

FINANCIAL REPORTING REQUIREMENTS – LG ENTITIES

BACKGROUND

The Montana Single Audit Act housed in [Title 2, chapter 7, part 5](#) requires local government entities to submit an annual financial report (AFR). The report must:

What is an AFR and who has to submit one?

- Cover the preceding fiscal year;
- Be in a form prescribed by the Department of Administration; and
- Be completed and submitted within 6 months of the end of the reporting period.

"Local government entity" is defined in [2-7-501](#) as a county, city, district, or public corporation that:

1. Has the power to raise revenue or receive, disburse, or expend local, state, or federal government revenue;
2. Is governed by a board, commission, or individual elected or appointed by the public or representatives of the public; **and**
3. Receives local, state, or federal assistance.

The following are listed as possible local government entities:

- airport authority districts
- cemetery districts
- county housing authorities
- county road improvement districts
- county sewer districts
- county water districts
- county weed management districts
- drainage districts
- fire companies
- fire districts
- fire service areas
- hospital districts
- irrigation districts
- mosquito districts
- municipal fire departments
- port authorities
- solid waste management districts
- rural improvement districts
- soil conservation districts
- special education or other cooperatives
- television districts
- urban transportation districts
- water conservancy districts
- regional resource authorities
- other miscellaneous and special districts

LOCAL GOVERNMENT AUDITS

All local government entities who meet the definition in [2-7-501](#) must submit a financial report each year.

Local government entities also must undergo audits, whose timeline is explained below¹.

Amount of Revenue	Audit/Review Regularity
Entity reports more than \$500,000 in revenue on the AFR	Audit every 2 years, starting within 9 months of the close of the last fiscal year of the audit period Audit must be completed and submitted within 1 year
Entity reports less than \$500,000 in revenue on the AFR	Financial review every 4 years if directed by the department "Financial review" is defined by rule

Audits may be completed by the department or an independent auditor² and must be reviewed and filed with the department³.

The governing body of an entity has 30 days to review a completed audit and submit a corrective action plan, if needed. The department and local government entity must agree and sign off on the corrective action plan. If significant findings reveal a violation of law or nonperformance of duty, the attorney general or county, city, or town attorney may prosecute the case.⁴

FEES, PENALTIES, AND FINES

The department may also decide to conduct a "special audit" of a local government entity, which is in addition to the audits listed above. In this event, the department may charge the entity a fee "based upon the costs incurred by the department".⁵

¹ [2-7-503](#). Financial reports and audits of local government entities.

² [2-7-506](#). Audit by independent auditor.

³ [2-7-522](#). Report review.

⁴ [2-7-515](#). Actions by governing bodies.

⁵ [2-7-503](#) (6)



The local government entity compensates the entity who conducts an audit - the independent auditor or the department.⁶

When an audit is filed, the local government entity pays the department a "filing fee", again based on the costs incurred by the department.⁷

Lastly, if a local government entity fails to file a report or make a required payment, the department may issue an order stopping payment of any state financial assistance to the entity or charge a late payment penalty. The department may also assess a fine, not to exceed \$100, to cover costs related to publicly noticing delinquent audits or reports.⁸

ONLINE ACCESS TO FINANCIAL RECORDS

The Department of Administration maintains a "Transparency in Local Government" website where the public may access the AFRs, audits, and financial reviews of any local government entity:

[Local Government Annual Financial Reports](#)

[Local Government Audits and Financial Reviews](#)

[Local Government Annual Summarized Financial Information](#)

⁶ [2-7-516](#). Audit fees.

⁷ [2-7-514](#). Filing of audit report and financial report.

⁸ [2-7-517](#). Penalties – rules to establish fine.