

2009 SENATE POLITICAL SUBDIVISIONS

SB 2295

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2295

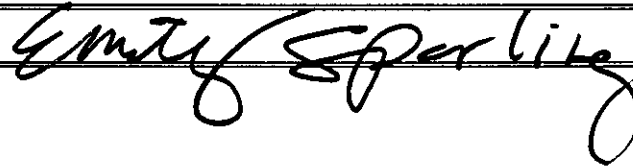
Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: 01/29/2009

Recorder Job Number: 8127

Committee Clerk Signature



Minutes:

Senator Anderson Introduced the bill. Spoke in support. See attachment #1.

Jerry Hjelmstad North Dakota League of Cities. Spoke in support. See attachment #2.

Chuck Andrus City Councilman from South Heart. Spoke in support. See attachment #3.

Senator Bakke How often do you audit?

Andrus Currently, every biennium. I still want to do it every year. There is lots of software that would make audits easier. The current system is onerous and expensive.

Senator Anderson They have to be sent in every year.

Andrus And certified every two years.

Senator Bakke With this change, would you ever have to send in an audit report?

Senator Anderson Yes, what happens now is that a state auditor or CPA must come out to the city and perform the audit. This bill would eliminate that part, but the city would be sending in every year.

Senator Bakke So no one would have to go out and do an audit.

Senator Anderson No, not unless they suspect fraud.

Andrus We are having a very hard time finding auditors willing to go out and do these.

Gordy Smith State Auditor's Office. We have no objections to the bill.

Senator Lee Do you have put criterion in place for these reports? What kind of protection is there for small incorporated cities?

Smith That is a valid concern, the vast majority of fraud that is discovered is in smaller public entities. We do have a form that these smaller entities send in but it is not an audit. Short of an audit, this is the most assurance that we have. It is very hard to find auditors; they don't make any money doing these few audits. Firms will not stay on site very long; it just is not cost effective. Gave example of a small agency with a rubber stamp problem.

Senator Lee Should we have a policy against rubber stamps? I am a little concerned about oversight.

Smith That might be a bit too expensive.

Senator Olafson Do you have any concerns with this bill?

Smith No.

Senator Dotzenrod Are there going to be any unusual circumstances or exceptions to the rules?

Smith None that I am aware of, but it could happen.

Senator Bakke Should there be a dollar amount, certain budget requirements?

Smith That could be difficult, we have some, but it would be tough to do per city.

Vice Chairman Olafson closed the hearing.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2295

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: 01/30/2009

Recorder Job Number: 8232

Committee Clerk Signature

Emily Sparline

Minutes:

Chairman Andrist Reopened the discussion on SB 2295

Senator Olafson Moved a **Do Pass** recommendation.

Senator Anderson Second

Clerk called the role on the motion to **Do Pass**. **Yes: 6, No: 0, Absent: 0.**

Senator Anderson will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: SB 2295

1A. **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.*

| | 2007-2009 Biennium | | 2009-2011 Biennium | | 2011-2013 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 |

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

| 2007-2009 Biennium | | | 2009-2011 Biennium | | | 2011-2013 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

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

Cities with less than 500 population would not be required to have an audit every two years. Currently, cities with less than 300 population are not required to have an audit.

The effect of this bill 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.*

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.*

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.*

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 is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|----------------------|----------|-----------------------|-----------------------------|
| Name: | ED NAGEL | Agency: | Office of the State Auditor |
| Phone Number: | 8-2241 | Date Prepared: | 01/21/2009 |

Date: 1/30/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass Do not pass Amend

Motion Made By S. Olafson Seconded By S. Anderson

| Senators | Yes | No | Senators | Yes | No |
|------------------------------|-----|----|---------------------------|-----|----|
| Chairman John M. Andrist | / | | Senator Arden C. Anderson | / | |
| Vice Chairman Curtis Olafson | / | | Senator JoNell A. Bakke | / | |
| Senator Judy Lee | / | | Senator Jim Dotzenrod | / | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 4 No 0

Absent 0

Floor Assignment S. Anderson

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

REPORT OF STANDING COMMITTEE

SB 2295: Political Subdivisions Committee (Sen. Andrist, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2295 was placed on the Eleventh order on the calendar.

2009 HOUSE POLITICAL SUBDIVISIONS

SB 2295

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. SB 2295

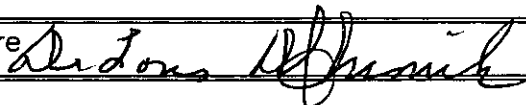
House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 6, 2009

Recorder Job Number: 10345

Committee Clerk Signature



Minutes:

Chairman Wrangham: opened the hearing on SB 2295.

Rep. Shirley Meyer: (see testimony #1). Handed out Attachment #2 & #3.

Also handed out testimony #4 Chairman Andrist who is the city councilman for South Heart.

He could not be here. This is one of the reasons the bill is brought forward. In South Heart is a community of 299 people and things were going along fine because Quick Books could handle auditing requirement every two years cost them about \$100. There is a big oil boom going on out there and 9mmore people moved into town and they were bumped up into this over 300 population requirement and they could not find a CPA so it ended up costing them \$6800 from Mott somewhere. We think a city of 300 cannot handle this cost and mill levy just to do the auditing requirement.

Rep. Koppelman: do you know what that audit would have cost if the State Auditor's office would have done it?

Rep. Shirley Meyer: The basic problem th3re was when they did that they couldn't. We don't have the staff or manpower to do it. They said the cost would have been about substantially over a \$100. They were surprised at the \$7000 figure for the audit also. You have to pay for it. It is required.

Jerry Hjelmstad: ND League of Cities: (see testimony #5).

Rep. Koppelman: I think Rep. Meyer testified that there is 30 cities that would be affected by this change. Is there anything magical about the 500 number or just that we wanted to get the smaller cities away from this?

Jerry Hjelmstad: No there is nothing magical. It just seemed like a good cut off.

Rep. Koppelman: Are there quite a few that are 500-800 right above what we would be doing?

Jerry Hjelmstad: Between 500-1000 there are 47 cities.

Rep. Klemin: I am assuming the purpose of the audit is that there is no problem with entrusted funds in the cities. I am sure the auditor would go through and check those accounts and make sure that kind of thing isn't happening. The ones that aren't a part of an audit now do they refer to the state auditor's office for the receipts and disbursements? Do you know what the process is now when this report is filed? Is the state auditor able to go back and audit them?

Jerry Hjelmstad: There are provisions on page 2 of the bill; lines 20 & 21 that say the state auditor will review and do additional audits when they deemed necessary.

Opposition: None

Neutral: None

Hearing closed.

Do Pass Motion made By Rep. Koppelman: Seconded By Rep. Zaiser:

Rep. Headland: I have a question, Rep. Pietsch is shown me HB 1129 which is the exact same bill except in it besides changing the city number from 300-500 you raise the fee from \$50 to \$80; so what happens if we pass this bill; we have already passed that bill?

Rep. Koppelman: My understanding is the last bill passed usually governs.

If we do change this bill there would be a conference committee. If we pass it as is then there won't be one generated just because there is a similar bill though.

Rep. Pietsch: what about what the senate does with this one.

Rep. Koppelman: If you wish I would be happy to withdraw my motion and amend it to have it agree.

Jerry Hjelmstad: The Senate Political Subdivisions heard 1129 last week and they were looking at some amendments. That bill did not have the change in population. They were looking at some amendments that would put that into that bill.

Chairman Wrangham: Maybe we should just hold this until we find out what the Senate does with that?

Rep. Koppelman: withdrew my motion; Withdrew Seconded By Rep. Zaiser

Hearing closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. SB 2295

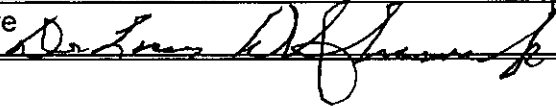
House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 19, 2009

Recorder Job Number: 11252

Committee Clerk Signature



Minutes:

Chairman Wrangham reopened the hearing on SB 2295.

Rep. Pietsch: I have a note that you were going to take a look at HB 1129 to see what the difference is between the two bills. One had an amendment and I didn't see the amendment.

Chairman Wrangham: I think that bill is going to be in a conference committee. The bills maybe could have been combined but I don't think that one does all the stuff.

Rep. Nancy Johnson: They have the 500 in that bill also. They changed it from 300 to 500.

Chairman Wrangham: Did they change the shall to may? I think they did. We will double check on this.

Rep. Koppelman: If they have already passed that bill do we need this one? Can we just kill this.

Chairman Wrangham: We will hold this one until we can see about the other bill.

Hearing closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. SB 2295

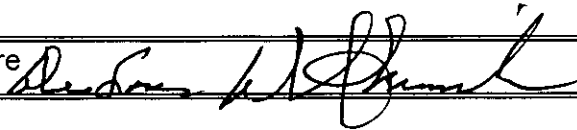
House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: March 20, 2009

Recorder Job Number: 11316

Committee Clerk Signature



Minutes:

Chairman Wrangham reopened the hearing on SB 2295. HB 1129 as it passed the Senate does have the change from \$300 to \$500 in it, but it also they made some changes having to deal with the auditor; whether the auditor has to audit them or not. I think that bill will wind up in conference committee so who knows what is going to happen with it so I think we should go ahead and pass out 2295 out and we know this is done

Do Pass Motion Made By Rep. Koppelman: Seconded By Rep. Klemin

Vote: 11 Yes 0 No 2 Absent Carrier: Rep. Corey Mock

Rep. Koppelman: The advantage here is if the Senate does something to our bill we don't like this one is passed even if we decide to kill that one in the end if the conference committees can't agree we have something we can fall back on.

Hearing closed.

Date: 3/6
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2292

HOUSE POLITICAL SUBS COMMITTEE

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP DNP DP AS AMEND DNP AS AMEND

Motion Made By Rep Koppelman Seconded By Rep Zaiser

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|------------------|-----|----|
| Ch. Wrangham | | | Rep. Conrad | | |
| Vice Chair Rep. Headland | | | Rep. Keish | | |
| Rep. Hatlestad | | | Rep. Kilichowski | | |
| Rep. N. Johnson | | | Rep. Mock | | |
| Rep. Klemin | | | Rep. Zaiser | | |
| Rep. Koppelman | | | | | |
| Rep. Kretschmar | | | | | |
| Rep. Pietsch | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) _____ No _____

Absent _____

Floor Carrier: _____

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

Withdrawn

Date: 3/20
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2295

HOUSE POLITICAL SUBS COMMITTEE

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP DNP DP AS AMEND DNP AS AMEND

Motion Made By Rep. Koppelman Seconded By Rep. Klemin

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|-----------------|-----|----|
| Ch. Wrangham | ✓ | | Rep. Conrad | ✓ | |
| Vice Chair Rep. Headland | 0 | | Rep. Kelsh | ✓ | |
| Rep. Hatlestad | ✓ | | Rep. Kilchowski | ✓ | |
| Rep. N. Johnson | ✓ | | Rep. Mock | ✓ | |
| Rep. Klemin | ✓ | | Rep. Zaiser | 0 | |
| Rep. Koppelman | ✓ | | | | |
| Rep. Kretschmar | ✓ | | | | |
| Rep. Pietsch | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 11 No 0

Absent 2

Floor Carrier: Rep. Mock

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

REPORT OF STANDING COMMITTEE

SB 2295: Political Subdivisions Committee (Rep. Wrangham, Chairman) recommends DO PASS (11 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2295 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2295

#1

SENATE BILL 2295

1/29/09

Mr. Chairman & members of the Committee: Your records should show that I'm State Senator Arden Anderson of District 25.

Senate Bill 2295 proposes to allow 30 more small North Dakota Cities to reduce property taxes utilized to pay for bi-annual audits of their records by the State Auditor or by a Certified Public Accountant.

Current State Law allows 228 Cities under 300 in population to file a State form with the State Auditor every two years in lieu of the required audit. It's working well and this bill will allow 30 additional Cities to make the same report.

Page 2, Line 13 of the bill raises the population qualification from "under three hundred" to "under five hundred."

Attached is information of the amounts received for each mill levied by each of the 30 Cities affected...and a copy of the report to be filed with the State Auditor.

As each audit costs between \$3,000 and \$4,000 – Cities, on average, levy around 5 mills per year for the purpose which can be a financial burden on their property owners.

It's pretty hard to get away with anything in a small town where everyone knows everyone else. Should any suspicions occur, a request to the State Auditor will result in a state audit.

In an effort to show the concerns to reducing property taxes, I strongly urge the Senate's Political Subdivision Committee to vote "Do Pass" on **Senate Bill 2295**.

North Dakota Cities
Population 300-499

| City | County | Population | One Mill |
|------------------|--------------------|------------|----------|
| Arthur | Cass | 402 | \$529 |
| Berthold | Ward | 466 | \$785 |
| Bowbells | Burke | 406 | \$534 |
| Buxton | Traill | 350 | \$511 |
| Carson | Grant | 319 | \$232 |
| Drake | McHenry | 322 | \$262 |
| Fairmount | Richland | 406 | \$365 |
| Gackle | Logan | 335 | \$297 |
| Glenburn | Renville | 374 | \$366 |
| Hope | Steele | 303 | \$265 |
| Hunter | Cass | 326 | \$607 |
| Kulm | LaMoure | 422 | \$525 |
| Leeds | Benson | 464 | \$487 |
| Maddock | Benson | 498 | \$506 |
| Marvel | Grand Forks | 370 | \$705 |
| McClusky | Sheridan | 415 | \$347 |
| McVile | Nelson | 470 | \$336 |
| Medina | Stutsman | 335 | \$270 |
| Michigan | Nelson | 345 | \$257 |
| Minnewaukan | Benson | 318 | \$250 |
| Neché | Pembina | 437 | \$338 |
| Powers Lake | Burke | 309 | \$250 |
| Reynolds | Grand Forks/Traill | 350 | \$364 |
| St. John | Rolette | 358 | \$146 |
| St. Thomas | Pembina | 447 | \$409 |
| Sawyer | Ward | 377 | \$436 |
| Scranton | Bowman | 304 | \$579 |
| Sheyenne | Eddy | 318 | \$140 |
| South Heart | Stark | 307 | \$362 |
| Stanton | Mercer | 345 | \$292 |
| | | | |
| One Mill Average | | | \$392 |

*Same
handout
given by
Jerry
Hjeltnes &
Shirley
Meyer.*

STATE AUDITOR'S OFFICE

STATE OF NORTH DAKOTA

*Same
handout
given by
Shirley
Meyer to
House.*

City of ABC
CITY'S ADDRESS
CITY'S NAME, ND ZIP CODE

I hereby certify that the accompanying statement of Assets, Liabilities, and Fund Balances and related Statements of Receipts and Disbursements arising from cash transactions have been prepared as per financial records maintained for the city's financial transactions for the year ended December 31, 2006

| Prepared by | | | |
|---------------------------|------|-----------|--------|
| Signature of city auditor | Date | Telephone | |
| | | Area code | Number |
| Name of Mayor/President | Date | Telephone | |
| | | Area Code | Number |

WHEN COMPLETED, PLEASE SEND TO

Marv Eckman
State Auditor's Office
925 Basin Avenue
Bismarck, ND 58504-6647
Telephone: (701) 328-9500

For questions, call Marv Eckman at (701) 328-9500

| SUMMARY OF ASSETS AND FUND BALANCE December 31, 2006 | NAME OF CITY City of ABC | |
|--|-----------------------------|---|
| | | |
| | | |
| | | |
| Total - All funds ending fund balance (page 13) | | |
| | | |
| Checking account balance per books (page 14) | - | |
| Checking account balance per books (page 14) | - | |
| Checking account balance per books (page 15) | - | |
| Checking account balance per books (page 15) | - | |
| Total cash in bank | - | |
| | | |
| Investments on hand at December 31, 2006 (page 16) | - | |
| | | |
| Total cash and investments | - | - |
| | | |

NOTE: Total - All funds ending fund balance must equal total cash and investments.

FORM 2 (Page 1)
STATEMENT OF RECEIPTS AND DISBURSEMENTS
AND CHANGES IN FUND BALANCES
(RESULTING FROM CASH TRANSACTIONS)
December 31, 2006

NAME OF CITY
 City of ABC

| CODE | RECEIPTS | GENERAL FUND | |
|-------------|--|--------------|---|
| 3100 | TAXES | T01 | |
| 3110 | General property taxes | | |
| | | T01 | |
| 3170 | Estate taxes | T01 | |
| 3190 | Interest and penalty | T01 | |
| | TOTAL TAXES | | - |
| 3200 | LICENSES, PERMITS, AND FEES | T99 | |
| 3211 | Beer and liquor licenses | | |
| 3221 | Dog licenses | T99 | |
| 3223 | Building permits | T99 | |
| | | T99 | |
| | | T99 | |
| | TOTAL LICENSES, PERMITS, AND FEES | | - |
| 3300 | INTERGOVERNMENTAL RECEIPTS | C30 | |
| 3351 | State aid distribution | | |
| 3352 | Cigarette taxes - State of North Dakota | C30 | |
| 3356 | Gaming tax | C30 | |
| 3381 | 20% road - County | C46 | |
| 3382 | ND Insurance Reserve refund | | |
| | | | |
| | TOTAL INTERGOVERNMENTAL RECEIPTS | | - |
| 3400 | CHARGES FOR SERVICES | A89 | |
| | | A89 | |
| | TOTAL CHARGES FOR SERVICES | | |
| 3500 | FINES AND FORFEITS | U99 | |
| 3510 | Fines | | |
| 3520 | Forfeits | U99 | |
| | | U99 | |
| | TOTAL FINES AND FORFEITS | | - |
| 3600 | MISCELLANEOUS RECEIPTS | U20 | |
| 3610 | Interest earnings | | |
| 3620 | Rents and royalties | U40 | |
| | | U99 | |
| | | U99 | |
| | | U99 | |
| | TOTAL MISCELLANEOUS RECEIPTS | | - |
| | TOTAL RECEIPTS | | - |

FORM 2 (Page 2)
STATEMENT OF RECEIPTS AND DISBURSEMENTS
AND CHANGES IN FUND BALANCES
(RESULTING FROM CASH TRANSACTIONS)
December 31, 2006

NAME OF CITY
 City of ABC

| CODE | DISBURSEMENTS | GENERAL FUND | |
|----------|----------------------------------|--------------|--|
| 4100 | GENERAL GOVERNMENT | E29 | |
| 4110-110 | Governing board | | |
| 4131-110 | Mayor | E29 | |
| 4141-110 | Auditor | E23 | |
| 4144-110 | Assessors | E23 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| 4170-360 | Elections | E89 | |
| 4150-311 | Auditing fees | E23 | |
| 4150-410 | Office supplies | E89 | |
| 4150-360 | Publishing and printing | E89 | |
| | | | |
| | | | |
| | Upkeep of city property | E31 | |
| 4160-620 | General government buildings | E31 | |
| 4150-240 | Workmen's compensation insurance | E89 | |
| | Utilities | E89 | |
| | | E89 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | TOTAL GENERAL GOVERNMENT | | |

FORM 2 (Page 3)
STATEMENT OF RECEIPTS AND DISBURSEMENTS
AND CHANGES IN FUND BALANCES
(RESULTING FROM CASH TRANSACTIONS)
December 31, 2006

NAME OF CITY
 City of ABC

| CODE | DISBURSEMENTS-Continued | GENERAL FUND | |
|-------------------------------------|--------------------------------|--------------|---|
| 4200 | PUBLIC SAFETY | E62 | |
| 4210- | Police protection | | |
| 4220- | Fire protection | E24 | |
| 4241- | Building inspection | E66 | |
| 4250- | Civil defense | E89 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | TOTAL PUBLIC SAFETY | | - |
| 4300 | PUBLIC WORKS | E44 | |
| 4313-420 | Street repairs and maintenance | | |
| | | | |
| | | | |
| 4310-391 | Street lighting | E44 | |
| 4310-381 | Snow and ice removal | E44 | |
| | | | |
| | | | |
| | | | |
| | TOTAL PUBLIC WORKS | | - |
| | OTHER | | |
| | | | |
| | | | |
| | | | |
| | TOTAL OTHER | | - |
| | TOTAL DISBURSEMENTS | | - |
| Receipts over (under) disbursements | | | - |
| Balance, beginning of period | | | |
| Transfers in | | | |
| Transfers (out) | | | |
| Balance, December 31, 2006 | | | - |
| BALANCE CONSISTS OF: | | W61 | |
| Cash in bank | | | |
| Investments | | W61 | |
| Time savings certificates | | | |
| Passbook savings account | | W61 | |
| | | | |
| TOTAL | | | - |

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
AND CHANGES IN FUND BALANCES
(RESULTING FROM CASH TRANSACTIONS)**
December 31, 2006

NAME OF CITY

City of ABC

| CODE | RECEIPTS | SPECIAL REVENUE FUNDS | | | |
|------|--------------------------------------|-----------------------------|------------------------|--|--|
| | | Total special revenue funds | Municipal highway fund | | |
| 3100 | TAXES | T01 | - | | |
| 3110 | General property taxes | | - | | |
| | | T01 | - | | |
| 3170 | Estate taxes | T01 | - | | |
| 3190 | Interest and penalty | T01 | - | | |
| | TOTAL TAXES | | - | | |
| 3300 | INTERGOVERNMENTAL RECEIPTS | | - | | |
| 3353 | Highway tax distribution-State of ND | C46 | - | | |
| 3381 | 20% road-County | C46 | - | | |
| | TOTAL INTERGOV. RECEIPTS | | - | | |
| 3400 | CHARGES FOR SERVICES | | - | | |
| | | | - | | |
| | | | - | | |
| | | | - | | |
| | TOTAL CHARGES FOR SERVICES | | - | | |
| 3500 | FINES AND FORFEITS | U99 | - | | |
| 3600 | MISCELLANEOUS RECEIPTS | U20 | - | | |
| 3610 | Interest earned | | - | | |
| | | | - | | |
| | | | - | | |
| | TOTAL MISCELLANEOUS RECEIPTS | | - | | |
| | TOTAL RECEIPTS | | - | | |

STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN FUND BALANCES
(ARISING FROM CASH TRANSACTIONS)

December 31, 2006

NAME OF CITY

City of ABC

| CODE | DISBURSEMENTS | SPECIAL REVENUE FUNDS | | |
|------|--|-----------------------------|------------------------|---|
| | | Total special revenue funds | Municipal highway fund | |
| 4100 | GENERAL GOVERNMENT | - | | |
| | | - | | |
| | | - | | |
| | | - | | |
| 4200 | TOTAL GENERAL GOVERNMENT PUBLIC SAFETY | - | - | - |
| | | - | | |
| 4300 | TOTAL PUBLIC SAFETY | - | | |
| 4313 | PUBLIC WORKS Street repairs and maintenance | - | | |
| | | - | | |
| | Street lighting | - | | |
| | Snow and ice removal | - | | |
| | | - | | |
| 4400 | TOTAL PUBLIC WORKS OTHER | - | - | - |
| | | - | | |
| | | - | | |
| | | - | | |
| | TOTAL OTHER | - | | |
| | TOTAL DISBURSEMENTS | - | - | - |
| | Receipts over (under) disbursements | - | - | - |
| | Balance, beginning of period | - | - | - |
| | Transfers in | - | | |
| | Transfers (out) | - | | |
| | Balance, December 31, 2006 | - | - | - |
| | BALANCE CONSISTS OF: | | | |
| | Cash in bank | - | | |
| | Investments | - | | |
| | Time savings certificates | - | | |
| | Passbook savings account | - | | |
| | | - | | |
| | TOTAL | - | - | - |

FORM 2 (Page 1)
STATEMENT OF RECEIPTS AND DISBURSEMENTS
AND CHANGES IN FUND BALANCES
(RESULTING FROM CASH TRANSACTIONS)
December 31, 2006

NAME OF CITY
 City of ABC

| CODE | RECEIPTS AND DISBURSEMENTS | DEBT SERVICE FUNDS (Interest and sinking funds) | | | |
|------|---|---|---|---|---|
| | | Total debt service funds | | | |
| | RECEIPTS | - | | | |
| 3100 | TAXES | - | | | |
| 3110 | General property taxes | - | | | |
| | | - | | | |
| 3190 | Interest penalty | - | | | |
| | TOTAL TAXES | T01 - | - | - | - |
| 3630 | SPECIAL ASSESSMENTS | - | | | |
| 3630 | Special assessments | - | | | |
| 3300 | INTERGOVERNMENTAL RECEIPTS | - | | | |
| | | - | | | |
| | | - | | | |
| | TOTAL INTERGOVERNMENTAL RECEIPTS | C89 - | - | - | - |
| 3600 | MISCELLANEOUS RECEIPTS | U20 - | | | |
| 3610 | Interest earned | - | | | |
| | | - | | | |
| | | - | | | |
| | TOTAL MISCELLANEOUS RECEIPTS | - | - | - | - |
| | TOTAL RECEIPTS | - | - | - | - |
| 4600 | DISBURSEMENTS | NE - | | | |
| | DEBT SERVICE | - | | | |
| | Bond principal | - | | | |
| | Bond interest | NE - | | | |
| | | - | | | |
| | | - | | | |
| | | - | | | |
| | Other fees and charges | E23 - | | | |
| | TOTAL DISBURSEMENTS | - | - | - | - |
| | Receipts over (under) disbursements | - | - | - | - |
| | Balance, beginning of period | - | | | |
| | Transfers in | - | | | |
| | Transfers (out) | - | | | |
| | Balance, December 31, 2006 | - | - | - | - |
| | BALANCE CONSISTS OF: | - | | | |
| | Cash in bank | W01 - | | | |
| | Investments | W01 - | | | |
| | Time savings certificates | - | | | |
| | Passbook savings account | W01 - | | | |
| | | - | | | |
| | TOTAL | - | - | - | - |

#2

To: Senate Political Subdivisions Committee
From: Jerry Hjelmstad, North Dakota League of Cities
Date: January 29, 2009
Re: Senate Bill No. 2295

Same given to House.

Mr. Chairman and members of the committee, my name is Jerry Hjelmstad, and I am here to on behalf of the North Dakota League of Cities to testify in support of Senate Bill No. 2295.

Under current law, cities with a population of 300 and under file an annual report with the state auditor's office rather than having a required audit every two years. Because of the increasing cost of these audits, we are requesting that this audit threshold be increased so that cities with a population of 500 and under may file the annual report in lieu of paying for an audit.

The change we are supporting on page 2, line 13, would impact 30 cities that fall in the 301-500 population range. I have attached a list of these cities along with the amount of tax revenue raised by one mill for each of them. In a quick survey of city audit costs for smaller cities, ten cities responded. The range of the audit costs reported was from \$3,300 to \$4,500, and costs have been increasing. As you can see from the attachment, this would amount to about 10 mills for most of these cities.

We have contacted the State Auditor's office, and they have no objection to the change in this population threshold. We ask for your support for Senate Bill No. 2295.

*Same given
to House.*

Testimony Supporting SB 2295

Thank you, Chairman Andrist, Vice-Chairman Olafson, and Senators of the Political Subdivision Committee for the opportunity to speak with you today.

I am Chuck Andrus, a citizen and an elected city councilman from the community of South Heart, ND and I urge your support for this legislation. Our community has a population of 307 hard working men and women, their children and a large group of retired senior citizens of North Dakota. The city audit at the last biennium cost nearly \$7,000.00 which translates to a minimum cost to each man, woman and child of our community over \$23.00 every two years. This amount does not include our city auditor's extra time and expense of copies, postage, etc. or time diverted away from other matters to assist in the preparation of the report. The expenses are actually greater than the number I quoted... and the costs are rising rapidly!

Communities of all sizes are scratching for every penny to maintain their infrastructure. Senate Bill 2295 can help smaller communities of our state by reducing the expensive accounting requirements mandated by the state. The passage of this bill will have virtually no affect on state revenue as money which is currently assessed by the state to review community audits would not change. This change in the law would favorably affect about 35 communities throughout North Dakota. The money that would be saved could be utilized for

city staff salaries, emergency expenditures, and city infrastructure; instead it is currently being diverted to duplicate the accuracy of our small communities' accounting practices. If every town affected by this legislation that is currently audited at a similar expense as South Heart, the minimum amount of capital injected back into our small communities would be estimated at over \$1.0 million dollars over an eight year period. This doesn't sound like much compared to the state budget, but for small town governments... **this is a stimulus package!**

The City Council of South Heart and other communities' local governments are, and must continue to be, vigilant of the public trust to use the taxpayer's money wisely. Spending money simply to report to the state that we exist and have followed accepted accounting principles and practices is not, in our opinion, a wise use of tax payer money. It is our opinion that the expense of this requirement has inflated far above what the North Dakota Legislature anticipated to be a reasonable accounting expenditure. Small communities are simply having great difficulty affording the costs of such audits.

Over the past 20 years changes were made in accounting practices through regulations set by various levels of government and the accounting profession causing a simple lack of accountants that are credentialed to perform such audits. This has resulted in those few accounting firms which still conduct the government mandated audits to charge substantial fees to the point where it has become an

unreasonable and unnecessary burden for small communities to bear. At this time, there is very little competition in the accounting marketplace for this type of professional service. Our city council approached every accounting firm in the nearby community of Dickinson (where we once had an accountant who performed these audits) and not one firm from the many accounting firms in Dickinson indicated they were able or interested in performing these audits. To the best of my recollection we were referred to two accounting firms, one in Beach and one in Bismarck/Mandan.

Changing this law may cause concerns about diligent oversight of tax payer money. We have a fiduciary responsibility to our citizens. My fellow councilmen and women review our community's accounts payable at each meeting before the accounts can be paid and we require two signatures on checks to thwart fraudulent activity. We do not allow the use of a signature stamp and we would still require an audit and auditing procedures which fit the need of our community. It is very probable that we may need to implement even more diligent security plans to safeguard the public funds from improper use.

If this legislation is passed, and we hope it will be, some communities that have been less vigilant may need to become more fiscally secure with their accounting practices. We are not lecturing our fellow small communities in how to run their municipalities; we simply suggest as a mere matter of prudent practices that a tight hold on the financial reigns would be advised. This is a reasonable trade-off considering

the expenses and difficulties of the onerous audits that we are currently required to conduct.

As the Senate committee members are certainly aware, there exists popular, innovative, quality, affordable accounting software programs available which are widely used by public accountants. These accounting software programs would allow greater private sector competition to provide accounting services to smaller communities at more competitive prices.

To conclude, we feel ...

- The use of reasonable and prudent account stewardship by the local governments, combined with
- Readily available software,
- Proper review by professional accountants, with the
- Depth and scope determined by the locality
- Would allow a more competitive market in the accounting sector and a reduced cost to the community and its citizens.
- This should result in allowing the use of the money saved to be put to far greater uses in the community.

I humbly urge you to recommend passage of this bill to remove expensive and arduous auditing requirements for communities with populations less than 500 in North Dakota.



Contact Information

Chuck Andrus

PO Box 44

305 5th St NW

South Heart, ND 58601

PH: 701-677-4112

Cell: 701-290-6140

Fax; 701-677-4444



E-mail – candrus@ndsupernet.com

Testimony for SB 2295

#1

House Political Subdivisions

Representative Dwight Wrangham, Chairman

Mr. Chairman and members of the committee: for the record my name is Shirley Meyer and I represent District 36.

Senate Bill 2295 proposes to allow 30 more small North Dakota Cities to reduce property taxes utilized to pay for bi-annual audits of their records by the State Auditor or by a Certified Public Accountant.

Current State Law allows 228 Cities under 300 population to file a state form with the State Auditor every two years in lieu of the required audit. It's working well and this bill will allow 30 additional Cities to make the same report.

Page 2, Line 13 of the bill raises the population qualifications from "under three hundred" to "under five hundred".

Attached is information of the amounts received for each mill levied by each of the 30 cities affected....and a copy of the report to be filed with the State Auditor.

As each audit costs between \$3,000 to as high as \$7,000--- Cities, on average, levy around 5 mills per year for the purpose which can be a financial burden on their property owners.

It's difficult to get away with anything in a small town where everyone knows everyone else. Should any suspicions occur, a request to the State Auditor will result in a state audit.

In an effort to lower property taxes, I would strongly urge the House Political Subdivisions' Committee to vote a "Do Pass" on Senate Bill 2295.