



Our auditor informed us that it is not sufficient to simply adopt the budget before we begin spending township funds. Can you clarify this?

The Uniform Budgeting and Accounting Act requires not only the approval of the budget, but also the actual appropriation of the amounts budgeted before any expenditure can lawfully take place (MCL 141.436). To adopt the budget, the township board must pass by roll call vote a budget resolution known as the general appropriations act for the general fund and all special revenue funds. The general appropriations act must include the amounts appropriated by the township board to defray expenditures and meet liabilities for the ensuing fiscal year, plus a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.



Toward the end of the fiscal year, our board reviews the township's cost centers. If a cost center has exceeded its budget, we prepare a budget amendment to correct the situation. Is this acceptable?

The Uniform Budgeting and Accounting Act requires the township board to prepare a budget amendment *as soon as it is apparent* that a deviation from the original budget is necessary and the amount can be determined. The amendment must indicate each intended alteration in the purpose of each affected appropriation item. (MCL 141.437)



Some of our cost centers have expenditure needs over the amounts budgeted for them. Do we need to have unused amounts in a contingency cost center to amend the budget?

While many townships budget an amount in a contingency cost center, that is not the only resource available for a budget amendment. Amounts can also be transferred from a cost center that has expenditures significantly below the amounts budgeted. In addition, when revenues appear to be

coming in significantly higher in a particular category, the overall integrity of the original budget can be maintained by amending both the specific budgeted revenue as well as the cost center appropriation with a pending overexpenditure. Finally, a cost center expenditure budget can be amended by reducing the fund balance expected to be carried forward to the subsequent fiscal year.



Are enterprise funds required to have an annual budget?

The township is not required to adopt an annual budget for enterprise, internal service, debt service and capital project funds. However, since many enterprise funds are used to post transactions of water or sewer service departments, a detailed budget may be desired by the township board to give the board control over the nature and level of department expenditures. The Department of Treasury recommends carefully planned, realistic and flexible budgets.



When must a charter township with a December fiscal year-end adopt its annual budget?

Charter townships have the following time tables relative to budget adoption: 150 days prior to year-end, township officers/department heads submit budgets to the supervisor; the supervisor prepares a complete itemized budget proposal and submits it to the township board not later than 120 days before the start of the fiscal year; and the public hearing on the proposed budget shall be held not later than Dec. 15 and the budget adopted not later than Dec. 31 in the year preceding the calendar year covered by the budget.

Information provided in *Financial Forum* should not be considered legal advice, and readers are encouraged to contact their township auditor and/or attorney for advice specific to their situation.



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