

The University Senate of Michigan Technological University

PROPOSAL 8-01

FINANCIAL REPORTING STANDARDS

Whereas:

In order for shared governance to work effectively and financial communication within the university community to be clearly understood, it is imperative that financial reporting - with respect to both prospective budget information and historical financial statement information - at Michigan Tech be as transparent as possible.

The fund accounting system used at Michigan universities has a level of complexity that is confusing to most casual users of financial data. Transfers between funds and the budgetary impact of university actions have been very difficult to understand with the current accounting style/system. The implications of financial decisions, beyond their effect on the General Fund, has been virtually impossible for the University community to decipher. This confusion has led to skepticism and cynicism within the University.

When discussing budgeted or proposed activities with budgetary implications, the focus historically has been on the direct impact on only the General Fund. Yet, many activities have indirect impacts on the General Fund - such as increasing or decreasing transfers to the General Fund - or significant financial implications for University operations beyond the General Fund.

Therefore:

The University Senate requests that prospective budgetary information, assessments of the financial implications of proposed actions and historical financial information be presented for all funds, or on a combined fund basis.

History:

The Senate has previously requested, both informally and formally, that combined or consolidated financial information be used for modeling, budgeting and dissemination of financial information to the campus community. In particular, Proposal 13-98, Senate Resolution on the University Budget, adopted by the Senate on 13 May 1998, addresses this issue.

The Financial Accounting Standards Board (FASB) in Statement 117, currently requires that all private colleges report financial information on a consolidated basis and the Government Accounting Standards Board (GASB) in parts 34 and 35, is issuing similar requirements for public institutions. The timing of the mandatory requirement for adopting these standards in public institutions will depend upon the size of the institution but should apply to all within a few years.

This proposal requests that Michigan Technological University immediately adopt the new GASB standards and that we extend them to all internal and external financial reporting and planning for the University.

Adopted by Senate: January 17, 2001