

Supervisor's Handbook Section - District Operations Expenses

This sub-section contains the following topics:

- Expenses and Compensation of District Supervisors
- Guidelines for Notices and Conducting of Public Meetings/District Meetings
- How Soil Conservation Districts are Financed
- Depositing of District Funds
- District Accounting Procedure
- Soil Conservation District Records
- State / Federal Audit Requirements
- Soil Conservation District Bonding

EXPENSES OF DISTRICT SUPERVISORS

(ND Century Code website: <http://www.legis.nd.gov/information/statutes/cent-code.html>)

N.D.C.C. 44-08-04 & 54-06-09

Each elective or appointive officer, employee, representative, or agent of this State, **or of any of its subdivisions**, agencies, bureaus, boards, or commissions, shall be paid an allowance for meals, lodging and mileage while engaged in the discharge of a public duty away from his/her normal working and living residence. **The rates are determined by the state legislature and can only be changed by them.**

Allowable travel expense reimbursement rates **for IN-STATE TRAVEL** are:

An individual claiming travel must be away from his/her normal place of employment and residence a minimum of four (4) hours to receive any reimbursement. All lodging is reimbursed at **actual cost up to the maximum.**

Single room rate only - when accompanied on a district-authorized trip by a spouse, the individual should have the hotel/motel certify the room rate for a single person so only the appropriate amount can be charged to the district. Maximum quarter-day reimbursements for meals and lodging are as follows:

| | | |
|-----------------------|---|---------------------------|
| First Quarter | 6:00 am to 12:00 noon | \$5.00 – Breakfast |
| Second Quarter | 12:00 noon to 6:00 p.m. | \$7.50 - Lunch |
| Third Quarter | 6:00pm to 12 midnight | \$12.50 - Dinner |
| Fourth Quarter | 12 midnight to 6:00 a.m. (maximum) | \$69.30 Lodging* |

*** Actual lodging expenses not to exceed \$69.30 + tax plus any additional applicable state or local taxes on lodging. A political subdivision may reimburse an elective or appointive officer, employee, representative, or agent for actual lodging expenses.**

| <i>Example (1):</i> | | <i>Maximum Allowable In-State Reimbursement</i> |
|--|----------------|---|
| Registration | \$20.00 | \$20.00 |
| Breakfast | \$5.00 | \$ 5.00 |
| Lunch | \$8.00 | \$ 7.50 |
| Dinner | \$15.00 | \$12.50 |
| Total | \$48.00 | \$45.00 |
| <i>Example (2):</i> | | <i>Maximum Allowable In-State Reimbursement</i> |
| Registration: Includes Breakfast, Lunch | \$48.00 | \$48.00 |

| | | |
|-------------------------------|----------------|---|
| and Dinner | | |
| Example (3): | | Maximum Allowable In-State Reimbursement |
| Registration: Includes Dinner | \$35.00 | \$35.00 |
| Breakfast | \$ 5.00 | \$ 5.00 |
| Lunch | \$ 8.00 | \$ 7.50 |
| Total | \$48.00 | \$47.50 |

By purchasing a package (registration where meals are included), you can be reimbursed for the entire cost of the meals included in each package. However, if a meal is included in a registration fee, the applicable quarter allowance cannot be claimed for the meal. Meals purchased singular on the registration form must be reimbursed at the maximum allowable in-state rate.

Claims may also be made for meals which are included as part of a registration fee for a conference, seminar, or other meeting; **however, if a meal is included in a registration fee, the applicable quarter allowance cannot be claimed for the meal.**

Personal vehicle mileage reimbursement is **.51 CENTS PER MILE**. District supervisors and staff must follow state guidelines and not county and/or federal rates which may be higher or lower. Districts are political subdivisions of state government. District supervisors may establish personal vehicle mileage reimbursement rates for district operations below the maximum allowed by state government.

Personal vehicle mileage reimbursement is **.51 CENTS PER MILE** if the travel is by truck, the use of which is required by the employing district.

Allowable travel expense reimbursement rates **for OUT-OF-STATE TRAVEL** are:

---When, for reasons of personal preference or convenience, an individual uses a motor vehicle for out-of-state travel, reimbursement will be limited to either the applicable commercial air rate or the normal out-of-state mileage rate (**.51** cents per mile for 300 miles, **18** cents per mile for additional miles), whichever is less.

If more than one individual (board member/employee) travels in the same vehicle, **.51** cents for the entire trip will be allowed.

---Due to allowable meal rate variances between cities, please call the SSCC office for allowable meal rates when traveling out-of-state.

--- If registration fees cover any meals, those meals provided must be deducted as stated in item 2 under In-State travel.

--- All lodging is reimbursed at **actual lodging expense. Single room rate only** - when accompanied on a district-authorized trip by a spouse, the individual should have the hotel/motel certify the room rate for a single person so only the appropriate amount can be charged to the district.

Recommended Policy for NACD Conventions:

The State Soil Conservation Committee recommends to North Dakota supervisors that districts should limit themselves to the reimbursement of allowable expenses of not more than two delegates, and if more wish to attend the national convention, costs should be pro-rated equally for all delegates.

N.D.C.C. 44-08-03 (ND Century Code website: <http://www.legis.nd.gov/information/statutes/cent-code.html>)

No elective or appointive officer, employee, representative, or agent of this state, or of any of its subdivisions, agencies, bureaus, boards, or commissions, shall willfully make claim upon, or willfully receive, any public funds for travel expenses, while engaged upon public business, in an amount in excess of that allowed by law for such travel. Where more than one public officer, employee, representative, or agent travel in the same car while engaged upon official duty, whether or not belonging to different departments, subdivisions, boards, or commissions, no more than one mileage claim shall be made, such claim to be made by the owner or lessee of

the car. **Only supervisors, officers, employees, or assisting agency member representing the district may be reimbursed those expenses which are provided by law. The expenses of a district supervisor's spouse cannot be paid from district funds.**

SUPERVISOR COMPENSATION

This authority was provided through an amendment to the ND Soil Conservation Districts Law, Section [4-22-22, ND Century Code](#), which states, **“The supervisors of soil conservation districts are entitled to receive, upon a majority vote of the supervisors, up to sixty-two dollars and fifty cents for attending each regular or special meeting or for attending other meetings or events in the performance of their official duties as compensation for their services.”**

Legal Definitions

1. The law provides for a district to elect to pay its supervisors an amount up to \$62.50.
2. The local districts determine the meetings and events they will receive supervisor compensation for. The meetings and events must be part of the supervisor's official duties.
3. All soil conservation district supervisors are entitled to receive up to \$62.50 compensation (salary) if their district chooses to utilize the option of providing this compensation. However, a supervisor need not accept the compensation if he/she so chooses. For example, it is legal to have only three members on a five member district board receiving this compensation and have the remaining two members elect not to receive the compensation. A supervisor does have this choice. This action should be documented in the district minutes.
4. Social Security (FICA) tax must be withheld from this compensation.
5. Advisors are not eligible for supervisor compensation.

Supervisors are entitled to compensation at authorized meetings when a quorum is not present but minutes are kept. Supervisors are not entitled to compensation if there is no quorum and the meeting canceled.

GUIDELINES FOR NOTICES OF PUBLIC MEETINGS

These Guidelines were developed to assist Soil Conservation Districts in complying with Section [44-04-20 of the North Dakota Century Code](#) <http://www.legis.nd.gov/information/statutes/cent-code.html> - (Notice of Meetings of All Public Bodies).

What The Law Requires Of Soil Conservation Districts

I. PUBLIC NOTICE MUST BE GIVEN IN ADVANCE OF ALL MEETINGS.

A. WHAT MUST BE CONTAINED IN THE NOTICE?

Date; Time; Place; Topics to be considered, where practicable, including the general subject matter of any executive session to be held during the meeting. And, ADA disclosure and request for notification of need of auxiliary services (refer to ADA section).

B. WHAT KIND OF NOTICE IS REQUIRED?

Regular Soil Conservation District Meetings--**with an annual schedule.**

-A schedule for these meetings must be filed with the County Auditor by **January 31** of the year for which the schedule applies.

-In addition, a written notice of each meeting must be posted in a conspicuous place at each soil conservation district's main office, and at the location of the meeting on the day of the meeting.

-Each notice must be posted no later than the time the supervisors of the soil conservation district are notified of the meeting. This would probably be as soon as possible after the preceding soil conservation district meeting.

-Soil conservation districts should provide an Actual Notice of every meeting to the public through local media representatives. This notice should be given to the media representatives even though they may not have specifically made such a request.

Regular Soil Conservation District Meetings -- with no annual schedule.

-For those soil conservation districts that hold a regular meeting, but for which no certain date is set in an annual meeting schedule it establishes, one written notice must be posted in a conspicuous place at each place the soil conservation district regularly holds meetings and its office. The notice must also be filed with the County Auditor.

-Each posted notice must be posted no later than the time the supervisors of the soil conservation district who are to meet are notified of the meeting. This would probably be as soon as possible after the preceding soil conservation district meeting.

Emergency or Special Soil Conservation District Meeting - Written notice must be posted in accordance with 1(b) and (c) or 2(a) and (b), above.

- Written or oral notice must be given to the public entity's official newspaper, if any, and any member of the news media who requests it. A soil conservation district may require news media representatives to file a written request with the soil conservation district at the beginning of every year if they want to be notified of meetings on a regular basis. However, no unwritten, or request given immediately preceding a meeting should be denied. To follow the spirit of this law, consideration should be given to giving news media representative's notice of your meetings even if they don't request it. The notice must contain the time, place, date and topics to be considered, and must be given at the same time as the members are notified.

- Topics that may be considered at an emergency or special meeting are limited to those included in the Notice to the media.

C. WHO IS RESPONSIBLE FOR GIVING THESE NOTICES? The Chair of the soil conservation district has the responsibility of assuring that the public notice is given. In most cases the soil conservation district will have the district clerk send out or give meeting notices.

II. AGENDAS AND SCHEDULES

A. **WHAT IF THE AGENDA ISN'T KNOWN AHEAD OF TIME?** The law requires the agenda, or topics to be considered, to be included where practicable. It would seem that at least some general topics would be known at the time most meeting notices are given, even if a specific agenda isn't determined until shortly before the meeting. However, if no topics or agendas are available at the time notice is given, then it would not be "practicable" to include them in the notice.

The law also provides that a departure from the agenda given out in the notice, or the lack of an agenda included with the notice, will not affect the validity of the meeting.

It is advisable that you include an ADA disclosure and request of notification of need for auxiliary services.

SUGGESTED ORDER OF BUSINESS FOR DISTRICT MEETINGS

- I. Call to order
- II. Roll call
 - A. Those present
 - B. Those absent
- III. Minutes of previous meeting
- IV. Treasurer's Report
- V. Old business
- VI. Committee reports
 - A. Standing committees of supervisors
 - B. Other

VII. Correspondence

- A. State Soil Conservation Committee
- B. North Dakota Association of Soil Conservation Districts
- C. Natural Resources Conservation Service
- D. Other

VIII. Report of district employees

IX. Report of cooperating agencies

- A. District Conservationist
- B. Extension Agent
- C. Other

X. New business

XI. Approve applications and agreements

XII. Establish priorities and goals and review Annual Plan of Work

XIII. Plans for next meeting (activity, date, time, place)

XIV. Adjournment

Any material your district feels in time to come may have historical value should be preserved and made a part of your permanent records.

COMMON RULES FOR CONDUCTING BUSINESS MEETING FOR DISTRICT BOARDS

After the minutes have been read, the chair may ask, "Are there any corrections or additions to the minutes as read?" He may wait a moment and if there are no corrections, say, "If not, they stand approved as read." However, it is not out of order and it is often advisable to have such minutes accepted or approved by a formal vote. Such action would require a motion and a second.

Amendments to a motion must be seconded the same as the main motion to which it applies. The amendments should be voted on before action is taken on the main motion. A **motion** should not be discussed until it has been seconded and restated by the chair.

Motions which introduce business when no other motions are pending are referred to as "Main Motions" and must be seconded. When it is moved that the report of a nomination committee be accepted or that nominations cease or that the secretary be instructed to cast a unanimous ballot for those nominated, this is a main motion and as such requires a second. "Main Motions" should be opened for discussion before putting to a vote. A "call of question" is a demand that the motion be put to a vote. Nominations made from the floor do not need to be seconded. The chair cannot ignore a motion. The chair must "put" a motion to vote if it has been properly made and seconded. The chair does not vote when the vote is by acclamation (except in case of ties). The chair may always vote when the vote is taken by ballot or by roll call. In a business meeting, it is only after a member has addressed the presiding officer and has been "recognized" that he is privileged to speak and to present his proposal or motion. When a motion to adjourn is made and seconded, it must be put to a vote without discussion except when a supplementary motion is made to fix a time to adjourn.

It is the responsibility of the person serving as secretary for the board to see that a complete and accurate set of minutes are kept of the official board meetings. The district supervisors may wish that the district clerk actually record the minutes. It is suggested that official minutes of meetings be kept in a minute book. A careful record of all official business of the district should be maintained.

Minutes of official meetings of the board of supervisors should include the following minimum information:

- Date, time, and place of meeting.
- Whether the meeting is regular or special and, if special, the purpose of the meeting.
- The names of the supervisors present, the name of the presiding officer, and a statement as to whether or not a quorum was present as declared by the presiding officer.
- The names of advisory personnel and visitors present.
- That minutes of the previous meeting were read and approved. If corrections were necessary, the corrections

should be so stated.

- A brief review of each item of correspondence and a record of action taken on correspondence.
 - Each item of old and new business brought before the board, a record of each motion made showing the exact wording of the motion, and the voting result.
- {Chapter [44-04-21, N.D.C.C.](#) requires that all votes of whatever kind taken at any public meeting must be open, public votes, and all nonprocedural (e.g., all issues, major decisions, recommendations) votes must be recorded roll call votes, with the votes of each member being made public at the open meeting. The minutes must show the results of every vote taken at the meeting, and must show the recorded vote of each member on every recorded roll call vote.}
- Authorization for expenditure of funds. Such expenditures should be itemized.
 - A brief account of reports by committees or by personnel assisting districts.
 - Comments by visitors.
 - The time of adjournment.

HOW SOIL CONSERVATION DISTRICTS ARE FINANCED

Services

For the most part districts are financed through the charges they make for supplying special equipment or services provided cooperators.

All districts own and operate specialized types of machinery needed to carry out soil conservation practices such as tree planters and maintenance equipment, no-till drills, undercutters and shredders, and grass seeders. Charges should be calculated at a minimum to pay for materials, operating costs, equipment and overhead.

Charges for district services should pay all the above costs and provide the necessary funds for the district to carry out its conservation program. Also, it includes education, promotion, and/or other related services as deemed necessary by the Board of Supervisors to complete the work.

Under no circumstances can a district make a charge for the technical services of Natural Resources Conservation Service personnel.

Newsletter

In order for districts to print a newsletter it is sometimes necessary for the district to secure sponsors. When this method is used it is customary for the sponsors to be listed in the newsletter.

County Commissioners ([N.D.C.C. 4-22-23.1](#))

The Districts Law of North Dakota authorizes the board of county commissioners to assign an employee or employees of the county to assist the supervisors in the performance of their duties.

Water Resource District

Water Resource Districts have assisted districts with financial assistance for Non Point Source 319 water quality programs in project development and implementation.

State General Funds

The State Soil Conservation Committee (SSCC) has provided state appropriated funds to districts for the Soil Conservation District Technician Program. The funds may be used for the salaries and fringe benefits of a district technician. The NDSU Extension Service with direction from the Committee will administer state funding as of July 1, 1997.

Mill Levy

Districts may levy a tax, not exceeding two mills, for the payment of district expenses and programs (see mill

levy authority). Districts may also seek additional mill levy funding by submitting a request for a certain number of mills to a vote of the qualified electors in the district ([N.D.C.C. 4-22-26 \(17\)](#)).

Charitable Gaming Funds

Districts are eligible fund recipients as identified in [N.D.C.C. 53-06.1-01\(8\)](#)(h). However, districts and their affiliated organizations cannot conduct the games of chance as indicated by rule 99-01-02-01 and 99-01.1-04-04 of the State Administrative Rules. Districts may want to develop conservation proposals to submit to their local charitable organization(s) for funding.

NPS 319 Funds

Districts can prepare non-point source water quality projects that can be submitted for consideration to the Water Supply and Pollution Control Division of the **North Dakota Department of Health, PO Box 5520, Bismarck, ND 58502-5520, (701) 328-5150**. Project funds can be utilized for various activities, such as technical assistance, cost share and education.

Other

Districts receive grants and enter into agreements with ND Department of Health, ND Wetlands Trust, Ducks Unlimited, US Fish and Wildlife Service, Natural Resources Conservation Service, and others for funding of conservation services and practices.

DEPOSITING OF DISTRICT FUNDS

Chapter 21-04

The North Dakota Soil Conservation Districts Law specifies that soil conservation districts are governmental subdivisions of this state, and are a public body, corporate and political. **All funds derived from income or any other sources are considered public funds.**

The North Dakota Century Code specifically states that public funds belonging to or in the custody of any public corporation shall be invested in the Bank of North Dakota or in financial institutions which have been designated as depositories. The designated depositories are: The Bank of North Dakota; State and national banks insured by the Federal Deposit Insurance Corporation; State chartered or federally chartered savings and loans insured by the Federal Savings and Loan Insurance Corporation; and State chartered or federally chartered credit unions insured by the National Credit Union Administration.

The Soil Conservation Districts Law **does not** grant the authority for investment of district funds, and therefore, any placement of funds other than those named above are considered illegal investments of district funds.

Section 21-10-06

Districts under [N.D.C.C. 21-10-06](#) may have their funds invested by the North Dakota Retirement and Investment Office subject to an agreement with the North Dakota Industrial Commission. The Industrial Commission includes the Governor, Attorney General, and Agriculture Commissioner. Please contact the State Soil Conservation Committee office should you consider utilizing this investment alternative. The law sunsets at the close of each biennium. However, the Investment Office anticipates it will be renewed in each Legislative Session.

DISTRICT ACCOUNTING PROCEDURE

A computerized accounting program called *QuickBooks* and *QuickPay* has been provided to the Soil Conservation District for its bookkeeping needs. The computer Program Standing committee assisted in reviewing, testing and selection of this program. *QuickBooks* is a complete financial reporting program allowing a district to prepare over 20 preset reports for the district. Reports include:

Accounts Receivable

Payroll Report

| | |
|--------------------|-----------------------------|
| Accounts Payable | Project on Job |
| Profit or Loss | Transaction |
| Balance Sheet | Itemized Income and Expense |
| Cash Flow Forecast | General Ledger |
| Budget Report | Check Detail |

QuickPay is designed to run with *QuickBooks*, taking advantage of them and adding features that take most of the work out of payroll. *QuickPay* features are:

Calculates gross wages; Writes payroll checks; Calculates federal; state and locals taxes; Tracks liabilities to government; Updates *QuickBooks* records automatically; Records employee pay, social security number, commission and tax exemptions; Handles various compensation reporting; Allows you to specify extra taxes or deductions; and it is necessary for all districts to keep a general ledger or chart of accounts. The following headings (developed by the North Dakota Conservation District Employee Association Computer Program Standing Committee) should be used for manual or computerized accounting.

Income

- Custom work (casoron application, tree cleaning)
- Grants (Soil Conservation District Technician Program)
- Interest income
- Mill levy
- Miscellaneous income
- Reimbursed expense
- Equipment rental and lease (grass drills, tree scalper, undercutter)
- Sale of asset
- Sales (tree hand plants, flags, stakes, tree protectors, tree planting, weed barrier fabric)
- Special projects (NPS 319, water quality, watershed projects, US Fish & Wildlife Service)
- Sponsors (newsletter, workshop, demonstration)

Expense

- Advertising/Promotion (newspaper, radio, booth, newsletter)
- Charges (bank service charge, finance charge)
- Cost of goods sold (stakes, flags, trees, tree protectors, weed barrier fabric)
- Conservation education (achievement program, camps, scholarships, education materials, soil stewardship, tours, demonstrations)
- Contributions
- Depreciation
- Dues and subscriptions
- Fuel, oil and grease
- Insurance expense (life, health, liability)
- Interest expense (loan)
- Miscellaneous
- Office supplies
- Payroll (Social Security, Medicare, Wages, Workers Compensation)
- Postage
- Professional fees (accounting, legal)
- Purchase of fixed assets
- Rent (building, equipment)
- Repairs and maintenance (building, equipment, computer)
- Shop supplies
- Supervisors (meetings, district/area/state/national)
- Taxes (specials)
- Telephone

- Utilities (electricity, garbage, gas, water)
- Workshop training (employee attendance)

SOIL CONSERVATION DISTRICT RECORDS

Requirements and Recommendations:

SFN 3819 (Comprehensive Financial Statement) is to be used in reporting monthly financial transactions. SFN 3819 should be made a part of the district minutes and be retained as a permanent record. Districts utilizing *QuickBooks* can generate this report from the reports menu under profit and loss.

An itemized income/expense account report should be reviewed by the district board on a monthly basis. Districts utilizing *QuickBooks* can generate this report automatically from reports menu item 8.

An unpaid bill report should also be reviewed monthly. Districts utilizing *QuickBooks* can generate this report automatically from the reports menu.

The status of districts outstanding receivables should be reviewed monthly. Districts utilizing *QuickBooks* can generate this report automatically from the reports menu.

SFN 3820 (Annual Financial Statement) is required annually. One copy must be forwarded to the State Soil Conservation Committee at the close of the business year. The district should keep a copy on file. You may wish to give a more complete breakdown of receipts. Districts utilizing *QuickBooks* can generate this report from the reports menu. Financial and district program plans can either be on a calendar or fiscal year basis.

State Soil Conservation Committee Recommendation Regarding Internal Controls for Handling District Fund and District Audits:

1. Internal controls for handling district funds:

- *Supervisors review a monthly financial statement listing receipts and expenses;
- *Maintain a check register;
- *Reconcile bank statement monthly;
- *Checks compared with billing/invoice as they are signed;
- *Invoices signed by employee or supervisor;
- *Checks signed after being prepared (preferably with dual signatures);
- *Bills examined by board prior to approval (Exception, monthly bills such as utilities can be paid, but should be approved at the next board meeting.)
- *Immediate receipt of all collections, including cash and interest;
- *Petty cash fund replenished on receipt removal;
- *Unused check blanks stored in secure place;
- *Voided checks properly identified and retained;
- *Maintain a fixed asset record listing the asset, actual cost and year purchased (include at a minimum all items purchased at \$250 or greater);
- *Conduct an annual inventory of all assets;
- *Maintain record of savings and certificate of deposit accounts;
- *Use stamp "for deposit only" for all deposits;
- *Supervisor required to sign payroll checks;
- *District employee time cards/sheets to be signed by the employee and applicable supervisor;
- *All disbursements should be by check.

2. **District audits:** An audit should be conducted annually (internal or external) at a minimum, an external audit should be conducted every two years

a. Who can perform audits:

(1) Supervisors

(2) External

- | | |
|-------------------------------|------------------------------|
| —Certified Public Accountants | —Business/Tax Agency |
| —Bank Officials | —Accountants |
| —State Auditor’s Office | —Business Instructor |
| —County Auditor/Treasurer | —Licensed Public Accountants |

b. Items to be reviewed in an audit (both internal and external)

- Review district minutes, contracts and policies
- Review general ledger, checking for payments and receipt
- Check depositing of district funds
- Review savings and certificate of deposit accounts
- Inventory current and fixed assets
- Check district payroll
- Review internal controls for handling district funds

STATE AUDIT REQUIREMENTS

[N.D.C.C. § 54-10-13](#). Political subdivisions - Audits - State auditor powers. The state auditor shall perform audits of political subdivisions pursuant to section [54-10-14](#) unless otherwise requested by the governing board, ordered by the governor or the legislative audit and fiscal review committee, or on petition pursuant to section [54-10-15](#), or at the discretion of the state auditor for alleged improprieties.

[54-10-14](#). Political subdivisions - Audits - Fees - Alternative audits and reports. The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:

1. Counties.
2. Cities.
3. Park districts.
4. School districts.
5. Firefighters relief associations.
6. Airport authorities.
7. Public libraries.
8. Water resource districts.
9. Garrison diversion conservancy district.
10. Rural fire protection districts.
11. Special education districts.
12. Area vocational and technology centers.
13. Correction centers.
14. Recreation service districts.
15. Weed boards.
16. Irrigation districts.
17. Rural ambulance service districts.
18. Southwest water authority.
19. Regional planning councils.
20. Soil conservation districts.

The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. The political subdivision audited shall pay to the state treasurer the fees for the audit performed by the state auditor. The state treasurer shall deposit the fees in the state auditor operating account.

Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.

In lieu of conducting an audit every two years, the state auditor may require annual reports from school districts with less than one hundred enrolled students, cities with less than three hundred population, and other political subdivisions subject to this section, or otherwise provided by law, with less than two hundred thousand dollars of annual receipts. The reports must contain the financial information required by the state auditor. The state auditor also may make any additional examination or audit determined necessary in addition to the annual report. When a report is not filed, the state auditor may charge the political subdivision an amount equal to the fair value of the additional examination or audit and any other services rendered. The state auditor may charge a political subdivision a fee not to exceed fifty dollars an hour for the costs of reviewing the annual report.

A political subdivision, at the option of its governing body, may be audited by a certified public accountant or licensed public accountant rather than by the state auditor. The public accountant shall comply with generally accepted government auditing standards for audits of political subdivisions. The report must be in the form and content required by the state auditor. The number of copies of the audit report requested by the state auditor must be filed with the state auditor when the public accountant delivers the audit report to the political subdivision. The state auditor shall review the audit report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted government auditing standards. The state auditor also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the report is in the required form and has the required content, and the report and workpapers comply with generally accepted government auditing standards, the state auditor shall accept the audit report. The state auditor may charge the political subdivision a fee of up to fifty dollars an hour, but not to exceed five hundred dollars per review, for the related costs of reviewing the audit report and workpapers.

A political subdivision may not pay a public accountant for an audit until the state auditor has accepted the audit. However, a political subdivision may make progress payments to the public accountant. A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.

The state auditor may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing board, officers, or employees of the political subdivision disclosed by the audit report or workpapers, and failure to make the corrections shall result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.

[54-10-15](#). Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, or upon petition. The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section [54-10-14](#) voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election. Fees for the audits must be paid in accordance with the provisions of section [54-10-14](#).

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act amendments of 1996 require:

Non-federal entities expending more than \$300,000 annually in federal funds to have an audit. The new circular is A-133 and is called "Audits of State, Local Governments, and Non-Profit Organizations". Districts receiving less

than the \$300,000 level will not be required to conduct an audit by federal standards effective for the 1997 calendar year.

SOIL CONSERVATION DISTRICT BONDING

Effective July 1, 1992, each soil conservation district applied for and is carrying its own bond through the North Dakota Insurance Department, State Bonding Fund, at no charge to the districts. Prior to this time all districts were covered under a single blanket bond through the State Bonding Fund.

The commercial blanket bond for public employees and/or public officials insures each district against loss of money, securities and other property through any fraudulent, dishonest or criminal act or acts committed by any of its employees, acting alone or in collusion with others.

It is recommended that each district carry bond coverage at twenty-five percent (25%) of the total funds handled over a period of one year and that coverage be reviewed annually. For example, if a district's total funds (income plus expenses) for a period of one year equaled \$40,000, a \$10,000 bond coverage would be sufficient to meet the 25% recommendation. Each supervisor and employee in a position of handling money and/or property is to be considered for bonding. A district has 60 days to report an incident to the State Bonding Fund from the time of discovery.

Property insurance for district buildings and their contents can also be purchased from the State Fire and Tornado Fund within the ND Insurance Department. You may direct your questions to:

**North Dakota Insurance Department
State Bonding Fund
918 East Divide Avenue, Suite 415
Bismarck, ND 58501 - (701-328-9600)**