SESSION OF 2015

SUPPLEMENTAL NOTE ON SENATE BILL NO. 247

As Amended by Senate Committee on Local Government

Brief*

SB 247 would increase thresholds that trigger certain requirements related to municipal accounting and change certain related requirements, as follows.

- Current law states the governing body of any municipality with aggregate annual gross receipts of less than $275,000 and that does not operate a utility is not required to maintain fixed asset records. The bill would increase this amount to $500,000. (Section 1)

- The bill would change the dollar amount above which an annual audit is triggered. The governing body of any municipality either having aggregate annual gross receipts of $500,000 (current law: $275,000 except for recreation commissions, for which the amount is $150,000) or general obligation or revenue bonds outstanding in excess of $500,000 (current law: $275,000) would be required to receive an audit at least once annually. (Section 3)

- For those municipalities, except for unified school districts (for which annual audits are required), for which either annual gross receipts or general obligation or revenue bond outstanding debt is in excess of $275,000 but not more than $500,000, the bill would add a requirement that the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org municipality have its accounts examined by a licensed certified public accountant or accountants using agreed-upon procedures at least once each year, and by using enhanced agreed-upon procedures at least once every three years. (Section 3)

- The bill would add a requirement that a copy of each report resulting from a municipal account review be filed electronically with the Secretary of Administration within one year of the end of the municipality's fiscal year for which the review is performed, unless the Secretary grants an extension. The bill would state the municipality is not required to submit the report to any other State agency, office or official. Final payment to the accountant(s) performing an examination using agreed-upon procedures would be prohibited until the report has been filed as required. (Section 5)
- The bill would make clarifying and conforming changes. (Sections 2 and 4)

The provisions revised are contained in KSA 75-1117 *et seq.*, related to the Municipal Accounting Board. In that act, "municipality" is defined as "county, township, city, municipal university, unified school district, library district, improvement district, drainage district, cemetery district, industrial district, irrigation district, park and recreation district, conservation district, extension council, airport or building authority, fire district, lighting district, park district, sewer district, watershed district, community junior college, groundwater management district, rural water district, zoning board, municipal energy agency or intergovernmental or joint agency, including all boards, commissions, committees, bureaus and departments of such municipalities charged with the management or administration of recreation activities, parks, hospitals, libraries, cemeteries, pensions, public improvements or any other public activities maintained or subsidized with public funds and any municipally owned or operated utility, firemen's relief association, or public or quasi-public corporation entitled to receive and hold public moneys pursuant to any provision of state law authorizing such public or quasi-public corporation to collect or receive such public moneys."

Background

The bill was introduced by the Senate Committee on Ways and Means. At the hearing before the Senate Committee on Local Government, proponents included representatives of the Department of Administration and the League of Kansas Municipalities. The proponents stated by changing the audit threshold for smaller jurisdictions, these entities no longer would be required to spend what amounts to a large proportion of their resources to conduct an audit, while some lesser, but targeted, review still would be required. There was no other testimony.

The Senate Committee amended the bill to require an examination using agreed-upon procedures be performed by a certified, rather than a municipal, public accountant and to require each municipality eligible to use agreed-upon procedure review have its accounts examined at least once every three years using enhanced agreed-upon procedures.

The fiscal note prepared by the Division of the Budget on the original bill indicates municipalities with annual revenues (or bond debt) between $275,000 and $500,000 would save money; however, it is unknown how many entities would experience savings or what the dollar amount of savings would be.