

1 HB443
2 206352-3
3 By Representatives Chestnut, Lawrence, Wood (D) and Sorrells
4 RFD: County and Municipal Government
5 First Read: 23-FEB-21

1 ENGROSSED

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4 A BILL
5 TO BE ENTITLED
6 AN ACT
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8 Relating to municipalities, to amend Section
9 11-43-85, Code of Alabama 1975, and to create the Chestnut
10 Accountability Municipal Audit Clarification Act, to require
11 the mayor or city manager of a municipality with certain
12 annual expenditures to cause to be conducted an annual or
13 biennial audit of the financial affairs and transactions of
14 the municipality and to make an annual or biennial report of
15 the audit to the city council upon completion of the report;
16 and to permit the mayor or city manager of a municipality with
17 certain annual expenditures to provide a report of agreed upon
18 procedures in lieu of a biennial audit report.

19 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

20 Section 1. Section 11-43-85, Code of Alabama 1975,
21 is amended to read as follows:

22 "§11-43-85.

23 ~~In cities and towns, the mayor, at least once a~~
24 ~~year, shall appoint an independent public accountant or the~~
25 ~~Department of Examiners of Public Accounts to conduct an~~
26 ~~examination in accordance with generally accepted auditing~~
27 ~~standards of all books and accounts of the city or town since~~

1 ~~the preceding examination and to make a full report thereof in~~
2 ~~writing, under oath, to be submitted to the council at its~~
3 ~~first meeting after the completion of such report, and the~~
4 ~~same shall be spread upon the minutes of the council. For his~~
5 ~~services said independent public accountant or the Department~~
6 ~~of Examiners of Public Accounts shall be paid such sum as may~~
7 ~~be agreed upon.~~

8 "(a) This act shall be known and may be cited as the
9 Chestnut Accountability Municipal Audit Clarification Act.

10 "(b) (1) In a municipality with annual expenditures
11 of three hundred thousand dollars (\$300,000) or more, the
12 mayor or city manager shall provide for and cause to be made
13 an annual audit of the financial affairs and transactions of
14 all funds and activities of the municipality by an independent
15 public accountant for each fiscal year of the municipality.

16 "(2) Except as provided in subdivision (3), in a
17 municipality with annual expenditures of less than three
18 hundred thousand dollars (\$300,000), the mayor or city manager
19 shall provide for and cause to be made a biennial audit by an
20 independent public accountant of the financial affairs and
21 transactions of all funds and activities of the municipality
22 by an independent public accountant for each fiscal year of
23 the municipality. The audit conducted pursuant to this
24 subdivision shall include each fiscal year since the preceding
25 audit.

26 "(3) In a municipality with annual expenditures of
27 less than one hundred thousand dollars (\$100,000), the city

1 council may elect to provide for and direct the mayor or city
2 manager to cause to be made, in lieu of the biennial audit
3 required under subdivision (b) (2), an annual report that
4 complies with procedures established by the Department of
5 Examiners of Public Accounts. The annual report shall be
6 provided to the Department of Examiners of Public Accounts and
7 shall constitute an annual audit report. The report shall
8 include all of the following:

9 "a. Proof and reconciliation of cash.

10 "b. Confirmation of cash balances.

11 "c. A list of all bank balances.

12 "d. A statement of cash receipts and cash
13 disbursements.

14 "e. A statement of compliance with state law.

15 "f. A report of agreed upon procedures.

16 g. A report of sales tax on fuel collected and the
17 distribution and use of those proceeds.

18 "(c) A municipal audit under this section shall be
19 conducted in accordance with generally accepted auditing
20 standards in a format prescribed by the Department of
21 Examiners of Public Accounts.

22 "(d) (1) A municipal audit or annual report under
23 this section shall be provided to the Department of Examiners
24 of Public Accounts in accordance with Section 41-5A-12.1.

25 "(2) In addition to the requirements of subdivision
26 (1), a municipal audit report under subdivision (b) (3) shall be
27 submitted to the city council at its first meeting after

1 completion of the report and shall be spread upon the minutes
2 of the council."

3 Section 2. This act shall become effective on the
4 first day of the third month following its passage and
5 approval by the Governor, or its otherwise becoming law.

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House of Representatives

Read for the first time and re-
ferred to the House of Representa-
tives committee on County and Mu-
nicipal Government..... 23-FEB-21

Read for the second time and placed
on the calendar..... 18-MAR-21

Read for the third time and passed
as amended..... 01-APR-21

Yeas 97, Nays 0, Abstains 0

Jeff Woodard
Clerk