budget Preparation and Management (4)

Minimum Level of Detail Required for a budget
Expenditures:
2xx – Support Services
   21x- Pupil Support
   22x- Instructional Staff Support
   23x- Board and Superintendent
   24x- School Administration
### Minimum Level of Detail Required for a budget

**Expenditures:**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2xx</td>
<td>Support Services</td>
</tr>
<tr>
<td>25x</td>
<td>Business</td>
</tr>
<tr>
<td>26x</td>
<td>Operations/Maintenance</td>
</tr>
<tr>
<td>27x</td>
<td>Pupil Transportation</td>
</tr>
<tr>
<td>28x</td>
<td>Central Support</td>
</tr>
<tr>
<td>29x</td>
<td>Athletics, Food Service, etc.</td>
</tr>
</tbody>
</table>

---

### Minimum Level of Detail Required for a budget

**Expenditures:**

<table>
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<tbody>
<tr>
<td>3xx</td>
<td>Community Services</td>
</tr>
<tr>
<td>4xx</td>
<td>Other Financing Uses</td>
</tr>
<tr>
<td></td>
<td>(41x – Sub Grants to Other Public Sch.)</td>
</tr>
<tr>
<td>45x</td>
<td>Facility Acquisition, 51x- LT Debt Service, 6xx- Fund Modifications</td>
</tr>
</tbody>
</table>

Reporting more expenditures at building level will be required going forward.
Section IV– Budget Preparation and Management (8)

Budget Calendar and Timeline
Sample General Appropriation Resolution

Section V– Internal Controls

Basically an excerpt from the *Internal Control Framework of the Governmental Accounting Auditing, and Financial Reporting Manual* published by GFOA

Note, currently does not include elements of the Green Book issued by the GAO
Section VI– Program Cost Systems

Designed to provide a suggested basis for cost accounting at a local level

Section VII– Management Information

An additional resource for district personnel is a publication by the Michigan School Business Officials entitled “The MSBO School Finance Reference Manual” that includes several chapters covering financial management topics for school districts.

The publication provides examples of reporting financial and statistical data as well as documents historical information related to school funding, budgetary theory and other essential information for the School Business Manager.

This manual is updated annually and may be ordered in a searchable CD format from the Michigan School Business Officials at www.msbo.org.
Section VIII– Financial Reporting

The district’s accounting system maintains detailed data on each transaction that affects the district. Even the smallest districts routinely engage in numerous individual transactions involving many separate accounts. The raw data that an accounting system collects is too detailed to be practical for most potential users. Financial reporting summarizes the detailed data produced by the accounting system and then presents the data in a format that facilitates use by decision makers.

APPENDIX

- The purpose of this section is to provide the reader with an overview of the required coding structure.

- The coding structure is consistent with “Financial Accounting for Local and State School Systems” published by the National Center for Education Statistics, 2009. Standard coding found in this section is necessary to satisfy state and federal reporting requirements. Each district should review local needs before additional elements of the coding structure are added. The accounting system designed should accommodate the planning, budgeting, evaluating, and analysis functions of the system and should be cross-referenced to other information files of that system.
Account Structure – The FID

- Full Account Structure includes 26 digits:

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URL for the Manual

http://www.michigan.gov/mde/0,4615,7-140-6530_6605-21321--,00.html

Updates posted at least annually!

Key Contact:

Christopher J. May, MBA
Financial Analyst
Michigan Department of Education
Office of State Aid and School Finance

MayC@michigan.gov
Accounting Risk Management

- **COSO Framework**
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring

- **Key Application Questions**
  - Data aggregation
  - Data input
  - Data Analysis
  - Reporting
  - Data protection, backup and recovery

Uniform Grant Guidance and Grant Accounting
Single Audit Issues

- Federal funds audit requirement ($750,000, for 2018)
- Grant accounting rules (cash mgt., allowability, eligibility, reporting)
- Grant accounting procedures (Written)
  - Must be updated for UG – allowable cost, cash management, procurement
  - Sample procedures available at MSBO
- Funds reimbursement request
- Final cost report
- Program Director / Business Office communication
- Data Collection Form – preparation and submission
- Fiscal Monitoring by MDE
- Uniform Guidance effective now for most grants
  - SD responsibility to implement
  - MDE provided some implementation guidance

Quiz Time!

- What is an important consideration when developing a data recovery backup plan?
  - A. The backup information will be securely stored on a separate server in the same location with the capability to run the software
  - B. The backup information will be securely stored in an offsite location with the capability to run the software at an alternate location
  - C. The backup information will be securely stored and accessible only to individuals who have the technical knowledge to run the software
  - D. The backup information will be securely stored and accessible to a third-party vendor who has the technical knowledge to run the software
Quiz Time - answer!

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Budgeting
Budgeting & Financial Reporting

- Managing revenues & expenditures
- School System’s plan for financial operations for a prescribed period of time
- One to five years for planning
- Should consider various funding levels
  - Budget Modeling- especially these days!
- Deficits in any fund could trigger a financial review
  - Budgeted deficits must be told to MDE
  - Enhanced monitoring 5% of revenue is the new measuring stick!
Budget Procedures: Four Phases

- Preparation of budget
- Presentation of budget
- Adoption of budget
- Execution of budget

See slides at the end of the presentation for more information

Practical Issues – Questions???
Budgeting Process and PA 621
Who is involved?

- Board of Education
- Administration
- Staff

Budget Controls – PA 621
Required Budgets

- General Fund
- Special Revenue Funds
- **NOT** Debt Funds
1. The legislative body of each local unit, unless otherwise provided by law…, shall chart the chief administrative officer with final responsibility for:
   
   A. Budget preparation
   B. Budget preparation to the legislative body
   C. Control of expenditures

2. The chief administrative officer shall transmit the budget to the legislative body according to an appropriate time schedule developed by the local unit. The schedule shall allow adequate time for review by the legislative body before commencement of the budget year.

3. Before final passage of a General Appropriations Act by the legislative body, a public hearing shall be held on the budget as required by Act No. 43.
4. **Other data**, relating to the fiscal condition, that the chief administrative officer considers to be useful in considering the financial needs of the local unit may be transmitted with the General Appropriations Act.

5. A deviation from the original General Appropriations Act shall not be made without amending the Act.

6. A member of the legislative body or any employee of the local unit shall not create a debt or incur a financial obligation on behalf of the local unit, unless the obligation is permitted by law.

7. The legislative body in a General Appropriations Act may permit the chief administrative officer or fiscal officer to execute transfers with limits stated in the act...without prior approval of the legislative body.
8. A violation of Public Act 621 in the absence of reasonable procedures in use to detect such violations shall be disclosed in an independent audit and be filed with the State treasurer and reported to the Attorney General.

9. The Attorney General may institute civil action for the recovery of funds illegally expended or collected as a result of malfeasance.

---

A. A budget shall include at least the following:

A. Revenue data for the most recently completed fiscal year and estimated revenues for the current year, as well as budgeted fiscal year.

B. Expenditure data for the most recently completed fiscal year and estimated expenditures for the current year, as well as budgeted fiscal year.
10. A budget shall include at least the following (continued):

   c. The amount of surplus or deficit that has accumulated from prior fiscal years together with an estimate of the amount of surplus or deficit expected in the current fiscal year. A member of the legislative body or any employee of the local unit shall not create a debt or incur a financial obligation on behalf of the local unit, unless the obligation is permitted by law.

- **Key budget implications**
  - Spending more than appropriated
  - Taking in less than planned and reducing Fund Balance more than planned
  - Deficit fund balance
  - Adopted budget forecasting deficit fund balance
  - Other funds in deficit creating an overall GF deficit