

House Engrossed

**FILED**

**KEN BENNETT  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-ninth Legislature  
Second Regular Session  
2010

CHAPTER 69

# **HOUSE BILL 2335**

AN ACT

AMENDING SECTION 41-1279.07, ARIZONA REVISED STATUTES; RELATING TO  
EXPENDITURE LIMITATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1279.07, Arizona Revised Statutes, is amended to  
3 read:

4 41-1279.07. Uniform expenditure reporting system; reports by  
5 counties, community college districts, cities and  
6 towns; certification and attestation; assistance  
7 by auditor general; violation; classification

8 A. The auditor general shall prescribe a uniform expenditure reporting  
9 system for all political subdivisions subject to the constitutional  
10 expenditure limitations prescribed by article IX, sections 20 and 21,  
11 Constitution of Arizona. The system shall include:

12 1. For counties:

13 (a) An annual expenditure limitation report that includes at least the  
14 following information:

15 (i) The expenditure limitation established for the reporting fiscal  
16 year by the economic estimates commission.

17 (ii) Total expenditures, by fund, for the reporting fiscal year.

18 (iii) Total exclusions from local revenues, as defined by article IX,  
19 section 20, Constitution of Arizona, by fund, for the reporting fiscal year.

20 (iv) Total amounts, by fund, of expenditures subject to the  
21 expenditure limitation for the reporting fiscal year.

22 (b) Annual financial statements prepared in accordance with generally  
23 accepted accounting principles.

24 (c) A reconciliation of the total expenditures reported within the  
25 financial statements to the total expenditures stated within the expenditure  
26 limitation report.

27 2. For community college districts:

28 (a) An annual budgeted expenditure limitation report that includes at  
29 least the following information:

30 (i) The expenditure limitation established for the reporting fiscal  
31 year by the economic estimates commission.

32 (ii) Total budgeted expenditures, by fund, for the reporting fiscal  
33 year.

34 (iii) Total exclusions from local revenues, as defined by article IX,  
35 section 21, Constitution of Arizona, by fund, for the reporting fiscal year.

36 (iv) Total amounts, by fund, of budgeted expenditures subject to the  
37 expenditure limitation for the reporting fiscal year.

38 (b) Annual financial statements prepared in accordance with generally  
39 accepted accounting principles.

40 (c) A reconciliation of the total expenditures reported within the  
41 financial statements to the total expenditures reported within the  
42 expenditure limitation report.

43 3. For cities and towns:

44 (a) An annual expenditure limitation report that includes at least the  
45 following information:

1 (i) The expenditure limitation established for the reporting fiscal  
2 year by the economic estimates commission and, if applicable, the voter  
3 approved alternative expenditure limitation.

4 (ii) Total expenditures, by fund, for the reporting fiscal year.

5 (iii) Total exclusions from local revenues, as defined by article IX,  
6 section 20, Constitution of Arizona, by fund, for the reporting fiscal year  
7 or, if applicable, the total exclusions from the voter approved alternative  
8 expenditure limitation.

9 (iv) Total amounts, by fund, of expenditures subject to the  
10 expenditure limitation for the reporting fiscal year.

11 (b) Financial statements prepared in accordance with generally  
12 accepted accounting principles.

13 (c) A reconciliation of the total expenditures reported within the  
14 financial statements to the total expenditures reported within the  
15 expenditure limitation report.

16 B. The auditor general shall provide detailed instructions for  
17 completion and submission of the reports described in subsection A of this  
18 section. The auditor general shall prescribe definitions for terms utilized  
19 in and the form of the reports described in subsection A of this section. The  
20 reports described in subsection A of this section are required of counties  
21 and community college districts beginning with fiscal year 1981-1982. The  
22 reports described in subsection A of this section are required of cities and  
23 towns beginning with the fiscal year the political subdivision is subject to  
24 the expenditure limitation. The annual reporting requirements also apply to  
25 political subdivisions subject to an alternative expenditure limitation  
26 enacted pursuant to article IX, section 20, subsection (9), Constitution of  
27 Arizona.

28 C. The reports described in subsection A of this section must be filed  
29 with the auditor general within four months after the close of each fiscal  
30 year. Upon written request, the auditor general may grant up to a one  
31 hundred twenty day extension, if extenuating circumstances exist that prevent  
32 submission of the reports within the required four month period.

33 D. The auditor general or a certified public accountant or public  
34 accountant performing the annual audit required pursuant to sections  
35 41-1279.21 and 9-481 shall attest to the expenditure limitation reports and  
36 financial statements for counties, community college districts and cities.  
37 The certified public accountant or public accountant performing the annual or  
38 biennial audit required pursuant to section 9-481 shall attest to the  
39 expenditure limitation reports and financial statements for towns.

40 E. Each political subdivision shall provide to the auditor general by  
41 July 31 each year the name of the chief fiscal officer designated by the  
42 governing board of the political subdivision to submit the current fiscal  
43 year's expenditure limitation report. The political subdivision shall notify  
44 the auditor general of any changes of individuals designated to file the

1 required reports. The designated chief fiscal officer shall certify to the  
2 accuracy of the annual expenditure limitation report.

3 F. The auditor general shall prescribe forms for the uniform reporting  
4 system and may provide assistance to individuals, certified public  
5 accountants or public accountants responsible for attesting to the  
6 expenditure limitation reports and financial statements.

7 G. A chief fiscal officer, designated pursuant to subsection E of this  
8 section, who subsequent to July 1, 1983 refuses to file the reports required  
9 by this section within the prescribed time periods or who intentionally files  
10 erroneous reports is guilty of a class 1 misdemeanor. A city or town  
11 exceeding the expenditure limitation prescribed or authorized pursuant to  
12 article IX, section 20, Constitution of Arizona, for any fiscal year, without  
13 authorization pursuant to such section, shall have the amount specified in  
14 subsection H of this section of its allocations of the state income tax,  
15 distributed pursuant to section 43-206, withheld and redistributed to other  
16 cities and towns in the same manner as determined pursuant to that section,  
17 except that the population of the city or town exceeding the expenditure  
18 limitation shall not be included in the computation, and the city or town  
19 exceeding the expenditure limitation shall not be entitled to share in the  
20 redistribution. A community college district exceeding the expenditure  
21 limitation prescribed pursuant to article IX, section 21, Constitution of  
22 Arizona, for any fiscal year, without authorization pursuant to such section  
23 or section 15-1471, shall have the amount specified in subsection H of this  
24 section of its allocations of state aid, distributed pursuant to section  
25 15-1466, withheld.

26 H. The auditor general shall hold a hearing to determine if any  
27 political subdivision has exceeded the expenditure limitations prescribed  
28 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a  
29 county has exceeded the expenditure limitations prescribed pursuant to  
30 article IX, section 20, Constitution of Arizona, without authorization  
31 pursuant to that section, the auditor general shall notify the board of  
32 supervisors of the county to reduce the allowable levy of primary property  
33 taxes of the county pursuant to section 42-17051, subsection C. If any  
34 political subdivision other than a county has exceeded the expenditure  
35 limitations prescribed pursuant to article IX, sections 20 and 21,  
36 Constitution of Arizona, without authorization, the auditor general shall  
37 notify the state treasurer to withhold a portion of the political  
38 subdivision's allocations of the revenues described in subsection G of this  
39 section for the fiscal year subsequent to the auditor general's hearing as  
40 follows:

41 1. If the excess expenditures are less than five per cent of the  
42 limitation, an amount equal to the excess expenditures.

43 2. If the excess expenditures are equal to or greater than five per  
44 cent but less than ten per cent of the limitation, or are less than five per

1 cent of the limitation but it is at least the second consecutive instance of  
2 excess expenditures, an amount equal to triple the excess expenditures.

3 3. If the excess expenditures are equal to or greater than ten per  
4 cent of the limitation, an amount equal to five times the excess expenditures  
5 or one-third of the allocation of the revenues described in subsection G of  
6 this section, whichever is less.

7 I. A COUNTY, CITY OR TOWN IS NOT DEEMED TO HAVE EXCEEDED THE  
8 EXPENDITURE LIMITATION IF THE COUNTY, CITY OR TOWN MAKES EXPENDITURES FOR  
9 CAPITAL IMPROVEMENTS FROM UTILITY REVENUES PURSUANT TO TITLE 9, CHAPTER 5,  
10 ARTICLE 3 OR FROM EXCISE TAXES LEVIED BY THE COUNTY, CITY OR TOWN FOR A  
11 SPECIFIC PURPOSE AND THE COUNTY, CITY OR TOWN REPAYS THE EXPENDITURE FROM THE  
12 PROCEEDS OF BONDS OR OTHER LAWFUL LONG-TERM OBLIGATIONS BEFORE THE HEARING  
13 REQUIRED BY SUBSECTION H OF THIS SECTION.

APPROVED BY THE GOVERNOR APRIL 16, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 19, 2010.

Passed the House February 24, 2010

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

[Signature]  
Speaker of the House

[Signature]  
Chief Clerk of the House

Passed the Senate April 12, 2010

by the following vote: 20 Ayes,

9 Nays, 1 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

13 day of April, 2010

at 8:50 o'clock A. M.

[Signature]  
Secretary to the Governor

Approved this 16<sup>th</sup> day of

April

at 5:05 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 19<sup>th</sup> day of April, 20 10

at 11:40 o'clock a M.

[Signature]  
Secretary of State

H.B. 2335