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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. 188

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The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act
1.2 relating to state government; defining special district; requiring special districts
1.3 to file governance documents with the state auditor; requiring audits of special
1.4 districts; proposing coding for new law in Minnesota Statutes, chapter 6.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[6.756] SPECIAL DISTRICTS; INFORMATION REQUIRED TO BE**
1.7 **FILED WITH STATE AUDITOR; AUDITS.**

1.8 Subdivision 1. **Special district.** "Special district" means a public entity with a
1.9 special or limited purpose, financed by property tax revenues or other public funds, that
1.10 is not included in a city, county, or town financial report as a component of that local
1.11 government, that is created or authorized by law, and that is governed by (1) persons
1.12 directly elected to the governing board of the district, (2) persons appointed to the
1.13 governing board of the district by local elected officials, (3) local elected officials who
1.14 serve on the board by virtue of their elected office, or (4) a combination of these methods
1.15 of selection. Special district includes special taxing districts listed in section 275.066.

1.16 Subd. 2. **Governance documents must be filed.** Each special district must file with
1.17 the state auditor, within 60 days of adoption, any document relating to the governance
1.18 of the district, including articles of incorporation, bylaws, or agreements, and any
1.19 amendment to these documents.

1.20 Subd. 3. **Audit requirements.** (a) A special district with total annual revenue
1.21 greater than the amount in paragraph (c) must provide for an annual audit of the district's
1.22 financial affairs by the state auditor or a public accountant in accordance with minimum
1.23 auditing procedures prescribed by the state auditor.

2.1 (b) A special district with total annual revenue that is equal to or less than the
2.2 amount in paragraph (c) must provide for an audit of the district's financial affairs by
2.3 the state auditor or a public accountant in accordance with minimum audit procedures
2.4 prescribed by the state auditor at least once every five years. The audit must be for a
2.5 one-year period to be determined at random by the person conducting the audit. The
2.6 audited financial statement must be prepared in a form prescribed by the state auditor
2.7 similar to the reporting requirements for cities under 2,500 in population. For any year
2.8 in which a special district is not audited, the district must prepare a financial statement
2.9 in a form prescribed by the state auditor similar to the reporting requirements for cities
2.10 reporting on a cash basis and file that statement with the state auditor.

2.11 (c) For the purposes of paragraphs (a) and (b), the amount in 2008 is \$150,000 and in
2.12 2009 and after, \$150,000 adjusted for inflation using the annual implicit price deflator for
2.13 government expenditures and gross investment for state and local governments prepared
2.14 by the Bureau of Economic Analysis of the United States Department of Commerce for
2.15 the 12-month period ending March 31 of the previous year.

2.16 (d) This subdivision does not apply to a special district subject to financial auditing
2.17 and reporting requirements under other law.

2.18 Subd. 4. **Presentation to governing board; filing with state auditor.** Except as
2.19 provided by other law, financial statements and audits must be completed, presented to the
2.20 district's governing board, and filed with the state auditor within 180 days after the end of
2.21 the district's fiscal year.