Senate Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
Senate
Fifty-second Legislature
First Regular Session
2015

CHAPTER 268

SENATE BILL 1066

AN ACT

AMENDING SECTION 9-481, ARIZONA REVISED STATUTES; AMENDING TITLE 11, CHAPTER 4, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 11-661; AMENDING SECTIONS 15-1473, 41-1279.07 AND 42-17103, ARIZONA REVISED STATUTES; RELATING TO POLITICAL SUBDIVISION FINANCIAL REPORTING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 9-481, Arizona Revised Statutes, is amended to read:

9-481. Audits of cities and towns; posting; budget

A. The governing body of each incorporated city or town shall cause an audit to be made by a certified public accountant or public accountant who is currently licensed by the Arizona state board of accountancy and who is not an employee of the city or town. Audits shall be made for each fiscal year for all incorporated cities. Audits shall be made at least once for every two fiscal years for all incorporated towns, and the audit shall include financial transactions during both fiscal years.

B. The audit and the audit report shall include all of the accounts and funds of the city or town, including operating, special, utility, debt, trust~~,~~ AND pension, and all other money or property for which the city or town, or any department or officer of the city or town, is responsible either directly or indirectly. The audits shall be made in accordance with generally accepted auditing standards. The consequent audit report shall contain financial statements that are in conformity with generally accepted municipal accounting principles and shall set forth the financial position and results of the operations for each fund and account of the city or town. The audit report shall also include the following:

1. The professional opinion of the accountant or accountants with respect to the financial statements or, if an opinion cannot be expressed, a declaration of the reasons an opinion cannot be expressed.

2. ~~Beginning with fiscal year 2003-2004,~~ A determination as to whether highway user revenue fund monies received by the city or town pursuant to title 28, chapter 18, article 2 and any other dedicated state transportation revenues received by the city or town are being used solely for the authorized transportation purposes.

C. The audit shall begin as soon as possible after the close of the fiscal year, although interim auditing may be performed during the year or years under audit. The audit shall be completed and the final audit report shall be submitted within six months after the close of the fiscal year or years audited.

D. ~~Not less than three~~ AT LEAST FOUR copies of the audit report shall be signed by the auditor and filed with the city or town. The city or town shall immediately DO THE FOLLOWING:

1. Make one copy of the report a public record ~~which shall be~~ THAT IS open to the public for inspection. ~~and~~

2. FILE ONE COPY OF THE REPORT WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07, SUBSECTION C.

3. SUBMIT one copy ~~shall be deposited with the Arizona state library, archives and public records~~ OF THE REPORT TO THE SECRETARY OF STATE.

E. THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07, INCLUDING THE AUDIT REPORT, MUST BE POSTED IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE OF THE CITY OR TOWN NO LATER THAN SEVEN BUSINESS DAYS AFTER THE DATE OF FILING THE FINANCIAL STATEMENTS WITH THE AUDITOR GENERAL. THE FINANCIAL STATEMENTS MUST BE RETAINED AND ACCESSIBLE IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE FOR AT LEAST SIXTY MONTHS. IF THE FINANCIAL STATEMENTS ARE NOT FILED PURSUANT TO SECTION 41-1279.07, THE FORM AS PRESCRIBED BY SUBSECTION F OF THIS SECTION SHALL BE POSTED ON THE WEBSITE OF THE CITY OR TOWN IN PLACE OF THE FINANCIAL STATEMENTS UNTIL THE FINANCIAL STATEMENTS ARE FILED.

F. IF THE FINANCIAL STATEMENTS FOR A CITY OR TOWN ARE NOT COMPLETED AND FILED AS PRESCRIBED BY SECTION 41-1279.07 ON OR BEFORE THE ADOPTION OF THE CITY OR TOWN BUDGET IN THE SUBSEQUENT FISCAL YEAR, THE GOVERNING BODY SHALL INCLUDE A FORM, AS PRESCRIBED BY THE AUDITOR GENERAL, IN THE PUBLISHED BUDGET IN THE SUBSEQUENT FISCAL YEAR PURSUANT TO SECTIONS 42-17103 AND 42-17105 STATING THAT THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07 ARE PENDING, THE REASONS FOR THE DELAY AND THE ESTIMATED DATE OF COMPLETION.

G. IF THE GOVERNING BODY OF A CITY OR TOWN IS REQUIRED TO COMPLETE THE FORM AS PRESCRIBED BY SUBSECTION F OF THIS SECTION, THE GOVERNING BODY SHALL SEND A COPY OF THE FORM TO THE AUDITOR GENERAL, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE.

Sec. 2. Title 11, chapter 4, article 3, Arizona Revised Statutes, is amended by adding section 11-661, to read:

11-661. Posting of financial statements; budget

A. THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07 MUST BE POSTED IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE OF THE COUNTY NO LATER THAN SEVEN BUSINESS DAYS AFTER THE DATE OF FILING THE FINANCIAL STATEMENTS WITH THE AUDITOR GENERAL. THE FINANCIAL STATEMENTS MUST BE RETAINED AND ACCESSIBLE IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE FOR AT LEAST SIXTY MONTHS. IF THE FINANCIAL STATEMENTS ARE NOT FILED PURSUANT TO SECTION 41-1279.07, THE FORM AS PRESCRIBED BY SUBSECTION B OF THIS SECTION SHALL BE POSTED ON THE WEBSITE OF THE COUNTY IN PLACE OF THE FINANCIAL STATEMENTS UNTIL THE FINANCIAL STATEMENTS ARE FILED.

B. IF THE FINANCIAL STATEMENTS FOR A COUNTY ARE NOT COMPLETED AND FILED AS PRESCRIBED BY SECTION 41-1279.07 ON OR BEFORE THE ADOPTION OF THE COUNTY BUDGET IN THE SUBSEQUENT FISCAL YEAR, THE BOARD OF SUPERVISORS MUST INCLUDE A FORM, PRESCRIBED BY THE AUDITOR GENERAL, IN THE PUBLISHED BUDGET IN THE SUBSEQUENT FISCAL YEAR PURSUANT TO SECTIONS 42-17103 AND 42-17105 STATING THAT THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07 ARE PENDING, THE REASONS FOR THE DELAY AND THE ESTIMATED DATE OF COMPLETION.

C. IF THE BOARD OF SUPERVISORS OF A COUNTY IS REQUIRED TO COMPLETE THE FORM AS PRESCRIBED BY SUBSECTION B OF THIS SECTION, THE BOARD OF SUPERVISORS

SHALL SEND A COPY OF THE FORM TO THE AUDITOR GENERAL, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE.

Sec. 3. Section 15-1473, Arizona Revised Statutes, is amended to read:

15-1473. Uniform system of accounting for community college districts; duties of auditor general; posting; budget

A. The auditor general shall determine the accounting systems, accounting methods and accounting procedures for use by the community college districts.

B. The auditor general, in conjunction with the community college districts, shall prescribe a uniform system of accounting as provided in section 41-1279.21 for use by all community college districts.

C. THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07 MUST BE POSTED IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE OF THE COMMUNITY COLLEGE DISTRICT NO LATER THAN SEVEN BUSINESS DAYS AFTER THE DATE OF FILING THE FINANCIAL STATEMENTS WITH THE AUDITOR GENERAL. THE FINANCIAL STATEMENTS MUST BE RETAINED AND ACCESSIBLE IN A PROMINENT LOCATION ON THE OFFICIAL WEBSITE FOR AT LEAST SIXTY MONTHS. IF THE FINANCIAL STATEMENTS ARE NOT FILED PURSUANT TO SECTION 41-1279.07, THE FORM AS PRESCRIBED BY SUBSECTION D OF THIS SECTION SHALL BE POSTED ON THE WEBSITE OF THE COMMUNITY COLLEGE DISTRICT IN PLACE OF THE FINANCIAL STATEMENTS UNTIL THE FINANCIAL STATEMENTS ARE FILED.

D. IF THE FINANCIAL STATEMENTS FOR A COMMUNITY COLLEGE DISTRICT ARE NOT COMPLETED AND FILED AS PRESCRIBED BY SECTION 41-1279.07 ON OR BEFORE THE ADOPTION OF THE COMMUNITY COLLEGE DISTRICT BUDGET IN THE SUBSEQUENT FISCAL YEAR, THE BOARD OF DIRECTORS MUST INCLUDE A FORM, PRESCRIBED BY THE AUDITOR GENERAL, IN THE PUBLISHED BUDGET IN THE SUBSEQUENT FISCAL YEAR PURSUANT TO SECTION 15-1461 STATING THAT THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE AUDITOR GENERAL PURSUANT TO SECTION 41-1279.07 ARE PENDING, THE REASONS FOR THE DELAY AND THE ESTIMATED DATE OF COMPLETION.

E. IF THE COMMUNITY COLLEGE DISTRICT BOARD OF DIRECTORS IS REQUIRED TO COMPLETE THE FORM AS PRESCRIBED BY SUBSECTION D OF THIS SECTION, THE BOARD OF DIRECTORS SHALL SEND A COPY OF THE FORM TO THE AUDITOR GENERAL, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE SENATE.

Sec. 4. Section 41-1279.07, Arizona Revised Statutes, is amended to read:

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

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

1. For counties:

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

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

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

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

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

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

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

2. For community college districts:

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

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

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

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

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

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

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

3. For cities and towns:

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

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

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

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

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

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

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

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

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

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

E. Each political subdivision shall provide to the auditor general by July 31 each year the name of the chief fiscal officer designated by the governing board of the political subdivision to submit the current fiscal year's expenditure limitation report. The political subdivision shall notify the auditor general of any changes of individuals designated to file the required reports. The designated chief fiscal officer shall certify to the accuracy of the annual expenditure limitation report.

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

G. A chief fiscal officer, designated pursuant to subsection E of this section, who subsequent to July 1, 1983 refuses to file the reports required by this section within the prescribed time periods or who intentionally files erroneous reports is guilty of a class 1 misdemeanor. A city or town exceeding the expenditure limitation prescribed or authorized pursuant to

article IX, section 20, Constitution of Arizona, for any fiscal year, without authorization pursuant to such section, shall have the amount specified in subsection H of this section of its allocations of the state income tax, distributed pursuant to section 43-206, withheld and redistributed to other cities and towns in the same manner as determined pursuant to that section, except that the population of the city or town exceeding the expenditure limitation shall not be included in the computation, and the city or town exceeding the expenditure limitation shall not be entitled to share in the redistribution. A community college district exceeding the expenditure limitation prescribed pursuant to article IX, section 21, Constitution of Arizona, for any fiscal year, without authorization pursuant to such section or section 15-1471, shall have the amount specified in subsection H of this section of its allocations of state aid, distributed pursuant to section 15-1466, withheld.

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

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

2. If the excess expenditures are equal to or greater than five ~~per cent~~ PERCENT but less than ten ~~per cent~~ PERCENT of the limitation, or are less than five ~~per cent~~ PERCENT of the limitation but it is at least the second consecutive instance of excess expenditures, an amount equal to triple the excess expenditures.

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

I. A county, city or town is not deemed to have exceeded the expenditure limitation if the county, city or town makes expenditures for capital improvements from utility revenues pursuant to title 9, chapter 5, article 3 or from excise taxes levied by the county, city or town for a specific purpose and the county, city or town repays the expenditure from the

proceeds of bonds or other lawful long-term obligations before the hearing required by subsection H of this section.

Sec. 5. Section 42-17103, Arizona Revised Statutes, is amended to read:

42-17103. Public access to estimates of revenues and expenses; notice of public hearing; access to adopted budget

A. The governing body of each county, city or town shall publish the estimates of revenues and expenses, or a summary of the estimates of revenues and expenses, and a notice of a public hearing of the governing body to hear taxpayers and make tax levies at designated times and places. The summary shall set forth the total estimated revenues and expenditures by fund type, truth in taxation calculations and primary and secondary property tax levies for all districts. A complete copy of the estimates of revenues and expenses shall be made available at the city, town or county libraries and city, town or county administrative offices and shall be posted in a prominent location on the official ~~websites, or on a website of an association of cities and towns for cities and towns that do not have official websites,~~ WEBSITE OF THE CITY, TOWN OR COUNTY no later than seven business days after the estimates of revenues and expenses are initially presented before the governing body. A complete copy of the budget finally adopted under section 42-17105 shall be posted in a prominent location on the official websites no later than seven business days after final adoption.

B. Beginning with fiscal year 2011-2012, both the estimates of revenues and expenses initially presented before the governing body and the budget finally adopted under section 42-17105 shall be retained and accessible in a prominent location on the official ~~websites, or on a website of an association of cities and towns for cities and towns that do not have official websites,~~ WEBSITE OF THE CITY, TOWN OR COUNTY for at least sixty months.

C. The summary of estimates and notice, together with the library addresses and websites where the complete copy of estimates may be found, shall be published once a week for at least two consecutive weeks after the estimates are tentatively adopted in the official newspaper of the county, city or town, if there is one, and, if not, in a newspaper of general circulation in the county, city or town.

D. If a truth in taxation notice and hearing is required under section 42-17107, the governing body may combine the notice under this section with the truth in taxation notice.

APPROVED BY THE GOVERNOR APRIL 13, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 14, 2015.

Passed the House April 2, 2015,

by the following vote: 48 Ayes,

10 Nays, 2 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate February 16, 2015,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

2nd day of April, 2015,

at 8:30 o'clock P. M.

Secretary to the Governor

Approved this 13th day of

April, 2015,

at 9:38 o'clock A M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 14th day of April, 2015,

at 10:00 o'clock A M.

Secretary of State

S.B. 1066