

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: SB 2262

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
<b>Counties</b>	\$0	\$0	\$0
<b>Cities</b>	\$0	\$0	\$0
<b>School Districts</b>	\$0	\$0	\$0
<b>Townships</b>	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would increase the auditing threshold of certain local governments from \$200,000 of annual receipts, to \$300,000 of annual receipts.

The fiscal impact on counties, cities and townships is unknown.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of this bill would have an unknown fiscal impact on certain local governments. There would be no fiscal impact on counties or school districts.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Unknown

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Unkown

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Unknown

**Name:** Edwin Nagel

**Agency:** Office of the State Auditor

**Telephone:** 328-2241

**Date Prepared:** 01/20/2015

**2015 SENATE POLITICAL SUBDIVISIONS**

**SB 2262**

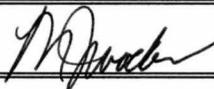
# 2015 SENATE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Red River Room, State Capitol

SB 2262  
February 5, 2015  
Job Number 23288

- Subcommittee  
 Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to annual reports of certain political subdivisions in lieu of biennial audits.

### Minutes:

Written testimony #1 Ron Tolstad, #2

**Chairman Burckhard** opened the hearing on SB 2262. All senators were present.

**Senator David O'Connell** sponsor who introduced SB 2262. All this bill does is raising it from \$200,000 to \$300,000 for audit purposes. Some park boards and members of some committees have approached me because it costs a lot for an audit. The bill stays the same except we change the 2 to 3. Where I am coming from is park districts and things in the smaller districts have hit that \$200,000 threshold. It has been a long time since it has been raised so that is why we are here.

**Ron Tolstad**, Office of the State Auditor, in support of SB 2262. Written testimony #1, 2 (1:45- 2:22) The auditor's office thinks this is reasonable and it is only going to affect probably less than a dozen entities. It is reasonable considering inflation. Certain entities will get a grant to buy an ambulance or something, and this could put them over the threshold of \$200,000 so fewer will be bumped into an audit requirement because of the federal grant.

**Senator Anderson** You said this is reasonable? Do you think the number could be higher?

**Ron Tolstad** We would have to do some analysis and see how many would be affected. If you went up to \$500,000 that is getting to be quite large and I would like to know how many entities it affected, but \$300,000 given inflation and other considerations is certainly okay.

**Senator Judy Lee** The Auditor's Department still as your time is available doing some of these audits for smaller political subdivisions or not?

**Mr. Tolstad** We do. We've got a division of local government audit is in Fargo, so the western part of the state it's harder to do this competitively and there having hard time finding auditors anyway. But we do these audits but really most of our time is spent on

counties, some cities, some schools, but these smaller entities are mostly out of their private Certified Public Accountants (CPA's).

**Senator Judy Lee** I asked this question before because someone in the hallway talked about the fact that it's sort of what my 10 year old granddaughter says, " this isn't fair" because the west isn't getting the audit help that the east is. There are a lot of reasons some of which you've already alluded too. By having this threshold change that Senator Anderson even asked about it being higher. I am not suggesting you're doing this because you want your work load reduced, but some of those requests might be reduced for the auditors to find and that would allow you or enable you to move into some of these other areas where you also have large increasing demands. Would that be reasonable to think?

**Mr. Tolstad** There are such few entities that it really doesn't affect very much and we don't get a lot of requests from out west, because they know it is just that travelling is really expensive. CPA firms if you have to travel or do an audit, you can't be competitive, so that just knocks you out of the equation there because it is just not feasible. The time and the expense of travel too, it won't affect us much. Either way we review the audit reports or we review the reports, the quality control check, the same person is going to be doing some work on these, it's whether there looking at an audit report which does cost a lot of money for these entities. These small entities are paying a large percentage of their expenses is for an audit.

**Senator Bekkedahl** I brought up the issue initially and as Finance Commissioner for Williston, for the last 19 years I've been told that the State Auditor's office will not do audits for us in Williston anymore because they do not have a western division anymore. So, you kind of indicated you just don't get any more request, or am I interpreting something wrong here? I am told that it's not even an available service for us anymore.

**Mr. Tolstad** I think the Century Code says that we shall do an audit if requested by the local government. So if push came to shove, they could make us do it. But it's hard for us be timely. Our auditors are fairly busy out west, as they are in the eastern part of the state. What happened to us in Bismarck, we had a Bismarck branch and we had some turnover and turnover can just kill you because you've got to have experienced auditors to be in charge and if you lose some upper in charge people, we actually had to shut down the office. The western part of the state is out one option for auditors. The oil boom as affected the CPA profession as well as any other profession.

**Senator Grabinger** Is there any effort on the state's part to get that office back opened up and hire some people? Are you just going to forget about it?

**Mr. Tolstad** We have not really considered it. We were put into a position where we couldn't keep it running and to open it up again, we have not discussed that. It is not within the realm of possibilities right now for us. It would need to have some probably some legislative action for that to happen.

**Senator Dotzenrod** The first sentence in this bill, starts on line 7 and goes through line 12. It uses words like 'may require annual reports from school districts with less than 100 students': cities with less than 500 population and then other political subdivisions. I am

assuming that could include fire districts or otherwise provided by law with less than and if we adopt the bill, \$300,000. So, if I understand it, if you are a school district with less than 100, or if you are a city with less than 500, but if you go over \$300,000 then you would have to go through the normal audit process. That is you can't just be excluded because you're a city of less than 500. You have to also in addition to make this dollar requirement in order to be allowed to just turn in a report.

**Mr. Tolstad** There is different requirements for different entities. So cities is that one criteria I believe, the way it's been interpreted is that the schools have the 100 enrolled students, and cities have a population of 500. That is all that matters for them. If you have a population of over 500, you're required to have NADA. This \$200,000 or \$300,000 only applies to these other entities that are listed in 54:10:14.

**Senator Dotzenrod** So you could have receipts over \$300,000 or over \$400,000 or more. If your under 500 then you are exempt from some of the requirement of having to do the audit all the time.

**Mr. Tolstad** I believe that is correct. I will get back to you if I am wrong on that.

**Dana Schaar Jahner** North Dakota Recreational and Park Association. We represent the park districts across the state. I don't have written testimony but we do stand in support of SB2262.

**Senator Judy Lee** Last session Senator Sorvaag was on this committee and he was at that time a Fargo Park Commissioner. He talked about the cost of audits which obviously Fargo pays because it doesn't meet this criteria. But do you have an example for us of what some of these smaller park districts might be paying for an audit?

**Dana Schaar Jahner** I can give you an example from about 2011. Actually we had issued an RSP for audit services so we went to three large accounting firms. With about \$100,000 budget and the proposals that came back to do an audit of a \$100,000 budget were in the range of \$6,000-\$12,000 which for a \$100,000 budget is about a 10% of your budget. So, I am expecting that the prices have gone up significantly since then.

**Chairman Burckhard** closed the hearing on SB 2262.

Senator Anderson moved do pass on SB 2262

Senator Judy Lee 2<sup>nd</sup>

Roll call vote 6Yea, 0 No, 0 Absent

Carrier: Senator Bekkedahl

Date: 2.5.15  
Roll Call Vote: /

2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2262

Senate Political Subdivisions Committee  
 Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Senator Anderson Seconded By Senator Judy Lee

Senators	Yes	No	Senators	Yes	No
Chairman Burckhard	X				
Senator Anderson	X		Senator Dotzenrod	X	
Senator Bekkedahl	X		Senator Grabinger	X	
Senator Judy Lee	X				

Total (Yes) 6 No 0  
Absent 0  
Floor Assignment Senator Bekkedahl

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2262: Political Subdivisions Committee (Sen. Burckhard, Chairman)** recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2262 was placed on the Eleventh order on the calendar.

**2015 HOUSE POLITICAL SUBDIVISIONS**

**SB 2262**

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee

Prairie Room, State Capitol

SB 2262

3/13/2015

24787

Subcommittee

Conference Committee

Chanda Muscha

### Explanation or reason for introduction of bill/resolution:

Relating to annual reports of certain political subdivisions in lieu of biennial audits.

### Minutes:

TESTIMONY 1

Chairman Klemin: Opened hearing on SB 2262

Senator O'Connell: A couple park districts have asked me to introduce this for them because their costs to the audits are getting high for them. They asked if we could increase their income.

Chairman Klemin: This changes the audit level from two to three thousand.

Senator O'Connell: Correct and it hasn't been done in a while

Chairman Klemin: I know that we did amend this not too long ago to allow these annual audits instead of the audit every two years.

Senator O'Connell: Right it hasn't been too long since that and it helps out the smaller political subdivisions that have little income.

Chairman Klemin: It would apply to certain political subdivisions subject to this section.

Senator O'Connell: Correct

Donna Schaar Jahner: I am with the North Dakota Recreation and Park Association and we support this. Audit expenses have increased over the years along with many other costs and we think this is a reasonable increase to allow the smaller districts to submit the annual reports. We ask for a do pass

Ron Tolstad: Testimony 1

Representative Koppelman: How often do these thresholds get raised?

Ron: I believe the last one was the school districts and that goes by population in the schools and I would say that was two bienniums ago.

Chairman Koppelman: It has been awhile.

Ron: We don't remember this being raised for quite some time.

Representative Becker: What is causing the request to make the change this year?

Ron: Audit costs have been going up for the last few years. It is really fit in demand on hiring CPAs and it has gotten more expensive. The last one was in boards and commissions and I believe state boards and commissions threshold was raised to 100,000. In the western part of the state it is difficult to hire and then you end up 200,000 revenue and expenses about the same and you may be paying 10,000-15,000 for an audit and it does get high.

Representative Anderson: If they aren't doing audits, does the state do anything? Do you come in and do a surprise audit or anything for the subdivisions that don't have audits?

Ron: They file a report with us and someone reviews them. They sent in bank reconciliations and every two years we look at these entities and make sure things are reconciling. We have never in my time forced an audit on one of these entities. It's not like we will go do an audit unless the circumstances arise.

Representative Maragos: Do pass

Representative Zubke: Second

A Roll Call Vote Was Taken: Yes 12, No 0, Absent 2 (Hatlestad, Strinden)

Motion carries

Representative Becker will carry the bill

2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2262

House Political Subdivisions Committee

Subcommittee  Conference Committee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By maragos Seconded By Zubke

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin	X		Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad	/		Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen	X	
Rep. Rich S. Becker	X		Rep. Marie Strinden	/	
Rep. Matthew M. Klein	X				
Rep. Kim Koppelman	X				
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman	X				
Rep. Denton Zubke	X				

Total (Yes) 12 No 0

Absent 2 (Hatlestad, Strinden)

Floor Assignment Becker

If the vote is on an amendment, briefly indicate intent:  
motion carries

**REPORT OF STANDING COMMITTEE**

**SB 2262: Political Subdivisions Committee (Rep. Klemin, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2262 was placed on the Fourteenth order on the calendar.**

**2015 TESTIMONY**

**SB 2262**

SB 2262  
2.5.15  
#1

STATE AUDITOR  
ROBERT R. PETERSON



PHONE  
(701) 328-2241  
FAX  
(701) 328-1406

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVE. - DEPT. 117  
BISMARCK, ND 58505

**TESTIMONY BEFORE THE SENATE  
POLITICAL SUBDIVISIONS COMMITTEE  
Senator Randall A. Burckhard, Chairman**

February 5, 2015

---

S.B. No. 2262

Testimony - Presented by:  
Ron Tolstad Jr., M. Acc., CPA  
Audit Manager

---

The Office of the State Auditor welcomes the opportunity to testify on this bill. This bill if passed would increase the required audit threshold from \$200,000 to \$300,000 of annual receipts on selected entities. We estimate this will affect fewer than a dozen entities.

This bill is reasonable considering inflation and the fact that the receipt of federal funds to purchase an expensive item, such as an ambulance, can easily put some small governments over the \$200,000 threshold.

SB2262  
2.5.15  
#2

15.0087.01000

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: SB 2262

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would increase the auditing threshold of certain local governments from \$200,000 of annual receipts, to \$300,000 of annual receipts.

The fiscal impact on counties, cities and townships is unknown.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of this bill would have an unknown fiscal impact on certain local governments. There would be no fiscal impact on counties or school districts.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Unknown

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Unkown

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Unknown

SB 2262

3/13/2015

STATE AUDITOR  
ROBERT R. PETERSON

1.1



PHONE  
(701) 328-2241  
FAX  
(701) 328-1406

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**

STATE CAPITOL  
600 E. BOULEVARD AVE. - DEPT. 117  
BISMARCK, ND 58505

**TESTIMONY BEFORE THE HOUSE  
POLITICAL SUBDIVISIONS COMMITTEE**  
Representative Lawrence R. Klemin, Chairman

Friday, March 13, 2015

---

S.B. No. 2262

Testimony - Presented by:  
Ron Tolstad Jr., M. Acc., CPA  
Audit Manager

---

The Office of the State Auditor welcomes the opportunity to testify on this bill. This bill if passed would increase the required audit threshold from \$200,000 to \$300,000 of annual receipts on selected entities. We estimate this will affect fewer than a dozen entities.

This bill is reasonable considering inflation and the fact that the receipt of federal funds to purchase of an expensive item, such as an ambulance, can easily put some small governments over the \$200,000 threshold.