



Local Government Financial Services

[File and Search Reports](#)


[MI Community Financial Dashboard](#)

[Forms and Instructions](#)

[Contact Us](#)

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Accounting and Auditing

- [Government Auditing Standards](#)
- [Bulletins, Manuals and Forms](#)
- [Numbered Letters](#)
- [Michigan Committee on Governmental Accounting and Auditing Statements](#)
- [LFAD Peer Review](#) 

Municipal Finance

- [Municipal Finance Forms](#)
- [Qualifying Statement](#)
- [Bonded Construction Fund and Sinking Fund Audits](#) 
- [School Audit Reports](#)
- [Bulletins](#)
- [Michigan Finance Authority \(MFA\)](#)
- [Deficit Elimination Plan](#) 
- [Deficit Elimination Plan Upload](#)

Related Statutes

- [Public Act 2 of 1968 Uniform Budgeting and Accounting Act](#)
- [Public Act 71 of 1919 Uniform System of Accounting](#)
- [PA 470 of 2002 \(Agency Reporting Act\)](#)
- [PA 34 of 2001 \(Revised Municipal Finance Act\)](#)



LOCAL
GOVERNMENTLocal Gov
Financial
Services

Revenue Sharing


State Tax
CommissionLocal Fiscal
Health[TREASURY](#) / [LOCAL GOVERNMENT](#) / [LOCAL GOV FINANCIAL SERVICES](#)

Bulletins, Manuals and Forms

Bulletins for Audit Guidance

Number	Form Title	Instructions / Notes
Bulletin	Audit Guide for Transportation Authorities 	
Bulletin	Audits of County Road Commissions 	
Bulletin	Uniform Reporting Format 	

Manuals for Accounting Guidance

Number	Form Title	Instructions / Notes
Manual	Audits of Local Units of Government 	
Manual	Accounting Procedures for County District Health Departments	
Manual	Accounting Procedures Manual 	
Manual	Accounting Procedures Manual for County Road Commissions 	Revised 5/2010

Community Engagement and Finance Staff

- Division Administrator - Rod Taylor
- Municipal Finance - Harlan Goodrich
- Data Solutions - Carol Goslin
- Audit - Cary Jay Vaughn
- Analytics & Outreach - Dan Horn

State Statutes

Auditor should be familiar with:

- PA 2 of 1968 - Uniform Budgeting and Accounting Act
- PA 71 of 1919 - Uniform System of Accounting
- PA 140 of 1971 - Revenue Sharing Act
- PA 34 of 2001 - Revised Municipal Finance Act
- PA 202 of 2017 - Protecting Local Government Retirement and Benefits Act

Forms and Publications

- Auditing Procedures Report
- Annual Local Unit Fiscal Report (F65)
- Uniform Chart of Accounts
- Budget Manual
- Audit Manual
- Uniform Reporting Format
- Numbered Letters
- Form 5572

Audit Reviews by Treasury

FRAUD REPORT - Possible or Actual

- Oral report to Bureau of Local Government & Schools Services, Community Engagement and Finance Division
517-373-3227
- Follow up with written report (if one exists) to:
Community Engagement and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228

Uniform Chart of Accounts

1984 - A comprehensive chart of accounts was developed.

- This chart provided a broad listing of funds, activities, and accounts.
- This chart also provide detailed descriptions for funds, activities, and accounts

2002 - The chart was updated

- Funds, activities, and accounts and the corresponding descriptions were pared down significantly.
- The thought at the time was the chart would provide more flexibility for local units.

2017 - The latest version of the chart was issued.

- The exposure draft was issued on 11/21/2016. The department received 5 comments on the draft over a 3 month period.
- This chart is based on both the 1984 and 2002 versions.
- Open funds, activities, and accounts are available for flexibility

DRAFT

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260--Indigent Defense Fund

The Indigent Defense Fund may be found in applicable counties, cities, or townships. This fund is used to account for earmarked state grant revenue to provide indigent defendants in criminal cases with effective assistance of counsel. This fund is required by the [Michigan Indigent Defense Commission](#) (MIDC) Act, [Public Act 93 of 2013](#), as amended.

Indigent Defense state grants must only be used to bring an indigent criminal defense system into compliance with the minimum standards established by the MIDC in accordance with the MIDC Act. Local units should contact the MIDC for more information on the standards and what types of expenditures would comply with them.

Grants from the MIDC must be classified as a state grant revenue. If no other state grants are received within the fund, use of the State Grants Control 260-000-539 may be used. Otherwise use *Indigent Defense Grant 260-000-571*.

The revenue should be accrued when received from the MIDC.

Overview

- Major Changes
 - Expanded descriptions of funds/activities
 - Language has been updated to reflect current GASB standards
 - Changes in Functions/Activities
- Account Structure
 - Mandatory/Open Funds
 - Mandatory/Optional/Open Activities
 - Mandatory/Optional/Open Accounts
- Implementation Dates

Expanded Funds and Activities

- The number of funds designated for specific purposes in the prior chart was 95. This number increased to 237 in the most recent chart of accounts.
- The number of activities designated for specific purposes in the prior chart was 94. The new chart designates 367 activities for specific purposes.
- Descriptions for these new funds and activities have been added to the new chart of accounts.

Updates to Reflect GASB Standards

- Accounts were added for deferred inflows/outflows.
- Fund balances have been updated to include nonspendable, restricted, committed, assigned, unassigned fund balance.
- Accounts have been added for pension and OPEB liabilities.
- Donated capital asset language was updated to reflect acquisition value.
- Special assessments have been updated.

Changes in Functions/Activities/Accounts

- Judicial activities were removed from the General Government function and a Judicial function was created.
- General Government numbers 129-170 are no longer available for use.
- The Other function was eliminated.
- The 228-Due to State of Michigan has been expanded.
- Local Community Stabilization Authority revenues were added to the state grants classification.

Mandatory Funds

- Any fund not designated as open is required to be used for the purpose specified in the Uniform Chart Of Accounts.
 - Example: Accounting for the operation of the Fire in fund 207 would not be appropriate. 207 has been designated the Police fund
- Open funds may not be used for funds that have a designation with the chart of accounts
 - Example: Accounting for the Fire fund in fund 211(Open) would not be appropriate. The Fire fund must be accounted for in fund 206.
- Millages other than a general operating millage must be accounted for in a separate fund.

Open Funds

- “OPEN” funds are available when a local unit engages in an activity that can not be accounted for in another fund designated for that function or activity.
 - Example: The city council has passed a ordinance (highest level of decision making in the local unit) to commit all income tax funds for the protection of the Lanzarote Stick Grasshopper within the city’s limits. Fund 239 could be used to account for the committed income tax revenues and the associated expenditures.
 - The local unit must change the name from “OPEN” to appropriately reflect the activity in the fund (i.e. the Lanzarote Stick Grasshopper Protection fund).

Activities as Part of a Function

- The activities listed in the manual are grouped into eleven functions and are listed in function order.
 - General Government
 - Judicial
 - Public Safety
 - Public Works
 - Social Services
 - Community and Economic Development
 - Recreation and Culture
 - Capital Outlay
 - Debt Service
 - Transfers In and Other Financing Sources
 - Transfers (Out) and Other Financing Uses

Use of Activities

- When designating the 9-digit account number, it is not necessary to use an activity number (3 middle digits) for balance sheet accounts and revenue accounts.
- An activity number must be used for expenditure/expense accounts.
- When an activity number does not apply or is not used, three zeros (000) are used as the middle series of numbers in the 9-digit account number.

Mandatory Activities

- Activities that are specifically provided in the chart require the use of the number assigned to that activity. **Examples include:**
 - 215 –Clerk and 253-Treasurer are subsets within the General Government Function
 - 301-Police/Sheriff/Constable and 336-Fire Department are subsets within the Public Safety Function
 - 449 Road Commission/Street Department and 521-Sanitation Department are subsets within the Public Works Function.
- Open activities may not be used for activities that have a designation with the chart of accounts.

Optional Activities

- The use of control activity numbers is OPTIONAL. They can be used if a local unit wants the ability to monitor expenditures/expenses by function.
- Certain activities are open for specific purposes.
 - 192-208 are open for accounting activities. If a local unit determines the activity 191-Accounting Department is insufficient to handle the reporting of the accounting department the local unit would use these activities.
 - Activities unrelated to these open accounts should not be recorded within these accounts. Example: Clerk activities should not be recorded within the accounts designated as open for accounting activities.

Open Activities

- OPEN numbers are similar to OPTIONAL numbers in that they are not required to be used. However, if a local unit's accounting system requires detailed classification, and the Uniform Chart of Accounts does not contain an OPTIONAL (designated) number that is suitable, an OPEN number may be used. The local unit may select an OPEN number within the major category heading of the fund, activity, asset, deferred outflows, liability, deferred inflows, equity, revenue, or expenditure/expense account and assign a name and description to meet its needs.
 - Example: Expenditures for environmental protection of the Lanzarote Stick Grasshopper could be recorded in open account 251 for General government activities.
 - The account name would be changed from open to Environmental Protection.

Mandatory Revenue Accounts

- 401 - Taxes (Control)
- 475 - Licenses and Permits (Control)
- 501 - Federal Grants (Control)
- 539 - State Grants (Control)
- 580 - Local Unit Contributions (Control)
- 600 - Charges for Services (Control)
- 655 - Fines and Forfeits (Control)
- 664 - Interest and Rents (Control)
- 671 - Other Revenue (Control)

Mandatory Expenditure Accounts

- 701 Personal Services
- 751 Supplies
- 800 Other Services and Charges
- 970 Capital Outlay
- 990 Debt Service
- 995 Other Financing Uses
- 998 Special and Extraordinary Items

Optional...(But Mandatory) Accounts

- “OPTIONAL” numbers are not required to be used unless the local unit’s accounting system requires more detailed classification of the fund, activity, asset, deferred outflows, liability, deferred inflows, equity, revenue, or expenditure/expense account. In that case, the OPTIONAL numbers designated in this Uniform Chart of Accounts must be used.
- A local unit may not use some optional numbers and account for other optional numbers within the mandatory control.

Open Accounts

- OPEN numbers are similar to OPTIONAL numbers in that they are not required to be used. However, if a local unit's accounting system requires detailed classification, and the Uniform Chart of Accounts does not contain an OPTIONAL (designated) number that is suitable, an OPEN number may be used. The local unit may select an OPEN number within the major category heading of the fund, activity, asset, deferred outflows, liability, deferred inflows, equity, revenue, or expenditure/expense account and assign a name and description to meet its needs.
 - Example: The local unit of government has determined habitat loss to goat herding is the largest threat to the Lanzarote Stick Grasshopper. The local unit has decided to pay local goat farmers subsidies to keep certain areas from being grazed by goats.
 - Open Account 881 was designated "Goat Herders Subsidies".

Taking Detail to the Next Level

- Some units, especially those that are very large and that must account for many funds, activities, revenues, and expenditures, may choose to expand the account numbers to provide for additional classification of transactions to a very precise level of detail.
- “Pointing off” activities
 - There may be several sub-activities within an activity the local unit wants tracked separately.
 - Example: A police department has a traffic and code enforcement division.
 - The local unit could account for wages of the traffic police in 207-301.01-702. Wages for the code enforcement division could be accounted for in 207-301.02-702.

Taking Detail to the Next Level

- “Pointing off” accounts
 - It is also acceptable to point off accounts when additional detail is desired.
 - Example: A government has wages for full time employees (account 702) that are non-union and unionized with the fire department accounted for in the fire fund.
 - The local unit could account for non-union police in 206-336-702.01. Unionized employees could be accounted for in 206-336-702.02.

Activity Pointed Off

Sample Expanded Number: 101-301.10-751

101 = FUND--General Fund

301 = ACTIVITY--Police Department

.10 = SUB-ACTIVITY--Administration

751 = EXPENDITURE--Supplies

Compatibility with the F-65

- All Funds, Activities, and Accounts within the new F-65 are consistent with the new Uniform Chart Of Accounts.
- Use of the new chart of accounts will reduce the amount of time for filing the F-65.

Implementation Dates

After feedback about the updated Uniform Chart of Accounts for local units of government in Michigan, the Michigan Department of Treasury is delaying the timeline for implementation. While early implementation is encouraged, the department will be establishing a new due date for sometime in 2019. A subsequent notice will be issued with this new information.

Over the next several months, the department will be developing training and informational materials to assist with the transition to the new Chart of Accounts.

Email Addresses

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LocalRetirementReporting@michigan.gov

Treas_MunicipalFinance@michigan.gov

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TreasLocalGov@michigan.gov

~~treas_LFAD@michigan.gov~~

- Audit, budgeting, and accounting
- PA 202 Form 5572
- Qualifying Statements, Deficits
- Technical difficulties
- Division general email address
- No longer being used

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