

**Possible Legislation**  
**Modifying the Local Government Audit Law**  
**House Bill 09-1024**

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**What Would This Bill Do?**

This bill would amend Section 29-1-602, C.R.S. to provide consistent application of statutory audit submission deadlines to local governments that are currently exempt from these requirements and provide a mechanism for an audit to occur if none is submitted. Specifically, this bill would:

- Require that these exempt local governments comply with the statutorily established submission deadlines under the Local Government Audit Law (Law). The Law requires that all other local governments, with the exception of school districts, submit their annual financial audits within seven months after the end of their fiscal year. Housing authorities would be granted one additional month, or eight months, to submit their audits.
- Allow exempt local governments to file an exemption from audit application with the Office of the State Auditor if revenues and expenditures are less than \$500,000.
- In cases where the exempt local government has not submitted its audit in accordance with the statutory deadlines, authorize the Office of the State Auditor (OSA), to either withhold property taxes, if applicable, until submission of an acceptable audit, or cause an audit of the local government. The Law gives the OSA this authority with respect to all other local governments.
- Define that audits are paid for by the local government, including when the OSA causes an audit.

The exempt local governments would remain exempt from the fiscal year prescribed in the Law and the required contents of the audit report. This includes budget and actual schedules, an auditor's opinion other than adverse, and financial statements prepared in accordance with generally accepted accounting principles. Some of the exempt local governments are required to prepare financial statements using other standards, such as Division of Insurance statutory requirements.

**Why is This Bill Necessary?**

Of the 124 local governments in the exempt category, five were delinquent as of May 2008 in submitting audits to the OSA. In the past three years 71 exempt local governments, or 57 percent, have submitted their audits from one month to more than a year beyond the due date required under the Local Government Audit Law for other local governments. Because the OSA does not have the authority to cause an audit of these exempt local governments, there is no mechanism for the OSA to obtain an audit if none is submitted. This could potentially preclude citizens and taxpayers within these local governments from obtaining reliable financial information about their local governments and allow serious mismanagement of public monies to go unreported.

A complete listing of exempt local governments that are effected by this change is on page 2 of the bill draft, in Section 29-1-602(5)(b), C.R.S.