

As mentioned above, currently our office can require annual reports from local governments with less than \$300,000 in annual receipts rather than a full audit. Our office is proposing raising that revenue threshold amount to \$750,000. This threshold is already familiar to all local governments as this is the current federal revenue threshold to receive a federal Single Audit.

Example of how this update would impact school districts:

- Presently, 43 Public School Districts are not required to receive an audit. Out of this number, only 27 of them choose not to. Switching to a \$750,000 threshold would only impact 13 of those 27 Public School Districts.

Example of how this update would impact cities:

- Presently, 262 cities are not required to receive an audit. Switching to a \$750,000 threshold would only impact 19 of those cities.

Cost analysis overview if these updates are implemented:

There would be 50 water, fire, park, and other districts that would no longer need an audit if these changes are implemented. The total of these audits is approximately \$500,000. Because of these savings, **the total savings to the state would be \$276,000.**

- The cost for an additional 13 audits for school districts would be \$91,000.
- The cost for an additional 19 audits for cities would be \$133,000.
- The total cost of those audits for school districts and cities would be \$224,000.

### **Adjustment of Fees and Cap**

The local government division is specially funded and runs similar to a small business – no general funds are used. The local government division charges the local governments we work with and any revenue generated is deposited into a special fund. All related expenses — including salaries — are paid from that same fund.

North Dakota Century Code 54-10-14 (2) states, “the state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered.” Because of rising costs over the years, it is becoming increasingly difficult to cover the costs of these audits and reviews.

Our office is proposing four adjustments to our fees to cover costs:

**1. N.D.C.C. 54-10-14 (3)**

Our office has not increased this fee in 12 years. We are proposing an increase of \$10 an hour to change our rate from \$80 an hour to \$90 an hour.

*Background on rate: In 1993 the rate was \$50 an hour. Increased to \$80 an hour in 2009.*