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TESTIMONY ON HOUSE BILL NO. 1245

House Finance & Taxation Committee

January 16, 2023

Chairman Headland and members of the House Finance & Taxation Committee:

My name is Brandy Madriga, Finance Director for Cass County and a member of the Auditor/Treasurer's Legislative Committee. Thank you for the opportunity to provide testimony and express opposition to the proposed amendments in section 2 and 3 of HB 1245.

Section 2. Amendment to NDCC 57-15-30.2

This amendment requires that, by February 1st of each year, the county auditors provide a financial report showing the unaudited end balances of the county general fund and county road and bridge fund for the preceding calendar year.

Providing accurate fund balances by February 1st is not recommended due to the nature of the fiscal year end timeline and GASB (Governmental Accounting Standard Board) standards. Providing unaudited fund balances by March 30th would provide for a more likely fund balance; however, a June 30th remittance date would provide the opportunity to receive audited fund balances from some counties.

- Using the Modified Accrual Basis of Accounting, GASB 34 prescribes that "revenues are recognized when they are both measurable and available". The government considers revenues to be "available" if they are collected within 60 days of the end of the fiscal period; therefore, Cass County closes its books on February 28th or 60 days after the fiscal year end of December 31st.
- During the year end process fund balances can fluctuate significantly and are not considered finalized until the audit is complete.
- Cass County submits the preliminary ACFR (Annual Comprehensive Financial Report) and supplementary documentation to the state auditor in April.
- Audit completion is scheduled for June 30th, which qualifies the county for the GFOA's (Government Financial Officers Association) Certificate of Achievement for Excellence in Financial Reporting Award.
- Not all county's audits are completed by the State Auditor.

Section 3. Amendment to NDCC 57-20-07.1

Amendments included in this section include the following significant changes to the county tax statement:

- Tax statements are to be printed in color;
- Tax statements must include a colored pie chart; and
- Each taxing district must be printed in a separate color.

The top property tax complaint that the Cass County Finance Office receives is regarding the **dollar increase in taxes due to increases in assessed value**. Tax statements are sent out in December of each year; therefore, by the time a property owner receives their property tax statement, their opportunity to dispute either the assessed value (April) or the mill rate (September) has passed.

Many counties print tax statements in black and white. Moving to a colored tax statement would require counties to invest in new printers and an increased price per color print job or to outsource their tax statement printing to a qualified printer.

The addition of a pie chart is two-fold. First, tax statements are currently printed on a standard letter paper stock. Including a pie chart, in addition to the current items required to be on a tax statement, would require that the tax statement be expanded to either a two-sided format or a legal sized document. Second, counties run specialized tax software and do not currently have the capacity to include pie charts on tax statements. Therefore, to obtain the ability to print pie charts, counties must either invest in new tax software or invest in the programming required to customize a pie chart feature within their current software. Both options would require a fiscal investment and time to implement.

Using Cass County as an example, the annual increase to print tax statements in color with a pie chart is estimated to be **\$40,000**. This estimate includes the cost of outsourcing 75,000 colored, 2-sided, letter sized tax statements.

Cass County's current tax software does not have the capability of including a pie chart. Therefore, the county would need to invest in new tax software. From the RFP process to the software acquisition, customization, implementation, and legacy data import, it is estimated that the cost of new tax software would total approximately \$650,000 and would require approximately 18 months to implement. Further considerations should include the likelihood that new tax software would result in an increase to annual licensing costs and technical support.

The average tax statements include 8 to 10 taxing districts. Requiring that each district be in a different color could result in a tax statement that includes 10 different colors. It is important that these individual lines are easily visible to the reader and that visibility is not impeded by font color. It may be a challenge to find 10 different font colors that are equally visible yet individually distinguishable.