



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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NUMBERED LETTER 2022-1

Issued By: Community Engagement and Finance Division (CEFD)
Bureau of Local Government and School Services

Effective Date: December 5, 2022

2022-1 Qualifying Statements (Replaces Bulletins 2 and 6 and incorporates elements of Bulletin 1)

Intended Audience: Chief Administrative Officers, Finance Directors, Bond Counsel, Financial Advisors, Certified Public Accountants, Municipal Organizations, State Agencies, and Interested Parties.

Municipalities Impacted: Counties, Road Commissions, Townships, Cities, Villages, School Districts, Public School Academies, Intermediate School Districts, Community Colleges, Drain Districts, Authorities, Libraries, Hospital Finance Authorities

Summary: Numbered Letter 2022-1 provides a revised Qualifying Statement (Form 5047) and creates a single source of information by replacing Bulletin 2 (last revised 2003) and Bulletin 6 (last revised 2015) and incorporating elements of Bulletin 1 which will be completely replaced at a future date. Our goals with this revision include increasing transparency, eliminating common errors, improving the overall user experience, educating filers, and reducing staff effort.

Section 303(2) of Public Act 34 of 2001, the Revised Municipal Finance Act, requires each municipality to file an annual Qualifying Statement with the Department of Treasury within six months of the end of its fiscal year, or as otherwise provided by law. Treasury is required to determine, within 30 business days of receiving the Qualifying Statement, whether the municipality should be granted or denied qualifying status. If Treasury grants qualified status or fails to notify the municipality of its determination within 30 business days, the municipality then is authorized to issue municipal securities under the Act without further approval from Treasury until 30 business days after the next Qualifying Statement is due, or until a new determination is made by Treasury, whichever occurs first.

- 1. Electronic Filing:** Our goal is to provide a secure environment for users and allow flexibility in maintaining a municipality's account. The Qualifying Statement and the Reconsideration Request will still be completed and submitted online. Treasury will not accept forms in any other format. We anticipate this will continue to reduce submission errors and place fewer burdens on the user. Municipalities can review their online record of all forms that have been filed, the date they were filed, and have the ability to print or save that information.

- 2. Login Page:** Visit Michigan.gov/MunicipalFinance.
 - a. Click on "File and Search Reports."
 - b. Click on "File Online Reports."
 - c. For the first visit, users will be required to click on "Request Access New User." You will need to create a new user profile.
 - d. Complete all required fields. You will be asked to indicate what type of user you are from a selection on the drop-down list for User Type. If you are an Attorney, Certified Public Accountant, Financial Consultant, or employee of any of these filing on behalf of a municipality, select the type that pertains to you as the filer. If you are a county, city, township, village, authority, hospital finance or library employee or elected official, select Local Unit. If you are an employee of a school district, public school academy, intermediate school district or community college, select School. An "Instruction" link is available as you complete the new user request should you need it.
 - e. Once you've submitted the request for access, you will receive an email with a temporary password. Enter your UserID and temporary password into the login page. You will then be required to immediately change passwords from the temporary one to one you choose.
 - f. If, in the future, you forget your password, click the "Forgot Password" link to receive a temporary password and follow the instructions on the page.
 - g. If you have forgotten both your UserID and your Password, email Treasury at TreasLocalGov@michigan.gov with the subject "Forgot User ID and Password."
 - h. Once you login, you will be prompted to reset your password.

3. How to file a Qualifying Statement or Reconsideration Request

- a. Once you have successfully logged in you will be taken to the Form Submission page. Select the county of the municipality for which you are filing and the municipality type from the drop-down lists provided. Then select the municipality. Select the “Qualifying Statement” form and fiscal year you wish to complete. For security reasons, the system will “time out” after a period of inactivity; however, your data will no longer be cleared from the form due to our new autosave feature.
- b. Municipalities with populations of less than 4,000 that file their audited financial statements biennially (Public Act 2 of 1968, Section 5(1)) are required to file a Qualifying Statement **annually**.
- c. If the fiscal year end month is incorrect, you shall submit written documentation from the municipality’s Chief Administrative Officer providing authorization of the change. The authorization must include the effective date of the change, the new fiscal year end month, and indicate the time-period covered by the next audit report (nine-month or 15-month report). The authorizations shall be in compliance with State statutes and the Governmental Accounting Standards Board (GASB) Statement No. 14. The notice shall be emailed to Treasury at TreasLocalGov@michigan.gov with the subject “FYE Month Change.”
- d. If the municipality submitting the Qualifying Statement or Reconsideration Request is a non-primary municipality that does not file a separate audit, you will be required to select the primary municipality it is included with from the “Audit Filed Under” field. If a non-primary municipality does not file a separate audit and the same municipality name is selected, your Qualifying Statement will be denied due to a delinquent audit.
- e. Click on “Create Form.” This will generate the form you want to file.
- f. All required questions on the form are noted with a red asterisk and must be completed to submit the form.
- g. Although Public Act 34 of 2001 requires the Chief Administrative Officer (CAO) to file the Qualifying Statement, that responsibility may be designated to a different individual. The filer will be required to certify that the authority has been designated by the CAO and both parties take responsibility for an accurate filing. “Chief Administrative Officer” means that term as defined in the Uniform Budgeting and Accounting Act, Public Act 2 of 1968, Section 2b(3) (MCL 141.422b(3)).
- h. Providing false information on a Qualifying Statement or Reconsideration Request is a misdemeanor pursuant to the Michigan Penal Code (MCL 750.489).
- i. You can save your work at any time by selecting “Save.” To review a draft of the form prior to it being submitted, you can click “Print.”

- j. Once you have completed the form, click “Certify and Submit.”
- k. Once you have submitted a form, it will be available on the Form Submission page, where it can be viewed or printed.
- l. Upon successful submission, the Qualifying Statement will be reviewed, and Treasury’s determination letter and form will be posted online in the document search website. An email with a link to the determination letter will also be sent to the municipality. In most cases, a determination will be made within one business day of receipt. For school districts, public school academies, and intermediate school districts, a determination will typically be made within one week of receipt.
- m. To view the document search website, go to Michigan.gov/MunicipalFinance, click on “File and Search Reports,” and then “[Document Search](#).”
- n. If the status has been denied, a municipality may file a Reconsideration Request to correct noncompliance issues identified in the denial letter. Filing a Reconsideration Request is similar to filing the Qualifying Statement. After logging into the online filing system, select your county, local unit, and type; select from the “Form” drop-down list “Qualifying Statement Reconsideration”; select the filing fiscal year and then create the form. The Reconsideration Request will come pre-populated with the responses from the original Qualifying Statement that was filed. The Reconsideration Request must be completed with the correct or amended information and a statement in the comment area to indicate why the information was changed.
- o. Municipalities only get **one** Reconsideration Request, so please take your time, and make sure the form is filled out correctly.

4. Qualifying Statement Reviews

- a. To uphold the integrity of the Qualifying Statement process and the issuance of municipal securities, Treasury conducts random reviews of Qualifying Statements and Reconsideration Requests to ensure the questions are being answered appropriately.
- b. As part of this review process, the municipality **may** receive an additional information request letter from Treasury requesting information for which they will have 30 days to respond. Correspondence will be sent via email to the Chief Administrative Officer as listed on the most recent Qualifying Statement. An additional information request letter is not sent in all instances.
- c. Should Treasury determine the municipality was not compliant, the municipality will receive a “Subsequent Year Denial” letter. The municipality’s subsequent year Qualifying Statement will be automatically denied for either Question #8/Section 303(3)(k) or Question #12/Section 303(3)(o), whichever is applicable.

- d. If it was found that the municipality had a fund deficit in their audited financial statements for which a deficit elimination plan was required but had not indicated such on their Qualifying Statement and/or Auditing Procedures Report, then the municipality may also receive a deficit elimination plan request letter in accordance with Numbered Letter 2016-1.

5. Governing Effective Date of Qualifying Statement Determination

- a. Treasury is advised that the legal status of a municipal security might be placed in doubt in a circumstance in which all the following conditions simultaneously occur:
 1. A municipality that has been granted qualified status for the current period submits to Treasury its qualifying statement for the ensuing period more than 30 business days prior to the expiration of the current period.
 2. Treasury determines that the municipality will be denied qualified status for the ensuing period.
 3. The municipality is in the process of, but has not yet concluded, issuing one or more municipal securities at the time the nonqualified status determination is rendered by Treasury.
- b. It shall be the policy of Treasury in respect to any municipality in which all the conditions listed in the preceding paragraph simultaneously occur to issue a nonqualified status determination for the ensuing period with an effective date of the day after expiration of the existing qualified status. A municipality which submits its qualifying statement for the ensuing period more than 30 business days prior to the expiration of the current period shall simultaneously notify Treasury in writing if the municipality is in the process of, but has not yet concluded, issuing one or more municipal securities. The notice shall be emailed to Treasury at Treas_MunicipalFinance@michigan.gov with the subject "NL 2022-1 5b Governing Effective Date of QS Determination."
- c. Notwithstanding item 5.a.3 above, Treasury maintains its authority to issue a nonqualified status determination, with an immediate effective date, if Treasury concludes that the municipality submitted a qualifying statement or an application for any other municipal security in the preceding 12 months that was materially false or materially incorrect.

6. Other Items

- a. "Delinquent," as used in Question #6 and Section 303(3)(i), is defined by Treasury to mean more than 30 days beyond the due date of those taxes or contributions.

- b. “Materially false or incorrect” as used in Question #8 and Section 303(3)(k) regarding a Qualifying Statement only (not an application), is defined by Treasury to mean an incorrect answer or response given that resulted in the Qualifying Statement being approved when it should have been denied.
- c. “Financial plan” as used in Section 303(3)(m) is defined by Treasury to mean 1) a Deficit Elimination Plan under MCL 141.921(2) and [Numbered Letter 2016-1](#) for counties, townships, cities, villages, community colleges, authorities, drain districts, libraries, and hospitals, or 2) a Deficit Elimination Plan under MCL 380.1220(1) or an Enhanced Deficit Elimination Plan under MCL 380.1220(5) for school districts, public school academies, and intermediate school districts, as is applicable.
- d. When the issuer of a municipal security is a municipality with a contractual agreement with one or more other municipalities relating to the proposed municipal security, or when a municipality other than the issuer shall have pledged revenues or its full faith and credit to secure repayment of the municipal security, then each municipality shall separately meet the qualifying requirements of Section 303(3).
- e. Municipalities that do not qualify, pursuant to Section 303(3), shall not mail or otherwise distribute, as a sales document to prospective purchasers, the Official Statement or Preliminary Official Statement without other prior approval of the municipal security by Treasury.
- f. If a deficit elimination plan under MCL 380.1220(1) for a school district, public school academy, or intermediate school district has been approved by the Board of Education, and filed and approved by the Department of Education, that school district, public school academy, or intermediate school district shall be considered to be in material compliance with the provisions of Section 303(3)(m).
- g. If an enhanced deficit elimination plan under MCL 380.1220(5) for a school district, public school academy, or intermediate school district has been approved by the Board of Education, and filed and approved by the Department of Treasury, that school district, public school academy, or intermediate school district shall be considered to be in material compliance with the provisions of Section 303(3)(m).
- h. If a deficit elimination plan under MCL 380.1220(1) is not required for a school district, public school academy, or intermediate school district by the Department of Education or if an enhanced deficit elimination plan under MCL 380.1220(5) is not required for a school district, public school academy, or intermediate school district by the Department of Treasury, that school district, public school academy, or intermediate school district shall be in material compliance with the provisions of Section 303(3)(m).
- i. If a deficit elimination plan under MCL 141.921(2) is not required by the Department of Treasury in accordance with [Numbered Letter 2016-1](#) for any municipality other than a school district,

public school academy, or intermediate school district, that municipality shall be in material compliance with the provisions of Section 303(3)(m).

7. Resources

- a. The Department of Treasury has an online video library which includes videos on the borrowing process, including Qualifying Statements. Visit Michigan.gov/MunicipalFinance, at the top of the page click on "Education & Training Resources," then click on "[Video Library.](#)"
- b. A borrowing process flowchart is available at Michigan.gov/MunicipalFinance. Near the bottom of the page click on "Borrowing Process Flowchart."
- c. For those looking for more information on municipal securities terminology, the Municipal Securities Rulemaking Board (MSRB) has a Glossary of Municipal Securities Terms at MSRB.org/glossary.

If you have any questions, please email our office at Treas_MunicipalFinance@michigan.gov.