

House File 2455 - Introduced

HOUSE FILE 2455
BY COMMITTEE ON GOVERNMENT
OVERSIGHT

(SUCCESSOR TO HSB 663)

A BILL FOR

1 An Act relating to the examinations of the finances of certain
2 cities and including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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

3 a. (1) Except for entities organized under chapter 28E
4 having gross receipts of one hundred thousand dollars or less
5 in a fiscal year, the financial condition and transactions of
6 all government subdivisions shall be audited ~~at least once each~~
7 year annually, except that cities having a population of ~~seven~~
8 ~~hundred or more but less than two thousand shall be examined at~~
9 ~~least once every four years~~ and budgeted gross expenditures of
10 one million dollars or more in a fiscal year shall be subject
11 to a required fiscal year examination for that fiscal year
12 according to procedures established by the office of auditor
13 of state, and cities having a population of less than ~~seven~~
14 ~~hundred~~ two thousand and budgeted gross expenditures of less
15 than one million dollars in a fiscal year shall be subject
16 to periodic examination by the auditor of state according to
17 procedures established by the auditor of state, and may be
18 examined as otherwise provided in this section. However, a
19 city having a population of less than two thousand and budgeted
20 gross expenditures of one million dollars or more in a fiscal
21 year shall not be subject to a required fiscal year examination
22 until the city has two consecutive years of budgeted gross
23 expenditures of one million dollars or more in both fiscal
24 years, and such examination shall be conducted during the
25 second of such fiscal years. A city meeting the requirements
26 for a periodic examination shall be subject to an examination
27 under this section at least once during an eight-year period
28 at a time determined by the auditor of state. The audit of
29 school districts shall include an audit of all school funds
30 including categorical funding provided by the state, the
31 certified annual financial report, the certified enrollment as
32 provided in section 257.6, supplementary weighting as provided
33 in section 257.11, and the revenues and expenditures of any
34 nonprofit school organization established pursuant to section
35 279.62. Differences in certified enrollment shall be reported

1 to the department of management. The audit of school districts
2 shall include at a minimum a determination that the laws of
3 the state are being followed, that categorical funding is not
4 used to supplant other funding except as otherwise provided,
5 that supplementary weighting is pursuant to an eligible
6 sharing condition, and that postsecondary courses provided in
7 accordance with section 257.11 and chapter 261E supplement,
8 rather than supplant, school district courses. The audit of
9 a city that owns or operates a municipal utility providing
10 local exchange services pursuant to chapter 476 shall include
11 performing tests of the city's compliance with section 388.10.
12 The audit of a city that owns or operates a municipal utility
13 providing telecommunications services pursuant to section
14 388.10 shall include performing tests of the city's compliance
15 with section 388.10.

16 (2) Subject to the exceptions and requirements of
17 subsections 2 and 3, and subsection 4, paragraph "a",
18 subparagraph (3), audits or required fiscal year examinations
19 shall be made as determined by the governmental subdivision
20 either by the auditor of state or by certified public
21 accountants, certified in the state of Iowa, and they shall
22 be paid from the proper public funds of the governmental
23 subdivision. However, a periodic examination of a city shall
24 be conducted by the auditor of state or by a certified public
25 accountant employed by the auditor of state pursuant to section
26 11.32, and shall be paid from examination fees collected
27 pursuant to subsection 10A.

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

30 NEW SUBSECTION. 10A. a. The auditor of state shall
31 adopt rules in accordance with chapter 17A to establish and
32 collect a periodic examination fee from cities that are not
33 required to have an audit or required fiscal year examination
34 conducted pursuant to subsection 1 during a fiscal year. Such
35 fees are due on March 31 each year. The auditor of state

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

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

27 Sec. 3. IMPLEMENTATION OF ACT. Section 25B.2, subsection
28 3, shall not apply to this Act.

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

30 EXPLANATION

31 This bill relates to the examination of city finances
32 for cities with populations of less than 2,000. Current law
33 requires that cities with populations of 700 or more but less
34 than 2,000 be examined once every four years. Current law
35 states that cities for which an audit is not required may be

1 audited or examined as determined by the city or upon petition
2 of taxpayers.

3 The bill requires that cities with a population of less
4 than 2,000 and with budgeted gross expenditures of \$1 million
5 or more in two consecutive fiscal years submit to a required
6 examination conducted by the auditor of state or a certified
7 public accountant chosen by the city during the second budgeted
8 fiscal year. The bill provides that such examinations shall
9 be conducted by procedures adopted by the auditor of state
10 and shall be paid from the proper funds of the governmental
11 subdivision.

12 The bill further requires that cities with a population
13 of less than 2,000 and with budgeted gross expenditures of
14 less than \$1 million submit to periodic examinations by the
15 auditor of state or a certified public accountant employed by
16 the auditor of state. The bill requires that a city subject
17 to such periodic examination requirements be examined at least
18 once during an eight-year period at a time determined by the
19 auditor of state. The bill states that such examinations shall
20 be conducted according to procedures adopted by the auditor of
21 state.

22 The bill retains the requirement that cities for which an
23 audit is not required shall be audited upon petition of its
24 taxpayers.

25 The bill requires that the auditor of state establish and
26 collect a periodic examination fee that shall be paid by all
27 cities not subject to an annual audit or required fiscal year
28 examination, and provides that such fees shall be maintained in
29 a segregated account and are not subject to reversion to the
30 general fund of the state or any other fund. The bill requires
31 that the auditor of state base such fees upon a sliding scale
32 based upon a city's budgeted gross expenditures to produce
33 a total revenue of not more than \$375,000 in a fiscal year.
34 The bill provides that if fees collected exceed \$375,000, any
35 excess funds shall be used to provide municipal financial

1 management training to city officials. The bill requires that
2 the cost of conducting the periodic examinations under the bill
3 shall be paid by the auditor of state from this segregated
4 account.

5 The bill also requires that the auditor of state report by
6 January 15 of each year to the general assembly's standing
7 committees on government oversight on the status of the
8 segregated account created for the conduct of periodic
9 examinations and on the status of the required fiscal year
10 examinations and periodic examinations of cities.

11 The bill may include a state mandate as defined in Code
12 section 25B.3. The bill makes inapplicable Code section 25B.2,
13 subsection 3, which would relieve a political subdivision from
14 complying with a state mandate if funding for the cost of
15 the state mandate is not provided or specified. Therefore,
16 political subdivisions are required to comply with any state
17 mandate included in the bill.

18 The bill takes effect July 1, 2013.