



Michigan Department of
TREASURY

Engagement. Service. Improvement.

Chart Chat

Thursday, October 15, 2020

2 p.m.

Chart Chat

Thursday, October 15, 2020

2 p.m. – 3 p.m.

The Michigan Department of Treasury is pleased to announce the next Chart Chat in a series of webinars on the Uniform Chart of Accounts and additional Treasury topics.

I. Welcome & Introductions

*Cary Vaughn, Manager of the Audit Section, Community Engagement and Finance Division,
Michigan Department of Treasury*

*Stacie Stonebrook, Auditor, Audit Section, Community Engagement and Finance Division,
Michigan Department of Treasury*

II. Uniform Chart of Accounts: Changes Since the Last Exposure Draft

*Yongping McDonnell, Auditor, Audit Section, Community Engagement and Finance Division,
Michigan Department of Treasury*

III. Qualifying Statements Overview

*Harlan Goodrich, Manager of the Municipal Finance Section, Community Engagement and
Finance Division, Michigan Department of Treasury*

IV. Fiscal Indicators: Cash Ratio

*Nick Brousseau, Departmental Analyst, Community Engagement and Finance Division, Michigan
Department of Treasury*

V. Closing Remarks

*Cary Vaughn, Manager of the Audit Section, Community Engagement and Finance Division,
Michigan Department of Treasury*



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Uniform Chart of Accounts

Yongping McDonnell, CPA

Audit Section

October 15, 2020

Uniform Chart of Accounts

- The following slides cover changes made after January 24, 2020.
- A summary of revisions dated Sept 24, 2020, is available on the Treasury's website at [Michigan.gov/cefd](https://michigan.gov/cefd) under "Bulletins, Manuals, and Forms".

Major Changes

- Structural changes to the instructions have been made in this new version.
- Only minor changes to accounts have been made.
- The description of Local Units of Government has been removed.
- The number of pages have been reduced from 248 to 188.

Old Version of Table of Contents



- **Introduction**
Budgets and the Uniform Chart of Accounts
Financial Reporting and the Uniform Chart of Accounts
- **Creating an Account Number**
Account Structure – Definition of Terms
Fund Types and Categories
Activities
Balance Sheet (Statement of Net Position)Accounts
Revenue Accounts
Expenditure Accounts
Revenue and Expenditure Classification –GASB Terminology
Taking Detail to the Next Level
- **Description of Local Units of Government**
- **Table of Funds, Activities, Account Numbers, and Names**

No major
changes

Major Structural
changes

Removed

No major changes

New Version of Table of Contents



- **Introduction**
Budgets and the Uniform Chart of Accounts
Financial Reporting and the Uniform Chart of Accounts
- **Creating An Account Number**
What An Account looks like –Three Sets of Three Digits
First Set of Three Digits: Funds
A summary table and definition of terms
Second Set of Three Digits: Functions and Activities
A summary table and definition of terms
Third Set of Three Digits: Accounts
A summary table and definition of terms
Examples of Creating An Account Number
- **Table of Funds, Activities, and Account Numbers**
- **Descriptions of Funds, Activities, and Account Numbers**

Structural Changes – Creating an Account Section

What remains the same



3 digits		3 digits		3 digits
XXX	–	XXX	–	XXX
Fund		Activity		Account

3 digits		3 digits		3 digits
XXX	–	000	–	XXX
Fund		Activity		Account

3 digits		3 digits		3 digits
XXX	–	XXX.X	–	XXX.X
Fund		Activity		Account

← Point Off

Kept *Open* and *Reserved* numbers in the UCA

What is being removed



Classifying terms such as *mandatory*, *optional*, *primary*, and *secondary* have been removed to reduce confusion.

What is being added



Summary tables for *fund numbers*, *balance sheet/statement of net position account numbers*, and *expenditure/expense numbers* have been added.

Structural Changes – Creating an Account Section

Illustration

BALANCE SHEET /STATEMENT OF NET POSITION ACCOUNTS			
Account Type	Account Name	Account Number	Detailed Account Names
Current Assets	Cash and Investments	001-017	Cash and Investments
	Receivables	018-100	Accounts Receivables, Taxes Receivable, etc.
		031-100	Various Types of Receivables
	Inventory	101-110	Inventory
	Other Current Assets	111-129	Prepaid Expenses, Assets Held for Sale, etc.
Non-Current Assets	Capital Assets	130-179	Land, Equipment, etc.
	Other Non-Current Assets	180-194	Investment of Surplus Funds, Derivative Contracts, etc.
	Deferred Outflows	195-199	Deferred Outflows
Current Liabilities	Current Liabilities	200-299	Vouchers Payable, Accounts Payable, etc.
Long-Term Liabilities	Long-Term Liabilities	300-359	Bonds Payable, Leases Payable, etc.
Deferred Inflows	Deferred Inflows	360-369	Deferred Inflows
Fund Balance and Net Position	Fund Balance and Net Position	370-399	Fund Balance-Non-spendable, Net Position-Restricted, etc.

Minor Changes

- Fund 242 *Local Site Remediation Revolving* fund has been changed to *Local Brownfield Revolving* fund to stay in compliance with updated legislation (MCL 125.2658).
- Accounts have been added for GASB Statement No. 87 – Leases.
- The word “control” for receivable accounts 018 (receivable), 019 (receivable), and 101 (inventory) were removed to stay consistent with other balance sheet/statement of net position accounts.
- The definition for expenditure/expense control account 700 has been changed to be the balance of all expenditure/expense accounts including *Other Financing Uses*.
- Links to various websites have been updated.

Implementation Dates

Recommended Implementation Date	Deadline FYE for Implementation
November 1, 2021	October 31, 2022
December 1, 2021	November 30, 2022
January 1, 2022	December 31, 2022
February 1, 2022	January 31, 2023
March 1, 2022	February 28, 2023
April 1, 2022	March 31, 2023
May 1, 2022	April 30, 2023
June 1, 2022	May 31, 2023
July 1, 2022	June 30, 2023
August 1, 2022	July 31, 2023
September 1, 2022	August 31, 2023
October 1, 2022	September 30, 2023

Contact Information

Michigan Department of Treasury
Community Engagement and Finance Division
PO Box 30728, Lansing MI 48922
Phone: (517) 335-7469
Email: LAFD_Audits@michigan.gov



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Qualifying Statements

Harlan Goodrich
Municipal Finance Manager
October 15, 2020

Statutory Authority

- Revised Municipal Finance Act
- Public Act 34 of 2001
- Section 303

Qualifying Statements

- Fiscal health test taken annually by all types of local governments.
 - Counties, townships, cities, villages, school districts, public school academies, intermediate school districts, community colleges, drainage districts, libraries, authorities, etc.

Qualifying Statements

- If the local government “passes” they can issue debt in the next year without first having to receive prior approval from the Department of Treasury.

Statistics

- For 2018 FYEs we received 2,841 Qualifying Statements
 - 77% Approved
 - 23% Denied

Qualifying Statements

- The QS is filled out online by the Chief Administrative Officer (or their designee) and submitted at the same time as your annual audit.
 - Biennial audit filers in an off-year file QS no later than six months after FYE.
- 13 questions. Actually 16, but we don't ask three questions we already know the answer to, such as was your audit submitted timely.
- A determination is typically made in one business day, with the determination letter posted on the Department of Treasury website.

Submission

- How do I submit the Qualifying Statement?
 - [Michigan.gov/MunicipalFinance](https://michigan.gov/MunicipalFinance)
 - Click on “File and Search Reports”
 - Click on “File Online Reports”

Forgot to Submit

- We forgot to submit our Qualifying Statement. What happens next?
 - QS are due within six months after your FYE. You can still submit after six months, but it would be deemed “late.”
 - A QS is needed in order to issue debt (in most instances).
 - If the QS is submitted late **and** you issue debt, a \$100 late fee is due with your first debt issuance of the year.
 - The Department of Treasury sends out a “delinquent” email on or around July 15th and then a second email on or around August 15th.

Reconsideration

- We made an error on our Qualifying Statement.
What do we do?
 - Each local government can submit **one** QS Reconsideration request per year.
 - For 2018 FYEs, 4% applied for reconsideration, with 90% of those being approved.

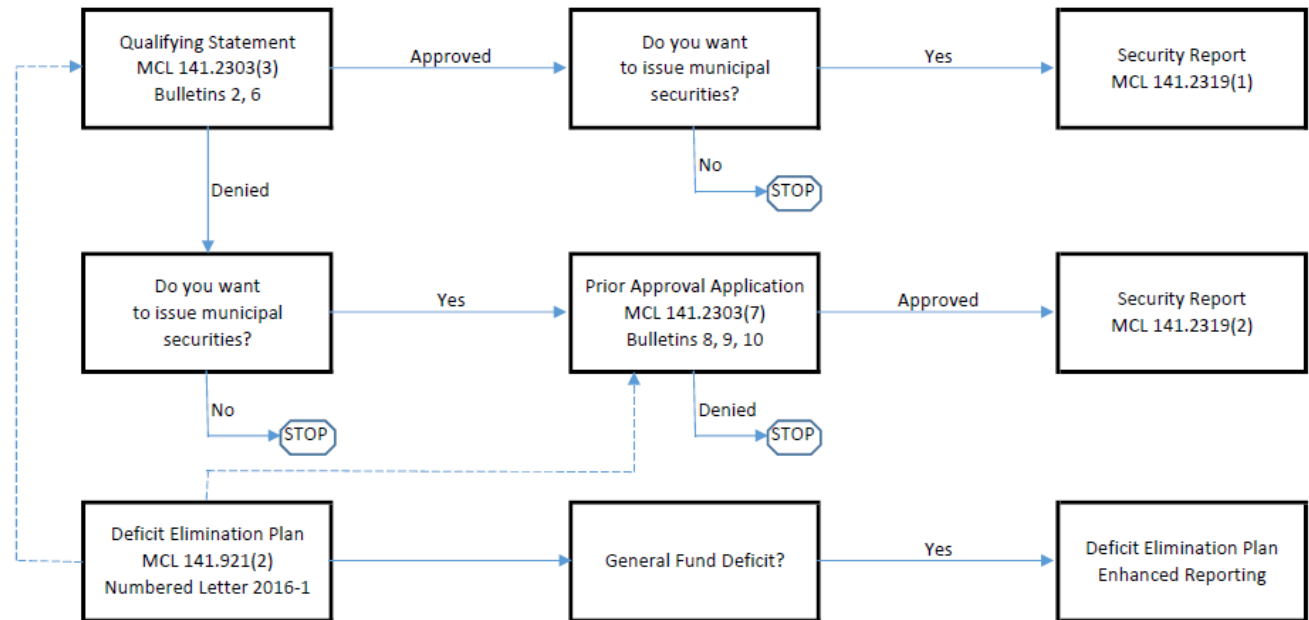
Common Errors

- Common Errors
 - Question 2: This is for **unlimited** tax levy only. Do not include limited tax levies.
 - Question 7: 7a is taxes delinquent, 7b is total taxes levied. Be careful not to switch the numbers.
 - Question 10: If no deficits in any fund, select “N/A.” Do **not** select “N.”

Borrowing Process Flowchart

Michigan Department of Treasury
Municipal Finance Section
Borrowing Process Flowchart

Michigan.gov/MunicipalFinance
Treas_MunicipalFinance@Michigan.gov
(517) 335-7469



Questions

- Call or email to discuss
- 517-335-7469
- [Treas MunicipalFinance@Michigan.gov](mailto:Treas_MunicipalFinance@Michigan.gov)
- Michigan.gov/MunicipalFinance
- Bulletins 2 and 6



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Cash Ratio and Cash Solvency

Nick Brousseau, Departmental Analyst

Analytics and Outreach Section

October 15, 2020

Local Government Fiscal Health Metrics

Part I in a series of presentations in which Treasury will review metrics of local government fiscal health

Goal of this series is to provide local governments with the information and tools to monitor its own fiscal health

- 1. Cash Solvency – Cash Ratio***
- 2. Budget Solvency**
- 3. Long-Run Solvency**
- 4. Service Solvency**

What is Cash Ratio?

A measurement of fiscal health of a local unit

- Measures Cash Solvency/Liquidity
 - Measurement of how much cash is on hand for meeting short term obligations
- Cash ratio is one of the primary metrics used to determine fiscal distress when a local government is unable, or projected to be unable, to meet payroll or payable obligations
 - Most local governments experiencing financial emergency in Michigan had low and/or declining cash ratios preceding financial emergency
- Even with a strong fund balance a local government can run out of cash on hand to pay critical bills
- A decline cash ratio over several years can be a concern

Calculating Cash Ratio

Calculation

- General Fund Cash and Investments as a percentage of Current General Fund Liabilities

Governmental Funds Balance Sheet				
June 30, 2019				
	General Fund	Major Street Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 2,254,663	\$ -	\$ 377,189	\$ 2,631,852
Receivables:				
Property taxes receivable	-	-	3,049	3,049
Special assessments receivable	-	-	206,860	206,860
Other receivables	110,151	-	161,640	271,791
Due from other governments	145,857	78,161	92,002	316,020
Due from other funds	45,799	-	-	45,799
Prepaid items and other assets	40,293	128	128	40,549
Total assets	<u>\$ 2,596,763</u>	<u>\$ 78,289</u>	<u>\$ 840,868</u>	<u>\$ 3,515,920</u>
Liabilities				
Accounts payable	\$ 180,385	\$ 27,541	\$ 82,470	\$ 290,396
Due to other governmental units	19,343	-	-	19,343
Due to other funds	-	14,320	31,479	45,799
Accrued liabilities and other	350,617	271	1,321	352,209
Total liabilities	<u>550,345</u>	<u>42,132</u>	<u>115,270</u>	<u>707,747</u>
Deferred Inflows of Resources - Unavailable revenue				
	-	-	206,860	206,860
Total liabilities and deferred inflows of resources	550,345	42,132	322,130	914,607

What is an appropriate cash ratio % of revenues?

It depends! Community by community decision.

Local Governments should implement cash control policies to ensure sufficient cash liquidity, including measures such as:

- Cash flow analyses
- Consider historical cash flow information and projected financial activity
- Compare actual to projected financial activity
- Make conservative assumptions about cash receipts and disbursements
- Monitor cash position daily
- The accuracy of the cash flow forecasts should be evaluated and updated at least quarterly
- Consider and accommodate non-repetitive payments such as capital expenditures or expected legal settlements, using reasonable assumptions

The sophistication of a cash flow analysis depends on the government's size and complexity



**Conventional
wisdom?**

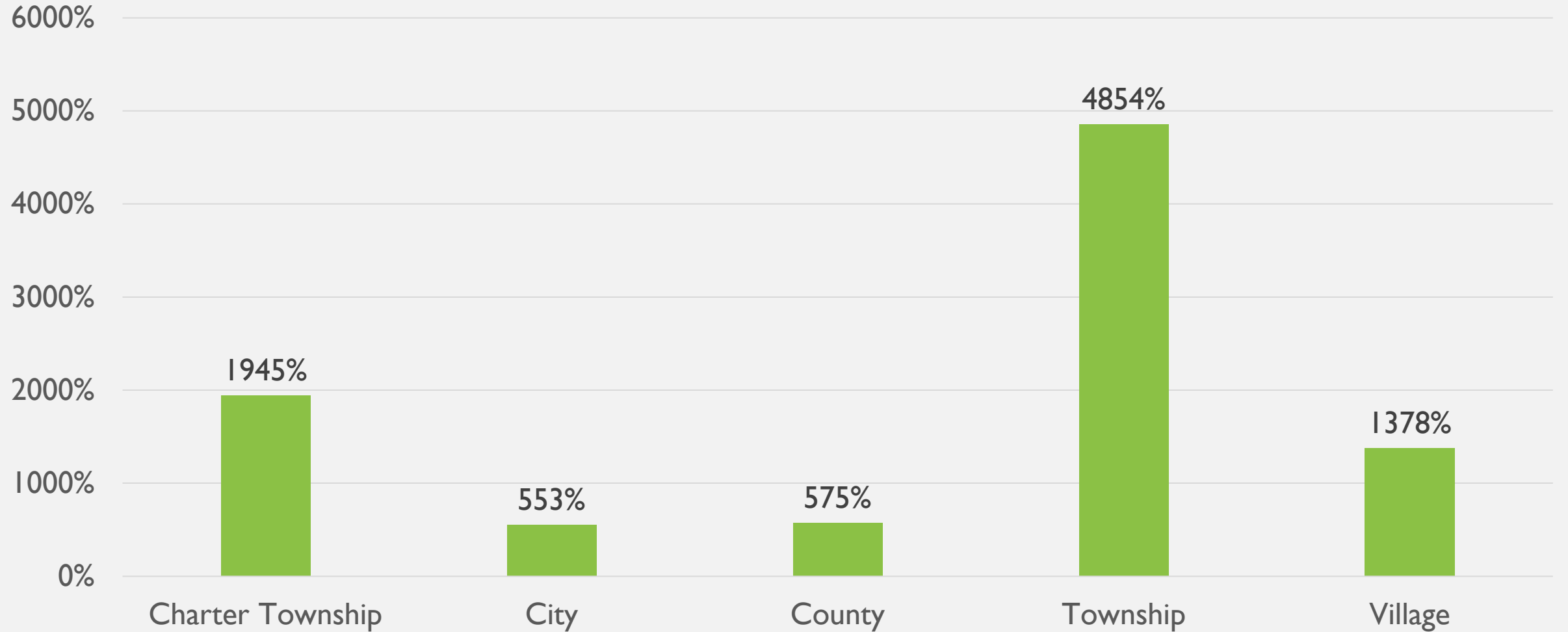


100%



Cash Ratio by Government Type FY 2019

Median Cash Ratio FY 2019



Cash Ratio by Government Type

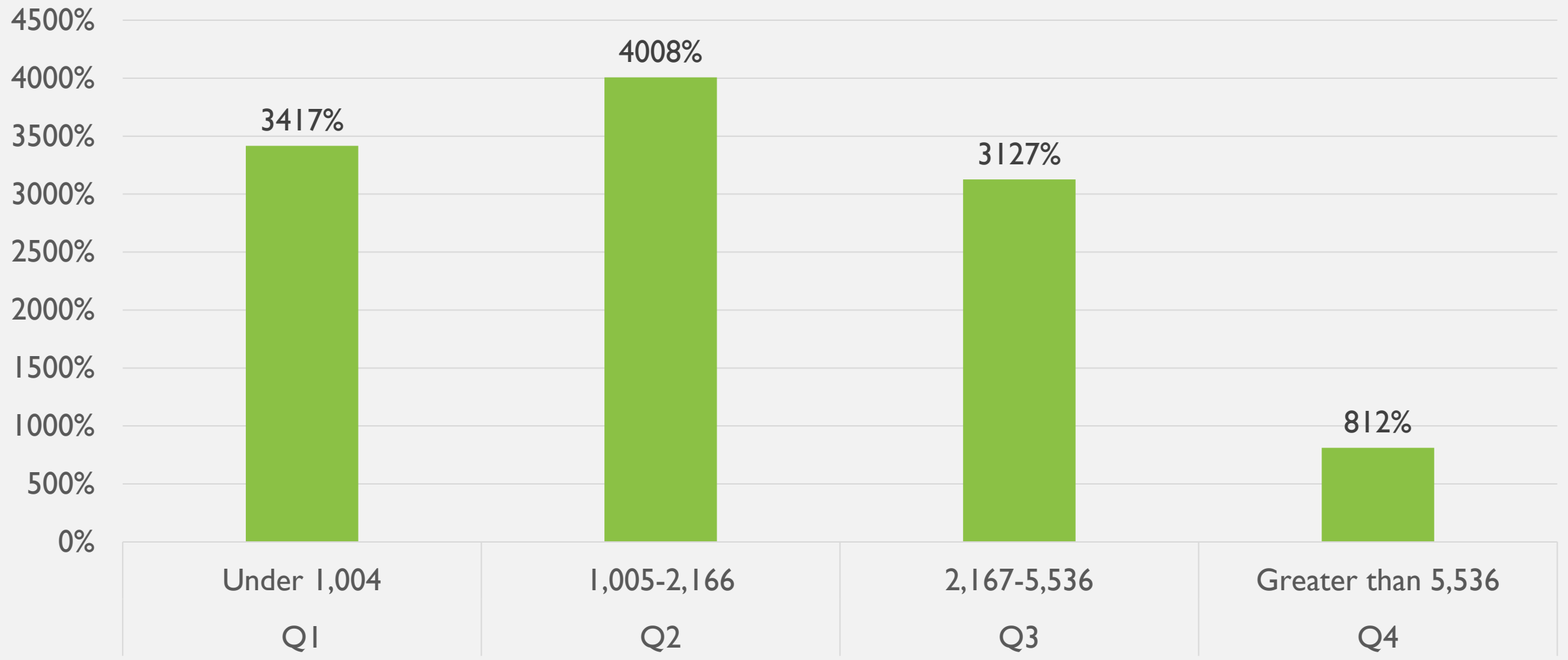
FY 2019

Percentile	Charter Township	City	County	Township	Village
5 th Percentile	219%	69%	74%	531%	56%
10 th Percentile	394%	104%	125%	850%	167%
15 th Percentile	562%	165%	185%	1271%	312%
20 th Percentile	765%	221%	221%	1770%	430%



Cash Ratio by Population

Median Cash Ratio by Population Quartiles 2019



MI Community Financial Dashboard



MI Community Financial Dashboard

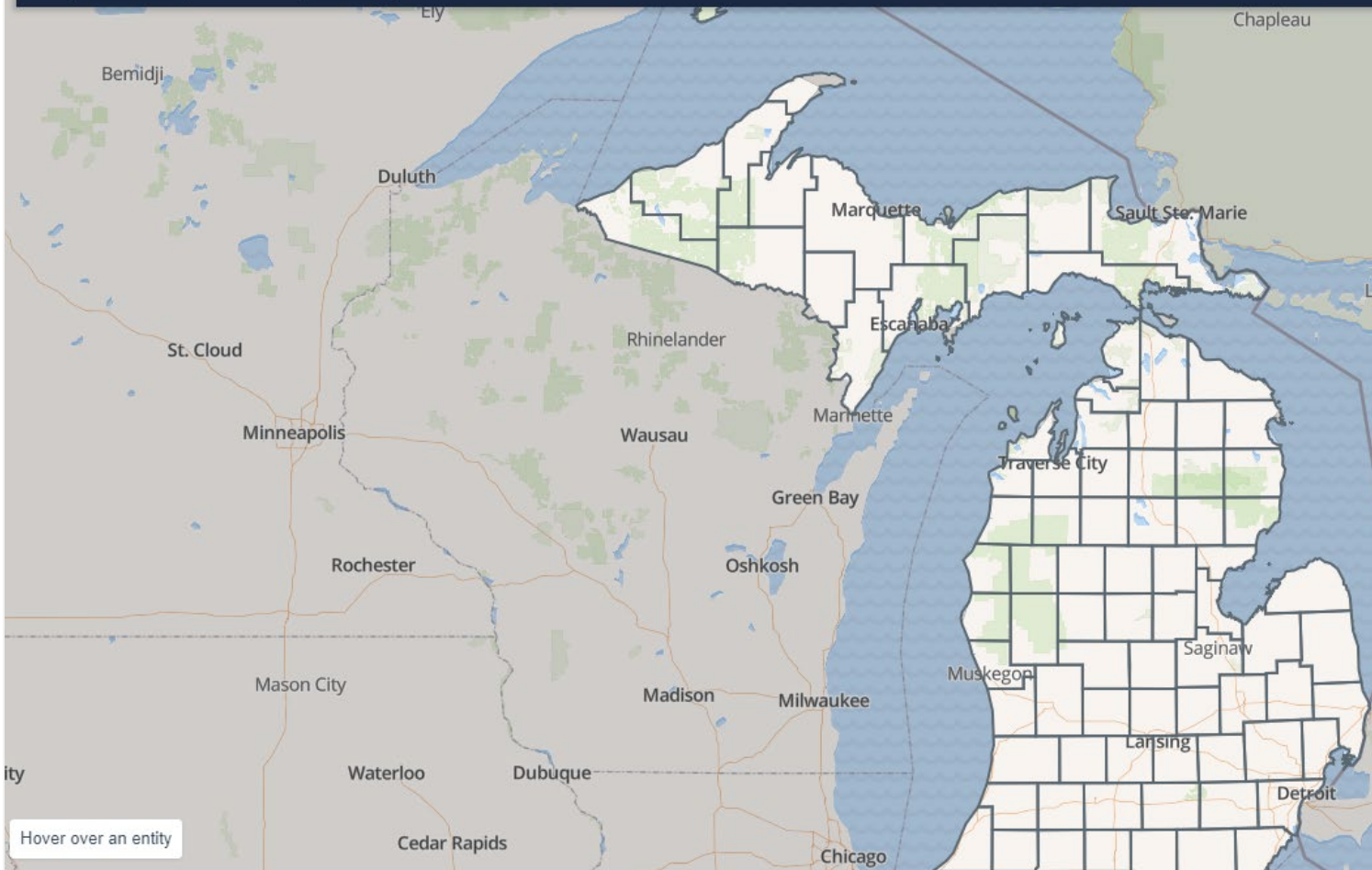
Michigan Department of Treasury

View

Counties ▾

Fiscal Year:

2019 ▾



[Explore other data](#)

COMPARE THIS DATA

API

+ Add Location

Analytics

Percentiles are calculated by ranking all local units of the same type that submitted data for the given year on a scale of 1-100, with a higher percentile value (or lower ranking) indicating a stronger position in that measurement.

General Fund Health	589th of 1205 51st percentile
General Fund Ratio	528th of 1205 56th percentile
General Fund Cash Ratio	640th of 1027 38th percentile
Property Tax Health	366th of 1236 70th percentile
Debt Health	418th of 538 22nd percentile
Governmental Net Position Ratio	458th of 822 44th percentile

Resources & Contact Information

Michigan Department of Treasury
Community Engagement and Finance Division
www.Michigan.Gov/CEFD

MI Community Financial Dashboard:
<http://MiCommunityFinancials.Michigan.Gov/>

Fiscally Ready Communities:
www.Michigan.Gov/FiscallyReady

Email: TreasLocalGov@michigan.gov

Phone: 517-335-7469

Register for Fiscally Ready Communities Webinar Trainings

The Michigan Department of Treasury and Michigan State University Extension (MSU Extension) are excited to announce our newest Fiscally Ready Communities training - Budgeting for Fiscal Sustainability!

This FREE training will provide best practices for local governments' fiscal health including budgeting, long-term planning, dealing with uncertainty, and financial policies and procedures. This training is geared toward appointed and elected officials with budgeting knowledge at the entry and intermediate levels.

Upcoming Free Training Opportunities:

- Tuesday, October 27 at 2 pm
- Thursday, November 19 at 2 pm
- Thursday, December 3 at 9 am

Please register for the training that best fits your schedule at:
<https://events.anr.msu.edu/FiscallyReadyWebinar/>

Thank
You!