

HB17 INTRODUCED



1 HB17
2 RBXAWYM-1
3 By Representative Lamb
4 RFD: County and Municipal Government
5 First Read: 13-Jan-26
6 PFD: 25-Jun-25



SYNOPSIS:

Under existing law, a municipality with annual expenditures of at least \$300,000 must undergo annual audits.

This bill would require a municipality with annual expenditures of at least \$500,000 to undergo annual audits.

Under existing law, a municipality with annual expenditures less than \$300,000 but at least \$100,000 must undergo biennial audits.

This bill would require a municipality with annual expenditures less than \$500,000 but greater than \$300,000 to undergo biennial audits.

Under existing law, a municipality with annual expenditures less than \$100,000 must undergo biennial audits or, in lieu of an audit, submit an annual report to the Department of Examiners of Public Accounts.

This bill would require a municipality with annual expenditures less than \$300,000 to undergo biennial audits or, in lieu of an audit, to submit an annual report to the Department of Examiners of Public Accounts.

A BILL



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TO BE ENTITLED

AN ACT

Relating to municipal audits; to amend Section 11-43-85, Code of Alabama 1975, to revise the annual expenditure threshold amounts that trigger municipal audits.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§11-43-85

(a) This section shall be known and may be cited as the Municipal Audit Clarification Act.

(b) (1) In a municipality with annual expenditures of ~~three~~five hundred thousand dollars ~~(\$300,000)~~ (\$500,000) or more, the mayor or city manager shall provide for and cause to be made an annual audit of the financial affairs and transactions of all funds and activities of the municipality by an independent public accountant for each fiscal year of the municipality.

(2) Except as provided in subdivision (3), in a municipality with annual expenditures of less than ~~three~~five hundred thousand dollars ~~(\$300,000)~~ (\$500,000), the mayor or city manager shall provide for and cause to be made a biennial audit of the financial affairs and transactions of all funds and activities of the municipality by an independent public accountant for each fiscal year of the municipality. The audit conducted pursuant to this subdivision shall include each fiscal year since the preceding audit.



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(3) In a municipality with annual expenditures of less than ~~one~~three hundred thousand dollars ~~(\$100,000)~~ (\$300,000), the city council may elect to provide for and direct the mayor or city manager to cause to be made, in lieu of the biennial audit required under subdivision (b)(2), an annual report that complies with procedures established by the Department of Examiners of Public Accounts. The annual report shall be provided to the Department of Examiners of Public Accounts and shall constitute an annual audit report. The report shall include all of the following:

- a. Proof and reconciliation of cash.
- b. Confirmation of cash balances.
- c. A list of all bank balances.
- d. A statement of cash receipts and cash disbursements.
- e. A statement of compliance with state law.
- f. A report of agreed upon procedures.
- g. A report of motor fuel excise taxes collected and the distribution and use of those proceeds.

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

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

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



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85 completion of the report and shall be spread upon the minutes
86 of the council."

87 Section 2. This act shall become effective on October
88 1, 2026.