

**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 24, 2018

§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 24, 2018, and covering the fiscal years ended June 30, 2016 and 2017.

Local Gov't Entity & Audit Period	Local Charge for Services Fund	Balance in a local charge for svcs fund contrary to 17-2-302(1)?	Failed to reduce the charge as provided in 17-2-303?	Local Gov't Entity's Response to Audit Finding
Town of Joliet Biennial Audit for FY2016 & FY2017	Water	Yes -6/30/16 No - 6/30/17	Yes	The Town of Joliet will budget for pending projects to show that the funds will be used. This will be documented in the FY2019 Budget. <i>[Note: Audit workpapers indicate that the Town was in compliance with 17-2-302(1) at 6/30/2017.]</i>
Town of Stevensville Audit for FY2017				
	Building Code Enforcement	Yes	Yes	For the Building Code Enforcement Fund, the FY17-18 budget anticipated 131% and we continue to evaluate the fee structure to maintain a reserve balance that is in compliance with statute.
	Dayton Lighting Dist.	Yes	No	The lighting districts did not assess property owners for FY17-18 due to the excess reserves. Management is aware of MCA 17-2-302 and will not assess Dayton and Geo Smith Lighting districts for FY18-19 in order to bring the reserves into compliance.
	Peterson Lighting Dist.	Yes	No	See above response
	Geo Smith Lighting Dist.	Yes	No	See above response
	Creekside Lighting Dist.	Yes	No	See above response
	Water	Yes	Yes	The ending cash balance in the Water fund includes \$260,008 in cash that is restrict[sic] by bond covenants and \$476,108 in CDs that were opened by resolution specifically for capital improvement projects and short-lived asset replacement. It is management's feeling that the excess falls under the exceptions in MCA 17-2-302(2)(ii).