



# Fiscal Note

## Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

### SB 25-023: LOCAL GOVERNMENT AUDIT EXEMPTION THRESHOLDS

**Prime Sponsors:**

Sen. Pelton R.; Michaelson Jenet  
Rep. Lindstedt

**Fiscal Analyst:**

Colin Gaiser, 303-866-2677  
colin.gaiser@coleg.gov

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**Version:** Initial Fiscal Note

**Date:** January 16, 2025

**Fiscal note status:** The fiscal note reflects the introduced bill., which was recommended by the Legislative Audit Committee.

### Summary Information

**Overview.** The bill increases the revenue and expenditure thresholds under which a local government may apply to be exempted from an audit.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- Minimal State Workload
- Local Government

**Appropriations.** No appropriation is required.

**Table 1  
State Fiscal Impacts**

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

## Summary of Legislation

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Under current law, all local governments must conduct an audit of financial statements each fiscal year. However, a local government with revenues or expenditures under \$100,000 may apply to be exempted from such an audit, and local governments with revenues or expenditures between \$100,000 and \$750,000 may apply for an exemption if the application is prepared by an independent accountant with knowledge of government accounting. For any fiscal year beginning on or after January 1, 2025, the bill increases the thresholds from \$100,000 to \$200,000 and from \$750,000 to \$1 million.

## State Expenditures

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The Office of the State Auditor receives and reviews approximately 1,700 annual applications for audit exemptions from local governments, and the fiscal note assumes the office will receive and review up to 15 additional applications as a result of the bill. The office will also need to update the audit exemption form. This work can be accomplished within existing resources.

## Local Government

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For local governments that currently do not qualify for an audit exemption but will qualify under the new thresholds, the bill may decrease workload and expenditures if these local governments choose to apply for an exemption and no longer have to prepare a full audit.

## Effective Date

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The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State and Local Government Contacts

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Local Affairs

State Auditor

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).