

Letter No. 2001-1
Filing Extensions

January 12, 2001

TO: Cities, Villages, Townships, Authorities, and Other Municipal Agencies

FROM: Richard L. Baldermann, Administrator
Local Audit and Finance Division

SUBJECT: Audit and Annual Financial Report Filing Extension

Public Act 493 of 2000 amended certain sections of the Uniform Budgeting and Accounting Act and was given immediate effect.

Section 7 (4) (MCL 141.427[4]) of the Uniform Budgeting and Accounting Act requires:

(4) The copy of the audit report and the copy of the report of auditing procedures applied required by subsection (3) shall be filed with the state treasurer within six months after the end of the fiscal year of a local unit for which an audit has been performed pursuant to section 5. The chief administrative officer of a local unit may request an extension of the filing date from the state treasurer, and the state treasurer may grant the request for reasonable cause. A chief administrative officer who requests an extension under this subsection shall, within 10 days of making the request, inform the governing body in writing of the requested extension.

Section 4 (2) (MCL 141.424[2]) of the Uniform Budgeting and Accounting Act requires:

One copy of the annual financial report required by subsection (1) shall be filed with the state treasurer within six months after the end of the fiscal year of the local unit. The state treasurer shall prescribe the forms to be used by local units for preparation of the financial reports. The chief administrative officer of a local unit may request an extension of the filing date from the state treasurer, and the state treasurer may grant the request for reasonable cause. If the local unit of government requests an extension of the filing deadline, then the local unit of government must provide to the department of treasury the unadjusted year end trial balance reports, in a form and manner as prescribed by the department of treasury, to the department of treasury at the time the local unit of government requests the extension. The department of treasury shall post these unadjusted year end trial reports on the department's internet website if the extension is granted.

Beginning immediately, (for local unit fiscal years ending September 30, 2000 and thereafter) the following procedures and requirements for audit and annual financial report (F-65) filing extension requests will be followed:

1. Requests for extensions must come from the chief administrative officer of the municipality. When an audit report can not be completed within 6 months after the end of the fiscal year, the chief administrative officer may request an extension of the filing deadline.

2. Requests must be made within 6 months from the end of the fiscal year. The written request for a filing extension must be made before the audit is actually delinquent (within 6 months of the end of the fiscal year).

3. Requests for an extension must be complete. A complete request for the extension for filing of an **audit** will include a letter from the chief administrative officer indicating:

a) that the audit is currently in progress (identify any component units);

b) when the audit is expected to be completed;

c) an explanation of the existence of extraordinary circumstances beyond the control of the local unit and the audit cannot be completed and filed timely (the reasonable cause). A letter from the auditor regarding a through c is acceptable as an attachment to the chief administrative officer's request.

d) In addition, requests for extension of the filing requirement for the **annual financial report (F-65)** must be accompanied by unadjusted year end trial balance reports. The Department of Treasury will post these unadjusted year end trial balance reports on the Department's internet website if the extension is granted

4. A written response to each audit extension request will be sent to the local unit. The Department of Treasury will respond in writing to each request for an audit extension received.

5. Requests for an extension will be denied absent the existence of an extraordinary circumstance beyond the control of the unit of government justifying the extension.

*(NOTE: This request for extension of the filing date for an audit with the Michigan Department of Treasury **does not** relieve the local unit from filing the continuing disclosure information required to comply with an undertaking Agreement in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.)*

Penalties for late audit filing may be initiated. The Department of Treasury will notify the local unit that their audit is delinquent as follows:

The first and final notice to the local unit (and CPA, if known) will inform them of the delinquency, indicate 30 days for them to file the audit, encourage them to respond to the letter, and indicate that failure to respond to this letter will result in imposition of the penalties listed below.

As is currently the case, upon notification that an audit report is delinquent, the Department of Treasury may initiate the following penalties upon the local unit:

1. An audit of the local unit's financial records will be conducted by audit staff from the Department of Treasury or by a Certified Public Accountant appointed by the state treasurer and will be billed to the local unit (MCL 141.426).

2. The Department of Treasury will withhold all or a portion of state shared revenues until an acceptable audit report is received (MCL 141.921(1)).

3. Borrowing requests will be denied or held until an acceptable audit report is received (MCL 133.11(1)(c) and MCL 133.5).

4. Public Act 72 of 1990 (MCL 141.1201 et al) provides that failure to file a required audit report is a condition that may authorize the State Treasurer to conduct a preliminary review to determine the existence of a local government financial problem.

If you have questions or need further assistance, please call (517) 373-0660 or write our office: Michigan Department of Treasury, Local Audit and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228.