

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 2-7-503, MCA, is amended to read:

13 **"2-7-503. Financial reports and audits of local government entities -- exception.** (1) The governing
14 body or managing or executive officer of a local government entity, other than a school district or
15 associated cooperative, shall ensure that a financial report is made every year. A school district or
16 associated cooperative shall comply with the provisions of 20-9-213. The financial report must cover the
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18 end of the reporting period. The local government entity shall submit the financial report to the department
19 for review.

20 (2) The department shall prescribe a uniform reporting system for all local government entities
21 subject to financial reporting requirements, other than school districts. The superintendent of public
22 instruction shall prescribe the reporting requirements for school districts.

23 (3) (a) The governing body or managing or executive officer of each local government entity
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25 ~~or federal financial assistance in excess of \$25,000~~ shall cause an audit to be made at least every 2 years.
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30 meet the criteria established in subsection (3)(a) shall at least once every 4 years, if directed by the

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9 own audits or reviews in order to avoid a duplication of effort.

10 (5) In addition to the audits required by this section, the department may at any time conduct or
11 contract for a special audit or review of the affairs of any local government entity referred to in this part.
12 The special audit or review must, to the extent practicable, build upon audits performed pursuant to this
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17 (7) Subsections (1) through (3) do not apply to a local government entity that has adopted the
18 alternative accounting method provided for in Title 7, chapter 6, part 6."

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20 **NEW SECTION. Section 2. Retroactive applicability.** [This act] applies retroactively, within the
21 meaning of 1-2-109, to audits of local government entities for fiscal years beginning after June 30, 1996.

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23 **NEW SECTION. Section 3. Effective date.** [This act] is effective on passage and approval.

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0064, as introducedDESCRIPTION OF PROPOSED LEGISLATION:

An act eliminating the requirement for an audit of a local government entity receiving federal financial assistance in excess of \$25,000 if that entity also receives less than \$200,000 in total annual revenues.

ASSUMPTIONS:

1. The Department of Commerce fiscal impacts are based on financial and audit information for local government entities for fiscal year 1995.
2. The same number of entities in fiscal year 1998 and fiscal year 1999 will have federal financial assistance in excess of \$25,000, but total annual revenues of less than \$200,000.
3. The audit fees charged for audits of fiscal year 1998 and fiscal year 1999 will be the same as those charged for fiscal year 1995 and all entities will have one year audits.
4. The Department of Administration will only need to make slight administrative changes in the county collection report.

FISCAL IMPACT:

Department of Administration:
None

Department of Commerce:

Expenditures:
None

Revenues:

	FY98	FY99
	<u>Difference</u>	<u>Difference</u>
Audit Review:		
Filing Fee Revenue	(2,700)	(2,700)
Total	(2,700)	(2,700)

Net Impact:

	FY98	FY99
	<u>Difference</u>	<u>Difference</u>
Audit Review:		
Audit Review Enterprise Fund (06)	(2,700)	(2,700)
Total	(2,700)	(2,700)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Twelve local government entities that receive federal financial assistance in excess of \$25,000 but have less than \$200,000 in total annual revenues are currently required to be audited under 2-7-503, MCA. These include two municipal housing authorities, three county water and sewer districts, two conservation districts, three special education cooperatives, and two school districts. These entities would not be required to be audited if the legislation is passed. These entities currently pay audit fees to certified public accounting firms and filing fees to the Department of Commerce under 2-7-514, MCA, since they are required to be audited. If the proposed legislation were to be enacted these governmental entities would not pay either the audit fees or the filing fees. It is estimated the proposed legislation would save these governmental entities approximately \$19,000 in audit fees annually and \$2,700 in filing fees annually.

Dave Lewis 1-3-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

David Ewer 1/6/97
DAVID EWER, PRIMARY SPONSOR DATE

Fiscal Note for HB0064, as introduced

HB 64

HOUSE BILL NO. 64
INTRODUCED BY EWER
BY REQUEST OF THE DEPARTMENT OF COMMERCE

5 A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING THE REQUIREMENT FOR AN AUDIT OF A LOCAL
6 GOVERNMENT ENTITY RECEIVING FEDERAL FINANCIAL ASSISTANCE IN EXCESS OF \$25,000;
7 AMENDING SECTION 2-7-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A
8 RETROACTIVE APPLICABILITY DATE."

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