

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 the dollar threshold established by the Director of the Office of Management and Budget in accordance with 31 U.S.C. 7502(a)(3)	An audit is triggered that may cover the entity's preceding 2 fiscal 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 the dollar threshold established by the Director of the Office of Management and Budget	Financial review at least 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.