

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 2130

By: Murdock

AS INTRODUCED

An Act relating to cities and towns; amending 11 O.S. 2021, Section 17-105, as last amended by Section 1, Chapter 287, O.S.L. 2024 (11 O.S. Supp. 2025, Section 17-105), which relates to annual financial statement audit; providing for certain exemptions to annual financial statements; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 11 O.S. 2021, Section 17-105, as last amended by Section 1, Chapter 287, O.S.L. 2024 (11 O.S. Supp. 2025, Section 17-105), is amended to read as follows:

Section 17-105. A. The governing body of each municipality with Fifty Thousand Dollars (\$50,000.00) or more in total revenue to all funds, including component units of which the municipality is a beneficiary, during a fiscal year shall cause to be prepared, by an independent licensed public accountant or a certified public accountant, an annual financial statement audit to be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards as issued by the

1 Comptroller General of the United States. Such audit shall be
2 ordered within thirty (30) days of the close of each fiscal year.
3 Copies shall be filed with the State Auditor and Inspector within
4 six (6) months after the close of the fiscal year in accordance with
5 the provisions of the Municipal Audit Reform Act of 2022 and with
6 the governing body of the municipality.

7 B. The governing body of each municipality with Fifty Thousand
8 Dollars (\$50,000.00) or more in total revenue to all funds,
9 including component units of which the municipality is a
10 beneficiary, and with a population of less than two thousand five
11 hundred (2,500) as of the most recent Federal Decennial Census, and
12 for whom an annual financial statement audit is not required by
13 another law, regulation or contract, shall cause to be prepared, by
14 an independent licensed public accountant or a certified public
15 accountant, a biennial financial statement audit in accordance with
16 auditing standards generally accepted in the United States and
17 Government Auditing Standards as issued by the Comptroller General
18 of the United States. Each biennial audit shall cover the two (2)
19 preceding years.

20 The governing body of each municipality may alternatively
21 request a biennial agreed-upon-procedures engagement. Agreed-upon
22 procedures required under the Municipal Audit Reform Act of 2022
23 shall be performed in accordance with the applicable attestation
24 standards of the American Institute of Certified Public Accountants.

1 The audit or agreed-upon-procedures engagement shall be ordered
2 within thirty (30) days of the close of the fiscal year that the
3 audit is due. Copies shall be filed with the State Auditor and
4 Inspector within nine (9) months after the close of the fiscal year
5 in accordance with the provisions of paragraph 2 of subsection A of
6 Section 212A of Title 74 of the Oklahoma Statutes and with the
7 governing body of the municipality, with the deadline to order and
8 file the audit or agreed-upon procedures eligible for extension by
9 the State Auditor and Inspector for special circumstances or
10 emergencies.

11 C. 1. The municipal income requirements in subsections A and B
12 of this section shall not include any grant monies provided to a
13 municipality from any federal, state, or other governmental entity.
14 The municipal income requirements shall not include income of any
15 public trust established under Sections 176 through 180.4 of Title
16 60 of the Oklahoma Statutes with a municipality as the beneficiary
17 of the trust; provided, income from trusts established principally
18 for the purpose of operating electric, water, wastewater, and
19 sanitation utilities shall be included for purposes of the municipal
20 income requirements.

21 2. Other than an audit required pursuant to Section 180.1 of
22 Title 60 of the Oklahoma Statutes, a municipality with a total
23 revenue of less than Fifty Thousand Dollars (\$50,000.00) across all
24 funds, including component units of which the municipality is a

1 beneficiary, and a population of less than five hundred (500) as of
2 the most recent Federal Decennial Census shall not be required to
3 prepare an audit or agreed-upon-procedures engagement solely as a
4 condition to be eligible or a recipient of a grant from any federal,
5 state, or local source.

6 D. The governing body of each municipality that requests the
7 biennial agreed-upon-procedures engagement provided in subsection B
8 of this section shall:

9 1. Determine the establishment of policies related to
10 adjustments, write-downs, or write-offs for various receivables due
11 to the municipality or the utility-related trust and select a sample
12 of adjustments to test for adherence to policies and for appropriate
13 supporting documentation;

14 2. Obtain two (2) months of bank statements of the general fund
15 and utility fund and confirm that cash deposits were made in the
16 appropriate accounts and verify utility billing receipts or posting
17 reports agree with the daily deposits;

18 3. Agree upon a pay rate for the city manager or town
19 administrator, city or town clerk, city or town treasurer, and
20 payroll clerk, to be authorized and documented in the personnel file
21 or in approved meeting minutes. If any employee received
22 compensation over and above his or her authorized salary or hourly
23 rate, the payroll clerk, upon request, shall provide appropriate
24 documentation of authorization for such pay. The requirements of

1 this paragraph shall not include expense reimbursements but shall
2 include any allowances considered taxable;

3 4. Determine the establishment of policies of use, proper
4 municipal purpose, and adherence to prescribed policies for entities
5 that use debit or credit cards;

6 5. Select a sample of transactions to test for supporting
7 documentation;

8 6. Prepare a cash basis schedule of changes in fund balances
9 for each fund and determine compliance with the statutory
10 prohibition of creating fund balance deficits;

11 7. Agree material fiscal year-end bank account balances to bank
12 statements and trace significant reconciling items to subsequent
13 clearance and determine if any bank accounts exist that are not
14 under city council purview;

15 8. Compare uninsured deposits at fiscal year-end to the fair
16 value of pledged collateral;

17 9. Inquire if any instances of known fraud, illegal acts, or
18 noncompliance with laws and regulations have occurred; and

19 10. Compare the use of material-restricted revenues and
20 resources to the restrictions of the governing body of the
21 municipality.

22 E. A public trust with a municipal government or governments as
23 the beneficiary that meet the same financial requirements
24 established in subsection B of this section may, as an alternative

1 to obtaining an audit as required in Section 180.1 of Title 60 of
2 the Oklahoma Statutes, follow the biennial agreed-upon-procedures
3 engagement outlined in subsection D of this section.

4 SECTION 2. This act shall become effective November 1, 2026.

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