A Summary of Experiences in an Internship in the Area of School Business Management

Lawrence H. Stancliff

Follow this and additional works at: https://scholarworks.wmich.edu/masters_theses

Part of the Business Commons, and the Higher Education Commons

Recommended Citation
https://scholarworks.wmich.edu/masters_theses/2370
A SUMMARY OF EXPERIENCES
IN AN INTERNSHIP IN THE AREA
OF SCHOOL BUSINESS MANAGEMENT

by

Lawrence H. Stancliff

A Project Report
Submitted to the
Faculty of The Graduate College
in partial fulfillment
of the
Specialist in Education Degree

Western Michigan University
Kalamazoo, Michigan
April 1976
ACKNOWLEDGEMENTS

The Specialist in Education program has been a rich and rewarding experience capped by a very beneficial internship in school business management. I thank the many university faculty but, specifically, the following people who assisted, guided, encouraged and supported me through the total experience: Mrs. Nellie L. Stell, Secretary to Dr. Rodney W. Roth; Dr. Rodney W. Roth; Dr. Carol W. Sheffer and Dr. William P. Viall.

I also express a sincere thanks to Mr. Ben N. Emdin, Business Manager of the Forest Hills Public Schools, who supervised my internship and gave many hours of his time to help me.

A special thanks goes to my wife and two children who contributed a good deal of patience and understanding as I spent time in activities away from home or in seclusion. They also have made some financial sacrifices without which I could not have accomplished this task.

While I express my thanks to all of these contributors, I believe I have learned a great deal and accept the sole responsibility for these writings.

Lawrence H. Stancliff
INFORMATION TO USERS

This material was produced from a microfilm copy of the original document. While the most advanced technological means to photograph and reproduce this document have been used, the quality is heavily dependent upon the quality of the original submitted.

The following explanation of techniques is provided to help you understand markings or patterns which may appear on this reproduction.

1. The sign or “target” for pages apparently lacking from the document photographed is “Missing Page(s)”. If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting thru an image and duplicating adjacent pages to insure you complete continuity.

2. When an image on the film is obliterated with a large round black mark, it is an indication that the photographer suspected that the copy may have moved during exposure and thus cause a blurred image. You will find a good image of the page in the adjacent frame.

3. When a map, drawing or chart, etc., was part of the material being photographed the photographer followed a definite method in “sectioning” the material. It is customary to begin photoing at the upper left hand corner of a large sheet and to continue photoing from left to right in equal sections with a small overlap. If necessary, sectioning is continued again — beginning below the first row and continuing on until complete.

4. The majority of users indicate that the textual content is of greatest value, however, a somewhat higher quality reproduction could be made from “photographs” if essential to the understanding of the dissertation. Silver prints of “photographs” may be ordered at additional charge by writing the Order Department, giving the catalog number, title, author and specific pages you wish reproduced.

5. PLEASE NOTE: Some pages may have indistinct print. Filmed as received.

Xerox University Microfilms
300 North Zeeb Road
Ann Arbor, Michigan 48106
MASTERS THESIS M-8412

STANCLIFF, Lawrence Harold
A SUMMARY OF EXPERIENCES IN AN INTERNSHIP IN THE AREA OF SCHOOL BUSINESS MANAGEMENT.

Western Michigan University, Ed.S., 1976
Education, business

Xerox University Microfilms, Ann Arbor, Michigan 48106

THIS DISSERTATION HAS BEEN MICROFILMED EXACTLY AS RECEIVED.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
<table>
<thead>
<tr>
<th>SECTION</th>
<th>CONTENT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>II</td>
<td>BUDGET</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Guidelines for Budgeting</td>
<td>11</td>
</tr>
<tr>
<td>III</td>
<td>COMPUTER</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Guidelines for Considering Computers</td>
<td>17</td>
</tr>
<tr>
<td>IV</td>
<td>ACCOUNTING</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Guidelines for Accounting</td>
<td>26</td>
</tr>
<tr>
<td>SECTION</td>
<td>PAGE</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>MAINTENANCE ........................................ 27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experiences ........................................ 27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired ................................ 28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guidelines for a Maintenance System .......... 29</td>
<td></td>
</tr>
<tr>
<td>VI</td>
<td>INSURANCE ........................................... 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Literature Review .................................. 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experiences ........................................ 32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired ................................ 33</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guidelines for Establishing an Insurance Package ........ 34</td>
<td></td>
</tr>
<tr>
<td>VII</td>
<td>BORROWING FUNDS .................................... 35</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Literature Review .................................. 35</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experiences ........................................ 36</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired ................................ 37</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guidelines for Borrowing Funds ............... 37</td>
<td></td>
</tr>
<tr>
<td>VIII</td>
<td>BONDS .................................................. 39</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Literature Review .................................. 39</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experiences ........................................ 40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired ................................ 42</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Guidelines for Bond Sales ...................... 43</td>
<td></td>
</tr>
<tr>
<td>IX</td>
<td>INVESTMENTS ......................................... 44</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Literature Review .................................. 44</td>
<td></td>
</tr>
</tbody>
</table>

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
<table>
<thead>
<tr>
<th>SECTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Experiences</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
</tr>
<tr>
<td></td>
<td>Guidelines for Investing</td>
</tr>
<tr>
<td>X</td>
<td>TAX LEVY</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
</tr>
<tr>
<td></td>
<td>Guidelines for Levying Taxes</td>
</tr>
<tr>
<td>XI</td>
<td>AUDIT</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
</tr>
<tr>
<td></td>
<td>Guidelines Related to Audit</td>
</tr>
<tr>
<td>XII</td>
<td>STATE AID</td>
</tr>
<tr>
<td></td>
<td>Literature Review</td>
</tr>
<tr>
<td></td>
<td>Experiences</td>
</tr>
<tr>
<td></td>
<td>Knowledge Acquired</td>
</tr>
<tr>
<td></td>
<td>Guidelines Regarding State Aid</td>
</tr>
<tr>
<td>XIII</td>
<td>OTHER EXPERIENCES</td>
</tr>
<tr>
<td></td>
<td>Financial History of the District</td>
</tr>
<tr>
<td></td>
<td>Bid Opening for a Middle School</td>
</tr>
</tbody>
</table>
INTRODUCTION

This paper is presented as a summary of an internship with a school business manager who is a legally appointed officer and administrator in a school district. The business manager of a school district may be appointed by a board of education as indicated in the Michigan General School Laws. According to Code 340.118: ¹

"Sec. 118. The board of any school district of the third class hereunder shall have the power and duties:

(c) To appoint in its discretion, a business manager for the school district and fix his compensation."

The law also provides for allowing the board of education to charge the business manager with the care of the school district's financial resources. According to Code 340.112² the law states:

"Sec. 112. The treasurer of the board shall keep the funds except that the board may place responsibility for the administration of school district money with the school district business manager ..."

It is in this frame of reference that the business manager of a school district receives the authority and is charged with the responsibility for doing the job assigned to him or her.

¹Legislative Service Bureau, Michigan General School Laws, Michigan Department of Budget, State Record and Publishing Center, Lansing, Michigan, 1973, p. 32.

²loc. cit., p. 348.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
In a school district with no business manager, the authority for administration of the total district, including business activities, lies with the superintendent.

The project summarized on these pages is written with the following format in mind: references to specific literature, when appropriate; a summary of internship activities; specific knowledge acquired; and a set of suggested guidelines which will be useful to the writer for future reference as he pursues his goal of becoming superintendent of schools. It is hoped that the guidelines may prove useful to others who may wish to utilize them at some time.
BUDGET

Literature Review

The Michigan General School Laws refer to budgeting in Codes 211.209-211.210:¹

"Sec. 209. Each local unit as defined in this act shall prepare each year a budget containing an itemized statement of its proposed expenditures and estimated revenues, covering all its departments and activities."

"Sec. 210. Such local unit shall file its budget and statements provided for in the preceding section with the county allocation board on or before the third Monday in April of each year."

In both of the references above, the law specifically states that the budget must be developed on an annual basis. The budget must be presented to the county allocation board for review in April of each year. The data are then utilized by the allocation board in making allocations to various governmental bodies, one of which is the local school district.

Codes 141.411 through 141.415² of the Michigan General School Laws refer to public hearings before a board of education may adopt the school district's budget. The laws define the school district as a

¹loc. cit., p. 348.
²loc. cit., p. 316.
local unit of government and specify the means of notifying the public of a budget hearing: "... in a newspaper of general circulation within such unit at least six (6) days prior to such hearing."

The codes further state that local units of government must hold their public hearing after the county allocation board (a representative body of school, county, township and city officials) has apportioned, or allocated, to each governmental unit a specific portion of a fifteen (15) mill tax levy (the amount of millage which may be levied against real property without a vote of the people). Once the public hearing is completed, a board of education may adopt its final budget.

Finally, the code allows for changes in the budget after the public hearing has been held. While the school codes allow changes Johns and Morphet\(^1\) suggest that "... the board should have authority to reduce the budget for one account and increase it for another ..."  

Expenditures which are major in character should be taken to the board of education for prior approval. This is essentially a means of communication and an opportunity for cooperative input in the decision-making process.

Experiences

During the course of this internship, many activities occurred which were directly related to budget development and implementation. Many of the activities involved discussions with Mr. Ben N. Emdin, Business Manager of Forest Hills Public Schools and internship supervisor, and other administrators. Other activities involved completing specific steps in budget preparation.

Development of the budget had begun prior to the beginning of this internship. However, many of the preliminary decisions had included input from my office (Assistant Superintendent for Instruction). Consequently, I had been involved in early budget development efforts. Preliminary decisions included discussing and deciding such issues as: How many dollars are necessary to finance new programs? What is the effect of inflation on program budgeting? Within the program budgeting concept, discussion focused on: Does the school district want to utilize a line-item budget which shows budget allocations in general categories for the school district (i.e., elementary textbooks, secondary supplies, etc.) or a fund-allowance concept which shows each school’s allocation by line (i.e., Ada Elementary School – textbooks, Central High School – teaching supplies, etc.)? If a fund-allowance concept, what lines and numbers are needed? Who will manage which lines? What flexibility will fund managers have?
What information will be needed to allocate the dollars to the allowance? How will surplus dollars in each allowance be handled at the end of each fiscal year? The work of developing the budget was divided into four phases:

**Phase I**

The decision was made to implement a fund-allowance concept because such a system would provide building principals with the opportunity to make decisions as to how money would be allocated to each department or program in his or her school. It also allowed the principal and his or her staff the opportunity to establish curriculum priorities. He or she could allocate funds to areas of the program according to need. The process of allocating funds according to program priorities is the basis of program budgeting.

Upon arriving at the decision, a set of codes identifying each program was developed showing the coding structure for each program area; such as, Central High School, secondary, textbooks - science . . . and on through all other levels, including elementary and junior high school.

At the time the coding was being completed, some future needs were being considered. These included coding for a new elementary school, a new middle school, changing the designation of the present junior high to a middle school and the incorporation of media centers
in the school district.

Once the coding was completed, a plan for in-service programs was developed for the purpose of introducing administrators, secretaries, teachers and custodians to the new system and demonstrating how it would be helpful to them once it was implemented. They were also made aware that implementation would require patience and their cooperation.

To determine how many dollars each fund manager would have in his or her fund allowance, past expenditures were reviewed for each line which would be included in the building budget. Once the figure was established, each fund manager was given necessary information regarding past expenditures which enabled him or her to make decisions as to how much money should be allocated to each budget line.

The fund managers developed their own specific budgets with or without staff involvement and submitted the information to the business manager. He, in turn, developed the budget document.

**Phase II**

The next phase in building the budget was to determine the anticipated revenues for the coming school year. Revenues are received from local taxes, state aid (general fund and categorical aid), transfer accounts, interest, tuitions and others. Each category was analyzed to identify trends. Projections were then made as carefully as possible. The primary unknown factor was state aid, as the legislators had not
yet come to grips with the issue. Known factors included close
projections of SEV (State Equalized Valuation), enrollment, students
needing special education and the formula for receipt of transfer dol-
lars. Other known information was that the district receives very few
tuition students and interest rates on investments were falling. There-
fore, revenues from these sources would be less than in the past two
(2) years. With all of the above information in hand, revenues were
projected "conservatively."

Phase III

The next phase of budget development was to estimate expenditures.
The biggest expenditures in school district budgets are salaries, fringe
benefits and the cost of the retirement program. Because negotiations
were in progress during the budget development process, a best-guess
percentage factor was applied and a dollar figure was derived to estab-
lish estimated expenditures. Other expenditures were projected on a
line-item basis in such areas as instruction, community education,
administration, transportation, operation, maintenance, fixed charges,
capital outlay, transfer accounts, athletics, title funds and others,
including necessary reserves.

After all projections were compiled, the line-item budget was
established and allocations were made to program areas including
instruction, capital outlay, athletics, special education, unclassified
instruction, transportation and others. The final budget figures showed that expenditures exceeded revenues by approximately $500,000. Therefore, the decision was made to consume the school district's fund equity which had accrued over the past several years.

Finally, a preliminary draft of the budget, showing the deficit, was presented to and carefully reviewed by the Board of Education. The adoption of the final budget had to be delayed until negotiations with the teachers' association were finalized, at which time the budget was adjusted and presented in final form.

**Phase IV**

The next step in adopting the budget was that of holding a public hearing. Notice was placed in the newspaper citing the place and time of the hearing. The hearing was held. Finally, in late August at its regular meeting, the Board of Education adopted the final budget by a unanimous vote.

In the Forest Hills School District, an on-going activity after budget adoption has been regular meetings with the principals and others responsible for budget management for the purpose of clarification on budgetary matters.

To aid the business manager with budget preparation in the future, a notebook exhibiting each budget line was developed. Each line of the budget, including the fund allowances and each line allocation in the
fund, was recorded on a sheet of paper and entered into the notebook. The document was designed to show how the dollars allocated to each budget line were determined and calculated. Factors shown included inflation, decreasing interest rates, percentages of raises for teachers, salary indexes, cost of personnel by category (i.e., counselors and special service personnel) and the effect of the board's paying of teacher retirement. In the future, the business manager will be able to refer to the notebook and utilize the information as he develops the budget.

Frequently the central office staff reviewed with the business manager the status of incoming revenues and expenditures. The intent of this effort was to assure a communication opportunity and to determine whether special decisions might be necessary which could affect the lines administered at the business office or fund manager level.

Knowledge Acquired

Through the experiences provided by the internship, I have had several occasions to be involved in budget development and interpretation. I have also had the opportunity to interact with administrators as they prepared their budgets and implemented them. This helped me understand the frustrations and confusion they were feeling as they had to make adjustments in lines. Fortunately, I manage several budget
lines directly, others indirectly, and have had some of the same problems others have experienced. The administrators report they are pleased with their involvement in budget implementation and decision making. They are looking forward to more involvement in budget development and management in the future.

In summary, I have learned how to develop budget rationale, assemble a budget, interpret a budget, help others understand budgets, proceed through the adoption process and . . . most significantly, how important it is to communicate with others throughout the whole process of budget building and implementation.

Guidelines for Budgeting

1. Determine a calendar of events and build a time line in the fall of the year.
2. Review notes regarding problems of previous budget and desired changes.
3. Review the educational plan with others to determine priorities for new fund allocations.
4. Project anticipated revenues by line-item.
5. Examine prior year's budget line-by-line for actual expenditures.
6. Project an anticipated inflation factor on new budget.
7. Determine budget management procedure; such as, line-item versus PPBS (Planning Program Budgeting Systems).
8. Disseminate information to building administrators with fund allowance and support figures, lines and appropriate code numbers, previous expenditures by line, deadline dates and other important information.

9. Communicate with other departments; such as, transportation, maintenance, curriculum and hot lunch, to determine their needs.

10. Assemble preliminary budget.

11. Determine necessary adjustments and involve appropriate personnel in making them.

12. Assemble a second-draft budget.

13. Make any final adjustments to the document.

14. Hold a public hearing.

15. Make final adjustments if appropriate.

16. Present final budget to the board of education for adoption.
The Michigan school codes make no specific reference to utilizing computers for management systems, either in the instructional or financial accounting realm. However, with the advent of the new accounting procedures for Michigan, commonly referred to as Handbook 1022, it appears that the schools will be moving toward implementation of PPB systems.

A computer is not essential to manage the financial transactions of a PPB system, but it is an aid to efficiency. Alioto and Jungherr\(^1\) state, "While larger school districts can install a program accounting system without computer or bookkeeping machine capability, it may be much more efficient and effective if some types of modern data processing equipment were provided." The authors go on to suggest possible approaches to gaining access to such hardware; such as, leasing, contracting for service or purchasing their own equipment.

Another critical comment by Alioto and Jungherr\(^2\) is, "... keep decisions on computers at the highest level. Make sure the


\(^2\)loc. cit., p. 97.
climate is ruthlessly hard-nosed about the practicality of every system, every program, and every report. "What are you going to do with that report?" "What would you do if you didn't have it?" . . . "

To establish a computerized system requires a good deal of preliminary consideration and a look to the future, asking, "What is the goal of such a system?"

The computer provides the opportunity to display economic data in a comprehensive way. Such information will assist the decision makers in judging the many separate activities of the school and the system as a whole. The potential benefits of utilizing computers to implement elements of PPB systems become visible as more and more critical decisions must be made regarding the most efficient and effective use of dwindling resources.

The Association of School Business Officials\(^1\) proposes the establishment of PPB systems:

"PPBS concepts represent a great potential for enabling educational leadership to justify management decisions; i.e., to be successfully accountable for the use of educational resources."

The Association of School Business Officials does not specifically point out the need for computers; however, if one is to gather informa-

---

tion quickly and efficiently, the computer is truly an asset.

**Experiences**

Late last spring we wrestled with the question of whether to move from a small programmable accounting machine to using a computer for accounting purposes and personnel record keeping. After questioning the value of such a program and looking toward the future, the business manager recommended that the school district contract with the Grand Rapids Public Schools Computer Center for the two purposes mentioned above.

The Board of Education made the decision to utilize the computer and the business manager attended a number of in-service sessions. He then began implementing the initial stages of program development with the help of the Grand Rapids Public School personnel.

Once the basic program needs were established, appropriate forms were filled out, beginning with personnel. Files were established and the information was programmed into the computer. The next move was to implement the accounting function.

The basic accounting functions were programmed into the computer to allow receipts and expenditures to be properly allocated and charged. Once the preliminary computer printouts were made, the long job of proof-reading and editing was done. These tasks were repeated several times until the printouts were almost free of incorrect data.
Some problems that caused frustrations were: payroll was inaccurate, thus the old payroll process remained in use until the new program was correct; response time on the CRT (Cathode Ray Tube) when accessing information from the computer was slow and sometimes nonexistent; and positions which had been key punched twice were not showing on the CRT so that corrections related to certain positions could not be made. Personnel problems at the computer center became apparent. Even with these problems, progress had been made to the point that several other school districts have contracted with Grand Rapids for computer services.

The future, as viewed by Forest Hills' administration, is one of computerized management systems for instructional purposes. When these functions are implemented, the school district will be making good use of what appears to be a functional tool for educators.

Knowledge Acquired

Throughout the activities described above, I was primarily an observer. I met with Mr. Emdin and the data processing personnel several times when discussions were held concerning the next steps to be taken or when problems needed solving. During these sessions I learned a good deal about the procedure and rationale for computerization.

I have developed respect for the efficiency of a computer in processing information. I have also learned that moving from a hand operation to a computer operation is a very time consuming task with need for
dedication to the ultimate goal.

It seems that the critical issue in determining the success of a computerized system is the attitude of the people involved. If any person does not fulfill his or her responsibility, frustrations occur.

Finally, I learned that the decision to implement the computer for accounting purposes should not be a hasty one. One must consider the pros and cons and assess manpower needs before making a commitment.

I believe the ultimate results will prove beneficial if fund managers are provided current information regarding the financial status of each budget line. Such information should allow the manager to make prudent decisions as to what can or cannot be spent to support specific programs. Another advantage is that one can determine, in a very short period of time, the dollars spent on any given program and, in time, can determine the cost effectiveness of any given program.

Guidelines for Considering Computers

1. Determine the goal of the school district as it relates to the potential of computers.
2. Determine what you want to know . . . and why.
3. Consider all alternatives.
4. Consider the cost in terms of personnel, time and dollars of each alternative.
5. Determine how you will progressively implement the program based on priorities, goals and objectives.

6. Develop a specific recommendation to the board of education.

7. Establish a time-line for completion of necessary activities.

8. Implement the program slowly.
ACCOUNTING

Literature Review

Accounting is defined in the handbook, *Financial Accounting for Michigan School Districts*,¹ as, "... the analyzing, recording, summarizing, and interpreting of financial transactions of an economic enterprise."

In the *Michigan General School Laws*² the state mandates the superintendent of public instruction to "... prescribe appropriate uniform child and finance accounting records for use in the school districts of this state ..." Code 340.565³ of the laws goes on to state:

"Sec. 565. All such taxes when collected and received shall be accounted for under the title of "general fund"; all primary money shall be accounted for under the title of "primary fund"; all library money shall be accounted for under the title of "library fund" ..."

Codes 340.851-340.856⁴ grant authority to the superintendent of public instruction to establish a "Financial Accounting System for

---


²Legislative Service Bureau, op. cit., p. 58.

³loc. cit., p. 132.

⁴loc. cit., pp. 655-671. 19

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Public Schools." The accounting system as defined establishes specific rules and a chart of accounts; such as:

- General Fund Revenue Receipts Accounts
- General Fund Expenditure Accounts (by function)
- General Fund Expenditure Accounts (by object)
- General Fund Asset and Liability Accounts
- Debt Retirement Fund Accounts
- Building and Site Fund Accounts

The accounts as defined by the state department of education are designed to provide a consistent and unified system for accounting on a statewide basis.

With the implementation of PPBS concepts, the State of Michigan authorized the development of a manual called *Financial Accounting for Michigan School Districts*. The book is designed to extend the chart of accounts referred to above. The manual is intended to provide guidelines for school officers in providing information unforeseen in 1963 when the laws were revised. The purpose of the handbook is to provide a coding procedure which allows . . . and, in fact, encourages utilization of financial data on a program basis for decision-making purposes. Sound decisions can be made only when the decision makers know the financial condition of the school district.

In the manual, *Financial Accounting for Michigan School Districts*, four (4) criteria are listed as minimal to have a working system. They

---

are as follows:

1. A school district's financial record system should be adequate to provide financial and related operational information for all interested parties -- the school board; the administration; the public; auditors; local, state, and federal authorities; and school employees. The adequacy of the accounting system depends on whether both current and historical information is available for decision-making purposes.

2. The accounting system should be designed to demand accuracy and a reasonable degree of internal control. If so designed it will automatically assist those who are performing the daily work on the records as well as those who supervise them.

3. A school district accounting system should be consistent with generally accepted governmental accounting principles. Valid comparisons of monthly or yearly operations in different time periods can be made only if the items are treated in a consistent manner. Changes and improvements in the accounting system may prove necessary and these should be made at logical times in the accounting period.

4. School district financial accounting systems should be uniform to permit maximum usefulness. They should allow for financial, operational, or performance comparisons with other school districts on local as well as state and national levels. Uniformity will insure that the items being compared are similar items, and standard terminology and definitions should be used."

Another aspect of accounting which appears to be critical is cash versus accrual accounting. A cash accounting system shows transactions only as cash is received or actually paid out. The cash system fails to record significant assets and liabilities which are important to
knowing the financial condition of the district at any given time.
Cash accounting is no longer accepted as a valid system for overall accounting.

The accrual system is superior to the cash system in that it accounts for revenues as they are received. "Receivables" are recorded when the district performs the service required to justify the revenue. "Expenditures" are recorded when services are rendered, when materials are put into service, when encumbrances are initiated and liabilities are accurately shown.

The manual, Financial Accounting for Michigan School Districts,\(^1\) states, "The accrual basis of accounting is mandatory for reporting under this manual."

In essence, the manual\(^2\) under discussion provides step by step guidelines for developing an appropriate set of fund accounts and an appropriate coding structure for balance sheets, revenues and expenditures. The coding system presented in the manual allows for and encourages program budgeting. Such a system also requires accrual accounting and a double-entry system.

The manual goes on to detail the budgeting process and makes many suggestions. It also provides a set of guidelines for the following tasks: bookkeeping, or the recording of transactions; management

\(^{1}\)loc. cit., p. 11-A-3.

information reporting ideas and definition; a calendar of reports to be filed; a program cost systems section; and audit requirements. The manual is extremely comprehensive and informative. It requires intensified study before one develops competency for using it.

One important piece of accounting information decision makers need to use is the balance sheet. The balance sheet according to Dixon,¹ "... clearly reflects the structure of the accounting mechanism; it's the best possible basis for catching onto the accountant's debit and credit lingo; it's actually at the beginning and end of all accounting activity."

In further discussion, Dixon² goes on to say, "The alleged purpose of the balance sheet is to depict the financial position of the enterprise at a given point in time." However, that is only true if it accurately reflects the true current cash value of all of the assets and all of the liabilities. To have an accurate status report one must utilize an accrual accounting system.

Some necessary accounting terms which one reads and should understand are: net worth (referred to as fund equity), revenues, receivables, expenditures, encumberances, liabilities, funds, assets and balance sheets.


²Ibid.
There are numerous materials which could be helpful to the school business manager or small district superintendent. However, he or she will not have time to study all or even much of it. Therefore, it is essential that a very competent bookkeeper be employed.

Experiences

The school district in which I did my internship has contracted for the same auditor for several years. The auditor believes that the system of accounting which schools should use is the cash system, with a touch of the accrual system where necessary; such as, recording summer salaries as payables. However, he does not support accruing receivables such as interest, categorical aid or state aid. He believes that such items should be recorded upon receipt. He also eliminates such line-items as inventories, depreciation and payables which carry over from fiscal year to fiscal year. Consequently, he recommends that no reserves be held to cover encumbered expenses. Therefore, one does not have a true picture of the school district's fund equity.

With the advent of the business manager, who is also a local businessman, the business office began implementation of a double-entry system of bookkeeping and an accrual accounting system. The business manager contends that the only way one can really know what the true financial condition of the district is, is to be on an accrual accounting system.
Several discussions have been held with the business office personnel and business manager regarding a more efficient system of accounting and reporting. One result has been the decision to enter the district's business operations on a computer with a CRT (Cathode Ray Tube) and entry facilities on site. The advantages of using the computer and having equipment on site include: current information is readily available; expenditures and encumberances may be entered into given accounts quickly; revenues may be entered into appropriate accounts quickly; and the status of any single budget line can be determined in a matter of one (1) to two (2) minutes.

Knowledge Acquired

During my internship, I had several opportunities to talk with the business manager, office manager and bookkeepers regarding the problems of changing from a cash system to accrual accounting. However, I did not get involved in the recording of figures, nor did I spend a great deal of time observing, as they were deeply involved in the accounting changes required to implement the computer service system.

I did learn why accrual accounting is superior to cash accounting and what purpose a double-entry system serves. While a cash system is easier to manage, it is a poor way to represent the net worth or financial condition of the district because no transaction is recorded until cash actually is received or paid out and certain revenues and
encumbered funds are not shown; therefore, the balance sheet is not accurate.

Guidelines for Accounting

1. Review the accounting procedures in use.
2. Recommend changes if necessary.
3. Keep in mind that change for change sake alone is not necessarily profitable.
4. If change is necessary, consider:
   a. Why change?
   b. What do we need to know that is not known now?
   c. What changes can be made and in what sequence?
   d. How fast is change needed?
   e. What are the costs in terms of people, time and money?
MAINTENANCE

Experiences

During the course of the internship, meetings were held with the supervisor of buildings and grounds. The purpose of the meetings was for the business manager to communicate with the supervisor regarding needs and accomplishments.

In the Forest Hills schools, the maintenance program consists of preventative maintenance and repairs. Some kinds of maintenance and some kinds of repairs can be done by school district employees and some must be contracted to outside firms. The rule of thumb is that any work which can be done by a staff employee without disrupting essential activities will be done by that employee. In the event a task requires expertise or special equipment, or can be performed more economically by an outside contractor, the work should be contracted.

It is safe to say that maintenance on furniture, buildings, equipment and grounds which can be performed by the building custodian should be performed by him. However, it is possible that a custodian from another building might be called upon to perform a task because of his particular expertise.

Decisions regarding specific building maintenance activities and who will perform them are made by the building custodian in consulta-
tion with the supervisor of buildings and grounds if there is any ques-
tion. If both people are in doubt, the decision should be made by the
business manager or superintendent.

One important aspect of maintenance is that of scheduled preventa-
tive maintenance. Such tasks are scheduled by the building custodian
on a regular basis. They include lubrication of motors, fans and hinges,
belt adjustments and checks on playground equipment. Another type is
seasonal maintenance which is scheduled by the building custodian or
supervisor of buildings and grounds. Seasonal maintenance includes
septic tank cleaning, boiler service, asphalt repair, painting, floor care
and ground care.

Purchasing procedures must be clearly articulated to maintenance
personnel. Building custodians are authorized to make purchases not to
exceed $3.00 from businesses where the school district has an account.
All other purchases are processed through the established purchase order
procedure. Purchasing decisions on items costing more than $3.00 are
made by the supervisor of buildings and grounds.

Knowledge Acquired

One need of a school district is to have a well-organized mainten-
ance program, both for preventative maintenance and for repairs. Pro-
cedures must be defined as to who is responsible to make maintenance
decisions. The authority to implement these decisions must be delegated
to the appropriate person. The question of purchasing must be equally well defined. Each individual must know how much he can spend, where he can do business and how purchases may be made. Again, the authority for making decisions within the established parameters must be delegated to the appropriate people.

The decision as to who is the direct supervisor for any individual is one which is critical. If accountability is to be charged to anyone, it is necessary each knows his job description and to whom he answers.

Guidelines for a Maintenance System

1. Establish lines of responsibility.
2. Review existing maintenance procedures.
3. Establish a policy regarding contracted maintenance.
4. Establish a program of seasonal maintenance, both preventative and repair.
5. Establish a regularly scheduled maintenance program.
6. Establish a purchasing policy and procedure.
7. Establish a regular schedule of program evaluation.
INSURANCE

Literature Review

Insurance represents a wide area of coverage, some of which is required by law and some of which is permissive. In Code 340.579\(^1\) of the Michigan General School Laws it states:

"Sec. 579. In school districts other than districts of the 1st and 2nd classes the board of education shall insure school district property unless otherwise directed by the school electors . . . "

Codes 129.201 through 129.206\(^2\) speak of insurance required of contractors who are involved in construction projects of $50,000 or more for a governmental unit. The types of insurance are performance and payment bonds and are purchased for the protection of the governmental agency at the contractor's expense.

Code number 340.112\(^3\) refers to the bonding of the board of education officers. The section states:

"Sec. 112. . . . The Board may prescribe the duties of the secretary and provide for the salary to be paid the secretary and treasurer thereof and may require proper bonds from such officers, except that when the board treasurer is not directly handling school district money or signing checks no bond is neces-

\(^1\)Legislative Service Bureau, op. cit., p. 138.
\(^2\)loc. cit., p. 287.
\(^3\)loc. cit., p. 29.
sary, and where the authority for the administration of school district money rests with the school district business manager, he and all persons connected therewith shall be bonded . . . "

Such bonds are called surety bonds. The purpose of surety bonds is to protect the school district from loss due to dishonesty of an individual and/or malperformance or nonperformance of an individual public official.

Other insurances required by law are workmen's compensation and automobile insurance; the first, by federal law . . . the latter, by state law.

Johns and Morphet, in The Economics and Financing of Education, provide a comprehensive overview of insurance. They list several types of required and permissive insurance and a brief description of each.

Essentially, the concept of insurance is to have enough coverage to protect the school district from a loss which it could not absorb within the fiscal budget. Therefore, it is wise to build an insurance program based on the needs of the specific school district and not on what another district has purchased. Once the insurance needs are determined, a set of specific guidelines should be written. Insurance companies should then be invited to review the insurance specifications and submit a sealed bid which specifies the coverage and the costs.

---


Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Experiences

During the course of the internship, insurance was discussed several times; however, the total insurance package for the school district was not reviewed this year.

The discussions which were held evolved around specific questions regarding fleet coverage (brought about by the addition and deletion of driver education automobiles), liability due to a bus accident, medical malpractice, liability for teachers who do or do not administer first aid and school board liability due to a case in court regarding integration.

The representative of the district's insurance agency was in the office for several meetings to review problems and make recommendations. One significant recommendation was that the Board of Education should have malpractice insurance to protect it and its individual members from litigation brought about by nonperformance of duties; such as, failure to integrate or to cause segregation by virtue of a decision, or graduating a student who cannot read. Acting upon the agent's recommendation, insurance was purchased to cover the Board of Education and the district's administrators.

Another occasion to consult with the insurance representative came about with the advent of a bus accident. Several students were injured and the question of liability was raised. The result of the discussion was the development of a better understanding of the no-fault
insurance law. In the case discussed, it was resolved that the injured child's parents' auto insurance was the covering agent for personal injury. The school district's insurance company becomes liable only when medical expenses exceed the limits of the parents' insurance policy.

A third area discussed was one of liability or negligence when a teacher either did or did not administer first aid. The discussion brought out the fact that if a staff member did nothing he or she could conceivably be negligent. If first aid was administered improperly and the person administering it was trained in first aid, he or she might be charged with malpractice by an injured party because a trained person is expected to exercise all of his or her knowledge in providing "proper" treatment.

Knowledge Acquired

The most significant learnings I have gained from the insurance discussions are: Be certain that sufficient insurance is purchased; use the insurance agent and his knowledge when a question arises; and, finally, monitor the insurance program to be certain new additions to property, real or personal, are appropriately added.
Guidelines for Establishing an Insurance Package

1. Establish the school district's needs for coverage using a reliable insurance agent for assistance.

2. Review existing insurance package.

3. Determine a usable format for bidding a package.

4. Accept bids only from an agency that has institutional experience.

5. Monitor the insurance package to the extent possible.
BORROWING FUNDS

Literature Review

A school district is allowed to borrow money against state aid or taxes receivable to carry it through the first few months of school prior to receipt of those revenues.

The Michigan General School Laws allow such borrowing. Code 388.1231\(^1\) states:

"Sec. 1231. . . . the board may borrow money for school operations, issue notes therefor and pledge for the payment thereof state aid available to the district under this act."

Code 340.115\(^2\) states:

"Sec. 115. Temporary Purposes.
(a) To borrow, subject to the provisions of Act No. 202 of the Public Acts of 1943, as amended, for temporary school purposes such sum or sums of money and on such terms as it may deem desirable and to give notes of the district therefor, . . ."

Code 340.567\(^3\) states:

"Sec. 567. The board of education of any district may borrow money in anticipation of the collection of taxes . . ."

---

\(^1\)Legislative Service Bureau, op. cit., p. 469.

\(^2\)loc. cit., p. 31.

\(^3\)loc. cit., p. 133.
Experiences

During the course of the internship, it was determined that the school district needed to borrow several hundred thousand dollars to meet expenses until taxes were collected in December, January and February. To determine the amount needed and the time of need, a preliminary cash flow chart was developed which showed the amount of money the school district anticipated receiving, source of the revenue and the dates it could be expected. The cash flow chart also showed the anticipated expenditures and the dates the payments would be executed. After it was developed, the chart was reviewed, adjusted and accepted by the superintendent.

The next step in the procedure was to request the Board of Education to adopt a resolution to borrow the necessary funds. Upon enactment of the resolution, permission to borrow was requested from the state.

The forms which were to be filed with the state required a record of cash flow showing actual receipts for May and June and estimated receipts for the fiscal year 1975-76. The form also required submission of expenditures, both known and projected. The expenditure projections were taken from the cash flow chart prepared prior to requesting permission to borrow.

Upon completion, the forms were submitted to the state department of education for approval and permission to borrow was granted.
The business manager contacted several bankers by letter and invited them to submit sealed bids to loan the school district the necessary money. In the letter, specific information was requested and the time and place for bid openings were stated. The key pieces of information were: the net effective rate of interest, number of days interest was computed, penalty (if any) for early payment and the net cost to the district if the loan was retained over the full time period specified in the bid.

Three bids were received and the money was borrowed from the lowest bidder by resolution of the Board of Education at its regular meeting. Once the bid was accepted, the terms of the note had to be filed with the state department of education on a form provided.

Knowledge Acquired

The experience gave me opportunity to acquire knowledge regarding the following: to review the financial needs of the district; to prepare cash flows; to complete state department of education forms; and to meet with bankers.

Guidelines for Borrowing Funds

1. Establish a time line for determining if and when money will be needed.

2. Develop a cash flow chart showing balance, revenues and expenditures.
3. Present a resolution to the board of education at least one month before the money is needed.

4. Request permission to borrow from the state department of education.

5. Request bids for money, stating:
   a. Amount of money to be borrowed.
   b. Date money is needed.
   c. How bids are to be presented (sealed envelopes).
   d. Time and place of bid openings.
   e. Length of time of the loan.
   f. Collateral statement (against state aid).
   g. When bid will be awarded by the board of education.
   h. Net rate of interest per annum.
   i. Net interest cost to the school district if held full term.
   j. Right to reject any or all bids.
A school district has the authority to sell bonds for the purpose of constructing buildings, remodeling buildings, equipping buildings and improving grounds. The board of education receives its authority to sell bonds for the purpose of construction in the Michigan General School Laws, Code 340.115:

"(b) To borrow, subject to the provisions of Act No. 202 of the Public Acts of 1943, as amended, such sum or sums of money as it may deem necessary to purchase sites for buildings, playgrounds, athletic fields, or agricultural farms, and to purchase or erect and equip any building or buildings which it is authorized to purchase and erect, or to make any permanent improvements which it is authorized to make, and to accomplish this by the issue and sale of bonds of such school district . . . "

Chapter 12 of the Michigan General School Laws discuses the issue of bonding. Before a school district sells bonds for the purpose of construction, renovation or other acceptable purpose, the school district must have the approval of the MFC (Municipal Finance Commission) and the voters. The MFC guarantees the payment of the bonds, establishes maximum interest rates and the length of time the loan may

1loc. cit., p. 31.

2loc. cit., pp. 150-156.
The chapter goes on to describe procedures for gaining approval of the MFC, advertising the bond sale, establishing the minimum payment amounts and the handling of monies related to bonds.

The school laws are comprehensive and specific as to the procedures and limitations which must be considered when bonding for school building purposes.

Experiences

Prior to this internship, the school district residents had voted to bond themselves in the amount of $6,800,000 for school construction. The bonds were to be sold in two issues because of prevailing interest rate fluctuation and market uncertainties. The first issue was sold in the spring of 1975 and the second issue was advertised and sold in the fall, October, 1975.

Prior to the bond sale, the superintendent and business manager met with the school district's financial advisors, the Certified Public Accounting firm of Sherk, DeVries and Krenz, to determine the best time to sell bonds and make specific arrangements. The financial advisors were directed by the Board of Education to proceed with the details of the bond sale.

The date for the bond sale was established and the financial advisors developed a prospectus which was used to advertise the bonds. The prospectus showed the bond issue's value, the history of the
school district in terms of growth and finances and the present financial condition of the district. The prospectus established the conditions of the sale; when bids would be received, the time of opening bids, the place of opening bids and the date and hour limitations for submitting bids.

The sealed bids were opened at the board of education office in the presence of two board members, a bond attorney, the school district's attorney, the school district's financial advisor, several bidders and school administrative personnel.

As each bid was opened, the amount of the purchase was read, the bidder's name, bond maturity dates and respective interest rates, and premium was declared. Finally, the net effective rate of interest was stated.

The bond attorney and the financial advisor proceeded to evaluate each bid for accuracy and recommended the bid the Board of Education should accept at its regular meeting.

After the Board of Education awarded the bid, the bond delivery date was established which was, in effect, advertised in the prospectus assuming the Board of Education accepted a bid. The bonds were ordered to be printed at the school district's expense.

Prior to printing the bonds, proofs were read by the attorney for accuracy and number sequence. After approval, they were printed and delivered to the board of education offices for one board officer's signa-
ture, that of the secretary. The second school board officer, the
president, did not sign the bonds until they were delivered to the
buyer in Chicago.

Prior to delivery of the bonds and receipt of the money in Chicago,
the business manager received an expense schedule from the school
district's architect which was used for the purpose of developing a
building and site cash flow chart. The chart showed the times specific
amounts of money would be needed. Once the cash flow chart was
established, an investment program was developed. When the money
was received by the business manager, investments were made by
wire within the hour.

One note of caution was, be certain to plan for capitalized interest.
Capitalized interest is the interest paid for the time lapse between re-
ceipt of the bond money and receipt of taxes.

Knowledge Acquired

The specific knowledge gained included an understanding of the pro-
cess of establishing bond sale dates, issuing of the prospectus, taking
of the bids, evaluating bids, awarding of the bid, signing of bonds and
developing the investment schedule.

I also had an excellent opportunity to work with the school district's
financial advisor, attorney and the business manager during the bond
sale.
Guidelines for Bond Sales

1. Meet with the school district's financial advisor regarding sale date and specifications for the sale.
2. Meet with the school district's attorney to be certain legal requirements are outlined and being met.
3. Authorize the sale of the bonds and advertise same.
4. Open bids promptly at the advertised time.
5. See that bids are properly analyzed.
6. Have bonds printed - attorney should review proofs for accuracy.
7. Have bonds delivered to the board of education office.
8. Have bonds signed by the president and secretary of the board of education.
9. Develop an investment schedule.
10. Invest money immediately upon receipt.
INVESTMENTS

Literature Review

Investment of funds has its legal reference in the Michigan General School Laws, Code 340.568, which provides permission to invest funds and identifies specific restrictions:

"Sec. 568. The treasurer of any school district, when authorized by resolution of the board of education, may invest debt retirement funds, building and site funds, building and site sinking funds, or general funds of the district. Such investments shall be restricted to the following:

(a) Bonds, bills, or notes of the United States, . . .

(b) Certificates of deposit issued by any state or national bank . . .

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase . . .

Moneys in the several funds of a district shall not be commingled for the purpose of making an investment . . . all earnings on any such investment shall become a part of the fund for which the investment was made."

Experiences

The laws are specific in guiding the type of investments which can be made; however, the type of investment can be different depending on

---

1loc. cit., pp. 133-134.

44

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
the available dollars and the time period over which one can invest.

SDR's (Savings Deposit Receipts) can be purchased from a bank for any number of days. The interest is generally less than on other types of investments.

CD's (Certificates of Deposit) can be purchased when the investor has $100,000 or more and can invest for thirty (30) days or more. Interest is generally higher than on daily certificates.

Commercial paper may be purchased through a bank. However, frequently a fee must be paid for the service which can affect the net interest earned. Commercial paper is generally purchased as an investment which provides a higher interest rate than the CD.

To provide for proper investments, a cash flow chart should be developed showing revenues and expenditures for building and site, debt retirement and general fund with times noted when each would be transacted.

A second task should be that of preparing an audit sheet for each certificate - SDR or CD. The intent of the audit sheet is to check on the amount of interest which can be expected at maturity.

Making investments is a critical function of the business office. Interest can be earned by investing payroll funds which accrue as a result of teachers electing twenty-six (26) paydays as opposed to twenty-one (21). The reserve funds can be invested. Investment of FICA funds, retirement funds and other quarterly payments required by
law can make significant impact on the investment dollars earned.

It is prudent to obtain tax checks from township treasurers by personally picking them up, rather than waiting for the mail, so that money can be invested without delay... thus earning more interest.

Sound cash flow procedures allow the business office to make the best investments for the longest period of time and still meet obligations. A calendar showing the dates on which certificates mature is helpful in keeping on top of the investment program.

Knowledge Acquired

My experience with investments taught me several things: First, was the value of a good cash flow chart; second, I learned ways to manage investments to be able to accrue the best interest earnings; third, I experienced the procedures of making investments and learned which forms to use for deposits and the purchase of investment certificates.

In summary, I learned that the investment program requires attention. Appropriate management can earn a significant amount of money for the school district.

Guidelines for Investing

1. Prepare a cash flow chart for each fund to check existing investments and project future investments.
2. Establish a procedure for obtaining tax revenues as soon as they become available at the tax collection centers.

3. Prepare an audit sheet for each certificate on hand and when one is purchased.

4. Establish an investment calendar.

5. Review procedures for payroll investments – avoid checking accounts which hold a large amount of money.

6. Exercise an aggressive investment policy.
TAX LEVY

Literature Review

The board of education is responsible for levying taxes for the purpose of meeting its expenses. It draws the right of taxation from the Michigan General School Laws, Codes 340.563 and 340.564:

"Sec. 563. The board of every district shall vote to levy such taxes as may be necessary . . .

Sec. 564. The secretary of the board of every school district shall file a certified copy of a resolution of the board certifying the taxes to be levied on the taxable property within the district as approved by the electors . . . before September 1 of each year . . ."

Experiences

The taxes were levied at a special meeting of the Board of Education. The amount of the levy was determined for two (2) funds; the debt retirement fund and the general fund. The debt retirement fund is a fund set aside for the purpose of repaying loans on buildings. The general fund is the fund which is to be used for operating the school district.

To determine the necessary millage to be levied for debt retirement, the superintendent referred to the audit report in which each bond issue is listed with the amount due for principal and interest payments. Each

\(^1\)loc. cit., p. 132.
issue was evaluated as to the mills required to make the payments; i.e., 1955 = .25 mill, 1958 = .25 mill, etc. The mills, or portions thereof, were totaled and the millage for debt retirement was determined.

To arrive at the amount of operating millage needed, the superintendent added the allocated mills and the extra-voted operating mills and arrived at a total millage levy.

Upon determination of district needs, a table showing the millage to be levied was drawn for presentation to the Board of Education. Using this information, a motion to levy the taxes for debt retirement and the general fund was made and approved by the Board of Education. Taxing units within the district were notified of the levy and the proper tax authorization form was filed with the county's Office of the Bureau of Equalization.

Knowledge Acquired

The process of levying taxes is not difficult. However, one must be careful to analyze the needs for each fund accurately and also be aware of the legal time lines. Taxes must be levied by the board of education and the information must be filed with the governmental units before September 1.
Guidelines for Levying Taxes

1. Establish a philosophy for managing the debt retirement funds - determine how much money should be held in reserve.

2. Review the audit to determine the amount of money needed in the debt retirement fund to pay interest payments, principal payments and carry a reserve (based on the philosophy).

3. Prepare a chart showing the millage requirement for each debt issue and the total of the debt.

4. Develop a chart showing the general fund needs and how the need was determined:
   a. SEV
   b. Local dollars available
   c. State aid receivable
   d. Budget
   e. Total millage needed

5. Schedule a meeting of the board of education to levy the taxes.

6. File the necessary forms with the treasurer of each governmental unit within the school district and with the county's Bureau of Equalization.

7. Prepare a spread form which can be used as a management tool as taxes are received.
AUDIT

Literature Review

The state law mandates an annual audit of school funds. In the Michigan General School Laws, Code 388.1118, the law states:

"Sec. 18. . . . (2) For the purpose of determining the reasonableness of expenditures and whether any violations of this act have occurred, the department shall require that districts have audits of their financial and child accounting records at least annually at the expense of the district . . . "

The reason for the audit, the frequency of the audit and the responsibility for cost are clearly defined so there should be no error.

Experiences

During the course of the internship, accountants from the CPA firm auditing the school district's financial records worked in the administration office. A few brief discussions were held to clarify questions either for the auditors or the administrators.

The auditors reviewed the board minutes and checked the revenues and expenditures of each fund. They checked each entry and purchase order for confirmation of expenditures and each entry in revenues for accuracy.

1loc. cit., p. 448.
Upon completing the survey of all records, the auditors took the data to their office and wrote the audit report and the "B" report. The "B" report is a form required by the state for the purpose of keeping the department of education informed of the financial condition of the school district. Accompanying the reports was a management letter which made suggestions for better procedures in accounting, purchasing and managing the transfer of monies from investments to funds.

Upon receipt of the audit report, an appointment was scheduled with the auditor to discuss each line of the report. Several questions were prepared by the business manager prior to the visit which helped focus on areas in question.

One question asked was, "Why does the auditor not insist on an accrual accounting system?"

His response was, "Accrual accounting is too complex and most school business officials don't even know what is going on with a cash accounting system. Therefore, we do not use accrual accounting."

Knowledge Acquired

Through the experience with the audit and the auditors, I learned auditors work for the district, not the reverse. Therefore, the auditor may be requested to assist in establishing a system of accounting, purchasing procedures, techniques for handling investments and make themselves available as financial advisors. I also understand that
the audit report should be completely understood. The auditors will review it and explain any questions. Finally, a summary of the audit report should be presented to the board of education.

Guidelines Related to Audit

1. Discuss the audit procedures with the auditors prior to their visit to establish what is needed, when they plan to be in the office and where they will work.
2. Review the audit report and prepare questions.
3. Discuss the report in detail with the auditor.
4. Discuss the management letter to clarify any questions.
5. Review the audit with the board of education.
The state aid bill is one with which legislators wrestle annually.

The most recent state aid act, called the "Gilbert E. Bursley School District Equalization Act of 1973," is detailed in the *Michigan General School Laws*, Chapters 1-11. The Act deals with definitions, allocation of state funds, the school year, payout dates, uses of state aid, membership allowances, compensatory education, specific programs, special education, vocational education, transportation, aid to intermediate districts, community school and tuition regulations.

The chapters cited are explicit in the approach a district takes in qualifying for state aid and they spell out certain restrictions. The Act also specifies total amounts allocated to special funds and limitations on a per-pupil basis where applicable.

Experiences

The internship experiences related to state aid were discussions regarding the state aid formula. The "Bursley Bill" is based on the concept that all students in the state should have equal educational

---

1 loc. cit., pp. 444-468.
opportunities. Therefore, equal funding should be guaranteed up to a maximum amount. Thus, school districts with a very low valuation (total property value) would have the same amount of money per student for basic education as a school district with a high valuation. Another factor was that the actual dollars available to a school district depended on the amount of local taxes school district residents were willing to pay. If a district only paid twenty-three (23) mills, they would net fewer total dollars than a district paying twenty-five (25) mills. However, the amount received on the twenty-three (23) mills would be the same.

This year, the formula was equalized, or balanced, so each school district was guaranteed a valuation per student of $42,400 on the first twenty (20) mills and $38,250 on the next seven (7) mills, less .6 of 1%. Therefore, to collect full benefit on state aid, a school district has to levy twenty-seven (27) mills of local taxes.

Since the original cut of .6 of 1%, the state is projecting another cut in February, 1976, of 1.7%. The cuts will amount to approximately $115,000 in lost revenues to the Forest Hills Public Schools.

Other areas of the state aid act which seem to have been determined at least on a tentative basis are special education, community education, vocational education and transportation. Discussion is still being heard on the adjustments which might be required.
Knowledge Acquired

The most significant thing I learned is that the state aid bill will continue to be complex and a subject of conversation and manipulation at the state level. The net effect will be that many school districts will be hard pressed to maintain a sound fiscal position this year and probably next.

Guidelines Regarding State Aid

The only guideline is to actively communicate with knowledgeable persons regarding annual negotiations at the state level.
OTHER EXPERIENCES

Financial History of the District

During the course of the internship, I prepared a ten-year history of the school district. The data were gathered for the purpose of having a solid data base which could be used for making projections.

The history included population growth, valuation growth, millage rate increases, levels of state aid, instructional expenses, operational expenses, transportation costs, maintenance costs, administrative costs, fixed charges, special education expenses and capital outlay expenses.

This information, combined with best-guesses about the future, has helped the business manager project the millage needs for the next five years.

Bid Opening for a Middle School

An activity observed was the opening of construction bids for a new middle school. Sealed bids were opened and read aloud by the secretary of the Board of Education at a special meeting in the presence of bidders and the school district's architect at a preannounced time.

Once the bids were opened, the architect analyzed each bid. He then recommended that the Board of Education award the contract to the lowest bidder.
One condition of the bid was that each bidder present a bid bond with his bid. The bidder awarded the contract was required to provide a performance bond and a payment bond which insures the district against nonperformance or nonpayment for materials by the contractor.
SUMMARY

My internship with the Forest Hills Public Schools has been a very fine learning experience. I have been exposed to many day-to-day business functions on an in-depth basis as opposed to a superficial look as I have had in the past. I have also had the experience of meeting with several people (i.e., bankers, accountants, attorneys, etc.) who are business oriented and serve as agents to the school district.

The benefits of my internship will show when I am in a position which requires that I use the knowledge I have acquired. Such activities as developing and managing the budget, managing investments, taking bids, establishing a maintenance program, levying taxes, reviewing the district's insurance needs, borrowing money and others will be performed more efficiently than if I had not had the experience.

The internship has turned out to be a true capstone experience to my specialist program.
BIBLIOGRAPHY

I. BOOKS


II. BULLETINS


Appendix A

Prospectus
for an
Internship
in
School Business Management

by

Lawrence H. Stancliff

62
Organization: Forest Hills Public Schools

Field Supervisor: Mr. Ben Emdin, Business Manager

University Advisor: Dr. Carol Sheffer, Western Michigan University

Major Focus of Experience: School Business Management at Forest Hills Public Schools

Duration: Summer and Fall Terms 1975

Rationale:

The business operations of any school district can determine the direction in which the school district will move. If a business operation is sound, the people responsible for decisions can utilize the information in making informed and appropriate decisions.

The superintendent of a small school district must be aware of the economics of the district when planning academic programs, maintenance programs, major investments and expenditure control according to these plans.

To develop the necessary knowledge, an intern should be exposed to several areas of business operations. Such operations include the following: bookkeeping and organizational systems, the accounting system, the borrowing of money to carry the district through the pre-state aid and pre-tax periods, the inventory system, the sale of school bonds, the maintenance program, the insurance program, the budgeting process, the levying of taxes and an examination of the audit. Through
these kinds of exposures, the intern should have the basic background to help him be a successful superintendent.

It is expected that the internship will provide experiences which will teach the intern the basic elements of the school business operations.

Lawrence H. Stancliff
## Objectives

### A. CONCEPTUAL

1. To understand the purpose of using a computer for bookkeeping and organizational systems.
   - The intern will discuss with the business manager and data processing personnel the rationale for the use of the computer.
   - Terminal Skills: The intern will be able to discuss the rationale for using the computer for the bookkeeping and organizational systems.

2. To understand the differences between cash and accrual accounting.
   - The intern will read materials and discuss with the business manager the accounting systems.
   - Terminal Skills: The intern will be able to explain or write the advantages of one system over another.

3. To understand the law and processes involved in borrowing money.
   - The intern will read the law and study the process involved in borrowing money for a school district.
   - Terminal Skills: The intern will be able to discuss the law and procedure for borrowing money.

4. To learn the reasons for an inventory system.
   - The intern will work with the business manager in developing a rationale and system for creating an inventory system.
   - Terminal Skills: The intern will be able to explain the inventory system and how it works.

5. To understand what is involved in selling bonds.
   - The intern will observe the procedures involved in bond sales.
   - Terminal Skills: The intern will be able to discuss bonds and the sale procedures.
<table>
<thead>
<tr>
<th>6. To <strong>understand</strong> the district's maintenance program.</th>
<th><strong>Review</strong> with the business manager and supervisor of building and grounds the program for maintenance of buildings and grounds.</th>
<th>be able to <strong>discuss</strong> the elements of a building and grounds maintenance program.</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. To <strong>know</strong> the schools insurance needs and package and <strong>learn</strong> the bid process.</td>
<td><strong>Study</strong> the existing package and <strong>discuss</strong> any necessary changes in the package.</td>
<td>be able to <strong>discuss</strong> the elements of an insurance package and procedures for acquiring same.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>8. To <strong>understand</strong> the concept of building a budget.</td>
<td><strong>Review</strong> the budget with the business manager and <strong>discuss</strong> questions I have.</td>
<td>be able to <strong>analyze</strong> the school budget and its creation.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>9. To <strong>learn</strong> the process involved in levying taxes.</td>
<td><strong>Listen</strong> to the auditors and business manager in developing the levy.</td>
<td>be able to <strong>discuss</strong> the procedures involved in determining the tax levy and the procedure for levying taxes.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>10. To <strong>understand</strong> an audit report.</td>
<td><strong>Review</strong> the audit report with the auditors and business manager.</td>
<td>be able to <strong>discuss</strong> the audit.</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>11. To <strong>know</strong> investment procedures.</td>
<td><strong>Utilize</strong> the prepared data and <strong>discuss</strong> with the business manager the philosophy and procedures for making investments.</td>
<td>be able to <strong>explain</strong> the philosophy and procedures for investments.</td>
</tr>
</tbody>
</table>
### B. HUMAN SKILLS

1. **To investigate** the role of the business manager with other agents.
   - The intern will accompany the business manager in the course of his work to meetings with bankers, auditors and others.
   - The intern will be able to explain the role of various agents.

2. **To relate** with other business managers in the county.
   - accompany the business manager to local meetings.
   - be able to discuss the functions of the local business managers association.

3. **To experience** the interactions of the business manager and maintenance personnel.
   - sit in meetings and visit with maintenance personnel and the business manager.
   - be able to discuss the relationships which exist between the business manager and maintenance personnel.

4. **To develop** a feeling for other administrators in budget management.
   - meet with all administrative staff on budget.
   - be able to talk about reactions of administrators re: budget decisions.

### C. TECHNICAL SKILLS

1. **To develop** an increased understanding of the use of data processing in business functions.
   - The intern will develop an outline of activities for implementing a data processing system for bookkeeping and organizational systems.
   - The intern will be able to discuss the procedures as outlined.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. To be able to <strong>invest</strong> funds properly.</td>
<td><strong>work</strong> with the business manager in deciding investments.</td>
<td>be able to <strong>list</strong> or <strong>discuss</strong> the types of investments.</td>
</tr>
<tr>
<td>3. To be able to <strong>develop</strong> an inventory system.</td>
<td><strong>assist</strong> the business manager in developing a system for inventory control.</td>
<td>be able to <strong>discuss</strong> the system developed.</td>
</tr>
<tr>
<td>4. To <strong>develop</strong> a basic knowledge of necessary insurances.</td>
<td><strong>review</strong> the existing package and <strong>discuss</strong> new needs or changes.</td>
<td>be able to <strong>report</strong> on basic insurance needs.</td>
</tr>
<tr>
<td>5. To <strong>utilize</strong> audit information.</td>
<td><strong>review</strong> the audit with the business manager and auditors.</td>
<td>be able to <strong>discuss</strong> the audit and what it is for.</td>
</tr>
<tr>
<td>6. To <strong>gain</strong> much understanding of the economic factors influencing the budget.</td>
<td><strong>review</strong> preliminary and final forms of the budget for revenues and expenditures.</td>
<td>be able to explain where the dollars come from, how the amounts are determined and how expenditures are arrived at and controlled.</td>
</tr>
</tbody>
</table>