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Montana Code Annotated 2019

TITLE 7. LOCAL GOVERNMENT
CHAPTER 15. HOUSING AND CONSTRUCTION
Part 42. Urban Renewal

TITLE
SPECIFIC

Annual Report

7-15-4237. Annual report. (1) An agency authorized to transact business and exercise powers under part 43 and this part shall file with the local governing body, on or before September 30 of each year, a report of its activities for the preceding fiscal year. A copy of the annual report must be made available upon request to the county and school districts that include municipal territory.

(2) The report must include a complete financial statement setting forth its assets, liabilities, income, and operating expenses and the amount of the tax increment as of the end of the fiscal year. The report must describe the expenditures of tax increment in the preceding fiscal year and how the expenditures comply with the approved urban renewal plan or comprehensive development plan for the district.

(3) At the time of filing the report, the agency shall publish in a newspaper of general circulation in the community a notice to the effect that the report has been filed with the municipality and that the report is available for inspection during business hours in the office of the city clerk and in the office of the agency.

History: En. Sec. 16, Ch. 195, L. 1959; R.C.M. 1947, 11-3916(part); amd. Sec. 1, Ch. 441, L. 1991; amd. Sec. 3, Ch. 374, L. 2011; amd. Sec. 3, Ch. 376, L. 2011; amd. Sec. 4, Ch. 278, L. 2017.

Titel specific
Reporter requirements

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TIF Hotline Call ACS
Memo of Interview

period, and did not receive payments for the work as a result. She indicated she thought that Kephart may be seeing the "awards" and assuming that meant payouts. She said that Butte-Silver Bow has allowed Kephart multiple opportunities to come in to their office and thumb through and copy any records he wanted.

I asked her about any state grants that were used in the project. She said that there was one contract for an assessment that was funded through the Department of Commerce. She said part of that grant required that they send the assessment that it paid for to the Department of Commerce, and that they probably have a copy on hand there if we were interested in investigating further.

Auditor's Note: In a phone call early in the hotline investigation I asked Karen for the URA's annual report that was supposed to be sent to Butte-Silver Bow. She told me that they do not have an official paper report, but instead do a presentation to the commission annually in person. She did not realize they had to file an official report. I pointed out the statutory requirement to her that requires all URAs to file and notice an annual report.

Commented [SA1]: We also did not see any evidence of other state grants in Kephart's documents.

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No Annual Report admitted

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Montana Code Annotated 2019

TITLE 2. GOVERNMENT STRUCTURE AND ADMINISTRATION
CHAPTER 7. STUDIES, REPORTS, AND AUDITS
Part 5. Audits of Political Subdivisions

General requirements for all "local government entities" includes Audit every other year

Financial Reports And Audits Of Local Government Entities

2-7-503. Financial reports and audits of local government entities. (1) (a) The governing body or managing or executive officer of a local government entity, other than a school district or associated cooperative, shall ensure that a financial report is made every year. A school district or associated cooperative shall comply with the provisions of **20-9-213**. The financial report must cover the preceding fiscal year, be in a form prescribed by the department, and be completed and submitted to the department for review within 6 months of the end of the reporting period.

(b) The financial report of a local government that has authorized the use of tax increment financing pursuant to **7-15-4282** must include a report of the financial activities related to the tax increment financing provision.

(2) The department shall prescribe a uniform reporting system for all local government entities subject to financial reporting requirements, other than school districts. The superintendent of public instruction shall prescribe the reporting requirements for school districts.

(3) (a) The governing body or managing or executive officer of each local government entity receiving revenue or financial assistance in the period covered by the financial report that is in excess of \$500,000 and that is also in excess of the threshold dollar amount established by the director of the office of management and budget pursuant to 31 U.S.C. 7502(a)(3), regardless of the source of revenue or financial assistance, shall cause an audit to be made at least every 2 years. The audit must cover the entity's preceding 2 fiscal years. The audit must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be completed and submitted to the department for review within 1 year from the close of the last fiscal year covered by the audit.

(b) The governing body or managing or executive officer of a local government entity that does not meet the criteria established in subsection (3)(a) shall at least once every 4 years, if directed by the department, or, in the case of a school district, if directed by the department at the request of the superintendent of public instruction, cause a financial review, as defined by department rule, to be conducted of the financial statements of the entity for the preceding fiscal year.

(4) An audit conducted in accordance with this part is in lieu of any financial or financial and compliance audit of an individual financial assistance program that a local government is required to conduct under any other state or federal law or regulation. If an audit conducted pursuant to this part provides a state agency with the information that it requires to carry out its responsibilities under state or federal law or regulation, the state agency shall rely upon and use that information to plan and conduct its own audits or reviews in order to avoid a duplication of effort.

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Memo of Interview
Participants: Karen Byrnes, Community Development Director, Butte-Silver Bow City County
Alyssa Sorenson, Performance Auditor

Date/Location: 10/17/2018, Butte-Silver Bow Court House
Purpose: Discuss Butte-Silver Bow's URA financial controls and select projects related to hotline call allegations.

Among the complaints posed in a hotline call regarding Butte - Silver Bow's Uptown Tax Increment Financing District were allegations of misuse of funds for projects at the Phoenix Building and other projects. These allegations were determined to be likely outside the scope of the hotline investigation, but while I was in Butte for other business I stopped by to ask Karen Byrnes about the project and generally about the controls in place for spending money in the district, in case the scope of the hotline call was to change based on other findings.

Karen indicated that for projects, the following process was followed:

- Application from interested entity
- Review of eligible expected costs
- Decision of what to match which comes with an "award" for funding.
- Project is completed and receipts are submitted
- Building & code folks go to check the premises to ensure work was complete
- The first step to pay out for a project starts at the URA, but it then goes through multiple steps outside of her office prior to being paid out, including the budget office and budget council. She said that they are also audited every two years. (Auditor's Note: This was confirmed in a later meeting with the Butte-Silver Bow Budget Director, Danette Gleason)
- Entity receives payments

When it comes to general checks on project expenditures, she said that the agency receives their budget through a public process from the city council. They discuss each project at URA board meetings and in commission meetings, which are public hearings.

Karen encouraged me to review old meeting minutes and agendas if I wanted to see how funding was provided to this project over the years. She indicated that she knew who the hotline call was from because he had submitted multiple records requests for information related to the nonprofit/people involved in the Phoenix Building project. She said that she knew he was concerned about the elevator and garage funding for that building and the building behind it, but she says that the project that was awarded funding was now complete. There were several times however that the organization that owned the building was "awarded" grants to complete work, but due to unforeseen roadblocks were unable to complete the work during the time

Where is audit?
How can you do URA audit if No annual report?