

Act No. 439
Public Acts of 1996
Approved by the Governor
December 17, 1996
Filed with the Secretary of State
December 18, 1996

**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Rep. Hanley
Rep. Goschka named co-sponsor

ENROLLED HOUSE BILL No. 5187

AN ACT to amend sections 2b and 4 of Act No. 2 of the Public Acts of 1968, entitled as amended "An act to provide for the formulation and establishment of uniform charts of accounts and reports in local units of government; to define local units of government; to provide for the examination of the books and accounts of local units of government; to provide for annual financial reports from local units of government; to provide for the administration of this act; to prescribe the powers and duties of the state treasurer, the attorney general, the library of Michigan and depository libraries, and other officers and entities; to provide penalties for violation of certain requirements of this act; to provide for meeting the expenses authorized by this act; to provide a uniform budgeting system for local units; and to prohibit deficit spending by a local unit of government," section 2b as amended by Act No. 402 of the Public Acts of 1996 and section 4 as amended by Act No. 36 of the Public Acts of 1983, being sections 141.422b and 141.424 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Sections 2b and 4 of Act No. 2 of the Public Acts of 1968, section 2b as amended by Act No. 402 of the Public Acts of 1996 and section 4 as amended by Act No. 36 of the Public Acts of 1983, being sections 141.422b and 141.424 of the Michigan Compiled Laws, are amended to read as follows:

Sec. 2b. (1) "Budgetary center" means a general operating department of a local unit or any other department, institution, court, board, commission, agency, office, program, activity, or function to which money is appropriated by the local unit.

(2) "Capital outlay" means a disbursement of money which results in the acquisition of, or addition to, fixed assets.

(3) "Chief administrative officer" means any of the following:

(a) The manager of a village or, if a village does not employ a manager, the president of the village.

(b) The city manager of a city or, if a city does not employ a city manager, the mayor of the city.

(c) The superintendent of a local school district or, if the school district does not have a superintendent, the person having general administrative control of the school district.

(d) The superintendent of an intermediate school district or, if the school district does not have a superintendent, the person having general administrative control of the school district.

(e) The manager of a township or, if the township does not employ a manager, the supervisor of the township.

(f) The elected county executive or appointed county manager of a county; or if the county has not adopted an optional unified form of county government, the controller of the county appointed pursuant to section 13b of Act No. 156 of the Public Acts of 1851, being section 46.13b of the Michigan Compiled Laws; or if the county has not appointed a controller, an individual designated by the county board of commissioners of the county.

(g) The official granted general administrative control of an authority or organization of government established by law which may issue obligations pursuant to the municipal finance act, Act No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3 of the Michigan Compiled Laws, and which either may levy a property tax or may expend funds of the authority or organization.

(4) "Deficit" means an excess of liabilities and reserves of a fund over its assets.

(5) "Derivative instrument or product" means either of the following:

(a) A contract or convertible security that changes in value in concert with a related or underlying security, future, or other instrument or index; or that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index; or both.

(b) A contract or security, such as an option, forward, swap, warrant, or a debt instrument with 1 or more options, forwards, swaps, or warrants embedded in it or attached to it, the value of which contract or security is determined in whole or in part by the price of 1 or more underlying instruments or markets.

(6) "Derivative instrument or product" does not mean a fund created pursuant to the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, or section 1223 of the revised school code, Act No. 451 of the Public Acts of 1976, being section 380.1223 of the Michigan Compiled Laws.

(7) "Disbursement" means a payment in cash.

Sec. 4. (1) The fiscal officer of each local unit shall make an annual financial report (local unit fiscal report) which shall be uniform for all local units of the same class.

(2) The annual financial report shall contain for each fiscal year, all of the following:

(a) An accurate statement in summarized form, showing the amount of all revenues from all sources, the amount of expenditures for each purpose, the amount of indebtedness, the fund balances at the close of each fiscal year, and any other information as may be required by law.

(b) A statement indicating whether there are derivative instruments or products in the local unit's nonpension investment portfolio at fiscal year end.

(c) If the statement under subdivision (b) is affirmative, an accurate schedule reporting the cost and fiscal year end market value of derivative instruments or products in the local unit's nonpension investment portfolio at fiscal year end. The information required under this subdivision shall be reported both on an aggregate basis and itemized by issuer and type of derivative instrument or product.

(d) A statement indicating whether there are derivative instruments or products in the local unit's pension investment portfolio at fiscal year end. Investments of defined contribution plans and deferred compensation plans that are chosen by the employee participating in the plan shall be excluded from the information reported under this subdivision.

(e) If the statement under subdivision (d) is affirmative, an accurate schedule reporting the cost and fiscal year end market value of derivative instruments or products in the local unit's pension investment portfolio at fiscal year end. The information required under this subdivision shall be reported both on an aggregate basis and itemized by issuer and type of derivative instrument or product. Investments of defined contribution plans and deferred compensation plans that are chosen by the employee participating in the plan shall be excluded from the information reported under this subdivision.

(3) The annual report filed under this section shall be in lieu of the reporting requirements imposed by section 5(2) of chapter III of the municipal finance act, Act No. 202 of the Public Acts of 1943, being section 133.5 of the Michigan Compiled Laws.

(4) One copy of the annual financial report required by subsection (1) shall be filed with the state treasurer within 120 days after the end of the fiscal year of the local unit. The state treasurer shall prescribe the forms to be used by local units for preparation of the financial reports. The governing body of a local unit may request an extension of the filing date from the state treasurer, and the state treasurer may grant the request for reasonable cause. The state treasurer shall grant a 60-day extension if the local unit presents evidence to the state treasurer that the audit is in progress, and will be completed within 180 days after the end of the fiscal year.

(5) This section does not authorize a local unit to make investments not otherwise authorized by law.

This act is ordered to take immediate effect.

Clerk of the House of Representatives.

Secretary of the Senate.

Approved -----

Governor.