

**Report by the Director of the Department of Administration to the Legislature on  
Local Government Compliance with Title 17, Chapter 2, Part 3, MCA, “State and Local Charges for Services – Limit on Fund Balance.”**

**August 29, 2022**

§17-2-304(2), MCA, requires that the Director of the Department of Administration shall report to the Legislature at the time and in the manner required by §5-11-210 a list of each local government entity that did not comply with the statutory provisions of Title 17, Chapter 2 Part 3, MCA , during the previous 12 months. §5-11-210 requires that the report be submitted to the appropriate legislative committee by September 1.

§17-2-302(1), MCA - ...a local government entity that deposits money into a local charge for services fund may not maintain a cash balance in the fund greater than twice the annual appropriation for that year...

§17-2-303, MCA - ...a local government entity that maintains a cash balance in a local charge for services fund contrary to the limitation provided in 17-2-301(1) for more than 60 days shall, within 120 days after the end of the 60-day period, reduce the charge for services ...until the cash balance in the local fund complies with the limitation in 17-2-302(1).

§17-2-302(3), MCA, requires that an independent auditor shall include in an audit performed ...pursuant to Title 2, chapter 7, part 5, a determination of whether money is or has been retained in a ...local charge for services fund contrary to the requirements of this section or 17-2-303.

**A review by the Department of Administration of local government entity audit reports submitted by independent auditors disclosed the following audit findings that reported local government entities were not in compliance with these statutory provisions. The reviews were conducted of local government entity audit reports received as of August 29, 2022, and covering the fiscal years ended June 30, 2020, and 2021.**

<b>Local Gov't Entity &amp; Audit Period</b>	<b>Local Charge for Services Fund</b>	<b>Balance in a local charge for services fund contrary to 17-2-302(1)?</b>	<b>Failed to reduce the charge as provided in 17-2-303?</b>	<b>Local Gov't Entity's Response to Audit Finding</b>
<b>Town of Winifred</b> Annual Audit for FY2021	Sewer	Yes	Yes	The Town of Winifred understands the importance of maintaining a proper cash balance in a charge for services fund. The Town of Winifred will budget to not allow a cash balance greater than twice the annual appropriations for that budgeted year.
<b>City of Ronan</b> Annual Audit for FY2021	Storm Water Utility	Yes	Yes	Moving forward, the City will seek professional guidance in the budgeting process to ensure budget cash reserves are within allowable provisions of the Montana Code.
<b>City of Ronan</b> Annual Audit for FY2020	Storm Water Utility	Yes	Yes	The City Clerk-Treasurer has been made aware of the State laws pertaining to budgeted cash reserves. Moving forward, the City will seek professional guidance in the budgeting process to ensure budget cash reserves are within allowable provisions of the Montana Code.
<b>City of Livingston</b> Annual Audit for FY2020	Impact Fees	Yes	Yes	The City does not intend to reduce the charges for services because those funds are being accumulated for a specific future railroad crossing project and will be spent in the next upcoming fiscal years.
<b>City of Cut Bank</b> Annual Audit for FY2021	Street Maintenance #4	Yes	Yes	We will make sure that we budget no more than 200% cash reserves in the Special Revenue Funds, and we will spend down so that we don't have reserves above that amount as well.
<b>Town of Belt</b> Annual Audit for FY2020	Water	Yes	Yes	The Town will develop a checklist to follow in developing its proposed budget each year to ensure that it complies with MCA 17-2-302.
	Sewer	Yes	Yes	See the above response.
	Solid Waste	Yes	Yes	See the above response.