

1 HB256  
2 216685-3  
3 By Representatives Chestnut, Sorrells, Marques, Lawrence and  
4 Ledbetter  
5 RFD: County and Municipal Government  
6 First Read: 03-FEB-22

1  
2 ENROLLED, An Act,

3           Relating to municipalities, to amend Section  
4 11-43-85, Code of Alabama 1975, and to create the Municipal  
5 Audit Clarification Act, to require the mayor or city manager  
6 of a municipality with certain annual expenditures to cause to  
7 be conducted an annual or biennial audit of the financial  
8 affairs and transactions of the municipality and to make an  
9 annual or biennial report of the audit to the city council  
10 upon completion of the report; and to permit the mayor or city  
11 manager of a municipality with certain annual expenditures to  
12 provide a report of agreed upon procedures in lieu of a  
13 biennial audit report.

14 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

17           "§11-43-85.

18           ~~In cities and towns, the mayor, at least once a~~  
19 ~~year, shall appoint an independent public accountant or the~~  
20 ~~Department of Examiners of Public Accounts to conduct an~~  
21 ~~examination in accordance with generally accepted auditing~~  
22 ~~standards of all books and accounts of the city or town since~~  
23 ~~the preceding examination and to make a full report thereof in~~  
24 ~~writing, under oath, to be submitted to the council at its~~  
25 ~~first meeting after the completion of such report, and the~~

1 ~~same shall be spread upon the minutes of the council. For his~~  
2 ~~services said independent public accountant or the Department~~  
3 ~~of Examiners of Public Accounts shall be paid such sum as may~~  
4 ~~be agreed upon.~~

5 "(a) This act shall be known and may be cited as the  
6 Municipal Audit Clarification Act.

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

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

22 "(3) In a municipality with annual expenditures of  
23 less than one hundred thousand dollars (\$100,000), the city  
24 council may elect to provide for and direct the mayor or city  
25 manager to cause to be made, in lieu of the biennial audit

1 required under subdivision (b) (2), an annual report that  
 2 complies with procedures established by the Department of  
 3 Examiners of Public Accounts. The annual report shall be  
 4 provided to the Department of Examiners of Public Accounts and  
 5 shall constitute an annual audit report. The report shall  
 6 include all of the following:

7 "a. Proof and reconciliation of cash.

8 "b. Confirmation of cash balances.

9 "c. A list of all bank balances.

10 "d. A statement of cash receipts and cash  
 11 disbursements.

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

13 "f. A report of agreed upon procedures.

14 "g. A report of motor fuel excise taxes collected  
 15 and the distribution and use of those proceeds.

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

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

23 "(2) In addition to the requirements of subdivision  
 24 (1), a municipal audit report under subdivision (b) (3) shall be  
 25 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.

