

House Engrossed

domestic water improvement districts; reviews

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2160

AN ACT

AMENDING SECTIONS 48-251, 48-252 AND 48-253, ARIZONA REVISED STATUTES;
RELATING TO COUNTY IMPROVEMENT DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 48-251, Arizona Revised Statutes, is amended to
3 read:

4 48-251. Annual report

5 A. Each district organized under this title and not exempted under
6 subsection C of this section shall submit an annual report as prescribed
7 by this section that contains the following information:

8 1. A schedule of the beginning and ending fund balances and all
9 revenues and expenditures for the preceding fiscal year on a form
10 prescribed by the auditor general or the same information contained in a
11 financial statement for the preceding fiscal year that has been attested
12 to by an independent certified public accountant. The schedule or
13 statement shall include all monies, gifts or donations that are received
14 from all sources and that have a value exceeding ~~one hundred dollars~~ \$100.

15 2. Legal descriptions of any boundary changes occurring during the
16 preceding fiscal year.

17 3. The names, occupations and business telephone numbers of all
18 members of the governing board and officers of the district on the last
19 day of the preceding fiscal year.

20 4. The schedule and location of regular meetings of the district
21 governing board.

22 5. The location or locations where public notices of meetings are
23 posted pursuant to section 38-431.02.

24 6. The name and title of the person or persons completing the
25 reporting requirements pursuant to this subsection.

26 7. Except for a district organized pursuant to chapter 5, article 3
27 of this title, a copy of any audit or financial review required to be
28 prepared pursuant to section 48-253, subsection G.

29 B. The secretary or other officer of the district governing board
30 shall submit the report within two hundred forty days ~~of~~ AFTER the close
31 of the district's fiscal year to the clerk of the board of supervisors of
32 each county in which the district is located.

33 C. EXCEPT FOR A DOMESTIC WATER IMPROVEMENT DISTRICT THAT IS
34 ORGANIZED UNDER CHAPTER 6, ARTICLE 4 OF THIS TITLE AND THAT SERVES A TOTAL
35 POPULATION OF LESS THAN TEN THOUSAND RESIDENTS, districts organized under
36 chapters 4, 6, 17, 22, 27 and 28 of this title are exempt from the
37 requirements of this section. Districts that do not provide services or
38 otherwise operate during the entire period covered by the report and that
39 notify the clerk of the board of supervisors in writing of these
40 circumstances within the time for filing the report are exempt from the
41 requirements of subsection A of this section.

42 D. If a district fails to submit a report as required by this
43 section, any taxpayer residing in the district may petition the superior
44 court in a county in which the district is organized to order the district
45 to show cause why the report has not been submitted. On a failure to show

1 cause, the court shall order the district to file all reports as required
2 by this section. A failure to obey the order of the court is punishable
3 as contempt of court.

4 E. If the court finds that a district has violated this section, it
5 shall award the taxpayer attorney fees and costs associated with bringing
6 the action.

7 F. The board of supervisors of each county shall submit annually by
8 March 31 a report on compliance with the requirements of this section to
9 the president of the senate, the speaker of the house of representatives
10 and the governor. The annual report shall include a listing of all those
11 districts required to comply with the requirements of this section, the
12 districts in compliance and not in compliance with the requirements and an
13 analysis of the sufficiency of each district report.

14 G. The board of supervisors shall notify each district not in
15 compliance with the reporting requirements of this section to comply
16 within thirty days after receipt by certified mail of the noncompliance
17 and that the district is subject to a civil penalty if it fails to
18 comply. The board of supervisors shall assess, and the county treasurer
19 shall collect from the monies of a district remaining in noncompliance
20 thirty days after receipt of certified mail a penalty assessment of ~~one~~
21 ~~hundred dollars~~ \$100 per day for each day that the district is not in
22 compliance with the reporting requirements of this section from thirty
23 days after receipt by certified mail of the noncompliance notice until
24 such time as the board of supervisors receives a copy of the district's
25 annual report, to the extent that district monies are available and
26 unencumbered. Penalty monies collected shall be deposited in the county
27 general fund.

28 Sec. 2. Section 48-252, Arizona Revised Statutes, is amended to
29 read:

30 48-252. District budgets

31 A. Each district organized under this title and not exempted by
32 subsection D **OF THIS SECTION** shall submit the annual budget most recently
33 adopted by the district to the county board of supervisors and the county
34 treasurer. The district budget shall be prepared consistent with the
35 annual financial statements required by this article. The board of
36 supervisors may supply forms for use by districts in preparing their
37 annual budget.

38 B. Budgets required to be submitted pursuant to this section shall
39 be submitted to the county treasurer and the board of supervisors ~~no~~ **NOT**
40 later than July 10 of each year. If the district fails to submit a budget
41 as required by this section, any taxpayer residing in the district, the
42 board of supervisors or the county treasurer may petition the superior
43 court in a county where the district is organized to show cause why the
44 budget has not been submitted. On a failure to show cause, the court

1 shall order the district to submit the budget within ten days after
2 judgment is entered.

3 C. If the court enters judgment against the district under this
4 section, the court may award the taxpayer, board of supervisors or county
5 treasurer reasonable attorney fees and costs associated with bringing the
6 action.

7 D. EXCEPT FOR A DOMESTIC WATER IMPROVEMENT DISTRICT THAT IS
8 ORGANIZED UNDER CHAPTER 6, ARTICLE 4 OF THIS TITLE AND THAT SERVES A TOTAL
9 POPULATION OF LESS THAN TEN THOUSAND RESIDENTS, districts organized under
10 chapters 4, 5, 6, 17, 22, 27 and 28 of this title are exempt from the
11 requirements of this section.

12 Sec. 3. Section 48-253, Arizona Revised Statutes, is amended to
13 read:

14 48-253. District audits and financial reviews

15 A. Each district that is organized under this title, that is not
16 exempt under subsection G or H of this section and that is required to
17 make an annual report under this article shall have its reports audited in
18 accordance with generally accepted government auditing standards and the
19 following:

20 1. Audits required by this section shall be performed annually for
21 districts whose budgets are ~~one million dollars~~ \$1,000,000 or
22 more. Districts whose budgets are ~~one hundred thousand dollars~~ \$100,000
23 or more but less than ~~one million dollars~~ \$1,000,000 shall have a
24 financial review performed annually. Districts whose budgets are more
25 than ~~fifty thousand dollars~~ \$50,000 and less than ~~one hundred thousand~~
26 ~~dollars~~ \$100,000 shall have a financial review performed at least
27 biennially. Districts whose budgets are ~~fifty thousand dollars~~ \$50,000 or
28 less shall have a financial review performed at the request of the county
29 board of supervisors or on receipt of a request for a financial review
30 that is signed by at least ten residents of that district. A district
31 shall not be required to perform a financial review more than once per
32 fiscal year.

33 2. A district may select an outside auditor who is a certified
34 public accountant or an agent of a certified public accountant who is
35 selected by the board of supervisors and who is trained as an auditor.

36 3. A district may advertise and use competitive bidding practices
37 to select an agent to perform the audits or financial reviews required by
38 this section.

39 B. Each district that submits a financial statement for the
40 preceding fiscal year that has been attested to by an independent
41 certified public accountant pursuant to section 48-251 is deemed to have
42 complied with this section by submitting a copy of the financial statement
43 to the county treasurer.

44 C. Each district shall submit a copy of the completed audit or
45 financial review to the county treasurer and the board of supervisors

1 within two hundred forty days after the close of the district's fiscal
2 year or within one hundred eighty days after a request for a financial
3 review is received by the district pursuant to subsection A, paragraph 1
4 of this section.

5 D. If a district fails to submit an audit or financial review as
6 required by this section, any taxpayer residing in the district, the board
7 of supervisors or the county treasurer may petition the superior court in
8 a county where the district is organized to show cause why the audit or
9 financial review has not been submitted. On a failure to show cause the
10 court shall order the district to submit the audit or financial review
11 within ten days after the judgment is entered. Except for a district
12 organized pursuant to chapter 5, article 3 of this title, on complaint
13 made to the county attorney, the county attorney may investigate any
14 claimed failure to comply with this section, report publicly on the
15 investigation's findings and take any enforcement action deemed
16 appropriate by the county attorney.

17 E. If the court enters a judgment against the district under this
18 section, the court may award the taxpayer, board of supervisors or county
19 treasurer reasonable attorney fees and costs associated with bringing the
20 action.

21 F. For districts organized under chapter 19 of this title, a
22 district with an annual budget of at least ~~five million dollars~~ \$5,000,000
23 shall have an audit performed annually and a district with an annual
24 budget of at least ~~one million dollars~~ \$1,000,000 but less than ~~five~~
25 ~~million dollars~~ \$5,000,000 shall have an audit performed every five years
26 and a financial review performed each year an audit is not performed. A
27 district with an annual budget of at least ~~one hundred thousand dollars~~
28 \$100,000 but less than ~~one million dollars~~ \$1,000,000 shall have an audit
29 performed every ten years and a financial review performed each year an
30 audit is not performed.

31 G. For districts organized under chapter 5 of this title and except
32 for districts organized under chapter 5, article 3 of this title, a
33 district that receives ~~five hundred thousand dollars~~ \$500,000 or more in
34 total revenues shall perform an annual audit. For the purposes of this
35 subsection, revenues include monies generated by tax levies, monies
36 received through appropriations, grants and other federal and state
37 sources and monies received from services or other private sources,
38 including ambulance and similar services. If a district's total budgeted
39 revenues in a fiscal year are less than ~~five hundred thousand dollars~~
40 \$500,000 and the district receives total actual revenues in a fiscal year
41 of ~~five hundred thousand dollars~~ \$500,000 or more, the district shall have
42 an audit performed for that preceding fiscal year as if the audit had
43 originally been required by this section. Districts whose total annual
44 revenues are ~~one hundred thousand dollars~~ \$100,000 or more but less than
45 ~~five hundred thousand dollars~~ \$500,000 shall have a financial review

1 performed annually. Districts whose total annual revenues are more than
2 ~~fifty thousand dollars~~ \$50,000 and less than ~~one hundred thousand dollars~~
3 \$100,000 shall have a financial review performed at least
4 biennially. Districts whose total annual revenues are ~~fifty thousand~~
5 ~~dollars~~ \$50,000 or less shall have a financial review performed at the
6 request of the county board of supervisors or on receipt of a request for
7 a financial review that is signed by at least ten residents of that
8 district. A district shall not be required to perform a financial review
9 more than once per fiscal year. All financial reviews and audits
10 prescribed by this section must be conducted according to generally
11 accepted government auditing standards.

12 H. EXCEPT FOR A DOMESTIC WATER IMPROVEMENT DISTRICT THAT IS
13 ORGANIZED UNDER CHAPTER 6, ARTICLE 4 OF THIS TITLE AND THAT SERVES A TOTAL
14 POPULATION OF LESS THAN TEN THOUSAND RESIDENTS, districts organized under
15 chapters 4, 6, 17, 22, 27 and 28 of this title are exempt from the
16 requirements of this section.