



Financial Services Audit Committee Communication

Date: March 16, 2018

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer/Treasurer

Re: Request for Extension to File FY 2017 Annual Audit

Background: The fiscal year ended June 30, 2017 is the Great Lakes Water Authority's (GLWA) first twelve-month fiscal year. The year-end audit fieldwork began in October 2017, less than three months after completing the opening balancing sheet and initial six-month operational period ended June 30, 2016.

Michigan Public Act 2 of 1968 (PA 2 of 1968), the Uniform Budgeting and Accounting Act, establishes requirements for the submission of local government audits, including authorities, to the State of Michigan Department of Treasury as of six months after the fiscal year-end. Despite significant accomplishments in 2016, the GLWA will need to request an extension of that filing requirement. Key drivers include the following.

“141.424 Annual financial report; contents; filing; extension; unauthorized investments prohibited; “pension” defined.

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.”

Chief Administrative Officer is defined by the Statute as shown below in PA 2 of 1968 Section, 141.422b Definitions; B to D, Sec. 2b.

“(3) “Chief administrative officer” means any of the following:

(g) The official granted general administrative control of an authority or organization of government established by law that may expend funds of the authority or organization.”

Further guidance is provided by the *Audit Manual for Local Units of Government in Michigan*:

“The chief administrative officer of a local unit may request an extension of the filing date from the state treasurer. When an audit cannot be completed within 6 months after the end of the fiscal year, a written request must be made before the audit is actually delinquent. A request for the extension for filing of an audit must include a letter from the chief administrative officer indicating:

- that the audit is in progress (identify any component units);
- when the audit is expected to be completed;
- 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).

Treasury will send a written response to all audit extension requests. The request for an extension will be denied absent the existence of an extraordinary circumstance beyond the control of the local unit.”

Analysis: Consistent with discussions at the Audit Committee and Board meetings, a request for extension to file GLWA’s FY 2017 audit report until April 30, 2018 was submitted. That extension request and the related approval letter are attached.

Proposed Action: Receive and file report.