

50TH LEGISLATIVE SESSION
MINUTES OF THE MEETING
LOCAL GOVERNMENT COMMITTEE
MONTANA STATE SENATE

February 12, 1987

The eleventh meeting of the Local Government Committee was called to order at 1:00 p.m. on February 11, 1987 by Chairman Bruce Crippen in Room 405 of the Capitol.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 288. Senator McLane of Laurel, representing District #42, stated that his bill was a house-keeping bill requested by former-senator Pat Ryan and the other Cascade County commissioners to clarify the applicability of the town meeting form of government. Referring to the body of the bill, he said that the town meeting form may be adopted only by incorporated cities or towns of less than 2,000 people. This language raises the question of whether the word "incorporated" applies to both cities and towns, and this bill inserts the word "incorporated" before "towns" also.

PROPOSERS: There were none.

OPPOSERS: There were none.

QUESTIONS: There were none.

CLOSING: In closing, Sen. McLane said the bill was submitted because of some unincorporated towns wanted to tax poker machines in their towns and were told they would have to become a taxing jurisdiction to do that. The language could be construed to mean that any town, whether incorporated or not, could take on the powers of levying taxes and assessment. That was the reason for this clarification.

CONSIDERATION OF SB 283. Senator Beck of Deer Lodge, representing District 24, said SB 283 arose out of the town of Wibaux asking the Attorney General if it could enact an ordinance prohibiting the presence of underage persons on premises where alcoholic beverages were sold and they were told "no". Both Wibaux and Libby sought to enact this type of ordinance to keep young people out of bars and feel they should be able to do so, he said.

PROPOSERS: Jim Nugent, representing the City of Missoula, said there had been a problem in Missoula in this regard. Young persons in bars can be discouraged from being in bars, but cannot be arrested or fined. He thought this law might help by making it against the law. See EXHIBIT 1.

PROPOSERS: (continued)

Alec Hansen, League of Cities and Towns, appeared as a proponent.

OPPOSERS: Bob Durkee, Montana Tavern Association, stated that the state law was adequate regarding minors on premises where alcohol is served, and he felt that cities could adopt ordinances conforming with the state law. Further, he said, they already have the obligation to enforce the state law. It would cause a hardship on restaurants as children would not be allowed to accompany their parents to eat in an establishment that served alcoholic beverages.

Rose Lee Bullock, from Basin, said that she and her husband operate the Thermostat Bar and Cafe in Basin. She said this law would cause great problems for small towns. In Basin, she said, the school children wait for the school bus in their establishment, as there is no grocery store in town or any other place suitable for them to wait. A lot of children with working parents have a warm place to wait for the bus in the morning and after school, she said.

QUESTIONS:

Sen. Vaughn asked if this law would cause a problem for bowling alleys that serve alcoholic beverages. Sen. Beck said the statute he was trying to amend was related to the actual consumption of alcohol. He feels the law needs "some teeth" to address underage drinking.

Sen. Eck asked what kind of ordinance Missoula would pass if this bill passed. Mr. Nugent said they would use the same one they have and would have exclusions for restaurants, bowling alleys or similar establishments. Sen. Eck asked if a dance floor would be off-limits if it were in conjunction with a bar. Mr. Nugent thought it would.

Chairman Crippen said there were restaurants that didn't have separate bars -- a Pizza Hut, for instance -- and wondered how this could be enforced. Could a city pass this and enforce it in that type of establishment, he asked. Mr. Nugent said that a city under a "self-governing" power could, whereas a city with "general" governing power, like Missoula, might not. Chairman Crippen asked Allen Tandy, city manager of Billings about the present law in Billings, a city with general governing power. Mr. Tandy said he is not aware of any problems in the Billings restaurants at present.

Sen. Story felt this bill could affect underage persons who work in restaurants. Karen Renne said that the sale of alcohol is already prohibited to underage persons and the consumption is already prohibited. The city ordinance would give authority to police, she said, but she felt the wording should be amended to allow underage persons on the premises, particularly in restaurants.

CLOSING: Sen. Beck said the intent of the bill was to prevent consumption of alcohol by teenagers and he would be willing to work on amendments, should opponents or committee members wish to do so.

CONSIDERATION OF SENATE BILL 284. Sen. Beck, sponsor of the bill said it is to authorize counties to charge fees for services performed by the county if not otherwise provided by the present state law. He thought some individuals were getting a "free ride" in their use of the county offices and should be charged.

PROPOSERS:

Gordon Morris, representing Montana Association of Cities and Counties, submitted EXHIBIT 2, a report of the Revenue Enhancement Committee of the Montana Association of Counties (MACO) in which there is a recommendation for these fees. He said that realtors use the county offices to a great extent and that the fee could be changed for some of the services. He said the bill has a discretionary authority to establish a reasonable fee. He said he would be responsive to amendment of any language which was felt to be too broad by some persons. He also said he would be in favor of an amendment to exempt other taxing jurisdictions from paying fees, i.e. cities, towns or schools. As to MACO's suggestions regarding fees, he referred the committee to page 6 of Exhibit 2.

Linda Stoll-Anderson, a Lewis and Clark County Commissioner, said that rural sewer districts can be created, but that user fees for maintaining septic systems cannot be charged. Air quality districts can be established, but the county cannot charge fees to pay for the maintenance of the district. The Health Department is required by the state to perform certain tasks, but the reimbursement for those is far below cost. Other fee possibilities are the Certificate of Survey (COS), road access, restitution, research, death certificate, copy charges, computer access and reimbursement for some autopsies, she said.

Alec Hansen, League of Cities and Towns, said that cities have used user fees for many years and have found them effective. He agreed with Mr. Morris that an amendment should be made to exempt cities and school districts and suggested it be added at the end of sub-section (2), saying "however the authority granted pursuant to this section shall not be used to impose any fee on any other government taxing authority or tax jurisdiction."

Greg Jackson, Montana Clerk and Recorders' Association, said he was interested in the stipulation "if not otherwise provided for by law". He said his association has already set fees which would conform with this bill.

Janet Jessup, representing the City of Helena, supports the bill, but only with the suggested amendment exempting cities or any other government taxing authority.

James Nugent, City of Missoula, spoke as a proponent if the bill is amended.

OPPONENTS: There were none.

QUESTIONS FROM THE COMMITTEE:

Sen. Harding said in some states, fees are charged for everything and the entire budget is paid by fees. She wondered if this bill was an attempt to change our form of government. Sen. Beck said it was an attempt to collect fees for services paid for by the general public and being used extensively by certain individuals. Monies have been lost by I-105 and this is an attempt to regain some of them.

Sen. Eck asked if there would be any restriction and she was particularly concerned that voter registration, absentee ballots etc. not be items charged to citizens. Sen. Beck said those things would be for the general public and the intent of this bill was to collect fees from special interest groups such as realtors.

Sen. Pinsoneault asked Ms. Stoll-Anderson, if an individual would pay \$1000 to have a COS done, then pay a recording fee, would she pay an additional fee. Ms. Stoll-Anderson said a fee for review is suggested. Sen. Pinsoneault then asked who would be asked to pay an autopsy fee. Ms. Stoll-Anderson said that, in some instances, families request autopsies not required by state law. The law may not think the death is suspicious, but the family might disagree and insist on an autopsy. If there was no foul play, the family would pay for the autopsy.

Local Government Committee

February 12, 1987

Page 5

Sen. Story said he thought a fee might cause a rash of inspections or permits to spring forth. Sen. Vaughn asked if Mr. Morris could see a possible disparity between counties. Mr. Morris said he could, but that the commissioners would have to face their voters so he thought it wouldn't be abused.

Sen. Harding said, in reference to realtors taking time with deeds and title searches, that they were referred to title companies because of liability. Mr. Morris said that a lot of time is given to title companies, too.

Sen. Eck asked if Mr. Morris had come up with good fee schedules in his study of this bill. Mr. Morris responded that he had, but he didn't have them with him.

Chairman Crippen asked why a definitive list wasn't brought to the hearing. Mr. Morris said the sponsors wanted the discretionary power written in so that legislative action wouldn't be necessary to adjust the fees every session. Sen. Crippen said he felt the fees need not be delineated, but at least the specific items for which fees should be charged. Mr. Morris said that MACO had, at one time, considered rescheduling of all the county fees and had objection of the county clerks and recorders.

Chairman Crippen posed a hypothetical service for which the county budgeted \$20,000. Tax jurisdictions utilized about 50% of their time. If the budget is used up faster than anticipated, would the fees be used to help make up the balance needed. Mr. Morris felt the budget would have to be cut, perhaps employees laid off or put on part-time.

Sen. Eck asked if there would be public input regarding the fees and Mr. Morris said that the bill provided for "public hearings".

Sen. Harding asked how Mr. Morris felt about the exemption for other governmental entities. Mr. Morris said it made him nervous because of the services provided that would not be charged but are being costed back to other taxing jurisdictions i.e. the County Attorney.

Sen. Harding asked Mr. Hansen what the proposed exemption really meant. Mr. Hansen stated that some fees should be paid by the county and some by the city and that city residents shouldn't have to pay twice as they also live in the county.

CLOSING (of SB 284): Sen. Beck said he realizes the bill needs amending, but feels it has merit and hopes the committee will work out the problems and pass it out of committee.

CONSIDERATION OF SENATE BILL 274. Sen. Hammond of Malta, representing District #9, presented the bill to the committee saying it would allow local government entities to restrict publication of audit reports to a statement that the report is on file and open to public inspection. He said the bill would save quite a bit of money for counties if they didn't have to publish the audits.

PROPONENTS:

Alice Kuehn, the Ekalaka county clerk, said she would like the same privileges that school districts, conservation districts etc. have. They are allowed to publish a notice in the newspaper that the audit is complete and that citizens who would like may see it or have a copy. She distributed EXHIBIT 3.

Janet Jessup, representing the City of Helena, supported the bill for the same reasons as Alice Kuehn. She said that Helena spent \$562 last year for the audit and felt few understood or even read it.

Jim Nugent, lobbying for the City of Missoula, said he felt the money used for publishing the audit is not being well spent.

Alec Hansen, League of Cities and Towns, feels this bill could be particularly important to small towns with limited budgets, and the audits would be available to anyone requesting them.

Allen Tandy, city manager of Billings, said in the last two years, the City of Billings has won excellence awards for its audit reports. They are extremely well done and, yet, there is little interest in reading them. He supports the bill in the interest of saving money.

Shirley Mohr, Glendive, feels publication of the audit should be a decision of the local entity. The cost in her county is \$400-\$500 and the citizens would prefer to take that money and put up lighting for its tennis courts or wading pools. See EXHIBIT 4.

Jane Campbell, representing the CPAs stood in support of the bill.

OPPONENTS: (to SB 284)

George Moore, executive director of the Montana Press Association, representing 68 weekly newspapers and all 11 daily newspapers in Montana, appeared in opposition to the bill. See EXHIBIT 5. He read written testimony into the record.

Thomas L. Brossart, publisher of the Dillon Tribune-Examiner, spoke in opposition to SB 284. See EXHIBIT 6.

Verle L. Rademacher, editor and publisher of the Meagher County News in White Sulphur Springs read and distributed testimony in opposition to SB 284. See EXHIBIT 7.

Keith Klingenberg, owner and publisher of the High Country Independent Press in Belgrade, submitted and read written testimony opposing the bill. See EXHIBIT 8. Mr. Klingenberg said the people in Gallatin County Courthouse are very cooperative, but for people living 100 miles from the courthouse to get the information, they have to take off work to get to the courthouse during working hours. Taxpayers can more easily get the information if they can read the audit in the newspaper, he said.

Sandra Whitney, Montana Taxpayers' Association, feels there is more to this than the cost, and feared it was designed to prevent access to information.

QUESTIONS:

Sen. Beck asked Mr. Moore why the newspapers didn't publish the audit as an item of news, rather than charge cities and counties to publish it. Mr. Moore said that newspapers did in some cases, but that the scope of some of the audits was so broad and technical that it was difficult to digest the information and summarize it into a news article. Mr. Brossart said he did write articles in this regard as much as space allowed. Mr. Klingenberg felt the audit should be published in total so that people would not think certain portions had been deliberately omitted.

Chairman Crippen asked if large newspapers with more space ever printed these audits free of charge as a matter of public interest. He was told they were not. They are put out on bid, and that sometimes even the small newspapers win the bid. Mr. Klingenberg said this type of printing was difficult to set up, that newspapers weren't subsidized and that, for economic reasons, they had to sell this kind of printing.

CLOSING: Sen. Hammond said that, if the opposition to the bill agrees that the cost is not a major item but the accessibility is, they haven't read the bill thoroughly. The bill stipulates that the government entity will send a copy to anyone upon request. He said that Malta taxpayers would rather spend the \$198 it cost to publish their audit in other ways. He objected to any inference of shoddy bookkeeping. Another point, he said, was that some auditors wrote very long audits causing even greater than normal expense to the county. In the interest of economy, he urged support and closed the hearing.

EXECUTIVE SESSION:

REQUEST FOR COMMITTEE BILLS:

Senator Story said that it was his intention to include an exemption for the mining industry in SB 211, but that the information hadn't been received in time. Now, said Sen. Story, he had a request for a Committee Bill regarding that issue from Pegasus Gold Corporation, asking for the exclusion. He then introduced Mr. John Fitzpatrick, Manager of Administration for Pegasus Gold Corporation, Montana Tunnels Mining, Inc.

Mr. Fitzpatrick explained that mine and mineral process facilities are subject to regulation under the Montana Building Codes Act, Montana Mine Safety Act, and the Federal Mine Safety and Health Act. He said they either duplicate or conflict with each other and felt an exemption from the state building code would help the industry. The other required inspections were even more stringent and would insure safety, he said. See EXHIBIT 9.

Chairman Crippen explained that, if the committee was to consider the Committee Bill, it would have to be done right away because of the oncoming deadline for transmittal.

Sen. Story MOVED that this Committee Bill be adopted. The MOTION CARRIED with Sen. Walker voting NO.

* * *

The second request for a Committee Bill was made by Senator Ethel Harding. The bill she asked the committee to consider was to classify group and family day-care homes registered by the Department of Social and Rehabilitation Services to be considered as a residential use of property

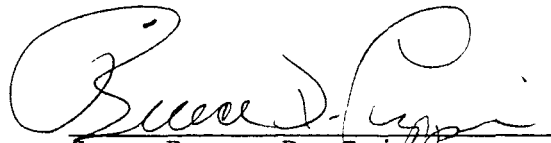
Local Government Committee
February 12, 1987
Page 9

for the purpose of all local ordinances. She distributed copies of the bill. See EXHIBIT 10. She said foster homes, youth homes and group homes are all considered residential and she felt that day-care homes should also be classified this way.

Sen. Crippen asked if this was a Local Government issue and Sen. Harding said it was, but that it had been taken to the Public Health Committee first and turned down. Sen. Edk said that Sen. Hims1 opposed it as he was convinced that the homes already had the authority through an Attorney General's ruling. But, after checking further, Sen. Hims1 would move to reconsider tomorrow which would be one day closer to transmittal deadline. Sen. Eck hoped the Local Government Committee would take the bill.

Sen. Story MOVED that the committee accept this as a committee bill. The MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 3 p.m.


Sen. Bruce D. Crippen
Chairman

ROLL CALL

SENATE LOCAL GOVERNMENT COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-12-87

NAME	PRESENT	ABSENT	EXCUSED
BRUCE CRIPPEN	X		
R. J. PINSONEAULT	X		
TOM BECK	X		
DOROTHY ECK	X		
H. "SWEDE" HAMMOND	X		
ETHEL HARDING	X		
LES HIRSCH	X		
PETER STORY	X		
ELEANOR VAUGHN	X		
MIKE WALKER	X		

Each day attach to minutes.

COMMITTEE ON

DATE

2-12-87

Local Government

VISITORS' REGISTER

NAME	Complete Address AND REPRESENTING	BILL #	Check One	
			Support	Oppose
Alfred Lee	P.O. Box 338 Ekalaka	274	✓	
Shirley Mohr	300 S. Merrill - Blain	274	✓	
Perle L. Rademacher	Box 349 White Sulphur Springs	274		✓
Janet Jessup	316 N. Park City of Helena	274	✓	
Tim Nugent	City of Missoula	274	✓	
Tim Nugent	City of Missoula	283	✓	
Gordon Morris	MA Co.	284	✓	
Keith A. Klingenberg	High Country Independent Press P.O. Box 1019, Belgrade, MT. 59714	274		✓
Tom Brossart	Pillon Tribune, P.O. Box 911, Dillon	274		✓
Diane Brossart	" " " "	274		✓
George Moxley	mt Press Press	274		✓
Nancy Whitmer	Paul Taylor	274		✓
Kara Stormont	League of Women Voters	284		
Kay Foster	City of Billings	274	✓	
Kay Foster	" "	284	✓	
Helen Tork	City of Billings	274	✓	
Ali - J. J.	City of Billings	283	✓	
Russell Bulluck	Desert, Mex.	283		✓
Charles Bulluck	M.T.A.	283		✓
Bob Durkee	MTA	283		✓
Jane Campbell	MT Soc of CPAs	274	✓	
Jane Sue Anderson	Lewis & Clark County	284	✓	
Kelli Williams	Senator Bob Williams			
Craig Jackson	MTCIK & Records' ASSN	284		



OFFICE OF THE CITY ATTORNEY

201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

SENATE LOCAL GOVERNMENT

EXHIBIT NO.

DATE 2-12-87

BILL NO. SB 283

February 10, 1987

Nugent

87-098

Senator Tom Beck
Montana State Senate
Montana State Capitol
Helena, Montana 59620

Senator Bruce Crippen
Senate Local Government Chairman
Montana State Senate
Montana State Capitol
Helena, Montana 59620

Re: Support for Senate Bill 283 authorizing cities to enact ordinances prohibiting the presence of underage persons on premises where alcoholic beverages are sold and consumed

Dear Senators Beck and Crippen:

The City of Missoula supports Senate Bill 283 authorizing incorporated cities and towns to enact ordinances prohibiting the presence of underage persons on premises where alcoholic beverages are sold and consumed.

Montana Attorney General Mike Greely, in Attorney General Opinion No. 84, Volume No. 41, issued September 10, 1986 to the town of Wibaux, Montana, held that since the State Legislature had never given a general power city or town the statutory authority to do so, "an incorporated town may not enact an ordinance prohibiting persons under the age of 19 years from being on licensed premises where alcoholic beverages are sold and consumed."

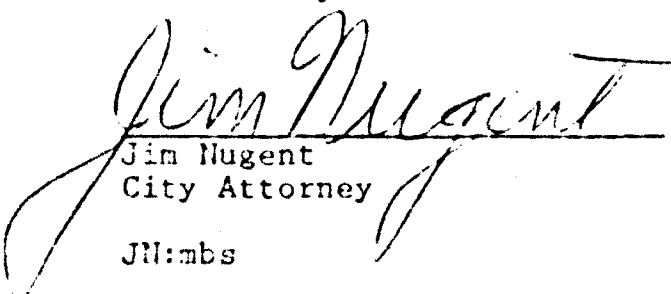
At the time of the issuance of this Attorney General Opinion the City of Missoula also had an ordinance that regulated this matter. Thus, the City of Missoula's ordinance was in essence declared invalid by the aforementioned Attorney General's Opinion.

The City of Missoula ordinance was enacted in response to concerns expressed by City of Missoula Police Officers about under legal drinking age persons (especially 18 year olds) hanging out or remaining in the bar area of a premises where alcoholic beverages are sold and consumed. Obviously, the concern is that these individuals under legal drinking age may be illegally consuming alcoholic beverages during the time that they are on the premises where alcoholic beverages are sold and consumed.

Senator Tom Beck
Senator Bruce Crippen
February 10, 1987
Page Two

City Police Officers on police patrol cannot remain at a specific bar for lengthy periods of time in an effort to determine if illegal drinking is occurring.

Yours truly,



Jim Nugent
City Attorney

JN:mbs

cc: Missoula County Senators William Farrell, Mike Halligan,
Bill Norman, Fred VanValkenburg, Jack Haffey, Dick Pinsoneault
and George McCallum; Marvin "Red" Hamilton, Police Chief;
Legislative File

MONTANA ASSOCIATION OF COUNTIES

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 2, P. 1
DATE 2-12-87
Senate BILL NO. 284
1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

REVENUE ENHANCEMENT COMMITTEE

The Montana Association of Counties Revenue Enhancement Committee submits the following in response to the call of MACo President Bob Mullen. The Committee has met, engaged in intensive analysis, and does hereby transmit this report to the full membership of MACo at the Annual Meeting in Red Lodge June 15 through 18.

The committee respectfully requests acceptance of the report and recommendations as submitted. The recommendations if adopted in whole or part will be prepared in appropriate legislative fashion by the MACo staff and the MACo Resolutions/Legislative Committee.

Committee Members are:

Marie McAlear, MACo Chair	Thomas A. Beck	Fritz Tossberg
Bob Mullen, MACo Pres.	Malcolm McRae	Jim Campbell
Bernt F. Ward	Howard Schwartz	Jerry Thomas
Ed Blackman	Greg Jackson	

Section I.

Property tax has been the subject of study and analysis by various groups such as the Governor of the state and the voter review groups. One of the most important single conclusions emerging from all studies is that Montana local governments, in this case counties, are facing increased difficulties in generating sufficient revenues to finance and deliver current services. In the past several years counties have been forced to increase the utilization of the property tax significantly. This is perhaps best demonstrated by the fact that an increasing number of counties have reached or are close to reaching the maximum mill levy authority set forth in state statutes. This fact is demonstrated by the increasing number of "other levies" being added to the property tax bills as counties struggle to levy separately for costs associated with services that would have been provided through a general fund levy at one time. For example, the number of counties that are levying for insurance purposes has significantly increased in the past two years. Likewise, counties now levying for personnel related fringe benefits outside of the general fund have also increased in number.

- o In FY'86, 33 counties are: either at the maximum; over the maximum; or within 1 mill of the maximum, allowable levy for General Fund purposes.

MACo

- o In FY'86, 38 counties are: either at the maximum; over the maximum; or within 1 mill of the maximum, allowable levy for county road fund purposes.

These are only indicative of the problem created as the property tax base shrinks relative to the expansion of the costs of providing services as measured by the consumer price index.

COMPARISON OF TAXABLE VALUE TO US CPI, 1975-84 (1)

FISCAL YEAR	MARKET VALUE	TAXABLE VALUE	% CHANGE IN T.V.	US CPI 1967 = 100	% CHANGE IN CPI
1975-76	4,374,050,185	1,350,774,330		161.3	9.21
1976-77	4,778,405,162	1,391,935,128	3.04	170.5	5.70
1977-78	5,105,825,552	1,466,743,754	5.39	181.6	6.51
1978-79	13,103,720,390	1,568,285,437	6.96	195.4	7.60
1979-80	13,741,816,793	1,621,951,970	3.38	217.5	11.31
1980-81	15,128,059,224	1,845,008,937	13.82	246.8	13.47
1981-82	15,871,971,762	2,020,630,740	9.49	272.3	10.33
1982-83	15,952,480,208	2,204,492,144	9.11	289.1	6.17
1983-84	15,796,592,579	2,233,374,651	1.32	298.3	3.17

TOTAL PERCENT INCREASE IN CPI = 84.93%

TOTAL PERCENT INCREASE IN TAXABLE VALUE = 65.41%

(1) SOURCE: "Report of the State Department of Revenue"

At the same time property tax revenues have decreased as property has been identified for removal from the tax rolls or the valuation for tax purposes has been reduced. It should be noted at this time that one of the few remaining stable categories of property tax revenues is land and residential property. The future prospects of increased taxable value would appear uncertain, particularly in light of continued pressure to provide a strong economic development base, with consideration for the role that property taxes play in the analysis of economic growth and development.

Legislative action during the 1985 session further clouds taxable value concerns. There is a potential for further losses in taxable value resulting from reappraisal. The committee recognizes the dilemma associated with property tax reappraisal and believes that the prospect of inequities is real and efforts should be made to avoid increasing the property tax burden on those people least able to pay.

Section II.

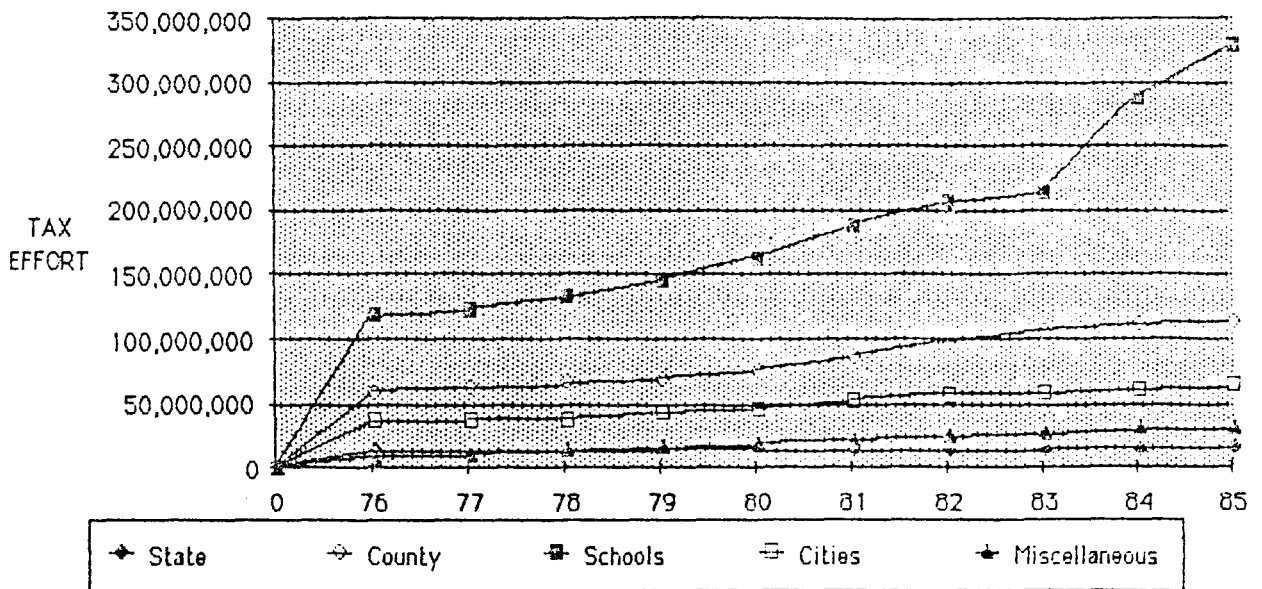
In attempting to make comparisons between property tax revenue generated in the state of Montana and the individual income tax several things can be noted. Using data found in the Montana Executive Budget 1986-87 it has been determined that income tax collections in the years 1983-1987 run \$150 million in '83, \$170 million in '84, and beginning in '85 projected revenues of \$182 million, '86 \$195 million and in '87 \$204 million. The projections contained in the Executive Budget note that income tax forecasts are based on the assumption of moderate growth in total personal income and employment. The property tax comparisons should be made on the basis of the years 1983 and 84. In 1983 total taxable value for the entire state of Montana was at \$2.23 billion dollars with property tax revenues coming to a grand total of \$505 million dollars. In 1984 the taxable value statewide was \$2.3 billion dollars with property tax revenues generated in the amount of \$554 million dollars. One can conclude that the state's reliance on the property taxes is minimal, while local governments are virtually totally dependent upon property tax revenues and the reliance factor on property taxes in Montana is substantially higher than the national average.

PROPERTY TAX COMPARISONS TO INCOME TAX

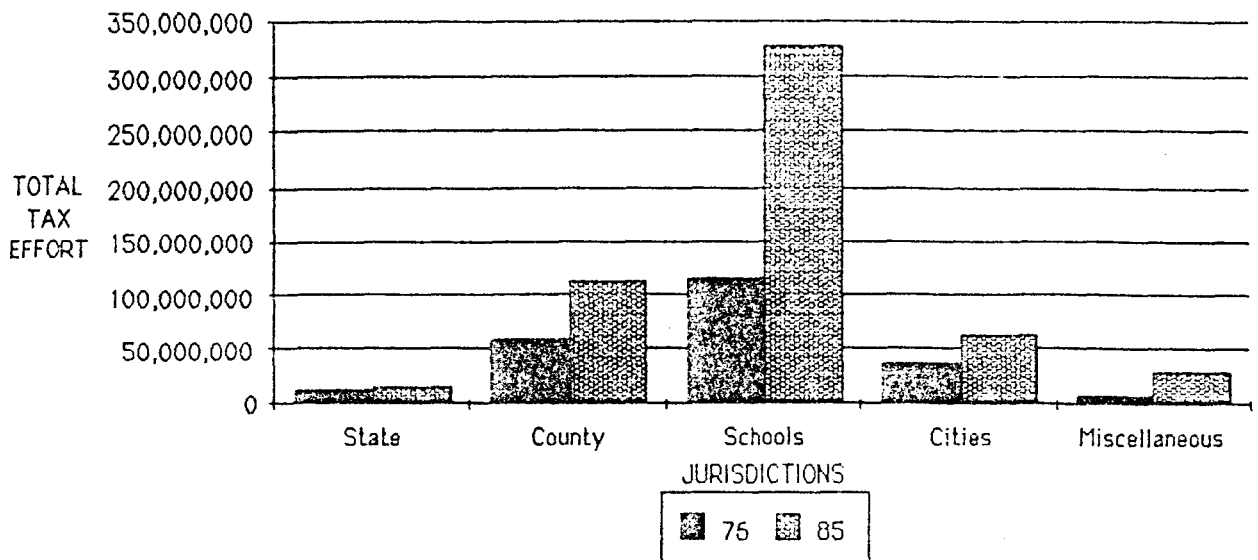
	INCOME TAX COLLECTIONS	PROPERTY TAX COLLECTIONS
'76	\$ 98,249.725	\$280,418,622
'83	\$150,000,000	\$505,000,000
'84	\$170,000,000	\$554,000,000
'85	\$181,057,160.	\$580,000,000*
*10 year increase %	84.7	107.1
'86	\$195,000,000*	\$625,000,000*
'87	\$204,000,000*	\$680,000,000*

* PROJECTIONS RATHER THAN ACTUALS.

MONTANA PROPERTY TAXES BY JURISDICTION 1976-1985



MONTANA PROPERTY TAXES BY JURISDICTION FISCAL YEARS 1975-76 AND 1984-85



In 1983, property taxes, as a percent of total local revenue collections in Montana was 95.9%. This compares to the national average of 76.6 and the Rocky Mountain regional average of 77.3.

RECOMMENDATIONS

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 2, P. 3
DATE 2-12-87
BILL NO. SB 284

Any method this state uses to generate revenue directly affects local governments. State budget shortfalls can not be made up by passing costs of programs to local governments and their taxpayers. We expect the state to honor their existing commitments to local government.

In order to maintain mandated or required levels of services the committee recommends establishing a stable and diverse alternative tax source with a potential for reducing and/or replacing property taxes.

"Required services" are defined as those services currently provided throughout the state which are funded by property tax collections.

The committee recognizes that statewide taxable value has increased primarily as a result of the growth in centrally assessed property in the past 10 years. This does not adequately represent the deteriorating situation in the majority of counties in the state of Montana.

The committee recognizes that local governments must have the ability to find additional revenues to support services which in many cases are currently being provided on a bare bones basis.

The committee acknowledges that one alternative to establishing other revenue sources is to cut services. We do not recommend cutting services but understand that this is an alternative.

Section III.

In endeavoring to analyze the status of fees and/or service charges associated with courthouse services provided to the general public it is necessary to understand current Montana statutes. The authority for counties to provide the services associated with public safety, public works, recording services and other assumed responsibilities of the county are scattered throughout the codes. The laws authorizing local governments to provide services as enacted in the past were not developed in a uniform and consistent fashion. The authorization to provide a particular service was usually granted without any conscious recognition of the original intention of the law and the costs of the service to be provided.

It should be noted that the issue of fees and/or service charge should be viewed as an expense upon the user of the service generally by a fee or service charge levied when the service can be measured and provided in identifiable units while the user also can be identified. The rationale behind service charges is that certain

services are primarily for the benefit of individuals rather than the general public and hence should not be an expense against the general public or therefore supported by the property tax. The individual directly benefiting from the service should pay the cost of that service. Service charges and fees do differ from licensing and permitting requirements in that these are designed to reimburse the county for costs related to its regulatory responsibilities. Service charges are assumed to be imposed to support an identifiable service to individuals.

7 The dilemma insofar as existing law is concerned is that some services are being provided and financed by county wide property taxes while all the property taxpayers do not actually receive or benefit from those services. An attempt needs to be made to identify more accurately those services which are currently provided at property tax expense when in fact they should be supported by individual assessments. Current fees for services are a functional responsibility of the state legislature. Where counties are collecting a fee usually through the Clerk and Recorders office, those fees are being set by the legislature. Prior to the '85 legislative session, MACo did propose the establishment of a local government fee board with the independent authority to establish fees currently set in the statutes.

7 One might compare the fees identified for collection within the current statute against a rather broad and general list of service areas where fees might be utilized. It should be noted that local autonomy may be a factor in the ultimate analysis of fee scheduling. The areas that might be identified in terms of having a potential for generating service fees within the counties would include 1) cultural and recreational facilities; 2) special safety services; 3) special public works services; 4) general governmental/miscellaneous. There may be other sectors that could be identified as having a potential for generating service charges where none are currently being generated but yet a service is being provided. A case by case analysis could be made or blanket authority for fee assessments could be granted.

RECOMMENDATION

The committee recommends that consideration be made to support legislation that would:

> Allow for local government discretion in the setting of fees for services.

Grant broad local fee authority to local governments.

Grant the local discretionary authority for the implementation of additional varieties of fees to be assessed.

Section IV.

Other State and/or local taxes utilized throughout the United States vary considerably. If they were all identified the list would virtually be endless. Instead one might analyze some of the major state and local taxing authorities used throughout the country other than property and income taxes as we know and love in Montana.

1. State and/or Local option sales tax
2. Admission taxes
3. Real estate transfer/excise taxes
4. Gambling taxes
5. Parking taxes
6. Utility user taxes
7. Special police or fire service taxes
8. Business and occupational taxes
9. Hotel/Motel taxes
10. Payroll taxes
11. Restaurant
12. Luxury
13. Income

RECOMMENDATION

The committee recommends that local governments be granted discretionary authority to implement various local option taxes to offset local property tax revenues, the lack of federal revenues and decreases in state revenues. Such legislation should include consideration for:

1. hotel/motel taxes,
2. restaurant taxes,
3. luxury taxes,
4. payroll taxes,
5. motor vehicle fees,
6. sales taxes,
7. Entertainment taxes,
8. Income taxes
9. Etc.

The committee recommends that statewide alternative revenue sources be established to fund state revenue sharing programs for local governments. Such revenues may include statewide taxes imposed on:

1. Hotels/Motels
2. Restaurants
3. Luxuries
4. Sales Taxes
5. Entertainment establishments
6. Etc.

The committee recommends that a portion of any revenue from statewide tax effort or reform be shared with county government.

The committee recommends continued advocacy efforts in support of these beliefs in conjunction with other local government representative groups.

Section V.

The future for property tax reform is relatively limited if it is viewed without consideration for property tax relief or the generation of income from other sources. Disregarding that potential property tax reform would be limited to very few possibilities.

The major possibility for consideration and one which has been foremost in many minds since 1977 would be the establishment of county authorization for an all purpose levy. This would be used to replace or supplement current levy authority which has caps set by state law in the categories of the general fund, poor fund, roads, bridges, fairs, libraries, etc. Counties should be authorized the use of an "all purpose tax levy" as the sole method of raising revenues. The strongest argument for this type of approach is that it would simplify legislative oversight, increase local discretion in allocating scarce financial resources, and eliminate the cost of bookkeeping for separate funds. Greater flexibility could be granted through allowing counties to consolidate different types of levies their discretion.

Another alternative would be to approach each of the current authorizations for property tax mill levies to seek to increase them to levels which would be more in line with current needs. The last time the levies were adjusted by the legislature occurred in 1973. Since 1977 there have been no increases on the caps in state law.

RECOMMENDATION

The committee recommends enabling legislation to support broad discretionary authority at the local level for an all purpose levy in lieu of various separate levies now authorized. Such an all purpose levy would allow Commissioners greater flexibility in managing county operations and achieve greater efficiency in the delivery of services and the cost associated with those services. All purpose levy authority, with an established cap, must be tied to generating additional revenue from other sources for county government.

Section VI - Block Grant Program

During the 1985 legislative session considerable attention was focused on the general purpose block grant program or state aid for local government. The attention was due to the increase in revenue necessary to continue to support the general purpose portion of the block grant or state motor vehicle reimbursements at the 100% level. In addition an effort was made to get the state statutes amended so as to eliminate the continuing distribution of block grant revenues on the basis of mill levies. This has the effect of reducing revenue to counties insofar as the levies for county purposes are fixed by law. By way of explanation this item, a legislative effort sponsored both by MACo and the League, would have amended the distribution of block grant revenues as they are set forth in statutes based upon the mill levies which means that the schools are the primary beneficiaries due to their continual increase in levies over prior years. This effort was unsuccessful.

At the same time attention was focused on perhaps the most important part of the block grant distribution. There are eight counties and jurisdictions therein that do not benefit from the distributions of revenues. This is based upon the assumption that on the flat fee basis of motor vehicle registrations in those counties were generating more revenue than they were in the prior period on an ad valorem tax basis. The section of state law 61-3-536 sets up a system wherein property taxes on cars and light trucks in the period January 1, 1981 through December 31, 1981 is used to determine future reimbursements. The license fee revenue generated by the ad valorem taxes in the same period was the amount equated with the revenue losses on a county-by-county basis that would be reimbursed by the state. The county revenue loss and other jurisdictional losses are translated into a loss per vehicle based on the number of vehicles in that year and the calculations then resulted in a loss per vehicle per county. That loss per vehicle per county has remained constant since the law was passed and has not changed.

The question that needs to be answered is, on a county-by-county basis, is whether or not the loss per vehicle has remained constant. It may fairly be predicted that the loss per vehicle on a county-by-county basis would in fact fluctuate relative to increasing or decreasing mill levies on the part of all the taxing jurisdictions within the county. The conclusion then would be that while a county might have been determined to have had a loss per vehicle based upon 1981 levies that loss per vehicle in 1985 may be substantially more or even perhaps substantially less. In the case of the non-recipient counties it becomes a question of whether or not their property taxes have increased to the point where on an ad valorem basis they would now be losing revenue in comparison to the flat fee motor vehicle registration system.

It would not be fair to predict the results that would arise from using a new figure relative to the comparative position on an ad valorem basis versus the flat fee system. The strongest recommendation should be made that the system needs to be revised so as to compensate all jurisdictions in an equitable fashion based upon the most recent statistics available. For example, the property taxes on cars and light trucks could be calculated in each successive fiscal year and used for purposes of comparing that to the current license fee revenue being generated in that same period. The figure could then be arrived at based upon what the county revenue loss or gain would be and hence new eligibility determinations on an annual basis for distribution of the block grant money. This would not require a major change in state law but would instead rest on the understanding that a weighted property tax average could be generated and used on a county-by-county basis and compared to the revenue currently being generated on a flat fee basis. Such a system could lead to substantial changes in the allocations of the block grant revenue in each successive year.

RECOMMENDATION

It is recommended that an alternative revenue source be identified for purposes of funding the local government block grant and district court funding. It is further recommended that motor vehicle fees be reserved as a local government revenue source with the fees being established uniformly as in the fashion currently provided in state law or by using 1) a weighted average mill levy if motor vehicles are to be put back on the tax rolls, or 2) using a uniform statewide percentage of depreciated value for assessing fees.

NAME: Alyce KeehnADDRESS: P.O. Box 338PHONE: 775-8731REPRESENTING WHOM? Clarks, Insurance, Laundry, & Business offices AssociationAPPEARING ON WHICH PROPOSAL: SB 274DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: We are requesting the authority to make the choice of the local level that credit programs be published in the local papers. The difficult economic times that cities & towns are facing the requirement to publish the credit program will result in a local credit being cut. Since the choice is between the community would want the paper to be spent for a credit report at the same as the past to have a life guard for a credit report. Legal notice about the credit audit.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

The paper would receive an audit report. And even if the majority of the community wished to see the audit published then it would be the choice of that Council.

FEDERAL FISCAL PROPOSALS RESULTING IN REVENUE LOSSES TO IDAHO

o Community Development Block Grant	- Cut Back
o Rural Development Loan Fund	- Eliminated
o Public Works	- Eliminated
o General Revenue Sharing	- Cut Back
o Section 8 Housing	- Cut Back
o Rent Rehabilitation-Housing Grant	- Cut Back
o Rural Housing Grants/Loans	- Severe Cut Back
o Job Training Programs (General)	- Cut Back
o Transportation Grants	- Cut Back
o Rural Water and Sewer Grants	- Eliminates
o Community Services Block Grant	- Eliminates
o Juvenile Justice Grants	- Eliminates
o Disaster and Emergency Operating Centers	- Eliminates
o Disaster Loans	- Eliminates
o Rural Community Fire Protection	- Eliminates

(Sign here in i

STANDARD AUDIT FEE CLAIM FORM
AS PRESCRIBED BY THE DIVISION OF LOCAL GOVERNMENT SERVICES

Department of Commerce

Name of Local Government

Town of EkalakaCountyEkalaka, Montana 59

Audit Code Number

0201000694Type of
Local GovernmentCounty ☐City/Town ☒School District: ☐Elementary ☐High School ☐Extracurricular ☐Irrigation District ☐Fire Relief Assoc. ☐Rural Fire Dist. ☐

In accordance with Section 2-7-516, MCA, this claim is submitted for the costs incurred in the audit of the above local government for the period:

from July 1, 1982 through June 30, 1987Audit Fee Claim No. 1 Interim ☐ Final ☒

This audit fee claim is submitted for work performed:

from February 25, 1985 through March 13, 1985

Professional Staff

Audit Services \$ 2630.00Accounting Services Technical Assistance Services Clerical, Typing & Report Preparation 250.00Amount to be Paid \$ 2880.00Please make your warrant payable to the **Montana State Treasurer** and forward it to the Department of Commerce, Local Government Services Division, Capitol Station, Helena, Montana 59620, at your earliest convenience. Merely attach this claim to your own form, since this is the official fee billing.

NOTE: Please attach the yellow copy of this form to your warrant so that you will receive proper credit for your payment.

I hereby certify that this claim is correct and just in all respects, and that payment or credit has not been received.

GEORGE H. PENDERGAST, Administrator
Division of Local Government ServicesDate March 13, 1985By [Signature]
Municipal Auditor

For your information, previous audit fee claims submitted for this audit are as follows:

No.	Period Covered	Amount
<u> </u>	<u> </u>	\$ <u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
Total Previously Billed		\$ <u> </u>
This Claim		<u> </u>
Total Billed to Date		\$ <u> </u>

Not
Applicable

*Presented to Council
at April Meeting
paid out
paying May bill*

EXHIBIT

DATE

BILL NO.

3, p. 3

2-12-87

36370

TOWN OF EKALAKA
EKALAKA, MONTANA
REPORT ON COMPLIANCE MATTERS

Our audit included tests for compliance with statutes, regulations, ordinances and other requirements that the Town of Ekalaka is required to adhere to. For the items and areas tested, the Town was in compliance with the applicable provisions referred to above, except for the areas listed below. In addition, based on the procedures employed, nothing came to our attention that caused us to believe the untested items and areas were not in compliance with applicable statutes, regulations, ordinances and other requirements.

CASH FUND OVERDRAFT:

The Sewer Operating Fund had cash overdrafts on June 30, 1983 and 1984 of \$87.00 and \$1,841.10, respectively. The Sewer Operating Fund had not registered warrants as required by Section 7-4-4501, MCA.

RECOMMENDATION

When there are insufficient moneys in a fund to redeem check/warrants, the check/warrants should be registered. The Town Council should review the revenue and expenditures of any fund having the cash over-drafts or cash flow problems to determine what corrective action should be taken.

CONFLICT OF INTEREST:

One Town Council member had a construction contract with the Town of Ekalaka. This appears to be contrary to the provision of Section 7-5-4109, MCA, which states that the Mayor, any member of the Council, any Town Mayor, or any relative or employee thereof must not be directly or indirectly interested in the profits of any contract entered into by the Council while he is or was in office.

RECOMMENDATION:

The Town Council should not enter into a contract with the Mayor, members of the Council, Town officials or any relative or employee thereof.

REPORT ON OTHER FINANCIAL AND INTERNAL ACCOUNTING CONTROL MATTERS:

Findings relating to financial or accounting matters, along with our recommendations, are presented below.

REVENUE CLASSIFICATION:

Some revenues were not classified properly. Corporation license taxes were recorded as taxes, rather than as intergovernmental revenue. Some motor vehicle fees were recorded as tax revenue, rather than as licenses and permits.

RECOMMENDATION:

The Town should monitor all collections to insure that they are properly classified by source as set out in the Town Accounting and Reporting System.

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS:

The following is a summary of recommendations contained in the prior audit report and the actions taken on them by the Town:

RECOMMENDATIONS TAKEN

Fixed Assets-Inventories: Not Implemented
A complete physical inventory should be taken each year of all Town land, buildings and equipment.

Budget Line-Item Over- Implemented

drafts: The Town Council should authorize budget transfers to prevent line-item budget overdrafts.

Cash Fund Overdrafts: Not Implemented

When there are insufficient funds to redeem check/warrants, the check/warrants should be registered.

Fixed Mileage: The Town Council should authorize all

mileage reimbursements to be paid according to the mileage actually traveled in performance of official duties.

City Court-Distribution of Implemented

Collections: The City Judge should review all law changes and their effective dates to insure that all collections are remitted to the proper funds.

Published in the Ekalaka Eagle, Ekalaka, Montana on November 22, 1985.

11-2-85
riday, November 22, 1985, page seven

To the Honorable Town Council
Town of Ekalaka
Ekalaka, MT 59324

We have examined the financial statements of the Town of Ekalaka for the years ended June 30, 1983 and 1984, and have issued our report thereon dated March 13, 1985. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Town taken as a whole.

However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Town may occur and not be detected within a timely period.

FIXED ASSETS - INVENTORIES

Property inventory records consisted of a card file to substantiate some of the fixed assets of the Town. The values assigned in the card file did not agree with the general ledger fixed asset accounts. No annual inventory of Town fixed assets had been taken by the Town Council.

RECOMMENDATION

A complete physical inventory should be taken each year of all Town-owned land, buildings and equipment. The information obtained from the inventory should be used to update the card file and adjust the general ledger fixed asset accounts. Further, the Town Council should adopt a policy defining the assets to be capitalized, records required, how and when a complete physical inventory should be taken, and any other information needed to insure a complete and proper fixed asset inventory system.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the financial statements for the years ended June 30, 1983 and 1984, and this report does not affect our report on these financial statements dated March 13, 1985.

This report is intended primarily for the use of the Town of Ekalaka's Town Council and its management. Its use for any other purpose is not appropriate. This restriction is not intended to limit the distribution of this report which, upon issuance, is a matter of public record.

March 13, 1985 /s/ DONALD L. DOOLEY
Bureau Chief

AUDIT PUBLICATION INTRODUCTION

An audit of the affairs of the Town of Ekalaka has been conducted by the Department of Commerce. The audit covered the fiscal years ended June 30, 1983 and 1984.

Section 2-7-521, MCA, requires the publication of the general comments section of this audit report. This law also requires that the publication include a statement that the audit report is on file in its entirety and open to public inspection at the Town Hall.

The general comments section includes the Auditor's Report, which is the auditor's opinion on the financial statements, and any narrative of findings and recommendations. The following publication of the general comments section may contain references to a table of contents, financial statements, notes to the financial statements, or supplemental schedules which will not be included within this publication. However, this information is a part of the complete audit report on file and open to public inspection at the above location.

Very truly yours,

/s/ DONALD L. DOOLEY
Bureau Chief

To the Honorable Town Council
Town of Ekalaka
Ekalaka, MT 59324

We have examined the combined financial statements of the Town of Ekalaka as of and for the years ended June 30, 1983 and 1984, as listed in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the enterprise funds and the general fixed assets account group. The Town's records do not permit the application of adequate alternative procedures regarding the cost of the fixed assets. Because of these matters, we were unable to satisfy ourselves by appropriate audit tests or other means as to the fair presentation of the enterprise funds or general fixed asset account group included in the accompanying combined financial statements.

As more fully described in Note 1, the accompanying combined financial statements are prepared on the basis of cash receipts and disbursements, except that enterprise fund user charges are accrued and the related receivables recorded. Consequently, revenue and the related assets are generally recognized when received rather than when susceptible to accrual or earned, and expenditures are recognized when paid rather than when the obligation is incurred. Further, depreciation on enterprise fund fixed assets is not recorded. Accordingly, the accompanying combined financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had we been able to examine the fixed assets of the enterprise funds and the general fixed assets account group, as explained in paragraph two, the combined financial statements referred to above present fairly the assets and liabilities arising principally from cash transactions of the Town of Ekalaka at June 30, 1983 and 1984, and the revenue collected, expenditures paid, and changes in fund balances for the years then ended, on the basis of accounting described in Note 1 to the financial statements, applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the combined financial statements of the Town of Ekalaka. The information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

March 13, 1985 /s/ DONALD L. DOOLEY
Bureau Chief

REPORT ON INTERNAL ACCOUNTING CONTROL

We have examined the financial statements of the Town of Ekalaka for the years ended June 30, 1983 and 1984, and have issued our report thereon dated March 13, 1985. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Town is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Town taken as a whole.

However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Town may occur and not be detected within a timely period.

FIXED ASSETS - INVENTORIES

Property inventory records consisted of a card file to substantiate some of the fixed assets of the Town. The values assigned in the card file did not agree with the general ledger fixed asset accounts. No annual inventory of Town fixed assets had been taken by the Town Council.

RECOMMENDATION

A complete physical inventory should be taken each year of all Town-owned land, buildings and equipment. The information obtained from the inventory should be used to update the card file and adjust the general ledger fixed asset accounts. Further, the Town Council should adopt a policy defining the assets to be capitalized, records required, how and when a complete physical inventory should be taken, and any other information needed to insure a complete and proper fixed asset inventory system.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the financial statements for the years ended June 30, 1983 and 1984, and this report does not affect our report on these financial statements dated March 13, 1985.

This report is intended primarily for the use of the Town of Ekalaka's Town Council and its management. Its use for any other purpose is not appropriate. This restriction is not intended to limit the distribution of this report which, upon issuance, is a matter of public record.

March 13, 1985 /s/ DONALD L. DOOLEY
Bureau Chief

The following publication or the general comments section may contain references to a table of contents, financial statements, notes to the financial statements, or supplemental schedules which will not be included within this publication. However, this information is a part of the complete audit report on file and open to public inspection at the above location.

Very truly yours,
/s/ DONALD L. DOOLEY
Bureau Chief

To the Honorable Town Council
Town of Ekalaka
Ekalaka, MT 59324

We have examined the combined financial statements of the Town of Ekalaka as of and for the years ended June 30, 1983 and 1984, as listed in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the enterprise funds and the general fixed assets account group. The Town's records do not permit the application of adequate alternative procedures regarding the cost of the fixed assets. Because of these matters, we were unable to satisfy ourselves by appropriate audit tests or other means as to the fair presentation of the enterprise funds or general fixed asset account group included in the accompanying combined financial statements.

As more fully described in Note 1, the accompanying combined financial statements are prepared on the basis of cash receipts and disbursements, except that enterprise fund user charges are accrued and the related receivables recorded. Consequently, revenue and the related assets are generally recognized when received rather than when susceptible to accrual or earned, and expenditures are recognized when paid rather than when the obligation is incurred. Further, depreciation on enterprise fund fixed assets is not recorded. Accordingly, the accompanying combined financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had we been able to examine the fixed assets of the enterprise funds and the general fixed assets account group, as explained in paragraph two, the combined financial statements referred to above present fairly the assets and liabilities arising principally from cash transactions of the Town of Ekalaka at June 30, 1983 and 1984, and the revenues collected, expenditures paid, and changes in fund balances for the years then ended, on the basis of accounting described in Note 1 to the financial statements, applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the combined financial statements of the Town of Ekalaka. The information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

March 13, 1985 /s/ DONALD L. DOOLEY
Bureau Chief. REPORT ON INTERNAL
ACCOUNTING CONTROL

When there are insufficient monies in a fund to redeem check/warrants, the check/warrants should be registered. The Town Council should review the revenues and expenditures of any fund having the cash over-drafts or cash flow problems to determine what corrective action should be taken.

CONFLICT OF INTEREST:

One Town Council member had a construction contract with the Town of Ekalaka. This appears to be contrary to the provisions of Section 7-5-4109, MCA, which states that the Mayor, any member of the Council, any Town officer, or any relative or employee thereof must not be directly or indirectly interested in the profits of any contract entered into by the Council while he is or was in office.

RECOMMENDATION:

The Town Council should not enter into a contract with the Mayor, members of the Council, Town officials or any relative or employee thereof.

REPORT ON OTHER FINANCIAL AND INTERNAL ACCOUNTING CONTROL MATTERS:

Findings relating to financial or accounting matters, along with our recommendations, are presented below.

REVENUE CLASSIFICATION:

Some revenues were not classified properly. Corporation license taxes were recorded as taxes, rather than as intergovernmental revenue. Some motor vehicle fees were recorded as tax revenue, rather than as licenses and permits.

RECOMMENDATION:

The Town should monitor all collections to insure that they are properly classified by source as set out in the Town Accounting and Reporting System.

REPORT ON PRIOR AUDIT REPORT

RECOMMENDATIONS:

The following is a summary of recommendations contained in the prior audit report and the actions taken on them by the Town:

RECOMMENDATIONS	ACTIONS TAKEN
Fixed Assets-Inventories- Not Implemented	
A complete physical inventory should be taken each year of all Town land, buildings and equipment.	
Budget Line-Item Over-drafts-The Town Council should authorize budget transfers to prevent line-item budget overdrafts.	Implemented
Cash Fund Overdrafts- When there are insufficient funds to redeem check/warrants, the check/warrants should be registered.	Not Implemented
Fixed Mileage-The Town Council should authorize all mileage reimbursements to be paid according to the mileage actually traveled in performance of official duties.	Implemented
City Court-Distribution of Collections-The City Judge should review all law changes and their effective dates to insure that all collections are remitted to the proper funds.	Implemented
Published in The Ekalaka Eagle, Ekalaka, Montana on November 22, 1985.	

IN THE DISTRICT COURT
Of the Thirteenth Judicial District of the State of Montana,
In and for the County of Yellowstone

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 3
DATE 2-12-87
BILL NO. SB 374

STATE OF MONTANA)
) ss.
County of Yellowstone)

**AFFIDAVIT
OF**

**AUDIT PUBLICATION
INTRODUCTION**

An audit of the affairs of the City of Laurel has been conducted by Mel Tiensvold, Certified Public Accountant, of Laurel, Montana 59044. The audit covered the fiscal year ended June 30, 1985.

Section 2-7-521, MCA, requires the publication of the general comments section of this audit report. This law also requires that the publication include a statement that the audit report is on file in its entirety and open to public inspection at the City Hall.

The general comments section includes the Auditor's opinion on the financial statements, and any narrative of findings and recommendations. The following publication of the general comments section may contain references to a table of contents, financial statements, notes to the financial statements, or supplemental schedules which will not be included within this publication. However, this information is a part of the complete audit report on file and open to public inspection at the above location.

Very truly yours,
DONALD L. DOOLEY
Bureau Chief

To the Honorable Mayor and Members
of the City Council
City of Laurel, Montana

We have examined the combined financial statements of the City of Laurel, Montana as of and for the year ended June 30, 1985 as listed in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the amount of taxes receivable of the General Fund, Special Assessment Fund, Debt Service Fund and Enterprise Funds. The City's records do not permit the application of adequate alternative procedures regarding the amount of taxes receivable. Because of this, we were unable to satisfy ourselves by appropriate audit tests or other means as to the fair presentation of the General Fund, Special Assessment Fund, Debt Service Fund and Enterprise Funds included in the accompanying combined financial statements.

As more fully described in Note 16 to the financial statements, certain asset and liability accounts, in our opinion, are not presented in accordance with generally accepted accounting principles.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been required had we been able to examine the taxes receivable of the General Fund, Special Assessment Fund, Debt Service Fund and Enterprise Funds and except for the effects of departures from generally accepted accounting principles referred to in the previous paragraph, the combined financial statements referred to above present fairly the financial position of the City of Laurel at June 30, 1985, and results of its operations and changes in financial position of its Proprietary Fund Types and similar Trust Funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except as noted in note 8) with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the combined financial statements of the City of Laurel. The information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

MEL TIENSVOLD, C.P.A., P.C.
Certified Public Accountants
January 13, 1986
Laurel, Montana

REPORT ON INTERNAL CONTROL
Laurel City Council
Laurel, Montana

We have examined the general purpose financial statements of the City of Laurel for the year ended June 30, 1985, and have issued our report thereon dated January 13, 1986. As part of our examination, we made a study and evaluation of the system of internal accounting control of the City of Laurel to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Auditing of Governmental Organizations, Programs, Activities and Functions*, and the Single Audit Act of 1984 (Pub. L. No. 98-502). For the purpose of the report, we have classified the significant internal accounting controls in the following categories:

1. Cycles of the Entity's Activity:
 - Financing
 - Receipts
 - Disbursements
 - External Financial Reporting
2. Financial Statement Captions:
 - Cash and equivalent Receivables
 - Property and equipment
 - Payables and accrued liabilities
 - Debits
 - Fund Balances and Retained Earnings
3. Accounting Applications
 - Billings
 - Receivables
 - Receipts
 - Purchasing
 - Warrants payable
 - Cash Disbursements
 - Payroll
 - Property and equipment
4. Major Federal Assistance
 - Types of services
 - Matching level of effort
 - Reporting

Our study included all of the categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of performing the auditing procedures necessary for expressing an opinion on the City's general purpose financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Laurel is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments of management are required to assess the expected benefits and related costs of control pro-

cedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, the City is managing its federal financial assistance program in compliance with laws and regulations, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Laurel taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management and revenue sharing and the Environmental Protection Agency and should not be used for any other purpose.

MEL TIENSVOLD, C.P.A., P.C.
Certified Public Accountants
January 13, 1986
**CITY OF LAUREL, MONTANA
AUDITOR'S COMMENTS
JUNE 30, 1985**

1. The following comments were also made in the June 30, 1984 audit:
 - A. Water reservoir bonds payable could be retrieved with available funds at year end. Public Law 7-7-4267, 8 and 9, requires a City Treasurer to apply all available money toward the redemption of as many bonds as excess cash permits. All bonds that can be retired should be.
 - B. General and proprietary fund fixed assets do not include buildings and/or land owned by the entity. Land and buildings owned by the City should be recorded. All other comments from June 30, 1984 were handled satisfactorily.
2. According to the minutes of May 7, 1985, the Senior Citizens have been holding \$2,500 per year from revenue sharing for the years 1982, 1983 and 1984 to be used for possible subsistence in the future. Subrecipients of revenue sharing are under the same restrictions as the recipient which disallows the holding of revenue sharing monies in excess of two years. The Senior Citizens should be notified of the restrictions so they can comply.
3. Whitout was used in control books for warrants. This eliminates the audit trail in regard to stationery control. Whitout should not be used in any control books. The erroneous entries should be crossed out with one stroke

which allows the underlined item to be deciphered.

4. The City should research the elimination of the use of the warrant system. Use of the warrant system generates additional work that could be eliminated.
5. The City does not follow the Budgetary Accounting and Reports Systems (BARS) as required by the state. This is due to the method by which taxes receivable are reported by the county to the City and the computer software capabilities. The City should review the current software available to allow it to report in full compliance with the BARS requirements.
6. Losses were incurred in the Water and Solid Waste funds in the amount of \$55,838 and \$14,591 respectively for the year ended June 30, 1985. The full rate increase of 12% for each fund was not assessed during the fiscal year. The Water and Solid Waste enter-

prise activities should be reviewed in detail to completely utilize them assessing authorities and eliminate the losses in these funds.

7. The following are comments concerning the City Court:
 - A. Not all reports were signed and dated. All reports should be signed and dated when completed.
 - B. There is inadequate internal control over the collection of fines, delinquent parking tickets, delinquent time payments. The City could be losing revenue because of this. Mailing a summons would provide some measure of control over these payments.
 - C. All citations are not being turned over to the court. Currently the police are keeping a John Doe File and the court will receive fines that do not have a citation to match. All citations should be turned over to the Court for collection. Citations should be matched to payments received or summons issued.
 - D. Docket numbers are not prepared for parking tickets. Parking tickets come to the court in no numerical fashion. Docket entries should be prepared for all tickets issued. A separate, distinct, numbered parking ticket would help to keep track of non-payments and to issue summons or warrants.
 - E. Court cash is used for travel, schooling, refunds and restitution. The cash account should only be used for collections. Anything not related to City court collections should not be permitted. All refunds or restitution claims should go through the City. Travel claims should be submitted to the City the same as all other City employees. All of the above will generally be handled by the new clerk of Court. The clerk of Court should be allowed enough time to finish all duties required. A full-time clerk should be able to handle the workload and allow the Court to be available during business hours. (Published Laurel Outlook 3-5-86)

SENATE LOCAL GOVERNMENT

EXHIBIT 3, D. 5DATE 2-12-84BILL NO. SB 274

STATEMENT

The LAUREL
OUTLOOKP.O. Box 278, Laurel, MT 59044
216 No. First Ave. (406) 628-4412

laurel, montana _____

City of Laurel

Laurel, MT 59044

DETACH AND RETURN THIS STUB WITH YOUR REMITTANCE. CANCELLED CHECK IS YOUR RECEIPT.

DATE	DESCRIPTION	CHARGES	✓	CREDITS	BALANCE
	BALANCE FORWARD				107.50
✓ 3/5/81	Audit Publ. IT	144.00			251.50
✓ 3/16/86	CR. # 28728			107.50	144.00
3/19/86	1 - ^{Dec} ⁴¹³ ⁴¹³	44.00			188.00
3/26/86	2 - Bill etc	32.50			
3/26/86	1 - Help Maint - direct	26.00			
✓	1 - " " Maint	11.00			
✓	2 - " " ^{Help} ^{Summ}	17.00			276.50
3/26/86	11 " ^{Pay} ^{Lib} ⁵²	44.00			320.50
3/26/86	T-2727 3M ^{Library} ^{Trans Receipt}	108.25			
✓	" (Pd. - Donation)			108.25	222.50

All accounts are due on the Tenth of month following billing. Interest will be charged at an annual rate of 18% per annum on past due accounts.

LAUREL OUTLOOK — Laurel, Montana

Pay last amount
in this columnPAID
MAR 31 1986CITY OF LAUREL
WATER DEPT.PAID
APR 9 1986CITY OF LAUREL
WATER DEPT.

VENDOR—SIGN AND RETURN FOR PAYMENT

SENATE LOCAL GOVERNMENT
P.O./CLAIM NO.**PURCHASE ORDER
—CLAIM
CITY OF LAUREL
MONTANA**No.: **021150**Date: 3/31/86Fund: General

Dept.: _____

Laurel, MT. 59044

- VENDOR**
1. Sign and return to the Department listed in Block to left.
 2. Fill out correct price and invoice number.
 3. Limit invoices to purchase order items only.
 4. Claim and vendor numbers must appear on all correspondence.
 5. Must be returned within one year of delivery of merchandise or rendering service.
 6. Indicate discount if any and time limit.

CITY USE ONLY
Keehn
Approval Payment
Date: _____
Discount/Disapproval
\$ _____
Amount Paid:
\$ _____
Warrant No.: _____
No.: 029013

VENDOR: Outlook PublishingVENDOR NO.: 31500

INVOICE NO.: _____

QUAN- TITY	FULLY ITEMIZE	BUYERS EST. COST	SELLER'S		BUDGETARY ACCOUNT NUMBER
			UNIT COST	TOTAL COST	
	Audit Publication	3/5/86		144.00	10-4100-4105-1550-0000-33
2	11" dog ad on 3/19/86 and 3/26/86			88.00	10-4100-4105-1550-0000-3370
CITY USE ONLY		TOTAL EST. ENCUMBRANCE	SELLER MUST FILL IN COLUMNS		
_____ % Discount If Paid By _____		Amount of Claim	\$ <u>232.00</u>		

PAID
MAR 31 1986
CITY OF LAUREL
WATER DEPT.

APR 9 1986

CITY OF LAUREL
WATER DEPT.**VENDOR MUST SIGN**

I certify that the amount of this claim is just and wholly unpaid.

Outlook Publishing

Vendor/Claimant

CITY OF LAURELBy: Teresa Gremmer

Dept. Authorized Signature

CITY USE ONLY:
Examined and found correct
Finance Committee

CITY USE ONLY:
Merchandise or Services received—Claim ready for payment.
Dated: _____

Dept. Authorized Signature

No.: **021150**

VENDOR—RETURN FOR PAYMENT

NAME: John M. M.ADDRESS: 300 S. Main St. - GlendoraPHONE: 661-365-3318REPRESENTING WHOM? City of Glendora & Municipal Clerk's Assoc.APPEARING ON WHICH PROPOSAL: SB 274DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐COMMENTS: The publishing of an Audit should be left up to the decision of the local political organizations.The publishing of an Audit is an act conducted which can jeopardize providing a service for cities and towns or certain services for the community.Publishing a notice in the local paper stating the Audit report is available and on file in the City or Town Clerk's office for inspection.After a Audit has been conducted for the City or Town the decision of whether to publish or not to publish the Audit comment should be left up to the discretion of the local government body. For any City the decision whether to publish the Audit comments could perhaps be between

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

After deciding whether to provide lighting for the Bob Kutz baseball field, providing a life guard and chemical for one wading pool or providing a part time guard of one at the pool. This may be a comparison that we would like to make in our community.But most important is the decision would be made at the



ranger-review

SENATE LOCAL GOVERNMENT

P. O. Box 61

119 W. Bell

Glendive, Montana

59330

EXHIBIT NO. 4-0.2

DATE 2-12-87

BILL NO. SB 374

PAGE 1

CITY OF GLENDIVE

BOX 730

GLENDIVE

MT

59330

CUSTOMER NO.

580

STATEMENT DATE

05/31/86

TRANSACTION AFTER THIS DATE
WILL APPEAR ON NEXT STATEMENT

DATE	UNITS	DESCRIPTION	RATE	CHARGES	CREDITS
		*** BALANCE FORWARD:		35.20	
5/01/86	4.0	LANDFILL	0 4.00	16.00	
05/11/86	0.0	LEGAL	0.00	474.00	
05/11/86	2.0	PUBLIC WORKS DEPT.	0 4.00	8.00	
5/15/86	4.0	FOUR WAY STOP	0 4.00	16.00	
5/22/86	0.0	PAID ON ACCT. THANK YOU	0.00		35.20

and for the year ended June 30, 1983, as stated in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Any attempt to obtain sufficient evidence to support the cost of the fixed assets of the Enterprise Funds and the general fund asset account group. Due to the length of time over which these fixed assets were acquired, it is not practicable to determine their actual cost. We did not, therefore, examine these fixed assets or the resulting depreciation on the fixed assets of the Enterprise Funds.

As more fully explained in Note 5 to the financial statements, the City had not recorded the amount of the deferred assessment receivable in the Special Assessment Fund as deferred revenue, as required by generally accepted accounting principles. In addition, prior period subsequent tests and assessments reflected in the current period were not recorded. As a result, revenues in the General, Special Revenue and Special Assessment Funds are overstated. Also, deferred revenues and ending fund balances are overstated in the Special Assessment Fund.

The City improperly recorded gas tax revenue received from the State of Montana as charges for services. As a result, charges for services are overstated and intergovernmental revenues are understated \$49,580.96 in the Special Revenue Fund for the year ended June 30, 1983.

It had been the policy of the City to receive deposits from independent contractors and individuals for work done within the City. Some of this work involved the opening of utility lines for the removal of surface water. These deposits were not properly recorded in the general ledger. As a result, as of June 30, 1983, the City's sheet metal payables were overstated and the fund balance was understated by approximately \$15,000 in the General Fund.

The City had improperly classified certain funds. The Ambulance Fund was accounted for as a Special Revenue Fund rather than as an Enterprise Fund; and the Solid Waste Fund was accounted for as a Special Assessment Fund rather than as an Enterprise Fund. This resulted in the Special Revenue Special Assessment and Enterprise funds being overstated by material but undetermined amounts as of and for the year ended June 30, 1983.

The compensated absences liability amounts recorded in the Enterprise Funds for unpaid vacation and sick leave benefits accrued by City employees which is payable upon termination were offset by a deferred expense account rather than being fully accrued, as required by generally accepted accounting principles. As a result, deferred expenses and retained earnings are overstated by approximately \$28,000 in the Enterprise Funds at June 30, 1983.

As more fully described in Note 7 to the financial statements, the City failed to record the long-term portion of the installment and lease-purchase contracts within the general long-term debt account group. Generally accepted accounting principles require that such obligations be included in the financial statements.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the combined financial statements referred to above do not present fairly the financial position of the City of Glendive at June 30, 1983, or the results of its operations and the changes in financial position of its proprietary fund types for the year ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of expressing an opinion on the combined financial statements taken as a whole.

however, the amounts were never recorded in the City's general ledger. As a result, the other receivables and fund balances of the City are understated by approximately \$8,300 in the General Fund.

In our opinion, except for the effect of such adjustments, if any, as might have been necessary had we been able to determine the fixed assets of the Enterprise Funds and the general fund asset account group, and the effects of the matters discussed in the preceding three paragraphs, the combined financial statements referred to above present fairly the financial position of the City of Glendive at June 30, 1983, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles, except for the changes which we noted in the City's presentation of the Ambulance Fund from a Special Revenue Fund to an Enterprise Fund, have been applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of expressing an opinion on the combined financial statements taken as a whole. The accompanying supplemental financial statements in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the City of Glendive. The information has been subjected to the auditing procedures applied in the examination of the combined financial statements and, in our opinion, except for the improper classification of the Solid Waste Fund, as discussed in paragraph three, is fairly stated in material respects in relation to the combined financial statements taken as a whole.

Donald L. Dorn
 Certified Public Accountant
 December 7, 1983

INTERNAL COMPLIANCE

Our examination was made for the purpose of expressing an opinion on the combined financial statements of the City of Glendive for the year ended June 30, 1983, and for the year ended June 30, 1984 and 1985, and issued our report thereon dated November 7, 1985. Our examination was made in accordance with generally accepted auditing standards, the provisions of Standards of Audit of Government Organizations, Programs, Activities, and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the provisions of the Office of Management and Budget's (OMB) Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, Attachment P, Audit Requirements, the provisions of OMB's Compliance Supplement (Revised), Uniform Requirements for Grants to State and Local Governments, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the examination referred to above, a representative number of charges to Federal assistance programs were selected to determine if the funds were being expended in accordance with the terms of applicable agreements and those provisions of Federal law or regulation that could have a material effect on the combined financial statements. The results of our tests indicate that for the years tested, the City of Glendive complied with the material terms and provisions of the Federal assistance agreements, except as described below.

CIVIL RIGHTS

The City had not maintained all the employee records necessary for compliance and its reports with the Equal Employment Opportunity Commission (EEOC) should the EEOC require such information. The City's nondiscrimination policy of nondiscrimination.

No one with the City had been officially designated to oversee civil rights compliance.

express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Glendive is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against the loss from unauthorized use or disposition, that the City is managing its Federal financial assistance programs in compliance with laws and regulations, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. The effectiveness of any evaluation of the system of internal control is subject to the risk that any changes may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on

pauses should be maintained by someone outside of the collection process. The City should also implement a receipting system (prenumbered tickets, cash register, etc.) for the daily collections at the pool.

STATIONERY CONTROL

The City did not maintain a record of all prenumbered receipt and disbursement documents of the City.

RECOMMENDATION

The City Council should implement policies requiring that stationery control be maintained for all receipt and disbursement documents used by the City departments. The control should not be limited to documents used by the office of the City Treasurer, but should include financial documents used by all departments of the City.

POLICY MANUAL

The City did not have a formal policy manual regarding the administration of and specific procedures to be followed in the operation of the various offices and departments of the City.

RECOMMENDATION

We recommend that the Mayor and the City Council, with the advice of the City Attorney and input from other City officers, department heads and employees develop a formal policy manual. The manual would provide consistent guidance for operations of the City. The manual should include but not be limited to the following:

1. Organizational charts to define supervisory levels and lines of authority

SENATE LOCAL GOVERNMENT
 EXHIBIT 4
 DATE 2-12-87
 BILL NO. SB 274

EXHIBIT NO. 5, Part I

DATE 2-12-87

a bill.) SB 274
BILL NO. _____

(This sheet to be used by those testifying on a bill.)

NAME: George M. R. R.

DATE: June 20, 1986

ADDRESS: 1942 W. 4th Ave

PHONE: 443-2830

REPRESENTING WHOM? Mr. Passant

APPEARING ON WHICH PROPOSAL: SS 174

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? X

COMMENT :

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Testimony of George W. Moore on SB 274, Feb. 12, 1987, Senate Local Government Committee.

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 5, part II
DATE 2-12-87
BILL NO. SB 274

MISTER CHAIRMAN, MEMBERS OF THE COMMITTEE.

FOR THE RECORD, MY NAME IS GEORGE W. MOORE, AND I'M EXECUTIVE DIRECTOR OF THE MONTANA PRESS ASSOCIATION, WHICH REPRESENTS 68 WEEKLY NEWSPAPERS AND ALL 11 DAILY NEWSPAPERS IN THE STATE OF MONTANA.

I APPEAR BEFORE YOU TODAY IN OPPOSITION TO SENATE BILL 274 AS DRAFTED.

THIS BILL, WHICH IS A REVISED EDITION OF A SIMILAR BILL DEFEATED IN 1985, PROPOSES A SIGNIFICANT CHANGE IN 2-7-521.

THE LAW ... AS IT STANDS NOW REQUIRES AN AUDIT EVERY TWO YEARS IN COUNTIES AND MUNICIPALITIES WITH POPULATIONS IN EXCESS OF 300.

FURTHERMORE, THE STATE NOW REQUIRES THAT THE GENERAL COMMENTS OF SUCH AUDITS BE PUBLISHED IN A GENERAL CIRCULATION NEWSPAPER.

BUT NOW WE HAVE SENATE BILL 274, WHICH, IN THE NAME OF ECONOMY, WOULD REMOVE THE REQUIREMENT THAT THE GENERAL COMMENTS BE PUBLISHED IN THE NEWSPAPER.

NOW, BEFORE WE GO MUCH FURTHER, SOME CLARIFICATION IS IN ORDER.

FIRST, THE ISSUE AT HAND IS THE PUBLICATION OF THE GENERAL COMMENTS; IT HAS NOTHING WHATEVER TO DO WITH THE REQUIREMENT FOR THE AUDITS OR THE ACTUAL AUDITING PROCEDURE.

THIS IS A SIGNIFICANT POINT, ESPECIALLY WHEN WE CONSIDER COST FACTORS. (I'D LIKE TO CALL TO YOUR ATTENTION TO THE FIRST PAGE OF THE RED BOOKLET BEFORE YOU, WHICH CONTAINS FIGURES ON THE AUDIT COSTS AND PUBLICATION COSTS FOR SELECTED GOVERNMENTAL ENTITIES.)

IT ALSO IS IMPORTANT TO UNDERSTAND THE CONTENT OF THE GENERAL COMMENTS PUBLISHED IN THE NEWSPAPER. THE RED BOOKLET CONTAINS COMMENTS FROM THE MOST RECENT AUDITS OF THE GOVERNMENTAL ENTITIES, AND I THINK A PERUSAL OF THE COMMENTS WILL INDICATE THE IMPORTANCE OF THE INFORMATION. THE COMMENTS RELATE PRIMARILY TO WHETHER A GOVERNMENTAL BODY IS PRESERVING AND PROTECTING THE PUBLIC TRUST AND HOW THAT GOVERNMENTAL BODY CAN DO A BETTER JOB.

NOW, LET'S GET BACK TO THE QUESTION OF "ECONOMY," AND TAKE A GOOD LOOK AT WHETHER THE PUBLICATION REQUIREMENTS REALLY PLACE A STRAIN ON THE PUBLIC PURSE.

AS YOU WILL NOTE FROM THE INFORMATION CONTAINED ON THE FIRST PAGE OF THE BOOKLET, THE COSTS FOR PUBLICATION -- AND REMEMBER THOSE COSTS ARE SPREAD OVER TWO AND SOMETIMES MORE YEARS -- ARE IN FACT NOMINAL. ONE WOULD THINK, CERTAINLY, THAT A MALTA CAN COME UP WITH \$198 EVERY TWO YEARS TO PAY FOR PUBLICATION OF THE GENERAL COMMENTS.

BUT THE PROPONENTS OF THIS BILL WILL TELL US THAT THE PUBLIC INTEREST CAN BE FULFILLED JUST AS WELL BY PUBLISHING ONLY A REFERENCE TO THE FACT THAT THE INFORMATION IS ON FILE IN SOME COURTHOUSE OR SOME CITY HALL.

WELL, THAT ASSUMPTION IS CERTAINLY DEBATABLE, AND I'LL GIVE YOU JUST A FEW REASONS TO QUESTION IT.

IN THE FIRST PLACE, PLEASE RECOGNIZE THAT IT IS NOT ALWAYS CONVENIENT FOR THE PUBLIC TO TRAVEL SOMETIMES GREAT DISTANCES TO INSPECT SUCH RECORDS. THIS IS PARTICULARLY TRUE IN MONTANA IN THE WINTERTIME, MOST YEARS.

ALSO PLEASE RECOGNIZE THAT SOME PUBLIC EMPLOYEES ARE FOND OF CHALLENGING THE PUBLIC'S RIGHT TO KNOW AT EVERY TURN. IN FACT, MY OWN ASSOCIATION WAS CHALLENGED TIME AND AGAIN AS WE SOUGHT MERELY THE COST OF THE PUBLIC AUDITS -- THE FIGURES APPEARING ON THE FIRST PAGE OF THE REPORT BEFORE YOU.

NOW TRY TO IMAGINE, IF YOU CAN, THE DIFFICULTY A REGULAR CITIZEN WOULD HAVE IN TRYING TO OBTAIN ACCESS TO THE AUDITS THEMSELVES ... AND THE GENERAL COMMENTS.

NOW, SOME MIGHT COUNTER BY SAYING THAT THE NEWSPAPER SHOULD STUDY THE GENERAL COMMENTS AND WRITE STORIES ABOUT THEIR CONTENTS.

IN A PERFECT WORLD, THAT MIGHT BE A SATISFACTORY ANSWER ... BUT WE HAVE TO RECOGNIZE, I THINK, THAT OFTENTIMES, IN MANY OF OUR SMALLER COMMUNITIES PARTICULARLY, THE LOCAL NEWSPAPER LACKS THE STAFF AND THE EXPERTISE TO ACCURATELY EVALUATE THE MATERIAL AND THEN SUMMARIZE THE GENERAL COMMENTS IN NEWS STORY FASHION.

I'D LIKE, NOW, TO GET BACK TO THE QUESTION OF COST. IS COST-SAVINGS REALLY THE REASON THIS PUBLICATION REQUIREMENT HAS COME UNDER ATTACK IN TWO SUCCESSIVE LEGISLATIVE SESSIONS? WELL, MAYBE, BUT IF LOCAL GOVERNMENTS ARE GOING TO BE SO COST-CONSCIOUS, THEN PERHAPS THEY SHOULD LOOK AROUND AT SOME OF THEIR OTHER COSTS, TOO, AND PUT ALL OF THIS IN PROPER PERSPECTIVE.

AND NOW I'D LIKE TO SHARE A DELICIOUS IRONY WITH YOU. A LOCAL GOVERNMENTAL ENTITY CAN, ITSELF, CONTROL TO AN EXTENT THE COST OF PUBLISHING THE GENERAL COMMENTS.

YOU SEE, THE COST OF PUBLISHING IS DIRECTLY RELATED TO ~~THE~~ LENGTH AND ~~THE~~ ^{SB 274} DETAIL OF THE COMMENTS ... AND THE LENGTH AND DETAIL OF THE COMMENTS IS DIRECTLY RELATED TO HOW FAITHFULLY A GOVERNMENTAL ENTITY IS CONFORMING TO STATE LAW, FEDERAL LAW, AND ACCEPTED ACCOUNTING PROCEDURES.

IF A GOVERNMENTAL ENTITY IS SLIPSHOD, THE COMMENTS ARE LIKELY TO BE LONGER ... AND THE COST OF PUBLICATION WILL BE HIGHER. ON THE OTHER HAND, IF A GOVERNMENTAL ENTITY PLAYS BY THE RULES, THEN THE COMMENTS TEND TO BE SHORTER ... AND THE COST OF PUBLICATION IS LESS.

IN CONCLUSION, MISTER CHAIRMAN AND MEMBERS OF THE COMMITTEE, WE THINK IT IS TERRIBLY IMPORTANT THAT THE GENERAL COMMENTS OF SUCH AUDITS BE COMMUNICATED FAR AND WIDE, AND SO WE'D NOW LIKE TO PROPOSE AN AMENDMENT TO THE BILL.

WE SUGGEST NOT ONLY THAT THE PRESENT REQUIREMENTS BE RETAINED, BUT THAT THE LAW BE EXPANDED TO TAKE IN SCHOOL DISTRICTS, WHICH HANDLE A GREAT DEAL OF THE PUBLIC'S MONEY.

THAT CAN BE ACCOMPLISHED SIMPLY BY CHANGING THE TITLE OF THE BILL, OF COURSE, BY SUBSTITUTING (1)(D) FOR (1)(C) AND BY RESTORING THE REMAINDER OF THE LEGISLATURE'S LANGUAGE.

I THINK WE CAN PUT THIS QUESTION INTO SHARP FOCUS BY ASKING THREE QUESTIONS OF OURSELVES:

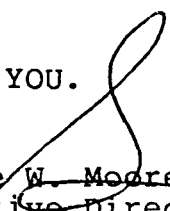
QUESTION 1. DOES THE INFORMATION IN THE GENERAL COMMENTS SECTIONS OF THE AUDITS HAVE VALUE? WE THINK IT DOES.

QUESTION 2. SHOULD THE INFORMATION, IN ITS RAW, UNVARNISHED FORM, BE COMMUNICATED AS WIDELY AS POSSIBLE, AT NOMINAL COST, TO THE PUBLIC? WE THINK IT SHOULD.

AND QUESTION 3. DOES THE WIDESPREAD COMMUNICATION OF THIS INFORMATION
CAUSE PUBLIC OFFICIALS TO HANDLE THE PUBLIC'S MONEY MORE RESPONSIBLY?
WE THINK IT DOES.

WE TRUST THAT YOU WILL RECOGNIZE THIS AS A GOOD GOVERNMENT ISSUE, THAT
YOU WILL RECOGNIZE THE VALUE OF THE LAW AS IT STANDS NOW AND THAT YOU
WILL SEE FIT TO INCREASE THE ACCOUNTABILITY OF SCHOOL DISTRICTS BY
BRINGING THEM WITHIN THE SCOPE OF THIS LEGISLATION.

THANK YOU.


George W. Moore
Executive Director
Montana Press Association

February 12, 1987

SENATE LOCAL GOVERNMENT

EXHIBIT NO 5, Part III

DATE 2-12-87

SB 874

George M. Moe
Montana Press Assn.

AUDIT GENERAL COMMENTS/
OTHER INFORMATION

Prepared by
The Montana Press Assn.

**Annual Membership Dues
Selected Cities/Towns/Counties**

City/Town/ County	League of Cities/Towns	MACo	Mt. School Bds Assn
Billings	\$12,000.00		\$5,000
Yellowstone Cty		\$7,000	
St. Ignace	219.25		1,362
Lake City		4,000	
Deer Lodge	1,005.75		1,576
Powell City		2,000	PCMS 988
Bozeman	5,411.25		4,759
Gallatin		7,000	
Malta	591.75		1,680
Phillips City		5,000	
Polson	699.50		2,124
Lake City		4,000	
Miles City	2,400.50		3,218
Custer City		3,000	
Park City		3,000	
Libby	687.00		3,533
Lincoln City		5,000	
Great Falls	12,000.00		5,000
Cascade City		7,000	
<hr/>			
Totals	\$15,015	\$47,000	\$29,240

Total for Membership Dues: \$111,255

EX-100-6

DATE SB 274

DATE 2/12/27

NAME: THOMAS L. BROSSART

ADDRESS: 52 South Montana

PHONE: 693-2331

REPRESENTING WHOM? Dillon Tribune-Examiner

APPEARING ON WHICH PROPOSAL: SB 274

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? ✓

[illegible]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

To the Honorable Mayor,
Members of the City Council
and City Administrator
City of Billings, Montana

The following are comments and suggestions with respect to financial and administrative matters which came to our attention during the course of our examination of the City's financial statements. These are offered as constructive suggestions for your consideration as part of the ongoing process of modifying and improving financial and administrative practices and procedures. Other suggestions from previous years have been implemented or are no longer applicable under current circumstances.

Accounting and Reporting Procedures

Although not materially incorrect, the subsidiary records at Public Utilities for inventory, accounts receivable, and property and equipment did not agree or reconcile to balances on the financial records at June 30, 1985. We recommend someone from the Central Support Services Department periodically review subsidiary records.

Receipts are not issued by the Parking Garage when payments for monthly parking are made. Because no receipt is issued, the accounts receivable subsidiary records must be updated daily from the checks and register tape before the deposit is made each day. If, for some reason, the subsidiary records are not posted there is no record of payment to update the detail at a later time. We suggest promissory receipts be issued for monthly parking and the receipt coded for the proper account. This would allow the accounts receivable to be updated periodically by one individual for all parking garages.

Data Processing

The Information Resources Director has only been with the City for a brief time and has instituted a number of good practices and data processing management ideas. However, the City has a number of situations and problems that cannot be addressed easily in the short term. Several departments expressed frustration with being unable to obtain accounting and other management information that they felt important for the operation of their department. It is important to state that their frustrations were not directly related to the operation of the department, but rather to the reporting available to them.

The City is not satisfied with its current situation in not effectively increasing support for its employees to raise their level of satisfaction with the system and thereby increase their use of the system to equitably spread the data processing time costs (personnel, equipment, training, etc.) among as many departments as possible. To accomplish these long term objectives, we have the following recommendations which are listed by our perception of their priority:

Long Range Planning

A more formalized short term and long term planning and goal setting process is needed. This plan should specify actions, responsibilities, and time frames. The plan should be jointly created and approved by the users of the computer system. This plan should define the range of data processing support for various areas that have not been specifically addressed previously, such as word processing, micro-computer hardware and software standards, feasibility studies for new equipment and applications, procedure documentation, data communications, etc. The funding to provide these services should be generated from those users requesting such support. Certain concerns can be better addressed centrally. After the City determines the central responsibilities, adequate funding should be obtained to support these responsibilities.

Tax System Software

The present tax system software is over ten years old and has not been modified to take full advantage of the capabilities of the IBM System/38. The tax system does not lend itself to the volume of special assessments and Special Improvement Districts that the City currently has. The system has some on-line capabilities but more are needed. An improved system would be local based with tax codes, legal descriptions, service areas, etc. Also, on-line payroll capabilities would make the system more efficient. The City should consider replacing the present system.

FAMS Accounting Software

Many departments expressed frustration with the FAMS accounting software. The software was originally designed for use on an older generation of IBM equipment and does not effectively make use of the capabilities of the IBM system/38. User departments cited frustration in finding useful information and having many more reports than were needed to obtain the accounting information needed. Two departments are keeping identical sets of books with FAMS because of inaccuracies in charges to their accounts and the difficulty in reconciling computer generated accounting information to correct information. Management reports, such as job costing information, cannot be obtained easily from FAMS. We recommend the City carefully evaluate the long term usage of the FAMS accounting software. We believe that an assessment of departmental needs, cost, and other implementation impacts may indicate that it would be beneficial to replace this accounting system. If the software is to be replaced, it is essential that detailed processing and reporting specifications be prepared. Software vendors and sources of public domain software should be reviewed to assess their suitability to meet the needs and requirements of the City. For outside software vendors, formal requests for proposals should be issued and evaluated. Also, implementation of a new accounting system should be carefully planned and coordinated.

The City has maintained an informal policy of asking no purchases of goods or services from employees or their family members. We recommend this policy be formally adopted to better monitor its adherence.

This report is intended solely for the use of management and the State of Montana and should not be used for any other purpose.

Mc Gidrey Henderson Pullen

Billings, Montana
November 14, 1985

INTRODUCED BILL NO. 274

1 audited government entity will send a copy of the audit
2 report to any interested person upon request. A copy of the
3 audit report must be sent to the newspaper publishing the
4 statement.

5 (4) Publication costs shall be borne by the audited
6 governmental entity."

-End-

7 BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING LOCAL
8 GOVERNMENT ENTITIES TO RESTRICT PUBLICATION OF AUDIT REPORTS
9 TO STATEMENT THAT THE REPORT IS ON FILE AND OPEN TO PUBLIC
10 INSPECTION, AND AMENDING SECTION 2-7-521, MCA."

11 ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 2-7-521, MCA, is amended to read:
13 "2-7-521. Publication. (1) Except as provided in
14 subsection (3), after the expiration of the 30-day period
15 provided for in 2-7-515(1), the department shall send a copy
16 of the general comments section of each audit report to a
17 newspaper of general circulation for publication. However,
18 the general comments section of each county audit report
19 shall be sent to the official newspaper of the county for
20 publication.

21 (2) The publication shall include a statement to the
22 effect that the audit report is on file in its entirety and
23 open to public inspection.

24 (3) A publication concerning the audit report of a
25 governmental entity within ~~(1)(d) through (1)(h)~~ of
26 2-7-503 is required to contain only the statements provided
27 in subsection (2) and a statement providing that the

within (1)(d) through (1)(h) of 2-7-503

INTRODUCED BILL
SK 274

DATE 2/11/13

PHONE: 693-3331

REPRESENTING WHOM? Dallas Tribune-Sunday

APPEARING ON WHICH PROPOSAL: IN 374

DO YOU: SUPPORT? AMEND? OPPOSE? ☒

COMMENTS

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Dillon Tribune

AND TRADEWINDS, TOTAL MARKET COVERAGE IN SOUTHWEST MONTANA

22 S. Montana St. (P.O. Box 911) Dillon, Montana 59725 (406) 683-2331

Examiner

Mr. Chairman and members of the committee:

Accountability of any governmental entity to the people it serves is crucial to the development and continued trust and believability of that government.

City and county officials are responsible for spending millions of dollars. Ensuring that those dollars are spent and recorded as being spent in the proper manner is fundamental to developing a basic trust and faith in local government, just as open government meetings lead to an understanding of problems and what solutions were arrived at in dealing with those problems.

There is a bit of mistrust out there on main street about how government spends the money it was entrusted with. Accounting for how that money was spent through the proper accounting principles shows the public that city and county officials are working in the correct manner for their, the citizen's, benefit.

Ensuring the public that indeed city and county officials are following the proper accounting procedures, that nothing got lost along the way, is just one step in a long line of steps that fosters trust and believability in local government.

Having the audit published in the newspaper of record for that city or county before all eyes of the community demonstrates there is nothing to hide. It allows for more than just a select few to review the comments of the auditor. It allows the whole community access to the audit.

It is government's responsibility to present its financial report to the citizens it represents in a timely understandable fashion. Publishing the audit is a small price to pay for accountability and trust of local citizens. The cost of publishing my county's audit last year was only \$96, which came out to 1.2 cents for every county resident.

I urge you to leave the law alone. It is not broken. There are no problems with it. It helps make local officials accountable and it fosters good government.

SB 274 is not in the best interests of the citizens of Montana.

Thank you,



Thomas L. Brossart
Publisher
Dillon Tribune-Examiner

Serving Southwest Montana Since 1881

The Meagher County News

EXHIBIT NO. 7, page 1

DATE 2-12-87

BILL NO. SB 274

Box 349
White Sulphur Springs, Montana 59645
Phone (406) 547-3831

Ladies and Gentlemen of the Senate Local Government Committee:

My name is Verle L. Rademacher. I am editor and publisher of the Meagher County News in White Sulphur Springs.

I wish to oppose Senate Bill 274 as I feel that it is a bad bill for a number of reasons.

First...This legislation would wipe out the last vestige of fiscal accountability and public disclosure left on the law books. If this legislation is passed, it will frustrate and confuse the public in finding out how their money is spent and accounted for. The public has a right to accountability of their public officials without having to travel to the court house and pry the information out of the appropriate public official. Many do not know where to ask for the information. Many do not have the time to visit the court house during business hours. Many are themselves at work when the court house is open. Many are unable because of physical handicap, age or other reasons to travel there.

In this day and age of tight budgets and scarce tax monies, the public has a right to know where it is going and if there is a problem, how it should be remedied. If audit comments are telling public officials that there is a problem, they had better seek a remedy to conform to accepted accounting procedures to eliminate the probing auditor's comment that something is wrong. The city and the county have control over the length of these audits by their adherence to accepted accounting principles.

I would like to set for your attention the recent problem that my own county has experienced. Meagher County was not audited for four years. The audits for 1982, 83, 84 and 85 were not completed and published until September 18, 1986. The reason that this came about was that Meagher county was one of the first counties in the state to install computerized bookkeeping and accounting in 1981. Since this was one of the first systems, there were some problems. The county officials worked with the system as best they could and waited for the state auditors to come and assist them in unsnarling the mess the computer was creating. The auditors did not show up for four years! During that time, the County Clerk and Recorder could not even make out her Annual Report because the figures did not balance. Even after all of this, a four year audit only cost the county \$516.00 to publish. That is equivalent to \$129.00 per year. The City of White Sulphur Springs, who also uses state auditors, was also not audited for four years. They, too, had changed to a different bookkeeping system and had problems. Their four year audit publication came to \$336.00, or \$84.00 per year.

Ladies and Gentlemen, I have heard all of the arguments put forth for not publishing legal notices before. Two sessions ago I heard Representative Gene Ernst of Stanford cry crocodile tears over publication of audit comments for school districts. He cited figures of \$1,000, \$500 and \$600 for little districts. That same year my county school district paid \$90 for their audit publication. My district handled more money than all of his little districts combined. The only difference was that we used accepted accounting practices and didn't keep it on the backs of envelopes and old grocery bills to be deciphered later by the auditors and written up for it.

I was here when the counties and the cities cried big tears over the publication of the entire audit...Figures, tables and comments, altogether. Now they are back, wanting to do away with just the comments. Where does it all end?

In closing, the cost of audits can be controlled by using accepted accounting practices. Counties and cities that are experiencing large audit comments had better exercise better controls and make those responsible toe the mark or be replaced.

The publication of audit comments is necessary and should be continued.

Thank you.

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 7, p. 2
DATE 2-12-87
BILL NO. SB 274

(This sheet to be used by those testifying on a bill.)

NAME: Walt L. Kadenach DATE: Feb. 13, 1987

ADDRESS: Box 349, White Sulphur Springs

PHONE: 547-3831

REPRESENTING WHOM? Meagher County News, Mont. Pressman

APPEARING ON WHICH PROPOSAL: SB 274

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? X

COMMENT: Prepared statements attached. Copies of audits of
Meagher County for 1982, 83, 84, 85 and of White Sulphur
Springs for 1982, 83, 84, 85 attached. (One copy of each)

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

County audit publication

BILL NO.

38274

SENATE LOCAL GOVERNMENT

EXHIBIT NO.

704

DATE

2-12-87

AUDIT PUBLICATION INTRODUCTION

An audit of the affairs of Meagher County, White Sulphur Springs, Montana, has been conducted by the Department of Commerce. The audit covered the fiscal years ended June 30, 1982, 1983, 1984 and 1985. Section 2-7-521, MCA, requires the publication of this audit report. This law also requires that the publication include a statement that the audit report is on file in its entirety and open to public inspection at the County Courthouse.

The general comments section includes the Accountant's Report, which is the auditor's opinion on the financial statements, and any narrative of findings and recommendations. The following publication of the general comments section may contain references to a table of contents, financial statements, notes to the financial statements, or supplemental schedules which will not be included within this publication. However, this information is a part of the complete audit report on file and open to public inspection at the above location.

Very truly yours,

DONALD L. DOOLEY

Bureau Chief

By: R. Michael Duncan

R. Michael Duncan

Audit Section Supervisor

To the Honorable Board of Meagher County, White Sulphur Springs, MT 59645

erally accepted accounting principles. As a result, taxes receivable are understated in the General, Special Revenue and Trust Agency Funds by \$3,756.63, \$3,959.81 and \$17,456.92, respectively. Deferred revenue is understated and fund balances are overstated in the General, Special Revenue and Special Assessment Funds by \$41,907.84, \$59,753.02 and \$5,011.26, respectively. The above amounts are subject to such adjustments as might be necessary upon reconciliation of the receivable accounts with the unpaid tax receipts. Current year revenues in the General, Special Revenue and Special Assessments Funds were not materially affected.

The County failed to record interest revenue earned from its investment savings account for the fiscal years ending June 30, 1980, 1981 and 1982. As a result, cash and fund balance are understated in the General Fund by \$28,253.13 at June 30, 1982, and General Fund revenues are understated by \$14,753.35 for the fiscal year then ended.

An outstanding loan from the Montana Aeronautics Commission of \$36,000.00 had not been recorded as a long-term liability in the general long-term debt account group. As a result, the assets and liabilities of the general long-term debt account group are understated on June 30, 1982 in the amount of \$36,000.00. In addition, liabilities

June 30, 1983, as listed in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting procedures and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. Due to the length of time over which these fixed assets were acquired, it is not practicable to determine their actual cost, and as such we did not examine these fixed assets. We are, therefore, unable to express an opinion as to the general fixed assets account group included in the accompanying financial statements.

The County had not implemented procedures to periodically reconcile the taxes and assessments receivable accounts with the unpaid tax receipts. In addition, the County failed to record 1982 personal property taxes in the taxes receivable accounts in the 1981-82 fiscal year. Further, taxes and assessments receivable remaining unpaid at year end which the County could not reasonably expect to collect soon enough thereafter to be used to pay liabilities of the current period were not recorded as deferred revenue, with a corresponding reduction in revenue, as required by generally accepted accounting principles.

changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

February 6, 1986

DONALD L. DOOLEY

Bureau Chief

By: /s/R. Michael Duncan

R. MICHAEL DUNCAN

Audit Section Supervisor

To the Honorable Board of

County Commissioners

Meagher County

White Sulphur Springs, MT 59645

We have examined the combined financial statements of Meagher County as of and for the year ended June 30, 1984, as listed in the table of contents. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. Due to the length of time over which these fixed assets were acquired, it is not practicable to determine their actual cost, and as such we did not examine these fixed assets. We are, therefore, unable to express an opinion as to the general fixed assets account group included in the accompanying financial statements.

employees was understated by \$4,586.47. As a result, the assets and liabilities of the general long-term debt account group are understated by \$32,596.47.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the combined financial statements referred to above do not present fairly the financial position of Meagher County at June 30, 1984, or the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplemental information is presented for the purpose of additional analysis and is not a required part of the combined financial statements of Meagher County. The information has been subjected to the auditing procedures applied in the examination of the combined financial statements; however, because of our adverse opinion on the combined financial statements, we express no opinion on this information.

February 6, 1986

DONALD L. DOOLEY

Bureau Chief

By: /s/R. Michael Duncan

R. MICHAEL DUNCAN

Audit Section Supervisor

To the Honorable Board of

County Commissioners

Meagher County

White Sulphur Springs, MT 59645

We have examined the combined financial statements of Meagher County as of and for the year ended June 30, 1984, as listed in the table of contents. Except as set forth in

DATE 2-12-87

BILL NO. SB 274

February 12 1987

Mr. Chairman, members of the Local Government Committee, Senate, Montana's 50th Legislature:

My name is Keith Klingenberg. I own and publish The High Country Independent Press in Belgrade.

I'm appearing today in opposition to Senate Bill 274, which would eliminate the requirement for cities and counties to publish their audit reports.

I'm convinced this bill is an attempt to limit taxpayers from knowing how their local government officials are spending their tax dollars.

If we don't want the taxpayers to know the results of the audit, why then do we require the audit to be performed in the first place? The legislative intent is clear: the audit is required to provide a "check and balance" to local governmental officials. The legislative intent of the current law is clear: taxpayers should be made aware of the results of this outside audit.

Passage of this bill would destroy the realistic ability of most taxpayers to be able to know the results of the audit. If a taxpayer in my county wanted to read the audit report, they would be required to travel to the county courthouse in Bozeman. For residents of West Yellowstone, that is a 90 mile drive, one way. Even for other county residents, it's up to a 20 mile drive, one way. That's not very convenient for the taxpayers who foot the bill, now is it?

Once in the courthouse, the taxpayer would have to stand at the front counter at the clerk and recorder's office to be able to read the audit report, which is a lengthy document.

Obviously there are few folks who are going to do this. Thus the result of the bill's passage would be to limit public access to public information.

Even for the hardy souls willing to take time off work to go read the audit (remember, the county courthouse is open only during normal working hours, therefore most working people would have to take time off work to be able to read the county audit,) it is often possible for local government officials to intimidate taxpayers who don't know the laws regarding access to public information.

While the fine folks in the Gallatin County Courthouse are always most cooperative with me, my staff and I'm sure, most taxpayers, I've had other experiences with other local government officials whom are less cooperative.

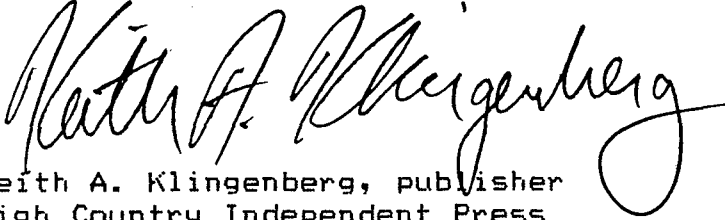
When I've asked for public information, I've been told "it's not fair to give it to you," and I've been asked, "why do you want the information?" Obviously questions such as "why do you want the information," are defensive on the part of the local governmental official and have a high potential to intimidate taxpayers unfamiliar with public access laws.

To keep taxpayers informed, vote to kill this bill. Working taxpayers can read their local governmental audit at home, after work when it is printed

in their local newspaper. Passage of this bill will be a vote to keep taxpayers "in the dark."

Thank you for the opportunity to appear before you today. I'll be available should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Keith A. Klingenberg". The signature is written in dark ink and is positioned above the printed name and title.

Keith A. Klingenberg, publisher
High Country Independent Press



Committee
Bill

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 9, P.1
DATE 2-12-87
BILL NO. SB 368

PEGASUS GOLD CORPORATION
Montana Tunnels Mining Inc.

February 12, 1987

Sen. Bruce Crippen
Chairman
Senate Local Government
State Capital Station
Helena, MT 59601

Dear Sen. Crippen:

This letters is to request the consideration of the Senate Local Government Committee in drafting a bill to exempt mines and buildings on permitted mine property from the Montana Building Code. At present, mine and mineral process facilities are subject to regulation under the Montana Building Codes Act, Montana Mine Safety Act, and the Federal Mine Safety And Health Act.

Background

Prior to 1981 mines and mineral processing facilities were not subjected to the Montana Building Code. In that year, the Act was revised by deleting reference to "public places". As a consequence, all structures, public and private, were made subject to the building code unless specifically exempted by section 50-60-102 MCA. There is not evidence from the record that the 1981 building code revision specifically sought to bring mine and mineral processing facilities under the Act.

Problem

Three agencies using two separate standards for evaluating building and equipment safety now regulate the construction of mine and mineral processing facilities. The Federal Mine Safety And Health Administration (MSHA) and Montana Mine Safety Bureau use a standard developed by MSHA and administered through the Code of Federal Regulation (CFR, Volume 30, Parts 0-199). The Montana Building Codes Bureau administers the Uniform Building Code. The two standards either duplicate or conflict with one another and in the process subject firms like Montana Tunnels with regulatory impediments that can be difficult to resolve. For example,

Montana Tunnels was designed by Wright Engineers Limited, world leaders in the design of mining and metallurgical facilities. For Montana Tunnels, Wright specified a handrail design that is considered to be the standard for the industry with a top rail approximately 40 inches from the ground, a toe plate, and a guard rail half way between the toe plate and top rail. The spacing between the guards is about 16 inches. The proposed design is available "off the-shelf" in relatively inexpensive, prefabricated panels. That design is used in all 50 states and approved by both MSHA and the Montana Mine Safety Bureau. The proposed handrail design does not meet specifications of the Montana Building Code. It requires handrails with a spacing between guards not to exceed 12 inches. The State had no evidence to show that handrails with a 12 inch spacing were superior to, or safer than handrails with 16 inch spacing.

Montana Tunnels and the Colden Sunlight Mine requested a variance from the building code and were granted same after winning a contested case hearing. Had we lost the case this firm would have been required to reorder and/or refabricate handrails with an increase in cost of approximately \$ 115,000.

Effect of Proposed Bill

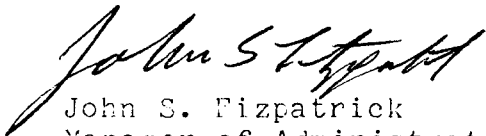
Attached please find a draft of the proposed legislation. As drafted, mines and building's located on mine properties that have been permitted under Title 32, Chapter 4 MCA but subject to inspection by MSHA would be exempt from the State building code. The effect of the legislation is as follows:

1. It will eliminate one layer of regulation. Buildings located on mine property would continue to be inspected and subject to regulation by the Montana Mine Safety Bureau and MSHA.
2. It will place mine safety regulation in the hands of agencies with specific experience and expertise in mine design, construction, and operation. The Montana Building Codes Bureau is staffed by dedicated, straightforward, and cooperative individuals but their experience is predominately with commercial and residential construction, and not with metallurgical facilities.

3. It will not disrupt the State Building Code program nor will it shift the code or inspection responsibility to local government. Regulation will continue at the Federal level with support from the Montana Mine Safety Bureau.
4. It will expedite construction of mine and metallurgical facilities and reduce their cost.
5. It returns both the mining industry and state of Montana to a regulatory relationship that existed prior to 1981. There is not evidence that the application of the state building code to mine and mineral processing facilities since that date has had one bit of positive effect on the health, safety, or welfare of mine employees.

Thank you for your time, help, and consideration.

Very truly yours,



John S. Fitzpatrick
Manager of Administration

JSF:pap
enc.

V1

An Act To Amend The Applicability of The Montana Building Code To Exclude Mines And Buildings On Mining Property Regulated And Under Title 82, Chapter 4.

Section 1: Section 50-60-102, MCA is amended to read.

50-60-102. Applicability. (1) The state building codes do not apply to:

(i) residential buildings containing less than five dwelling units or their attached to structures, any farm or ranch building, and any private garage or private storage structure used only for the owner's own use, located within the municipality's or county's jurisdictional area, unless the local legislative body or board of county commissioners by ordinance or resolution makes the state building code applicable to these structures. The state may not enforce the state building code under 50-60-205 for the aforementioned buildings. Local governments that have made the state building codes applicable to the aforementioned buildings may enforce within their jurisdictional areas the state building code as adopted by the respective local government. The state may not enforce the state building code under 50-60-205 for those buildings.

(ii) Mines and buildings on mine property regulated under Title 82, Chapter 4, and subject to inspection under the Federal Mine Safety And Health Act.

(2) Where good and sufficient cause exists, a written request for limitations of the state building code may be filed with the department for filing as a permanent record.

(3) The department may limit the application of any rule or portion of the state building code to include or exclude:

(a) specified classes or types of buildings according to use or other distinctions as may make differentiation or separate classification or regulation necessary, proper, or desirable;

(b) specified areas of the state based upon size, population size, population density, special conditions prevailing therein, or other factors which make differentiation or separate classification or regulation necessary, proper, or desirable.

Section 2: Effective Date: This Act is effective upon its passage and approval.

An Act To Amend The Applicability of The Montana Building Code To Exclude Mines And Buildings On Mining Property Regulated And Under Title 82, Chapter 4.

Section 1: Section 50-60-102, MCA is amended to read.

50-60-102. Applicability. (1) The state building codes do not apply to:

(i) residential buildings containing less than five dwelling units or their attached to structures, any farm or ranch building, and any private garage or private storage structure used only for the owner's own use, located within the municipality's or county's jurisdictional area, unless the local legislative body or board of county commissioners by ordinance or resolution makes the state building code applicable to these structures. The state may not enforce the state building code under 50-60-205 for the aforementioned buildings. Local governments that have made the state building codes applicable to the aforementioned buildings may enforce within their jurisdictional areas the state building code as adopted by the respective local government. The state may not enforce the state building code under 50-60-205 for those buildings.

(ii) Mines and buildings on mine property regulated under Title 82, Chapter 4, and subject to inspection under the Federal Mine Safety And Health Act.

(2) Where good and sufficient cause exists, a written request for limitations of the state building code may be filed with the department for filing as a permanent record.

(3) The department may limit the application of any rule or portion of the state building code to include or exclude:

(a) specified classes or types of buildings according to use or other distinctions as may make differentiation or separate classification or regulation necessary, proper, or desirable;

(b) specified areas of the state based upon size, population size, population density, special conditions prevailing therein, or other factors which make differentiation or separate classification or regulation necessary, proper, or desirable.

Section 2: Effective Date: This Act is effective upon its passage and approval.

Senate Committee on Local Government

Proposed Committee Bill

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY GROUP AND FAMILY DAY-CARE HOMES AS A RESIDENTIAL USE OF PROPERTY FOR THE PURPOSE OF ALL LOCAL ORDINANCES; AMENDING SECTION 76-2-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 76-2-412, MCA, is amended to read:

"76-2-412. Relationship of foster homes, youth group homes, and community residential facilities, and day-care homes to zoning. (1) A foster or youth group home operated under the provisions of 41-3-1141 through 41-3-1143 or community residential facility serving eight or fewer persons is considered a residential use of property for purposes of zoning if the home provides care on a 24-hour-a-day basis.

(2) A family day-care home or a group day-care home registered by the department of social and rehabilitation services under Title 53, chapter 4, part 5, is considered a residential use of property for purposes of zoning.

~~(2)~~ (3) The homes facilities listed in subsections (1) and (2) are a permitted use in all residential zones, including but not limited to residential zones for single-family dwellings. Any safety or sanitary regulation of the department or any other agency of the state or political subdivision thereof which is not applicable to

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 10, p1
DATE 2-12-87
Committee BILL NO. SB 367

Senate Committee on Local Government

Proposed Committee Bill

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY GROUP AND FAMILY DAY-CARE HOMES AS A RESIDENTIAL USE OF PROPERTY FOR THE PURPOSE OF ALL LOCAL ORDINANCES; AMENDING SECTION 76-2-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 76-2-412, MCA, is amended to read:

"76-2-412. Relationship of foster homes, youth group homes, and community residential facilities, and day-care homes to zoning. (1) A foster or youth group home operated under the provisions of 41-3-1141 through 41-3-1143 or community residential facility serving eight or fewer persons is considered a residential use of property for purposes of zoning if the home provides care on a 24-hour-a-day basis.

(2) A family day-care home or a group day-care home registered by the department of social and rehabilitation services under Title 53, chapter 4, part 5, is considered a residential use of property for purposes of zoning.

~~(2)~~ (3) The homes facilities listed in subsections (1) and (2) are a permitted use in all residential zones, including but not limited to residential zones for single-family dwellings. Any safety or sanitary regulation of the department or any other agency of the state or political subdivision thereof which is not applicable to

residential occupancies in general may not be applied to a community residential facility serving eight or fewer persons or to a day-care home serving twelve or fewer children.

{3} (4) Nothing in this section shall be construed to prohibit a city or county from requiring a conditional use permit in order to maintain a home pursuant to the provisions of ~~this-section~~ subsection (1), provided such home is licensed by the department of health and environmental sciences and the department of social and rehabilitation services. No city or county may require a conditional use permit in order to maintain a day-care home registered by the department of social and rehabilitation services."

Section 2. Effective date. This act is effective on passage and approval.

- end -