

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 962

(Senator Mautz)

Budget and Taxation

Environment and Transportation

Municipalities - Legislative Audit - Exemption

This bill establishes an annual audit exemption for a municipality in any fiscal year in which municipal annual revenues are less than \$100,000. A municipality that qualifies for an audit exemption under the bill would still be required to file an annual Uniform Financial Report (UFR) with the Department of Legislative Services (DLS). If a UFR filed by a municipality that qualifies for an audit exemption under the bill indicates a financial or accounting irregularity or concern, the Joint Audit and Evaluation Committee may request or require the municipality to conduct a review or audit of its financial records. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: Minimal reduction in local government audit expenditures for a limited number of municipalities that may qualify for an audit report exemption under the bill. Local government revenues are not affected.

Small Business Effect: None.

Analysis

Current Law: Generally, municipalities and State-created special taxing districts are required to have an independent audit conducted by a certified public accountant each year. However, municipalities and State-created special taxing districts with annual revenues of less than \$250,000 in the prior four fiscal years may submit a request to the Office of Legislative Audits (OLA) for a waiver allowing an audit to be conducted once every

four years instead of annually. The current threshold of \$250,000 was increased from the previous threshold of \$50,000 by Chapters 32 and 33 of 2009. OLA granted audit waiver approvals for 15 jurisdictions that were in affect during their review of fiscal 2023 local government audits.

All municipalities and State-created special taxing districts are required to submit to DLS an annual financial report, also known as the UFR, by October 31 each year. This includes municipalities and State-created special taxing districts that have received a waiver from the annual audit requirement.

Additional Comments: OLA advises that during their review of fiscal 2023 local government audits, 22 entities were eligible to receive an audit report waiver under the current law threshold and 15 of these 22 entities requested and received waivers. Based on the *Local Government Finances Report* for fiscal 2023, six municipalities had total revenues under \$100,000 and would meet the exemption threshold established by the bill. These municipalities include Port Tobacco in Charles County; Brookview, Church Creek, Eldorado, and Galestown in Dorchester County; and Rosemont in Frederick County. A copy of the [report](#) is available on the DLS [website](#).

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Legislative Services – Office of Legislative Audits; Maryland Municipal League; Town of Bel Air; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2025
rh/tso Third Reader - March 24, 2025
Revised - Amendment(s) - March 24, 2025

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