

House Engrossed
schools; audits; financial records; budgets

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 7
HOUSE BILL 2018

AN ACT

AMENDING SECTIONS 15-271, 15-905 AND 15-914, ARIZONA REVISED STATUTES;
RELATING TO SCHOOL FINANCES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-271, Arizona Revised Statutes, is amended to
3 read:

4 15-271. Duties of auditor general for uniform financial
5 records system; reporting requirements

6 A. The auditor general shall determine the accounting systems,
7 accounting methods and accounting procedures for ~~utilization by~~ school
8 districts TO USE.

9 B. The auditor general in conjunction with the department of
10 education shall prescribe a uniform system of financial records for
11 ~~utilization by~~ all school districts TO USE each fiscal year.

12 C. The uniform system of financial records prescribed by the
13 auditor general shall:

14 1. Provide for adjustment in consideration of existing capabilities
15 available at a reasonable cost to school districts.

16 2. Allow schools to maintain necessary records at a minimum cost.

17 3. Prescribe guidelines applicable to procurement practices for use
18 by school districts for amounts less than those prescribed in section
19 15-213, subsection A.

20 4. Prescribe methods for ~~the apportionment of~~ APPORTIONING
21 revenues, including ~~apportionment of~~ APPORTIONING various revenues to
22 maintenance and operations, capital outlay and adjacent ways.

23 5. Prescribe methods for ~~the apportionment of~~ APPORTIONING revenues
24 in excess of the revenue control limit in the same manner as the revenues
25 in paragraph 4 OF THIS SUBSECTION.

26 6. Prescribe guidelines for ~~the apportionment of~~ APPORTIONING the
27 pupil enrollment and attendance as provided in section 15-808,
28 subsection F.

29 7. Provide the department of education, the auditor general, the
30 governor and the legislature with sufficient uniform information to assist
31 in determining equitable distribution of state aid to school districts.

32 8. Provide information, including at a minimum:

33 (a) The student count and maintenance and operation expenditures
34 with separate subsections for regular education programs, special
35 education programs and operating expenditures for pupil transportation.

36 (b) Capital outlay expenditures.

37 (c) Debt service and special projects of all school districts.

38 D. The auditor general shall inform any school district ~~which~~ THAT
39 fails to establish and maintain the uniform system of financial records
40 and shall detail in writing the deficiencies of the school district system
41 giving the district ninety days to correct the deficiencies.

42 E. The auditor general shall report to the department of education
43 AND THE STATE BOARD OF EDUCATION any school district ~~which~~ THAT either
44 fails to establish and maintain the uniform system of financial records
45 prescribed by the auditor general or fails to correct deficiencies in the

1 system within ninety days after receiving notice of the deficiencies. THE
2 AUDITOR GENERAL SHALL DETAIL IN WRITING THE DEFICIENCIES OF THE SCHOOL
3 DISTRICT SYSTEM IN THE AUDITOR GENERAL'S REPORT TO THE DEPARTMENT AND THE
4 STATE BOARD.

5 F. A school district may but ~~shall~~ IS not ~~be~~ required to maintain
6 or provide financial records other than those prescribed by the auditor
7 general.

8 Sec. 2. Section 15-905, Arizona Revised Statutes, is amended to
9 read:

10 15-905. School district budgets; notice; adoption; aggregate
11 budget limit; summary; adjustments; impact aid
12 fund; definition

13 A. Not later than July 5 of each year or ~~no~~ NOT later than the
14 publication of notice of the public hearing and board meeting as required
15 by this section, the governing board of each school district shall prepare
16 and furnish to the superintendent of public instruction and the county
17 school superintendent, unless waived by the county school superintendent,
18 a proposed budget in AN electronic format for the budget year, which shall
19 contain the information and be in the form as provided by the department
20 of education. The proposed budget shall include the following:

21 1. The total amount of revenues from all sources that was necessary
22 to meet the school district's budget for the current year.

23 2. The total amount of revenues by source that will be necessary to
24 meet the proposed budget of the school district, excluding property taxes.
25 The governing board shall prepare the proposed budget and a summary of the
26 proposed budget. Both documents shall be kept on file at the school
27 district office and shall be made available to the public on request. Not
28 later than July 5 of each year or not later than the publication of notice
29 of the public hearing and board meeting required by this subsection, the
30 governing board shall submit the proposed budget to the department of
31 education, which shall prominently display this information about that
32 school district on the website maintained by the department. If the
33 school district maintains a website, the school district shall post a link
34 to the website of the department of education where this information about
35 the school district is posted. The auditor general in conjunction with
36 the department of education shall prescribe the form of the summary of the
37 proposed budget for use by governing boards. School district governing
38 boards may include in the proposed budget any items or amounts that are
39 authorized by legislation filed with the secretary of state and that will
40 become effective during the budget year. If subsequent events prevent the
41 legislation from becoming effective, school district governing boards must
42 reduce their budgets by the amounts budgeted pursuant to the legislation
43 that did not become effective.

44 B. The governing board of each school district shall prepare a
45 notice fixing a time not later than July 15 and designating a public place

1 within each school district at which a public hearing and board meeting
2 shall be held. The governing board shall present the proposed budget for
3 consideration of the residents and the taxpayers of the school district at
4 that hearing and meeting.

5 C. The governing board of each school district shall publish or
6 mail, before the hearing and meeting, a copy of the proposed budget or the
7 summary of the proposed budget and a notice of the public hearing and
8 board meeting ~~no~~ NOT later than ten days before the meeting. The proposed
9 budget and the summary of the proposed budget shall contain the percentage
10 of increase or decrease in each budget category of the proposed budget as
11 compared to each category of the budget for the current year.
12 Notification shall be either by publication in a newspaper of general
13 circulation within the school district in which the size of the newspaper
14 print ~~shall be~~ IS at least eight-point type, by electronic transmission of
15 the information to the department of education for posting on the
16 department's website or by mailing the information to each household in
17 the school district. The cost of publication, website posting or mailing
18 shall be a charge against the school district. The publisher's affidavit
19 of publication shall be filed by the governing board with the
20 superintendent of public instruction within thirty days after publication.
21 If the budget or proposed budget and notice are posted on a website
22 maintained by the department of education or mailed, the board shall file
23 an affidavit with the superintendent of public instruction within thirty
24 days after the mailing or the date that the information is posted on the
25 website. If a truth in taxation notice and hearing is required under
26 section 15-905.01, the governing board may combine the notice and hearing
27 under this section with the truth in taxation notice and hearing.

28 D. At the time and place fixed in the notice, the governing board
29 shall hold the public hearing and present the proposed budget to the
30 persons attending the hearing. On request of any person, the governing
31 board shall explain the budget, and any resident or taxpayer of the school
32 district may protest the inclusion of any item. A governing board member
33 who has a substantial interest, as defined in section 38-502, in a
34 specific item in the school district budget shall refrain from voting on
35 the specific item. A governing board member may participate without
36 creating a conflict of interest in ~~adoption of~~ ADOPTING a final budget
37 even though the member may have substantial interest in specific items
38 included in the budget.

39 E. Immediately following the public hearing the president shall
40 call to order the governing board meeting for the purpose of adopting the
41 budget. The governing board shall adopt the budget, which shall not
42 exceed the general budget limit or the unrestricted capital budget limit,
43 making such deductions as it sees fit but making no additions to the
44 proposed budget total for maintenance and operations or capital outlay,
45 and shall enter the budget as adopted in its minutes. ~~Not later than July~~

1 ~~18, the budget as finally adopted shall be filed by the governing board~~
2 ~~with the county school superintendent who shall immediately transmit a~~
3 ~~copy to the board of supervisors.~~ Not later than July 18, the budget as
4 finally adopted shall be submitted electronically to the superintendent of
5 public instruction. Not later than July 18, the governing board shall
6 submit the budget as finally adopted to the department of education, which
7 shall prominently display this information about that school district on
8 the website maintained by the department. If the school district
9 maintains a website, the school district shall post a link to the website
10 of the department of education where this information about the school
11 district is posted. On or before October 30, the superintendent of public
12 instruction shall review the budget and notify the governing board if the
13 budget ~~is in excess of~~ EXCEEDS the general budget limit or the
14 unrestricted capital budget limit. The governing board shall revise the
15 budget as follows:

16 1. If the governing board receives notification that the budget
17 exceeds the general budget limit or the unrestricted capital budget limit
18 by one percent of the general budget limit, it shall adopt on or before
19 December 15, after it gives notice and holds a public meeting in a similar
20 manner as provided in subsections C and D of this section, a revised
21 budget for the current year, which shall not exceed the general budget
22 limit or the unrestricted capital budget limit.

23 2. If the governing board receives notification that the budget
24 exceeds the general budget limit or the unrestricted capital budget limit
25 by less than the amount prescribed in paragraph 1 of this subsection, the
26 governing board shall adjust the budget and expenditures so as not to
27 exceed the general budget limit or the unrestricted capital budget limit
28 for the current year.

29 3. ~~On or before December 18, the governing board shall file the~~
30 ~~revised budget it adopts with the county school superintendent who shall~~
31 ~~immediately transmit a copy to the board of supervisors.~~ Not later than
32 December 18, the budget as revised shall be submitted electronically to
33 the superintendent of public instruction. ~~School districts that are~~
34 ~~subject to section 15-914.01 are not required to send a copy of revised~~
35 ~~budgets to the county school superintendent.~~ Procedures for adjusting
36 expenditures or revising the budget shall be as prescribed in the uniform
37 system of financial records.

38 F. The governing board of each school district may budget for
39 expenditures within the school district budget as follows:

40 1. Amounts within the general budget limit, as provided in section
41 15-947, subsection C, may only be budgeted in the following sections of
42 the budget:

- 43 (a) The maintenance and operation section.
- 44 (b) The capital outlay section.

1 2. Amounts within the unrestricted capital budget limit, as
2 provided in section 15-947, subsection D, may only be budgeted in the
3 unrestricted capital outlay subsection of the budget. Monies received
4 pursuant to the unrestricted capital budget limit shall be placed in the
5 unrestricted capital outlay fund. The monies in the fund are not subject
6 to reversion.

7 G. The governing board may authorize the expenditure of monies
8 budgeted within the maintenance and operation section of the budget for
9 any subsection within the section in excess of amounts specified in the
10 adopted budget only by action taken at a public meeting of the governing
11 board and if the expenditures for all subsections of the section do not
12 exceed the amount budgeted as provided in this section.

13 H. The aggregate budget limit is the sum of the following:

14 1. The general budget limit as determined in section 15-947 for the
15 budget year.

16 2. The unrestricted capital budget limit as determined in section
17 15-947 for the budget year.

18 3. Federal assistance, excluding title VIII of the elementary and
19 secondary education act of 1965 monies.

20 I. School districts that overestimated tuition revenues as provided
21 in section 15-947, subsection C, paragraph 2 shall adjust the general
22 budget limit and expenditures based on tuition revenues for attendance of
23 nonresident pupils during the current fiscal year. School districts that
24 underestimated tuition revenues may adjust their budgets before May 15
25 based on tuition revenues for attendance of nonresident pupils during the
26 current fiscal year. School districts that overestimated revenues as
27 provided in section 15-947, subsection C, paragraph 2, subdivision (a),
28 items (iii), (iv) and (v) and subdivision (c) shall adjust the general
29 budget limit and expenditures based on actual revenues during the current
30 fiscal year. School districts that underestimated such revenues may
31 adjust their budgets before May 15 based on actual revenues during the
32 current fiscal year. Procedures for completing adjustments shall be as
33 prescribed in the uniform system of financial records. Not later than May
34 18, the budget as adjusted shall be submitted electronically to the
35 superintendent of public instruction.

36 J. A common school district not within a high school district whose
37 estimated tuition charge for high school pupils exceeds the actual tuition
38 charge for high school pupils shall adjust the general budget limit and
39 expenditures based on the actual tuition charge. Not later than May 18,
40 the budget as adjusted shall be submitted electronically to the
41 superintendent of public instruction. A common school district not within
42 a high school district whose estimated tuition charge for high school
43 pupils is less than the actual tuition charge for high school pupils may
44 adjust its budget before May 15 based on the actual tuition charge.
45 Procedures for completing adjustments shall be as prescribed in the

1 uniform system of financial records. If the adjusted general budget limit
2 requires an adjustment of state aid and if the adjustment to state aid is
3 not made in the current year, the superintendent of public instruction
4 shall adjust by August 15 of the succeeding fiscal year the apportionment
5 of state aid to the school district to correct any overpayment or
6 underpayment of state aid received during the current year.

7 K. The governing board may include title VIII of the elementary and
8 secondary education act of 1965 assistance allocated for children with
9 disabilities, children with specific learning disabilities, children
10 residing on Indian lands and children residing within the boundaries of an
11 accommodation school that is located on a military reservation and that is
12 classified as a heavily impacted local educational agency pursuant to 20
13 United States Code section 7703, which is in addition to basic assistance
14 when determining the general budget limit as prescribed in section 15-947,
15 subsection C. The increase in the general budget limit for children
16 residing within the boundaries of an accommodation school that is located
17 on a military reservation and that is classified as a heavily impacted
18 local education agency shall equal the dollar amount calculated pursuant
19 to 20 United States Code section 7703(b)(2). The governing board may
20 adjust before May 15 the budget for the current year based on any
21 adjustments that result in increases over the amount estimated by the
22 superintendent of public instruction for title VIII of the elementary and
23 secondary education act of 1965 assistance for such pupils for the fiscal
24 year preceding the current year. The governing board shall adjust before
25 May 15 the budget for the current year based on any adjustments that
26 result in decreases in the amount estimated by the superintendent of
27 public instruction for title VIII of the elementary and secondary
28 education act of 1965 assistance for such pupils for the fiscal year
29 preceding the current year. Not later than May 18, the budget as adjusted
30 shall be submitted electronically to the superintendent of public
31 instruction. Procedures for complying with this subsection shall be as
32 prescribed in the uniform system of financial records.

33 L. The department of education shall notify the state board of
34 education if expenditures by any school district exceed the general budget
35 limit prescribed in section 15-947, subsection C, the unrestricted capital
36 budget limit, the school plant fund limits prescribed in section 15-1102,
37 subsection B, the maintenance and operation section of the budget or the
38 capital outlay section of the budget. If the expenditures of any school
39 district exceed these limits or sections of the budget without
40 authorization as provided in section 15-907, and if the state board of
41 education determines that the equalization assistance for education
42 received by the school district as provided in section 15-971 does not
43 conform with statutory requirements, the state board of education shall
44 reduce the state aid for equalization assistance for education for the
45 school district computed as provided in section 15-971 during the fiscal

1 year subsequent to the fiscal year in which the excess equalization
2 assistance for education was received by an amount equal to the excess
3 equalization assistance for education, except that in case of hardship to
4 the school district, the superintendent of public instruction may approve
5 reductions partly in the first subsequent year and partly in the second
6 subsequent year. If the state board of education determines that the
7 equalization assistance for education received by the school district
8 conforms with statutory requirements, the state board of education shall
9 not reduce the district's equalization assistance for education pursuant
10 to this subsection but the district shall reduce the budget limits as
11 required in subsection M of this section. A school district that
12 disagrees with the department of education's determination regarding an
13 excess expenditure under this subsection may request a hearing before the
14 state board of education.

15 M. The governing board of a school district shall reduce the
16 general budget limit or the unrestricted capital budget limit for the year
17 subsequent to the year in which the expenditures were in excess of the
18 applicable limit or section of the budget by the amount determined in
19 subsection L of this section, except that in case of hardship to the
20 school district, the superintendent of public instruction may approve
21 reductions partly in the first subsequent year and partly in the second
22 subsequent year. The reduction in the limit is applicable to each school
23 district that has exceeded the general budget limit, the unrestricted
24 capital budget limit or a section of the budget even if the reduction
25 exceeds the state aid for equalization assistance for education for the
26 school district.

27 N. Except as provided in section 15-916, no expenditure shall be
28 made by any school district for a purpose not included in the budget or in
29 excess of the aggregate budget limit prescribed in this section, except
30 that if no budget has been adopted, from July 1 to July 15 the governing
31 board may make expenditures if the total of the expenditures does not
32 exceed ten percent of the prior year's aggregate budget limit. Any
33 expenditures made from July 1 to July 15 and before the adoption of the
34 budget shall be included in the total expenditures for the current
35 year. No expenditure shall be made and no debt, obligation or liability
36 shall be incurred or created in any year for any purpose itemized in the
37 budget in excess of the amount specified for the item irrespective of
38 whether the school district at any time has received or has on hand funds
39 in excess of those required to meet the expenditures, debts, obligations
40 and liabilities provided for under the budget except expenditures from
41 cash controlled funds as defined by the uniform system of financial
42 records and except as provided in section 15-907 and subsection G of this
43 section. This subsection does not prohibit any school district from
44 prepaying insurance premiums, magazine subscriptions or officiating
45 services, or from prepaying any item that is normally prepaid in order to

1 procure the service or to receive a discounted price for the service, as
2 prescribed by the uniform system of financial records.

3 0. The governing board of a school district that is classified as a
4 heavily impacted school district having twenty percent or more pupils
5 pursuant to 20 United States Code section 238(d)1(A) may determine its
6 eligibility to increase the amount that may be included in determining the
7 general budget limit as provided in subsection K of this section and may
8 increase the amount as follows:

9 1. For fiscal year 1988-1989:

10 (a) Multiply ~~one thousand ninety-four dollars~~ \$1,094 by the number
11 of children with disabilities or children with specific learning
12 disabilities, excluding children who also reside on Indian lands, reported
13 to the division of impact aid, United States department of education in
14 the district's application for fiscal year 1987-1988.

15 (b) Multiply ~~five hundred forty-seven dollars~~ \$547 by the number of
16 children residing on Indian lands, excluding children who have
17 disabilities or also have specific learning disabilities, reported to the
18 division of impact aid, United States department of education in the
19 district's application for fiscal year 1987-1988.

20 (c) Multiply ~~one thousand nine hundred fourteen dollars~~ \$1,914 by
21 the number of children residing on Indian lands who have disabilities or
22 also have specific learning disabilities reported to the division of
23 impact aid, United States department of education in the district's
24 application for fiscal year 1987-1988.

25 (d) Add the amounts determined in subdivisions (a) through (c) of
26 this paragraph.

27 (e) If the amount of title VIII of the elementary and secondary
28 education act of 1965 assistance as provided in subsection K of this
29 section is less than the sum determined in subdivision (d) of this
30 paragraph, the district is eligible to use ~~the provisions of~~ this
31 subsection.

32 2. For budget years after 1988-1989, use ~~the provisions of~~
33 paragraph 1 of this subsection, but increase each dollar amount by the
34 growth rate for that year as prescribed by law, subject to appropriation
35 and use the number of children reported in the appropriate category for
36 the current fiscal year.

37 3. If the district is eligible to use ~~the provisions of~~ this
38 subsection, subtract the amount of title VIII of the elementary and
39 secondary education act of 1965 assistance determined in subsection K of
40 this section from the sum determined in paragraph 1, subdivision (d) of
41 this subsection. The difference is the increase in the amount that may be
42 included in determining the general budget limit as provided in subsection
43 K of this section, if including this amount does not increase the
44 district's primary tax rate for the budget year. If the amount of title
45 VIII of the elementary and secondary education act of 1965 assistance

1 determined in subsection K of this section is adjusted for the current
2 year, the increase determined in this paragraph shall be recomputed using
3 the adjusted amount and the recomputed increase shall be reported to the
4 department of education by May 15 on a form prescribed by the department
5 of education.

6 4. If a district uses ~~the provisions of~~ this subsection, the
7 district is not required to adjust its budget for the current year based
8 on adjustments in the estimated amount of title VIII of the elementary and
9 secondary education act of 1965 assistance as provided in subsection K of
10 this section.

11 P. A school district, except for an accommodation school, that
12 applies for title VIII of the elementary and secondary education act of
13 1965 assistance during the current year may budget an amount for title
14 VIII of the elementary and secondary education act of 1965 administrative
15 costs for the budget year. The amount budgeted for title VIII of the
16 elementary and secondary education act of 1965 administrative costs is
17 exempt from the revenue control limit and may not exceed an amount
18 determined for the budgeted year as follows:

19 1. Determine the minimum cost. The minimum cost for fiscal year
20 1990-1991 is ~~two thousand three hundred forty-three dollars~~ \$2,343. For
21 fiscal year 1991-1992 and thereafter, the minimum cost is the minimum cost
22 for the prior year increased by the growth rate as prescribed by law,
23 subject to appropriation.

24 2. Determine the hourly rate. The hourly rate for fiscal year
25 1990-1991 is ~~nine dollars thirty-eight cents~~ \$9.38. For fiscal year
26 1991-1992 and thereafter, the hourly rate is the hourly rate for the prior
27 year increased by the growth rate as prescribed by law, subject to
28 appropriation.

29 3. Determine the title VIII of the elementary and secondary
30 education act of 1965 revenues available by subtracting the amount of
31 title VIII of the elementary and secondary education act of 1965
32 assistance used to increase the general budget limit as provided in
33 subsections K and O of this section for the current fiscal year from the
34 total amount of title VIII of the elementary and secondary education act
35 of 1965 revenues received in the current fiscal year.

36 4. Determine the total number of administrative hours as follows:

37 (a) Determine the sum of the following:

38 (i) 1.00 hours for each high impact pupil who is not a person with
39 a disability or does not have specific learning disabilities.

40 (ii) 1.25 hours for each high impact pupil who is a person with a
41 disability or has specific learning disabilities.

42 (iii) 0.25 hours for each low impact pupil who is not a person with
43 a disability or does not have specific learning disabilities.

44 (iv) 0.31 hours for each low impact pupil who is a person with a
45 disability or has specific learning disabilities.

1 (b) For the purposes of this paragraph:

2 (i) "High impact pupil" means a pupil who resides on Indian lands
3 or a pupil who resides on federal property or in low rent housing and
4 whose parent is employed on federal property or low rent housing property
5 or is on active duty in uniformed service, as provided in title VIII of
6 the elementary and secondary education act of 1965, section 8003(a) (20
7 United States Code section 7703) and as reported in the application for
8 title VIII of the elementary and secondary education act of 1965
9 assistance in the current year.

10 (ii) "Low impact pupil" means a pupil who resides on nonfederal
11 property and has a parent who is employed on federal property or low rent
12 housing property or is on active duty in a uniformed service or a pupil
13 who resides on federal property or in low rent housing and who does not
14 have a parent who is employed on federal property or low rent housing
15 property or is on active duty in uniformed service, as provided in title
16 VIII of the elementary and secondary education act of 1965, section
17 8003(a) (20 United States Code section 7703) and as reported in the
18 application for title VIII of the elementary and secondary education act
19 of 1965 assistance in the current year.

20 5. Multiply the total number of administrative hours determined in
21 paragraph 4 of this subsection by the hourly rate determined in paragraph
22 2 of this subsection.

23 6. Determine the greater of the minimum cost determined in
24 paragraph 1 of this subsection or the product determined in paragraph 5 of
25 this subsection.

26 7. Add to the amount determined in paragraph 6 of this subsection
27 the amount, if any, to be expended by the school district in the budget
28 year through an intergovernmental agreement with other school districts or
29 the department of education to provide title VIII of the elementary and
30 secondary education act of 1965 technical assistance to participating
31 districts.

32 8. Determine the lesser of the amount determined in paragraph 7 of
33 this subsection or the revenues available as determined in paragraph 3 of
34 this subsection.

35 9. The amount determined in paragraph 8 of this subsection is the
36 maximum amount that may be budgeted for title VIII of the elementary and
37 secondary education act of 1965 administrative costs for the budget year
38 as provided in this subsection.

39 10. If the governing board underestimated the amount that may be
40 budgeted for title VIII of the elementary and secondary education act of
41 1965, section 8007 administrative costs for the current year, the board
42 may adjust the general budget limit and the budget before May 15. If the
43 governing board overestimated the amount that may be budgeted for title
44 VIII of the elementary and secondary education act of 1965 administrative

1 costs for the current year, the board shall adjust the general budget
2 limit and the budget before May 15.

3 Q. If a school district governing board has adopted a budget for a
4 fiscal year based on forms and instructions provided by the auditor
5 general and the department of education for that fiscal year and if, as a
6 result of the enactment or nonenactment of proposed legislation after May
7 1 of the previous fiscal year, the budget is based on incorrect limits,
8 does not include items authorized by law or does not otherwise conform
9 with law, the governing board may revise its budget at a public hearing on
10 or before September 15 to conform with the law. Not later than September
11 18, the budget as adjusted shall be submitted electronically to the
12 superintendent of public instruction. If the governing board does not
13 revise the budget on or before September 15 and if the budget includes any
14 items not authorized by law or if the budget exceeds any limits, the
15 governing board shall adjust or revise the budget as provided in
16 subsection E of this section.

17 R. Notwithstanding any other law, if a school district receives
18 assistance pursuant to title VIII of the elementary and secondary
19 education act of 1965, the school district shall establish a local level
20 fund designated as the impact aid fund and deposit the impact aid monies
21 received in the fund. The school district shall separately account for
22 monies in the fund and shall not combine monies in the fund with any other
23 source of local, state or federal assistance. Monies in the fund shall be
24 expended pursuant to federal law only for the purposes allowed by this
25 title. The school district shall account for monies in the fund according
26 to the uniform system of financial records as prescribed by the auditor
27 general. The superintendent of public instruction shall separately
28 account for monies in each school district's impact aid fund, if an impact
29 aid fund is established, in the annual report required by section 15-255.
30 Monies in the fund are considered federal monies and are not subject to
31 legislative appropriation.

32 S. For the purposes of this section, "title VIII of the elementary
33 and secondary education act of 1965 assistance" means, for the current
34 year, an amount equal to the final determination of title VIII of the
35 elementary and secondary education act of 1965 assistance for the fiscal
36 year preceding the current year as confirmed by the division of impact
37 aid, United States department of education or, if a final determination
38 has not been made, the amount estimated by the superintendent of public
39 instruction as confirmed by the division of impact aid, United States
40 department of education and, for the budget year, an amount equal to the
41 determination of title VIII of the elementary and secondary education act
42 of 1965 assistance for the fiscal year preceding the budget year as
43 estimated by the superintendent of public instruction.

1 Sec. 3. Section 15-914, Arizona Revised Statutes, is amended to
2 read:

3 15-914. Financial and compliance audits

4 A. The governing board of a school district that is required to
5 comply with the single audit act amendments of 1996 (P.L. 104-156; 110
6 Stat. 1396; 31 United States Code sections 7501 through 7507) shall
7 contract for at least annual financial and compliance audits of financial
8 transactions and accounts subject to the single audit act amendments of
9 1996 and kept by or for the school district. The governing board of a
10 school district that is not required to comply with the single audit act
11 and that has adopted an expenditure budget of ~~two million dollars~~
12 **\$2,000,000** or more for the maintenance and operation fund pursuant to
13 section 15-905 shall contract for an annual financial statement audit.
14 The governing board of a school district that is not required to comply
15 with the single audit act and that has adopted an expenditure budget of
16 less than ~~two million dollars~~ **\$2,000,000** but more than ~~seven hundred~~
17 ~~thousand dollars~~ **\$700,000** for the maintenance and operation fund pursuant
18 to section 15-905 shall contract for a biennial financial statement audit.
19 An independent certified public accountant shall conduct the audit in
20 accordance with generally accepted governmental auditing standards. To
21 the extent permitted by federal law, a school district that is required to
22 participate in an annual audit pursuant to this subsection may convert to
23 a biennial audit schedule if the previous annual audit did not contain any
24 significant negative findings. If a biennial audit of a school district
25 conducted pursuant to this subsection contains any significant negative
26 findings, the school district shall convert back to an annual audit
27 schedule. If a school district is required to convert back to an annual
28 audit schedule pursuant to this subsection because of significant negative
29 findings, the school district may subsequently convert to a biennial audit
30 schedule if the previous two annual audits did not contain any significant
31 negative findings. For the purposes of this subsection, "significant
32 negative finding" means a finding that results in the issuance of a letter
33 of noncompliance from the auditor general.

34 B. The governing board of a charter school that is required to
35 comply with the single audit act amendments of 1996 shall contract for an
36 annual financial and compliance audit of financial transactions and
37 accounts subject to the single audit act amendments of 1996 and kept by or
38 for the charter school.

39 C. A charter school that is not subject to the single audit act
40 amendments of 1996 shall contract for at least an annual financial
41 statement audit conducted in accordance with generally accepted
42 governmental auditing standards. An independent certified public
43 accountant shall conduct the audit.

44 D. For all audits referred to in subsections A, B and C of this
45 section, the independent certified public accountant shall submit a

1 uniform system of financial records compliance questionnaire to the
2 auditor general with the applicable audit reports. The ~~independent~~
3 ~~certified public accountant~~ SCHOOL DISTRICT OR CHARTER SCHOOL shall ~~also~~
4 send a paper copy or electronic copy of the applicable audit reports to
5 the county school superintendent of the county where the school district
6 is located AND THE DEPARTMENT OF EDUCATION. THE DEPARTMENT OF EDUCATION
7 SHALL MAKE THE AUDIT REPORTS AVAILABLE ON THE DEPARTMENT'S WEBSITE.

8 E. Contracts for all financial and compliance audits and financial
9 statement audits and the completed audits shall be approved by the auditor
10 general as provided in section 41-1279.21. Contracts for all financial
11 and compliance audits and financial statement audits shall comply with the
12 rules for competitive sealed proposals as prescribed by the state board of
13 education in section 15-213.

14 F. If the school district or charter school will incur costs of
15 financial and compliance audits for the budget year, the governing board
16 of the school district or the governing body of the charter school may
17 increase its base support level for the budget year by an amount equal to
18 the amount expended for the district's or charter school's financial and
19 compliance audits in the year before the current year, increased by the
20 growth rate as prescribed by law, subject to appropriation. In
21 determining the amount expended for the district's or charter school's
22 financial and compliance audits, the school district or charter school
23 shall include only the portion of the audit that must be paid from monies
24 other than federal monies. The department of education and the auditor
25 general shall prescribe a method for determining the increase in the base
26 support level and shall include in the maintenance and operation section
27 of the budget format, as provided in section 15-903, a separate line for
28 financial and compliance audits expenditures.

29 G. Every audit contract shall include a systematic review of
30 average daily membership, as defined in section 15-901, using methodology
31 that is consistent with guidelines established by the auditor general.
32 The auditor general shall consider cost when establishing guidelines
33 pursuant to this subsection and, to the extent possible, shall attempt to
34 minimize the cost of the review. The purpose of the review is to
35 determine whether the average daily membership reported by the charter
36 school or school district ~~is in compliance~~ COMPLIES with the laws of this
37 state and the uniform systems of financial records for charter schools and
38 school districts.

39 H. A SCHOOL DISTRICT GOVERNING BOARD OR A CHARTER SCHOOL GOVERNING
40 BODY SHALL PUBLICLY ACCEPT ALL AUDITS AND COMPLIANCE QUESTIONNAIRES BY
41 ROLL CALL VOTE.

APPROVED BY THE GOVERNOR FEBRUARY 12, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE FEBRUARY 12, 2021.