

Pike Lake Area Wastewater Collection System

Special District

Donovan Frye, Accountant

4897 Miller Trunk Hwy, Ste 103

Hermantown, MN 55811

4/1/2025

Rep. Natalie Zeleznikar

2nd Floor Centennial Office Bldg

St. Paul, MN 55155

Ms. Zeleznikar,

This letter is in support of the bill to increase the minimum revenue threshold that requires Cities, Townships, and Special Districts to have an annual audit by a 3rd party CPA firm. Our Special District, the Pike Lake Area Wastewater Collection System, has 400 residential sewer hookups and a small number of commercial hookups that our organization maintains. Our annual revenue is roughly \$350,000.00. The current minimum revenue threshold for a Special District to be required to have an annual audit by a licensed 3rd party CPA firm is \$275,000.00 as set by the State Auditor's Office. That causes our small municipal sewer district to pay an average of \$12,000.00 in fees to the auditing firm annually. On top of that, are the costs associated with our own contractors and employees to provide the audit data. The \$12,000.00 annual expense is 3.5% of our annual revenue.

The audit process for governmental entities such as Cities, Townships, and Special Districts is very similar to an audit of a Non-Profit entity as required by the IRS. The IRS requires any Non-Profit entity to conduct an audit by a licensed 3rd party CPA firm if the annual revenue is \$750,000.00 or higher. Any annual revenue amount below that threshold is not required to do so.

I strongly recommend the bill is passed to increase the annual threshold to the amount in the bill. This will allow us to pass on savings back to the taxpayers contributing to systems such as ours.

Thank you,



Donovan Frye, Accountant

Pike Lake Area Wastewater Collection System

218-461-8092

plawcsfinance@gmail.com