

CHAPTER 1107

AUDITS OR EXAMINATIONS OF CITY FINANCES

H.F. 2455

AN ACT relating to the examinations of the finances of certain cities and including effective date provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 11.6, subsection 1, paragraph a, Code Supplement 2011, is amended to read as follows:

a. (1) Except for entities organized under chapter 28E having gross receipts of one hundred thousand dollars or less in a fiscal year, the financial condition and transactions of all government subdivisions shall be audited ~~at least once each year annually~~, except that cities having a population of ~~seven hundred or more~~ but less than two thousand ~~shall be examined at least once every four years~~ and budgeted gross expenditures of one million dollars or more in a fiscal year shall be subject to a required fiscal year examination for that fiscal year according to procedures established by the office of auditor of state, and cities having a population of less than ~~seven hundred~~ two thousand and budgeted gross expenditures of less than one million dollars in a fiscal year shall be subject to periodic examination by the auditor of state according to procedures established by the auditor of state, and may be examined as otherwise provided in this section. However, a city having a population of less than two thousand and budgeted gross expenditures of one million dollars or more in a fiscal year shall not be subject to a required fiscal year examination until the city has two consecutive years of budgeted gross expenditures of one million dollars or more in both fiscal years, and such examination shall be conducted during the second of such fiscal years. A city meeting the requirements for a periodic examination shall be subject to an examination under this section at least once during an eight-year period at a time determined by the auditor of state. The audit of school districts shall include an audit of all school funds including categorical funding provided by the state, the certified annual financial report, the certified enrollment as provided in section 257.6, supplementary weighting as provided in section 257.11, and the revenues and expenditures of any nonprofit school organization established pursuant to section 279.62. Differences in certified enrollment shall be reported to the department of management. The audit of school districts shall include at a minimum a determination that the laws of the state are being followed, that categorical funding is not used to supplant other funding except as otherwise provided, that supplementary weighting is pursuant to an eligible sharing condition, and that postsecondary courses provided in accordance with section 257.11 and chapter 261E supplement, rather than supplant, school district courses. The audit of a city that owns or operates a municipal utility providing local exchange services pursuant to chapter 476 shall include performing tests of the city's compliance with section 388.10. The audit of a city that owns or operates a municipal utility providing telecommunications services pursuant to section 388.10 shall include performing tests of the city's compliance with section 388.10.

(2) Subject to the exceptions and requirements of subsections 2 and 3, and subsection 4, paragraph "a", subparagraph (3), audits ~~or required fiscal year examinations~~ shall be made as determined by the governmental subdivision either by the auditor of state or by certified public accountants, certified in the state of Iowa, and they shall be paid from the proper public funds of the governmental subdivision. However, a periodic examination of a city shall be conducted by the auditor of state or by a certified public accountant employed by the auditor of state pursuant to section 11.32, and shall be paid from examination fees collected pursuant to subsection 10A.

Sec. 2. Section 11.6, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 10A. a. The auditor of state shall adopt rules in accordance with chapter 17A to establish and collect a periodic examination fee from cities that are not required to have an audit or required fiscal year examination conducted pursuant to

subsection 1 during a fiscal year. Such fees are due on March 31 each year. The auditor of state shall base the fees on a sliding scale, based on the city's budgeted gross expenditures, to produce total revenue of not more than three hundred seventy-five thousand dollars for each fiscal year. However, cities that pay a filing fee for an audit or examination pursuant to subsection 10 during the fiscal year are not required to pay the examination fee. The funds collected shall be maintained in a segregated account for use by the office of the auditor of state in performing periodic examinations conducted pursuant to subsection 1. However, if the fees collected in one fiscal year exceed three hundred seventy-five thousand dollars, the auditor of state shall apply the excess funds to provide training to city officials on municipal financial management or shall contract with a qualified organization to provide such training. Notwithstanding section 8.33, any fees collected by the auditor of state for these purposes that remain unexpended at the end of the fiscal year shall not revert to the general fund of the state or any other fund but shall remain available for use for the following fiscal year for the purposes authorized in this subsection.

b. The auditor of state shall provide an annual report by January 15 of each year to the general assembly's standing committees on government oversight, advising the general assembly on the status of the account created in this subsection and on the status of the required fiscal year examinations and periodic examinations of cities.

Sec. 3. IMPLEMENTATION OF ACT. Section 25B.2, subsection 3, shall not apply to this Act.

Sec. 4. EFFECTIVE DATE. This Act takes effect July 1, 2013.

Approved April 27, 2012