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Senate Bill 1292 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Senate Committee: Local, Urban and State Affairs
House Committee: Local Government and Urban Policy

PUBLIC ACT 493 of 2000

Date Completed: 2-9-01

RATIONALE

Every local unit of government in Michigan must prepare annual budget and audit reports and file them with the State Treasurer. Under the Uniform Budgeting and Accounting Act, the State Treasurer must publish standard operating procedures and forms to guide local units in establishing and maintaining uniform accounting. The State Treasurer generally relies on the national standards for generally accepted principles, as established by the governmental accounting standards board. It was suggested that the Act should reflect this practice, rather than referring to a document published by the Municipal Finance Officers' Association.

In addition, a number of changes in the uniform requirements that govern the uniform budgeting and accounting process have occurred in recent years. For example, reporting practices have changed to incorporate advances in technology, such as the use of the Internet. In addition, in many local units, it has become common for the chief administrative officer, rather than the fiscal officer, to be responsible for the local administration of budgeting and auditing duties. Some people also suggested that the uniform budgeting and accounting requirements should reflect these and other changes.

CONTENT

The bill amended the Uniform Budgeting and Accounting Act to do the following:

- **Require conformity with uniform standards set forth by the governmental accounting standards board.**

- **Provide for a local unit's chief administrative officer to file the required reports and request an extension.**
- **Extend the filing deadline, and provide for the posting of trial balance reports if a local unit requests an extension.**
- **Allow the State Treasurer to require filing in an electronic format.**
- **Include public school academies under the Act.**

The Act requires the State Treasurer to prescribe "uniform charts of accounts" for all local units of similar size, function, or service designed to fulfill the requirements of good accounting practices relating to general government. Previously, the charts of accounts were required to conform as nearly as practicable to the uniform standards set forth in a publication of the Municipal Finance Officers' Association of the U.S. and Canada. The bill instead requires the uniform charts of accounts to conform as nearly as practicable to the uniform standards set forth by the governmental accounting standards board or by a successor organization that establishes national generally accepted accounting standards and is determined acceptable to the State Treasurer.

The bill designates the chief administrative officer, rather than the fiscal officer as previously provided, of each local unit as the person who must file the annual financial report with the State Treasurer, and who may request an extension of the filing date. The bill deleted all other references to fiscal officer. The bill provides that no duties that diminish any charter or statutory responsibilities of an elected or appointed official may be delegated to the chief administrative officer.

The bill requires that one copy of a local unit's annual financial report, audit report, and auditing procedures be filed with the State Treasurer within six months, rather than 120 days as previously provided, after the end of the local unit's fiscal year. Under the bill, a chief administrative officer who requests an

extension must inform the local unit's governing body of the requested extension within 10 days of making the request.

Previously, the State Treasurer was required to grant a 60-day extension if a local unit presented evidence that an audit was in progress and would be completed within 180 days after the end of the fiscal year. The bill deleted this requirement. (The State Treasurer still may grant a request for an extension for reasonable cause.)

Under the bill, if a local unit requests an extension of the filing deadline, the local unit must provide the unadjusted year end trial balance reports to the Department of Treasury at the time of making the request. The Department must post these reports on its Internet website if the extension is granted.

The bill added public school academies to the definition of "local unit". The bill revised the definition of "chief administrative officer" by adding a person granted general administrative control of a public school academy by its board of directors, or another person designated by the board. In addition, the bill added to the definition of "legislative body" the board of directors of a public school academy.

The bill also deleted from the definition of "local unit" reference to an authority or organization of government established by law that could issue obligations under the Municipal Finance Act or levy a property tax. (The bill retained reference to an authority or organization of government that may spend funds of the authority or organization.)

The bill deleted requirements that a local unit's recommended budget include the amounts needed to pay and discharge the principal and interest of debt due in the ensuing year, the amount of proposed capital outlay expenditures, and an informational summary of projected revenue and expenditures of any special assessment funds, public improvement or building and site funds, intragovernmental service funds, or enterprise funds.

MCL 141.421 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill updates the uniform budgeting and accounting requirements that local treasurers follow when they file their annual audits and budgets with the State Treasurer. The bill incorporates the

incremental changes in practice that have emerged during the last few decades, and establishes improved standards of State and local governmental accounting and financial reporting, which will result in useful information for the general public and users of financial reports.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill will have no fiscal impact on the State. Some local units may be required to alter software or other operations to comply with government accounting standards as required by the bill, and these changes may result in some local units' incurring additional one-time expenses. However, such expenses will likely be minimal.

Fiscal Analyst: D. Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.