

**2011 HOUSE POLITICAL SUBDIVISIONS**

**HB 1145**


# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Political Subdivisions Committee Prairie Room, State Capitol

HB 1145  
January 14, 2011  
Job # 12911

☐ Conference Committee

Committee Clerk Signature



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

Relating to political subdivision reports in lieu of audits.

### Minutes:

Testimony 1

Chairman Johnson: Opened the hearing on HB 1145.

Gordy Smith, Deputy to the State Auditor: The primary change is just on page 2, Section 3. The code sets up for political subdivisions that needs to have an audit and if they are small enough they are able to file a report annual with our office. If they are in excess of threshold, then they are required to have an audit every two years. If you have cities that are more than 500 in a city or more than 100 in a school district they are required to have an audit once every two years. If you are one of those political subs that have less than those thresholds, then you are able to file a report. That also gets file with our office and is an annual requirement and we also. (See testimony 1). We would support the change in the bill.

Rep. Klemin: Could you address why you deleted the language on line 13 & 14, page 2.

Gordy Smith: They are just trying to dissolve the difference between Park and Soil Districts. They had a \$200,000 and all others had a \$100,000. The language is just supposed to say they are all \$200,000.

Rep. Zaiser: Do you think it would make any sense to have financial reviews for those mid range political subdivisions.

Gordy Smith: I haven't thought about that. The problem with having something just calling it a financial review; what will that entail for financial reviews I don't know how thorough that would be. When we get these reports from these; they are unsure of how to file these reports and we have two retired gentlemen that work part time for us that use to work in our office who handle those. When those smaller districts have a concern on how to fill it out they will call so we try to guide them through, but a financial review, I don't know what all you would do and I don't know who would do it.

Rep. Zaiser: I guess there are no standards for a financial review. I guess I thought that a financial review would be more in-depth than a report.

Opposition: None

Hearing closed.

Chairman Johnson: Reopened the hearing on HB 1145.

Do Pass Motion Made by Rep. Maragos: Seconded by Rep. Kilichowski

Vote: 14 Yes 0 No 0 Absent Carried

Carrier: Rep. Zaiser:

Hearing closed.

## FISCAL NOTE

Requested by Legislative Council  
01/06/2011

Bill/Resolution No.: HB 1145

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.*

|                | 2009-2011 Biennium |             | 2011-2013 Biennium |             | 2013-2015 Biennium |             |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| Revenues       | \$0                | \$0         | \$0                | \$3,750     |                    | \$3,750     |
| Expenditures   | \$0                | \$0         | \$0                | \$3,750     |                    | \$3,750     |
| Appropriations | \$0                | \$0         | \$0                | \$0         |                    | \$0         |

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

| 2009-2011 Biennium |        |                  | 2011-2013 Biennium |        |                  | 2013-2015 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).*

Local governments with less than \$200,000 of annual receipts would not need an audit. Instead, they could submit an annual report to the State Auditor's Office.

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, page 2, would allow local governments to submit an annual report, rather than have an audit.

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.*

\$3,750. 50 audit reports per biennium at \$75. each.

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.*

\$3,750. Hour fee of \$37.50 times 100 hours per biennium.

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.*

The appropriation amounts in 3.A. and 3.B. above are included in the executive budget.

|               |          |                |                         |
|---------------|----------|----------------|-------------------------|
| Name:         | Ed Nagel | Agency:        | Office of State Auditor |
| Phone Number: | 328-4782 | Date Prepared: | 01/10/2011              |

Date: 1-14-1  
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1145

House Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt  
Amendment

☐ Rerefer to Appropriations ☐ Reconsider \_\_\_\_\_

Motion Made By Rep. Maragos Seconded By Rep. Kilichowski

| Representatives         | Yes | No | Representatives    | Yes | No |
|-------------------------|-----|----|--------------------|-----|----|
| Chairman Nancy Johnson  | ✓   |    | Rep. Kilichowski   | ✓   |    |
| Vice Chairman Hatelstad | ✓   |    | Rep. Shirley Meyer | ✓   |    |
| Rep. Beadle             | ✓   |    | Rep. Mock          | ✓   |    |
| Rep. Devlin             | ✓   |    | Rep. Zaiser        | ✓   |    |
| Rep. Heilman            | ✓   |    |                    |     |    |
| Rep. Klemin             | ✓   |    |                    |     |    |
| Rep. Koppelman          | ✓   |    |                    |     |    |
| Rep. Kretschmar         | ✓   |    |                    |     |    |
| Rep. Maragos            | ✓   |    |                    |     |    |
| Rep. Pietsch            | ✓   |    |                    |     |    |
|                         |     |    |                    |     |    |
|                         |     |    |                    |     |    |
|                         |     |    |                    |     |    |
|                         |     |    |                    |     |    |

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Zaiser

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

**REPORT OF STANDING COMMITTEE**

**HB 1145: Political Subdivisions Committee (Rep. N. Johnson, Chairman)** recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1145 was placed on the Eleventh order on the calendar.

2011 SENATE POLITICAL SUBDIVISIONS

HB 1145

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Political Subdivisions Committee Red River Room, State Capitol

HB 1145  
March 10, 2011  
15238

☐ Conference Committee

Committee Clerk Signature



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

Relating to political subdivision reports in lieu of audits.

### Minutes:

You may make reference to "attached testimony."

**Chairman Andrist** opened the committee hearing on HB 1145.

**Gordy Smith:** State Auditor's Office. Testified in neutral position for HB 1145. See written testimony.

**Senator Olafson:** Can you explain the fiscal note? I am wondering why there is a change both in revenues and in expenditures.

**Gordy Smith:** Currently if we receive an audit from a political subdivision we review that audit to make sure it's in the form and content of what it is supposed to be. We charge so much for that, there are limits in there. If we receive these reports we charge a different amount because they are not nearly as complex. What that is for, is for those fire districts that now require an audit. We're going to lessen the number of them and we're going to increase this one. So there is a little bit of a difference in the revenue. That is all the fiscal note should be.

**Senator Olafson:** Why is there change in both revenues and expenditures? **Gordy Smith:** I am guessing it would be from our standpoint that says revenues and expenditures. We would say from our perspective the net appropriation difference would be negligible, be 0, so we would just estimated 20 or 30 if I remember correctly at \$75.00 each versus how many we would spend per hour under the expenditures line item. We have hourly fees at \$ 37.50 times 100 hours per biennium. We are going to have more of these reports to review so that we are just trying to point out that any difference would be negligible. We'll spend more time doing those reports but less time doing audits. That is supposed to be the intent.

**Senator Andrist:** Any others want to testify in favor, opposition or neutral position on HB 1145.

Closed hearing on HB 1145.



Senate Political Subdivisions Committee

HB 1145

March 10, 2011

Page 2

Moved Do Pass: Senator Judy Lee  
2<sup>nd</sup>: Senator Olafson

Roll call vote:

Carrier: Senator Judy Lee

Date: 3/10/2011  
Roll Call Vote # 1

**2011 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1145**

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment  
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

| Senators                  | Yes | No | Senators               | Yes | No |
|---------------------------|-----|----|------------------------|-----|----|
| Chairman John Andrist     | ✓   |    | Senator Curtis Olafson | ✓   |    |
|                           | ✓   |    |                        |     |    |
| V. Chairman Lonnie Laffen |     |    |                        |     |    |
|                           |     |    | Senator Jim Dotzenrod  | ✓   |    |
| Senator Judy Lee          | ✓   |    |                        |     |    |
|                           |     |    |                        |     |    |
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|                           |     |    |                        |     |    |
|                           |     |    |                        |     |    |

Total (Yes) 5 No 0

Absent 0

Floor Assignment Sh. Judy Lee

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

**REPORT OF STANDING COMMITTEE**

**HB 1145: Political Subdivisions Committee (Sen. Andrist, Chairman)** recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1145 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

HB 1145

STATE AUDITOR  
ROBERT R. PETERSON



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**TESTIMONY BEFORE THE HOUSE POLITICAL SUBDIVISION COMMITTEE**

**HB 1145**

**Presented by Gordy L. Smith, CPA**

Good morning Madam Chairman and members of the Political Subdivision committee. I am here this morning to testify in support of HB 1145. Currently there is an inequity in reporting/auditing requirements for political subdivisions (other than counties, cities and school districts).

Soil conservation districts and park districts are required to obtain an audit if they have \$200,000 or more of annual receipts. All other political subdivisions (other than counties, cities and school districts) have a threshold of \$100,000 in annual receipts for determining whether an audit is required. In all cases, if a political subdivision falls below the threshold established in law, they file an annual report with our office.

A fire district would be an example of a political subdivision which has a \$100,000 threshold for requiring an audit. Most fire districts have annual receipts in the \$20,000 to \$30,000 range. However when a fire district receives a grant to purchase a new fire truck or construct a new building or building addition it usually pushes their receipts beyond the threshold. As a result the fire district would be required to obtain an audit which can be expensive. These types of grants obtained do not typically include any funding for audits.

We do not believe that this change will dramatically affect the number of political subdivisions that are required to obtain an audit.

Madam Chairman that would conclude my testimony and I would be happy to answer any questions.

#1

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## TESTIMONY BEFORE SENATE POLITICAL SUBDIVISION COMMITTEE

HB 1145

Presented by Gordy L. Smith, CPA

Good morning Mr. Chairman and members of the Senate Political Subdivision committee. I am here this morning to testify in the neutral position on HB 1145. Currently there may be some inequity in reporting/auditing requirements for political subdivisions other than counties, cities, and school districts.

Soil conservation districts and park districts are required to obtain an audit if they have \$200,000 or more of annual receipts. All other political subdivisions (other than counties, cities, and school districts) have a threshold of \$100,000 in annual receipts for determining if an audit is required. In all cases, if a political subdivision falls below the threshold established in law they file an annual report with our office.

A fire district would be an example of a political subdivision which has a \$100,000 threshold for requiring an audit. Most fire districts have annual receipts in the \$20,000 to \$30,000 range. However, when a fire district receives a grant to purchase a new fire truck or construct a new building or building addition, it usually pushes their receipts beyond the threshold. As a result the fire district would then be required to obtain an audit which can be relatively expensive despite the fact the grant obtained did not include any funding for such an audit.

We do not believe that this change will dramatically affect the number of political subdivisions that are required to obtain an audit.

Mr. Chairman, this concludes my testimony and I would be happy to answer any questions.