

Chapter TCS 7

DISTRICT BUDGET, AUDIT AND FINANCE

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Note: Chapter A-V 7 was renumbered chapter VTAE 7, Register, September, 1985, No. 357, eff. 10-1-85. Chapter VTAE 7 was renumbered chapter TCS 7 under s. 13.93 (2m) (b) 1., Stats., Register, June, 1994, No. 462.

TCS 7.01 Purpose. As authorized by ss. 38.04 (11) and 227.11 (2) (a), Stats., the purpose of this chapter is to administratively interpret ss. 38.04 (11), 38.12 (5), 38.12 (5m), 38.15 and 38.28, Stats., relating to uniform formats and reporting for district budgets, minimum requirements for the annual district audit, financing of district capital expenditures under s. 38.15, Stats., the management of reserve funds, payment and withholding of state aids and the district accounting structure.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; correction made under s. 13.93 (2m) (b) 7., Stats., Register, June, 1994, No. 462.

TCS 7.02 Definitions. (1) “Board” means the technical college system board.

(2) “Director” means the person appointed by the board under s. 38.04 (2), Stats.

(3) “District” means a technical college district established under ch. 38, Stats.

(4) “District board” means the district board in charge of the technical colleges of a district.

(5) “District director” means the person employed by a district board under s. 38.12 (3) (a) 1., Stats.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; corrections made under s. 13.93 (2m) (b) 6., Stats., Register, June, 1994, No. 462.

TCS 7.03 Adoption of standards by reference. (1) Pursuant to s. 227.21, Stats., the attorney general and revisor of statutes have consented to the incorporation by reference of the Codification of Governmental Accounting and Financial Reporting Standards, Governmental Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116.

Note: The standards under sub. (1) may be obtained by contacting the Governmental Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116.

(2) Districts shall comply with the standards incorporated under sub. (1).

(3) Interim amendments of the standards will have no effect in the state until such time as this section is correspondingly revised to reflect those changes.

(5) Copies of the standards in reference are on file in the office of the board, the secretary of state and the legislative reference bureau.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; am. (1), r. (4), Register, April, 1999, No. 520, eff. 5-1-99; correction in (5) under s. 13.92 (4) (b) 6., Stats.

TCS 7.04 Accounting system and structure. (1) Each district board shall organize and operate its accounting system on a fund basis. The district accounting structure shall use 3 categories of funds, further divided into fund types, as follows:

(a) The governmental fund category composed of:

1. The general fund type used to account for all financial activities of the district, except those required to be accounted for in another fund type.

2. The special revenue fund type used to account for the proceeds and related financial activity of specific revenue sources that are legally restricted to a specific purpose, except major capital projects and expendable trusts.

3. The capital projects fund type used to account for financial resources and related financial activity for capital expenditure projects under s. TCS 7.06 (1), and equipment as required under s. TCS 7.06 (5).

4. The debt service fund type used to account for the accumulation of resources for, and the payment of general long term debt and long term lease/purchase debt principal and interest.

(b) The proprietary fund category composed of:

1. The enterprise fund type used to account for district operations where the cost of providing goods or services to students, district staff, faculty or the general public on a continuing basis is financed or recovered primarily through user charges or where the district board has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. The internal service fund type used to account for the financing and related financial activities of goods and services provided by one department of the district to other departments of the district, or to other governmental units on a cost reimbursement basis.

(c) The fiduciary fund category composed of:

1. The expendable trust fund type used to record resources and related financial activities where both the principal and earnings may be expended, and where the district board acts as trustee.

2. The nonexpendable trust fund type used to record resources and related financial activity where the principal may not be expended, and where the district board acts as trustee.

3. The agency fund type used to record resources and related financial activity where the district board acts as an agent.

(2) Each district board shall account for and control its general fixed assets and outstanding general long term debt through the use of account groups, as follows:

(a) The general fixed assets account group used to record a district's general fixed assets.

(b) The general long term debt account group used to record a district's general long term debt composed of unmatured principal not requiring an appropriation or expenditure during the current fiscal year.

(3) Each district board shall, for budget and accounting purposes, classify the major activities of each fund type by function, as follows:

(a) The instruction function used to record costs related to teaching, academic administration including clerical support, and other activities directly related to the teaching of students, assisting students in educational programs, and coordinating and improving the quality of teaching.

(b) The instructional resources function used to record costs related to all learning resource activities, including the learning

resources center, library, audio-visual aids center, instructional media center, copy center, and instructional resources administration and clerical support.

(c) The student services function used to record costs related to those noninstructional services provided to students, including student recruitment, admissions, registration, counseling including testing and evaluation, health services, financial aids, placement, follow-up, and student services administration and clerical support.

(d) The research function used to record costs related to the accumulation and evaluation of statistics, including demographic studies, employer studies of program feasibility, studies related to grants and contracts, and research, planning and development administration and clerical support.

(e) The administration function used to record costs related to general administrative functions, including district board, district director and district business office operations, and clerical support services.

(f) The general institutional function used to record costs related to services benefitting the entire district, including legal fees, external audit fees, general liability insurance, non-resident tuition, interest on operational borrowing, public information activities, personnel, and employment relations where these items are not reportable under another function.

(g) The physical plant function used to record costs related to services required for the operation and maintenance of physical facilities.

(h) The auxiliary services function used to record costs for all activities of a commercial nature, including book store, cafeteria and vending machine operations.

(i) The public service function used to record costs for activities benefitting the general public, including educational television or cultural events.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; am. (1) (a) 3., Register, September, 1985, No. 357, eff. 10-1-85; corrections made in (1) (a) 3 under s. 13.93 (2m) (b) 7., Stats., Register, June, 1994, No. 462.

TCS 7.05 District budgets and financial disclosure.

(1) FISCAL YEAR. Annually, each district board shall develop and adopt a budget for a fiscal year commencing July 1st and ending the succeeding June 30th. The entire summer session of a district shall be budgeted and accounted for in the fiscal year in which the session terminates.

(3) DISTRICT DISCLOSURE OF FUND BALANCES. At the hearing required under s. 65.90, Stats., each district board shall disclose any fund type balance, and shall specify the purposes for which these balances are to be used by fund type.

(4) DISTRICT BUDGET ADOPTION. Each district board shall adopt a budget that discloses indebtedness of the district, anticipated revenues, including anticipated fund balances by fund type and revenue source and proposed expenditures by fund type and function as required under this chapter. Adoption of a budget by fund type and function within a fund type shall constitute the appropriations of the district under s. 65.90, Stats.

(5) DISTRICT RESERVES. (a) Each district board may establish reserves and segregate a portion of a fund balance for a specific use for a specific period.

(b) Prior to the creation of a reserve, a district board shall adopt a resolution creating the reserve. The resolution shall state the specific purpose of the reserve, disclose the maximum amount that this reserve may accumulate to and specify the intended period of time over which the reserve shall exist. Nothing in this section shall preclude a district board from increasing or decreasing the amount of the reserve, provided the district board passes a resolution to this effect.

(c) No district board may establish or maintain reserves for contingent purposes.

(d) Prior to the adoption of its budget, each district shall disclose all reserves maintained by it, the amount contained in each reserve and the anticipated amount by which each reserve will be increased or decreased during the year for which the budget is adopted.

(6) REVIEW OF PROPERTY TAX LEVY. Prior to certifying the property tax levy under s. 38.16 (1), Stats., each district board shall recalculate the anticipated amount of financial resources available for district operations, using the most current data available at the district, to determine if the property tax levy should be adjusted.

(7) MODIFICATIONS TO BUDGET AFTER ADOPTION. Changes to the budget approved by the district board shall be by fund type or function within a fund type and shall be in accordance with s. 65.90, Stats.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83.

TCS 7.06 Accounting and financial reporting related to facilities. (1) CAPITAL EXPENDITURE PROJECTS.

Each district board shall budget and account for all capital expenditure projects for the acquisition of sites, purchase or construction of buildings or lease/purchase of buildings in a capital projects fund type.

(2) RENTED AND LEASED PROPERTY AND BUILDINGS. (a) Except as provided in par. (b), each district board shall budget and account for all expenditures relating to an operating lease or rental of real or personal property and buildings in a general revenue fund type or a special revenue fund type.

(b) Each district board shall budget and account for all expenses relating to an operating lease or rental of real or personal property and buildings, where the property and buildings are used to provide proprietary services, in an internal services fund type or an enterprise fund type.

(3) REPAIR PROJECTS RELATED TO PROPERTY AND BUILDINGS. (a) Each district board shall budget and account for all repair projects in a general fund type or a special revenue fund type, except that expenses incurred for repairs of buildings or sites used primarily for proprietary purposes shall be budgeted and accounted for in an internal service fund type or an enterprise fund type.

(b) An expenditure or proposed expenditure of a district shall be considered an expenditure for repairs where fixed equipment, buildings or sites of a district are restored to their original condition from a worn, damaged or deteriorated condition.

(c) An expenditure or proposed expenditure to restore fixed equipment, buildings or sites to their original condition where the worn, damaged or deteriorated condition occurred prior to the acquisition of the site, purchase of the building or lease/purchase of the building shall be considered a capital expenditure project of the district and shall be budgeted and accounted for in a capital projects fund type.

(4) REMODELING AND IMPROVEMENT PROJECTS. (a) Subject to par. (b) a district expenditure or proposed expenditure for the reconstruction of a building that increases its capacity, usefulness, efficiency, lifespan or economy of operation and intended to benefit future years' operations shall be considered a remodeling or improvement project.

(b) For a project to be considered a remodeling and improvement project, the project shall be commenced at least 2 years following acquisition of the building, shall not increase assignable space through the reconstruction of existing external walls or roof and is not a repair project under sub. (3).

(c) A district expenditure or proposed expenditure for the reconstruction of a district owned building or a major portion of a district owned building within 2 years of acquisition of the building by purchase or lease/purchase shall be considered a capital expenditure project under sub. (1).

(5) EQUIPMENT. (a) Equipment is:

1. "Moveable equipment" if it retains its original shape, appearance and use; is nonexpendable; is not fixed equipment; has a value exceeding \$500 per set or item, and has a life of 2 years or more.

2. "Fixed equipment" if actual annexation to real property occurs; it is applied or adopted to the use or purpose for which the real property is devoted; and there is an intention by the district making the actual annexation to real property to make a permanent accession.

3. "Minor equipment" if it is neither moveable nor fixed equipment and is not a disposable supply item.

(b) Each district board shall budget and account for all moveable and fixed equipment in a capital projects fund, except that moveable or fixed equipment purchased with enterprise, internal service or agency funds shall be budgeted and accounted for in the appropriate enterprise, internal service or agency fund.

(c) Each district board shall budget and account for all minor equipment relating to a proprietary activity of the district in the appropriate enterprise, internal service or agency fund. All other minor equipment purchased or proposed to be purchased by a district shall be budgeted and accounted for in a general fund, except that all minor equipment purchased within 2 years of the acquisition of a building shall be budgeted and accounted for in the appropriate capital projects fund.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83.

TCS 7.07 Capital expenditure projects under s. 38.15, Stats. In determining whether capital expenditures for the acquisition of sites, purchase or construction of buildings or the lease/purchase of buildings exceeds \$500,000, the following shall apply:

(1) All fixed equipment purchased by a district for installation in or on a site or building acquired by a district by purchase or lease/purchase, or within 2 years of the purchase or lease/purchase, shall be considered part of the capital expenditure project under s. 38.15, Stats.

(2) All moveable and minor equipment shall be excluded in determining the amount of the capital expenditure project under s. 38.15, Stats.

(3) In determining whether the lease/purchase of an existing building or the lease/purchase of a site is subject to the limitations under s. 38.15 (1), Stats., the district shall compute the lease/purchase costs for the term of the lease, discounted to the amount that would have been paid at the commencement of the lease if the building or site was purchased outright.

(4) All district expenditures or proposed expenditures for repair projects under s. TCS 7.06 (3) (c) or remodeling and improvement projects under s. TCS 7.06 (4) (c) shall be considered part of a capital expenditure project under s. 38.15, Stats.

(5) All capital expenditures on a single campus site which are bid concurrently or which are approved by the board under s. 38.04 (10), Stats., within 2 years shall be considered one capital expenditure project.

(6) Annually, the board shall designate what constitutes each single campus site.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; am. (4), Register, September, 1985, No. 357, eff. 10-1-85; corrections in (4) made under s. 13.93 (2m) (b) 7., Stats., Register, June, 1994, No. 462.

TCS 7.08 District financial audits. (1) REQUIREMENTS FOR PROCUREMENT OF AUDIT SERVICES. (a) Each district board shall solicit bids or competitively negotiate with a certified public accountant for financial audits required under s. 38.12 (5), Stats. The department of revenue acting under s. 73.10 (5), Stats., may be considered a certified public accountant for purposes of this section. The bid specifications shall provide for renegotiation of the scope of the audit.

(b) The criteria to be used in selecting a certified public accountant shall include at a minimum the expertise of the staff

performing the audit, the cost of the audit, the time frame within which the audit can be performed, and the scope of the audit.

(c) No certified public accountant shall be precluded from participating in the procurement process on the basis that the certified public accountant is providing audit services under s. 38.12 (5), Stats., at the time of solicitation of bids or competitive negotiation for audit services.

(2) **AUDIT CONTRACTS.** Each district board shall, for annual financial audits under s. 38.12 (5), Stats., require the certified public accountant, to conduct the audit in conformance with the audit guide adopted by the board and generally accepted auditing standards.

(3) **ENGAGEMENT LETTER.** For every audit, there shall be an engagement letter that shall include the following:

(a) The scope of the audit.

(b) An approximate beginning and completion date.

(c) The number of reports to be delivered, to whom each report should be delivered, and the date that each report shall be delivered. No report shall be delivered later than December 31, following the end of the fiscal year for which the audit is performed.

(d) The extent to which the certified public accountant is responsible for detecting defalcations and other similar matters, and the responsibility of the district to disclose any such matters to the certified public accountant.

(e) Terms of compensation, including a provision for possible extended audit procedures not contemplated in the original engagement.

(4) **CONDUCT OF AUDIT.** The audit shall be conducted on district premises at a mutually agreeable time, and the district shall provide adequate space to conduct the examination.

(5) **EXAMINATION OF INTERNAL CONTROLS.** The auditor shall review the adequacy of systems of internal control, including controls over funds from sanctioned district student activities. If material weaknesses are noted, appropriate recommendations shall be reviewed with the appropriate district administrator, and transmitted to the district board by separate management letter or as part of the audit report.

(6) **PREPARATION OF FINANCIAL STATEMENTS.** The district shall prepare appropriate financial statements for all account groups and fund types in accordance with generally accepted accounting principles.

(7) **TRANSMITTAL OF AUDIT AND MANAGEMENT LETTERS.** (a) Each district board shall transmit to the board a copy of any management letter issued to the district as a result of an audit. Board audit staff, the legislative audit bureau, and such persons as mutually determined by the district board and the certified public accounting firm shall be allowed access to and copies of all working papers of the certified public accounting firm conducting the audit.

(b) Each district board shall authorize the certified public accountant to communicate directly with the board.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83.

TCS 7.09 Withholding of aids distributed by the board. (1) REPORTING REQUIREMENTS. Annually, by January 1st, the director shall notify the districts of reports required to be filed with the board during the next fiscal year and the due date for filing each report. The director may extend the due date for filing reports by districts upon good cause.

(2) **WITHHOLDING, SUSPENSION AND REDUCTION OF AIDS.** Subject to sub. (3), the director may withhold, suspend or reduce state or federal aid payments distributed by the board for failure of a district to comply with the reporting requirements under sub. (1), for failure to comply with the requirements of this chapter, or as provided under s. 38.28 (2) (d), and (e), Stats. Where a state or federal aid payment or reimbursement has been drawn on the state treasury, but not distributed, the director may redeposit the payment in the treasury.

(3) PROCEDURE. All actions of the director withholding, suspending or reducing state aids shall be in writing and shall specify the reasons for the action.

(4) APPEALS. Districts may appeal the decision of the director by filing a petition with the board requesting a hearing in accordance with ch. 227, Stats., and ch. TCS 4.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; am. (4), Register, September, 1985, No. 357, eff. 10-1-85; correction in (4) made under s. 13.93 (2m) (b) 7., Stats., Register, June, 1994, No. 462.

TCS 7.10 Payment of state aids. (1) Subject to sub (2), the board shall pay 15% of the aids due each district each year as

computed under s. 38.28, Stats., from the appropriation under s. 20.292 (1) (d), Stats., during each of the months of July, August, September, October, November and June and 5% during each of the months of January and February.

(2) Payments under sub. (1) shall be adjusted as required under s. 38.28 (2) (b) 4., Stats.

(3) Payment of state aids may be withheld, suspended or reduced in whole or in part as provided under s. TCS 7.09.

History: Cr. Register, September, 1983, No. 333, eff. 10-1-83; am. (3), Register, September, 1985, No. 357, eff. 10-1-85; correction in (3) made under s. 13.93 (2m) (b) 7., Stats., Register, June, 1994, No. 462.