

*As Amended by Senate Committee*

*Session of 2015*

**SENATE BILL No. 247**

By Committee on Ways and Means

2-17

1 AN ACT concerning municipal audits; relating to audit procedures;  
2 amending K.S.A. 75-1120a, 75-1121 and 75-1123 and K.S.A. 2014  
3 Supp. 75-1122 and 75-1124 and repealing the existing sections.  
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 75-1120a is hereby amended to read as follows: 75-  
7 1120a. (a) Except as otherwise provided in this section, the governing  
8 body of each municipality, as defined in K.S.A. 75-1117, and amendments  
9 thereto, shall utilize accounting procedures and fiscal procedures in the  
10 preparation of financial statements and financial reports that conform to  
11 generally accepted accounting principles as promulgated by the  
12 governmental accounting standards board and the American institute of  
13 certified public accountants and adopted by rules and regulations of the  
14 director of accounts and reports.

15 (b) The governing body of any municipality, which has aggregate  
16 annual gross receipts of less than ~~\$275,000~~ \$500,000 and which does not  
17 operate a utility, shall not be required to maintain fixed asset records.

18 (c) (1) The director of accounts and reports shall waive the  
19 requirements of subsection (a) upon request therefor by the governing  
20 body of any municipality. The waiver shall be granted to the extent  
21 requested by the governing body. Prior to requesting the waiver provided  
22 for in this subsection, the governing body, by resolution, annually shall  
23 make a finding that financial statements and financial reports prepared in  
24 conformity with the requirements of subsection (a) are not relevant to the  
25 requirements of the cash-basis and budget laws of this state and are of no  
26 significant value to the governing body or members of the general public  
27 of the municipality. No governing body of a municipality shall request the  
28 waiver or adopt the resolution authorized under this subsection if the  
29 provisions of revenue bond ordinances or resolutions or other ordinances  
30 or resolutions of the municipality require financial statements and financial  
31 reports to be prepared in conformity with the requirements of subsection  
32 (a). The governing body of any municipality which is granted a waiver  
33 under this subsection shall cause financial statements and financial reports  
34 of the municipality to be prepared on the basis of cash receipts and  
35 disbursements as adjusted to show compliance with the cash-basis and  
36 budget laws of this state.

1 (2) The provisions of this subsection do not apply to community  
2 colleges.

3 (d) The director of accounts and reports shall waive the requirements  
4 of law relating to the preparation and maintenance of fixed asset records  
5 upon request therefor by the board of trustees of any community college.  
6 The waiver shall be granted to the extent and for the period of time  
7 requested by the board of trustees. Nothing contained in this subsection  
8 shall be construed so as to exempt any community college from  
9 compliance with the provisions of K.S.A. 71-211, and amendments  
10 thereto, which requires the use by all community colleges of a  
11 standardized and uniform chart of accounts.

12 Sec. 2. K.S.A. 75-1121 is hereby amended to read as follows: 75-  
13 1121. The director of accounts and reports shall:

14 (a) Formulate, devise and prescribe a system of fiscal procedure,  
15 auditing, accounting and reporting for municipalities, applicable to those  
16 municipalities required by K.S.A. 75-1122, and amendments thereto, to  
17 have their accounts examined and audited at least once each year.

18 (b) Adopt rules and regulations to carry out the provisions of this act  
19 and, from time to time, to make, change, amend and enforce such system  
20 and forms of accounting and reporting and rules and regulations. No rules  
21 and regulations adopted pursuant to the provisions of this section shall  
22 prescribe any system of fiscal procedure or require the governing body of  
23 any municipality to have its accounts examined ~~and~~ or audited unless such  
24 municipality is required to have its accounts examined ~~and~~ or audited  
25 under the provisions of K.S.A. 75-1122, and amendments thereto.

26 (c) Conduct either in person or by representatives such investigation  
27 as the director may deem necessary to determine if this act and the  
28 regulations issued pursuant thereto are being fully complied with.

29 Sec. 3. K.S.A. 2014 Supp. 75-1122 is hereby amended to read as  
30 follows: 75-1122. (a) The governing body of every unified school district;  
31 ~~the governing body of every recreation commission having aggregate~~  
32 ~~annual gross receipts in excess of \$150,000~~ and the governing body of all  
33 other municipalities either having aggregate annual gross receipts in  
34 excess of ~~\$275,000~~ \$500,000 or which has general obligation or revenue  
35 bonds outstanding in excess of ~~\$275,000~~ \$500,000 shall have its accounts  
36 examined and audited by a licensed municipal public accountant or  
37 accountants or certified public accountant or accountants at least once each  
38 year. In the case of school districts, all tax and other funds such as activity  
39 funds and accounts shall also be examined and audited.

40 (b) *The governing body of every municipality, except school districts,*  
41 *having aggregate annual gross receipts in excess of \$275,000, but not*  
42 *more than \$500,000, or which has general obligation or revenue bonds*  
43 *outstanding in excess of \$275,000, but not more than \$500,000, shall have*

1 *its accounts examined by a licensed ~~municipal~~ certified public accountant*  
2 *or accountants using agreed-upon procedures as determined by the*  
3 *director of accounts and reports at least once each year. **Each***  
4 ***municipality subject to this subsection shall have its accounts examined***  
5 ***using enhanced agreed-upon procedures at least once every three years.***

6 (c) The governing body of any city of the third class required to have  
7 its accounts examined ~~and~~ or audited pursuant to the provisions of this  
8 section shall annually determine the total cost to be incurred by the city in  
9 complying with the requirements of this act and shall identify the same in  
10 the budget of the city.

11 Sec. 4. K.S.A. 75-1123 is hereby amended to read as follows: 75-  
12 1123. In conducting examinations ~~and~~ or audits provided for by K.S.A.  
13 10-1208, 12-866, 13-1243, ~~13-14412~~ or 75-1122, and amendments thereto,  
14 the licensed municipal public accountant or certified public accountant so  
15 engaged shall follow the municipal audit *and accounting* guide, or the  
16 applicable portions thereof, prescribed by the director of accounts and  
17 reports. The municipality so audited *or examined* shall install and put such  
18 standardized accounting system into effect as soon as possible after such  
19 *examination or audit*.

20 Sec. 5. K.S.A. 2014 Supp. 75-1124 is hereby amended to read as  
21 follows: 75-1124. (a) A copy of each audit report with recommendations, if  
22 any, rendered by any licensed municipal public accountant or certified  
23 public accountant upon the completion of any audits provided for by  
24 K.S.A. 10-1208, 12-866, 13-1243 or 75-1122, and amendments thereto,  
25 shall be filed with the secretary. The municipality's circular A-133 audit  
26 report, if required under the provisions of the federal single audit act  
27 amendments of 1996, 31 U.S.C. §§ 7501-7507, along with any other audit  
28 related documents deemed necessary by the secretary, shall also be filed  
29 with the secretary.

30 (b) On and after January 1, 2015, the audits and related documents  
31 required under subsection (a) shall be filed electronically with the  
32 secretary in a manner directed by the secretary.

33 (c) The audits required under subsection (a) are due within one year  
34 after the end of the audit period of the audit unless an extension of time is  
35 granted by the secretary. If federal law, state law or municipal contract  
36 provisions requires the audit reports and related documents to be filed in a  
37 period of less than one year, the municipality audit reports and related  
38 documents shall be filed in accordance with such laws or contract  
39 provisions.

40 (d) Final payment to any accountant performing any audit required  
41 under subsection (a) shall not be made until a copy of the audit reports and  
42 related documents have been so filed with the secretary, and is evidenced  
43 by a document from the secretary acknowledging receipt of the audit

1 reports and related documents.

2 (e) Notwithstanding any provision of law to the contrary, upon the  
3 filing of the audit reports and related documents as required under  
4 subsection (a), the municipality is not required to submit any audit reports  
5 or related documents to any other state agency, office or official.

6 (f) *A copy of each report resulting from a review of municipal*  
7 *accounts using procedures as required by K.S.A. 75-1122, and*  
8 *amendments thereto, shall be filed electronically with the secretary within*  
9 *one year of the end of the municipality fiscal year for which the*  
10 *examination is performed unless an extension of time is granted by the*  
11 *secretary. Upon submission of the report, the municipality is not required*  
12 *to submit such report to any other state agency, office or official. Final*  
13 *payment to any accountant performing such an examination using agreed-*  
14 *upon procedures shall not be made until a copy of such report has been*  
15 *filed as shown by a statement of the secretary.*

16 (g) For the purposes of this section, "secretary" means the secretary  
17 of administration or the secretary's designee.

18 Sec. 6. K.S.A. 75-1120a, 75-1121 and 75-1123 and K.S.A. 2014  
19 Supp. 75-1122 and 75-1124 are hereby repealed.

20 Sec. 7. This act shall take effect and be in force from and after its  
21 publication in the statute book.