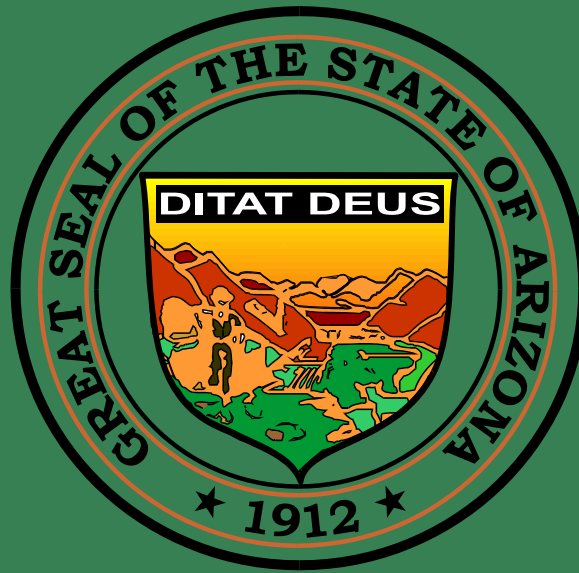


**UNIFORM
ACCOUNTING MANUAL
FOR
ARIZONA COUNTY
TREASURERS**



AUDITOR GENERAL

UNIFORM ACCOUNTING MANUAL

FOR

ARIZONA COUNTY TREASURERS

TABLE OF CONTENTS

- I. INTRODUCTION**
- II. CALENDAR OF EVENTS**
- III. CHART OF ACCOUNTS**
- IV. ACCOUNTING PROCEDURES**
 - A. Introduction
 - B. Accounting records
 - C. Cash
 - D. Warrant processing
 - E. Debt processing
 - F. Tax collections and processing
 - G. Investments
- V. TREASURER'S REPORT**
- VI. RECORDS MANAGEMENT**

INTRODUCTION

The *Uniform Accounting Manual for Arizona County Treasurers* (UAMACT) has been developed by the Arizona Auditor General (Auditor General) in accordance with Arizona Revised Statutes (A.R.S.) §41-1279.21(A)(5) that requires the Auditor General to develop a uniform system of accounting for county officers. The manual is designed to assist county officers in complying with finance related State laws and generally accepted accounting principles. The manual establishes uniform accounting policies and procedures that conform with generally accepted practices and State laws. The level of internal control incorporated in these procedures is generally what the auditors expect to find in operation. However, counties may use alternative policies and procedures if they provide the same level of internal control over accounting, financial reporting, and compliance with State laws.

The county treasurer manages cash for county departments, school districts, and special districts. The treasurer's principal duties include receiving, recording, safeguarding, investing, and disbursing cash for these entities. The treasurer also serves as the ex officio tax collector and collects property taxes for distribution to the State, county, cities and towns, community college districts, school districts, and special districts.

The county treasurer must maintain separate agency accounts for each entity it serves. The chart of accounts (see §III) provides common classifications and terminology for recording and reporting transactions. Using these codes provides a uniform basis for stakeholders such as legislators, other public officials, and public citizens to understand, consolidate and compare financial information among counties.

The Auditor General is required by A.R.S. §41-1279.21(A)(1) to conduct or cause to be conducted annual financial statement audits for all counties and federal single audits for counties subject to the *Uniform Guidance for Federal Awards* (2 CFR Part 200). School districts and certain special taxing districts subject to the *Uniform Guidance* are audited by independent auditors other than the Auditor General. A.R.S. §§15-914 and 48-253 describe the requirements for school districts and special districts, respectively, to obtain a financial statement audit, single audit, or financial review from an independent certified public accountant. During these audits, auditors require specific financial information from the treasurer's records. The treasurer should provide accurate information to entities on a timely basis. Section IV-B contains a listing of schedules most often requested by the auditors.

CONTENTS

Topic	Page
MONTHLY EVENTS	II-1
ANNUAL EVENTS	II-5
PERIODIC EVENTS	II-10

CALENDAR OF EVENTS

The following is a list of significant events concerning county treasurers as prescribed by Arizona Revised Statutes (A.R.S.). County treasurers may use this list to assist them in meeting statutorily imposed deadlines, and as an aid in identifying deadlines imposed by statute on other departments and entities that relate to the county treasurer's office. The subject descriptions only summarize events so refer to A.R.S. sections for additional details and requirements. This list may not be all-inclusive.

MONTHLY EVENTS

Date	Subject	A.R.S.
Within 10 working days after each payroll date	The treasurer must transfer the contributions provided for in subsections A and C to the board of trustees of the elected officials' retirement plan.	§38-810
1 st of the month	County and precinct officers entitled to collect fees must submit an itemized statement to the clerk of the board and to the county treasurer of all fees earned during the previous month, and remit such fees to the county treasury at the time the statement is filed.	§11-414
By 15 th of the month	The treasurer of each county in which any part of a power district is located must receive, collect, and receipt for all district monies and taxes levied.	§48-1591
On or before 15 th of the month	The treasurer of each county in which any part of an agricultural improvement district is located must remit to the district treasurer all monies of the district collected during the previous month.	§48-2418
On or before 15 th of the month	The treasurer of each county containing a portion of a power district where the office of the district is not located must remit to the district treasurer all monies, warrants, coupons, or bonds collected or received on account of the power district.	§48-1599
On or before 15 th of the month	For those power districts for which the county treasurer serves as the district treasurer, the county treasurer must report to the secretary of each district the amounts available in each district fund, the amount of warrants paid during the previous month, and the amount of any registered unpaid warrants.	§48-1599

CALENDAR OF EVENTS

Date	Subject	A.R.S.
On or before 15 th of the month	The treasurer of each county must transmit to the State Treasurer surcharges and fees submitted by clerks of courts, and an itemized statement of such as required.	§12-113 §12-116.01 §12-116.02
On or before 15 th of the month	The treasurer must credit the amount of monies collected during the preceding month, including interest earnings collected under A.R.S. §15-1025(D), to the applicable school district's debt service fund.	§15-1027
On or before 15 th of the month	The treasurer must remit to the State Treasurer the portion of tax money belonging to the State that was collected during the previous month along with a statement of financial transactions.	§35-145
On or before 15 th of the month	The treasurer must transfer the monies collected under subsection B to the board of trustees .	§38-810
On or before 15 th of the month	Remittances must be made to cities and towns for taxes collected for them in the prior month. Interest earned on the monies collected must be paid into the county general fund for use as determined by the Board of Supervisors.	§42-17255
15 th of the month	The county school superintendent must be notified of the month-end balances of each school district account.	§15-996
15 th of the month	Treasurer's report for the preceding month is due to the board of supervisors. Post all monthly reports on the treasurer's website within 5 days after the treasurer submits the report to the board of supervisors.	§11-501
15 th of the month	The treasurer of each county containing a portion of an irrigation district where the district office is not located must remit to the district treasurer all monies, warrants, coupons, or bonds collected or received on account of the irrigation district.	§48-3124

CALENDAR OF EVENTS

Date	Subject	A.R.S.
15 th of the month	For those irrigation districts for which the county treasurer serves as the district treasurer, the county treasurer must report to the secretary of each district the amounts collected during the preceding month, the names and lands from whom monies have been received and the district funds to which each receipt was credited, the amounts of monies available in each district fund, the amount of warrants paid during the previous month, and the amount of unpaid registered warrants. The district treasurer must send with the report all warrants paid during the previous calendar month stamped "paid."	§48-3129
15 th of the month	The clerk of the superior court must transmit to the county treasurer 75% of the interest earned during the previous month on restitution monies as described in subsection D for deposit in the county attorney victim compensation fund. The remaining 25 %, as described in subsection E, must be transmitted to the county treasurer for deposit in the clerk of the superior court victim location fund.	§12-286
1 st Monday of the month	The sheriff must remit to the treasurer all fees and mileage earned and collected.	§11-446
Within 30 days after tax becomes delinquent	The treasurer must deliver delinquent personal property tax bills to the sheriff. Delivery is optional after the first installment becomes delinquent but mandatory after the second installment becomes delinquent, or after the entire amount is delinquent.	§42-19108
Monthly	The treasurer must transmit certain penalties collected to the State Treasurer for deposit in the alternative dispute resolution fund.	§25-414
Monthly	Describes the various fees collected by the clerk of the superior court. The clerk of the superior court must transmit these fees to the county treasurer for deposit or distribution in accordance with A.R.S. §§12-284 and 12-284.03.	§12-284
Monthly	Justices of the peace must transmit certain fees to the county treasurer for deposit or distribution in accordance with subsections C and D of this statute.	§22-281

CALENDAR OF EVENTS

Date	Subject	A.R.S.
Monthly	Designates the county treasurer as the ex officio tax collector. The county treasurer must collect all State and local property taxes and apportion the taxes to the respective funds.	§42-18001
Monthly	The county treasurer must transfer from the county general fund, in 12 equal monthly installments, the required county maintenance of support amount for adult and juvenile jail facilities, to be used for the purposes authorized by A.R.S. §42-6109.01(D).	§42-6109.01(E)
Last day of each month	The surcharges collected by the courts in accordance with A.R.S. §§12-116.01(A) through (D) and 12-116.02(A) and (B), and a remittance report must be submitted to the county treasurer.	§12-116.01 §12-116.02
At the end of each month	The State Treasurer must transmit the net revenues collected for the jail facilities excise tax to the county treasurer levying the tax. The county treasurer must segregate all the monies received for use only for the purposes authorized by A.R.S. §42-6109.01.	§42-6109.01(D)

ANNUAL EVENTS

Date	Subject	A.R.S.
July		
Not later than the 10th	Each district organized under this title and not exempted by subsection D must submit its most recently adopted annual budget to the county board of supervisors and the county treasurer.	§48-252
August		
On or before the 10th	The treasurer must submit a report to the presiding judge of the superior court that shows the amount of monies in the domestic relations education and mediation fund.	§25-413

CALENDAR OF EVENTS

Date	Subject	A.R.S.
On or before the 10th	The treasurer must submit a report to the presiding judge of the superior court that shows the amount of monies in the children's issues education fund.	§25-354
On or before the 15th	Annual report is due to the board of supervisors that shows the amount of taxes charged for collection for the previous fiscal year, the total collections, the increase or decrease due to corrections, and the amount of unpaid taxes as of June 30.	§42-18002
On or before the 3rd Monday	The board of supervisors must levy the amount to be raised from primary and secondary property taxation.	§42-17151
On or before the 25th	The assessor must transmit the personal property valuations to the county treasurer.	§42-19007
September		
Not later than the 1st	The treasurer must send by mail to each individual or firm owing delinquent taxes notice that there are delinquent taxes on the real property assessed in the taxpayer's name.	§42-18103
On or before the 1st	The Arizona Criminal Justice Commission must transmit monies to the counties for the funds established by A.R.S. §§11-539, 11-588, and 41-2410.	§41-2409
October		
On or before the 1st	The assessment, tax roll, and cross index must be delivered to the county treasurer.	§42-18003
On or before the 1st	First half of real property taxes and personal property taxes becomes due and payable. If total amount of taxes is \$100 or less, the full amount is due and payable.	§42-18052
November		
On or before the 1st	The treasurer must file a report with the Arizona Department of Revenue (ADOR) concerning all excess proceeds that are presumed abandoned pursuant to A.R.S. §§33-812 and 44-302.	§44-307

CALENDAR OF EVENTS

Date	Subject	A.R.S.
1st business day after 5 p.m.	First half of real property taxes and personal property taxes becomes delinquent.	§42-18052
Not later than the 1st Monday	First half of voluntary contributions in lieu of property taxes and other voluntary contributions is due from special districts.	§48-242
On or before the 15th	The treasurer must electronically submit a report to the presiding judge that shows the amount of monies in the emancipation administrative costs fund.	§12-2456
December		
On or before the 1 st	Government Property Lease Excise Tax (GPLET) payments are due and payable.	§42-6204
On or before the 15 th	The ADOR must post adjusted GPLET rates for the following calendar year and transmit the adjusted rates to each county treasurer.	§42-6203
On or before the 31 st	If the total amount of unpaid taxes is \$100 or less, the entire amount that is unpaid becomes delinquent.	§42-18052
On or before the 31 st	If the full year's tax amount is paid, any interest assessed must not be collected by the treasurer.	§42-18053
On or before the 31 st	The treasurer must prepare a list of all real property on which the taxes for prior tax years are unpaid and delinquent, and a notice of sale stating that the tax lien will be sold at public auction. The treasurer must mail a copy of the notice of sale to the owner of each parcel number, and the county must post the description of the property associated with the parcel number on its website.	§42-18106 §42-18108
January		
1st	A penalty of \$5 or 5%, whichever is greater, is added to the prior year's delinquent taxes for which a tax lien is being sold.	§42-18107
1st	Levy of taxes creates a lien on personal and real property.	§42-17153

CALENDAR OF EVENTS

Date	Subject	A.R.S.
On or before the 10th	The treasurer must submit an annual report to the presiding judge of the superior court that shows the total amount of monies in the local alternative dispute resolution fund.	§12-135.01
On or before the 15th	The treasurer must sell to the State Treasurer or to the county, or both, all certificates of deferred taxes issued in the county under this article during the previous tax year.	§42-17309
January 11th-31st	The list and notice of the tax lien sales must be published at least once in a county newspaper at least 2 weeks but not more than 3 weeks before the start date of sale and posted near the outer door of the treasurer's office for at least 2 weeks before the start date of sale. In addition, the newspaper that prints the list and notice must also post the list and notice from the first publication date through March 1 on the internet on a website that posts legal notices of 10 or more Arizona newspapers.	§42-18109
February		
1st-14th	The list and notice of the tax lien sales must be published at least once in a county newspaper at least 2 weeks but not more than 3 weeks before the start date of sale and posted near the outer door of the treasurer's office for at least 2 weeks before the start date of sale. In addition, the newspaper that prints the list and notice must also post the list and notice from the 1st publication date through March 1st on the internet on a website that posts legal notices of 10 or more Arizona newspapers.	§42-18109
On or before the 15th	The treasurer must submit reports of all GPLET returns and payments received for the preceding calendar year to ADOR and the Joint Legislative Budget Committee.	§42-6204
During the month	Record an affidavit stating the posting of the delinquent tax list and notice of the tax lien sale. Every publisher who publishes the list and notice of the tax lien sale must deliver to the treasurer and record an affidavit of publication made by the publisher within 10 days after the last publication. The recorded affidavit is prima facie evidence of the recited facts in any action in the courts of the State.	§42-18110

CALENDAR OF EVENTS

Date	Subject	A.R.S.
During the month	The treasurer must commence the sale of all tax liens on real property for which prior-year tax payments are delinquent.	§42-18112
March		
1st	Second half of real property taxes and personal property taxes becomes due and payable.	§42-18052
Not later than the 1st Monday of award year	The county board of supervisors must notify qualified banks of the time and place to submit servicing bids.	§35-325
April		
On or before the 1st	Every justice of the peace whose court is in possession of funds obtained from any source for more than 2 years, must remit such monies to the county treasurer and provide an itemized list showing the name of the person who paid, whether the money was a victim restitution payment, the date of the deposit, and the amount.	§22-116
4th Monday of award year	Qualified bank representing the highest rated bid must be designated as the servicing bank.	§35-325
May		
1st business day after 5 p.m.	Second half of unpaid real property taxes and personal property taxes becomes delinquent.	§42-18052
Not later than the 1st Monday	Second half of voluntary contributions in lieu of property taxes and other voluntary contributions is due from special districts.	§48-242
June		
On or before the 1st	The county treasurer must remit to the State Treasurer the total amount levied upon the taxable property of this State as determined by the director of the Department of Administration for state indebtedness bonds.	§35-427

CALENDAR OF EVENTS

Date	Subject	A.R.S.
On or after the 1 st	<p>A person who holds the certificate of purchase may pay the subsequent taxes, accrued interest, and related fees due on the property. The treasurer must record the payment in the record of tax lien sales and charge a \$5 fee.</p> <p>In a county with a population of more than 3 million persons, there may be circumstances in which the treasurer must issue a separate certificate of purchase by assignment for paying each subsequent year's taxes, accrued interest, and related fees due on the property and charge a \$5 fee for each subsequent year.</p>	§42-18121
June 30	For counties with a population of more than 2 million persons, the treasurer must determine the total amount of monies in the elderly assistance fund and the total number of qualified individuals who live in the county, and use the monies to proportionally reduce the primary school district taxes of qualified individuals for the following tax year.	§42-17401
Last business day	Annual report must be made as of this date to the board of supervisors. In addition, post all annual reports on the treasurer's website within 5 days after the treasurer submits the report to the board of supervisors.	§11-501

CALENDAR OF EVENTS

PERIODIC EVENTS

Date	Subject	A.R.S.
Once each year	<p>The treasurer must notify the board of supervisors of the amount of anticipated revenues to be collected from the following:</p> <ul style="list-style-type: none">• Surcharges imposed. A.R.S. §11-496.• Tax lien processing fees imposed. A.R.S. §42-18116(C)• \$15 of each judgment deed fee collected. A.R.S. §42-18205(A)• Interest earned from the elderly assistance fund. A.R.S. §42-17401• The community facilities district special assessment fee imposed. A.R.S. §48-721.• Fees authorized for collecting municipal fire and emergency services fees in certain areas of the county. A.R.S. §9-500.23	§11-495
Not more than twice each year	Upon order of the board of directors, the treasurer of each county containing a portion of a drainage district must remit all monies belonging to the district to the treasurer of the county in which the district was organized.	§48-2701
Fiscal year-end	At fiscal year-end, a school district governing board must deposit with the county treasurer any interest earned on all bank accounts established for federal savings bond plans, to pay vendors electronically and payroll direct deposits. The monies must be deposited in the district's maintenance and operation fund.	§15-1221
Upon request (Limited to once per property)	Upon the approval of the county board of supervisors, the treasurer may waive the interest that accrues pursuant to A.R.S. §42-18053, and any other penalties, for a delinquency that occurs during the 1-year period after a mortgage or deed of trust is satisfied or otherwise released on the property. A taxpayer may receive a waiver under this subsection only once per property.	§42-18053

CHART OF ACCOUNTS

CONTENTS

Topic	Page
INTRODUCTION	III-1
AGENCIES	III-2
AGENCY ACCOUNTS	III-3
ACCOUNT CLASSIFICATION 1—ASSETS	III-9
ACCOUNT CLASSIFICATION 2—LIABILITIES	III-10
ACCOUNT CLASSIFICATION 3—RECEIPTS	III-11
ACCOUNT CLASSIFICATION 4—DISBURSEMENTS	III-12
ACCOUNT CLASSIFICATION 5—TRANSFERS	III-13

CHART OF ACCOUNTS

INTRODUCTION

The chart of accounts is the basic framework for classification of financial transactions. The framework or structure consists of a series of predefined numerical codes, which constitute specific types or categories of information.

The chart of accounts included in this section should be adopted by county treasurers to ensure accurate recording and standardized reporting of financial information. Legislators and other public officials concerned with financial management of governmental entities need a means of consolidating and comparing financial information among counties. Standardized reporting facilitates the reconciliation of accounts for all entities (i.e., county, school districts, and county school superintendent). Treasurers with an established coding structure may continue to use their numeric codes, but must adopt the standardized descriptions for type of agencies, agency accounts, and account classifications.

The chart of accounts consists of the following elements:

1. Agency—Identifies the type of agency (first digit) and the specific agency conducting a cash transaction. Examples are County, XYZ Elementary School District No. 99, or ABC Sanitary District.
2. Agency account—Identifies the agency's fund that is affected by a cash transaction. Examples are General Fund, Road Fund, or Food Service Fund.
3. Account classification
 - **Object code**—Identifies the type of transaction (i.e., asset, liability, receipt, disbursement, or transfer). Examples are real property taxes or warrants redeemed.
 - **Subobject code**—Provides a means of identifying objects in greater detail. Examples are current real property taxes or cash on hand.

	<u>Digits</u>	
Agency	XXX	
Agency account	XXX	
Account classification		
Object code	XXX	
Subobject code	.XX	

	<u>Agency</u>	<u>Agency</u> <u>Account</u>	<u>Account classification</u> <u>Object</u>	<u>Subobject</u>
XYZ Elementary School District No. 99	499			
Maintenance and Operation			001	
Receipts—Real property taxes			311	
Current				.10

CHART OF ACCOUNTS

AGENCIES

Code	Title
000	Treasurer
100	State
200	County
300-399	Municipalities (list individually)
400-499	School Districts (list individually)
500	Community College Districts
600-999	Special Districts (list individually)

CHART OF ACCOUNTS

AGENCY ACCOUNTS

The funds described below are either established pursuant to Arizona Revised Statutes (A.R.S.) or are recommended funds. The recommended funds are not all-inclusive.

Code	Title	A.R.S. §
<u>County</u>		
100	General Fund	
105	County Bad Check Trust	13-1811
108	Highway Users Revenue	AZ Constitution Article 9, §14
110	County Attorney Juvenile Diversion Fund	11-537
111	County Attorney Victim Compensation Fund	11-538
112	State Aid to County Attorneys Fund	11-539
115	State Aid to Indigent Defense Fund	11-588
120	Juvenile Crime Reduction	8-321
121	Drug and Gang Enforcement	41-2402
122	Judicial Collection Enhancement	12-113
123	Criminal Justice Enhancement	12-116.01
124	Victim Compensation	13-812
125	Criminal Case Processing and Enforcement Improvement Fund	12-102.01
126	State Aid to the Courts Fund	12-102.02
127	Local Courts Assistance Fund	12-102.03
135	County Jail Education	15-913.01
140	Family Counseling	8-261 et seq
145	Document Storage and Retrieval Conversion and Maintenance— Recorder	11-475.01
146	Document and Digital Evidence Storage and Retrieval Conversion Fund—Clerk of the Superior Court	12-284.01
147	Clerk of the Superior Court Victim Location Fund	12-287
150	Expedited Child Support and Parenting Time Fund	25-412
151	Child Support Automation	25-515
200	Taxpayers' Information	11-495
201	Road	28-6712
202	County Law Library Fund	12-305
203	Rabies Control	11-1011
204	Air Pollution	Title 49, Art. 3
205	Assessor's Special Registration	28-2005
206	Assessor Postage	28-2151
207	County Free Library District	11-913
208	Assessor's Property Information Storage and Retrieval Conversion and Maintenance Fund	11-269.06
210	Conciliation Court	25-381.01 et seq
211	Special Public Health	49-480
212	Special Services	31-121
213	Inmate Health Service	31-162
214	Adult Probation Services	12-267
215	Juvenile Probation	12-268

CHART OF ACCOUNTS

Code	Title	A.R.S. §
<u>County</u>		
216	Juvenile Delinquency Restitution	8-346
217	Local Alternative Dispute Resolution	12-134
220	Detention Center Education Fund	15-913
221	State Aid To Detention Fund	41-2417
226	County Jail Enhancement	41-2401
227	County Jail Facilities	42-6109
230	Anti-Racketeering Revolving	13-2314.03
235	Domestic Relations Education & Mediation	25-413
236	Children's Issues Education	25-354
238	County Superior Court Probate Fund	14-5433
239	Special Advocate Program	8-524
240	Health Services	11-251
241	Health Department	36-187
242	Medical Services Enhancement	12-116.02
250	Arts Support	11-262
251	Merit Award	38-614
252	County Parks Operation & Enhancement	11-941
253	County Parks Publication & Souvenir Revolving	11-941
254	Law Enforcement and Boating Safety	5-383
255	County Fair	11-258
260	County Flood Control	45-1445
261	Groundwater Basin Economic Development	11-606
262	Public Facility Development	11-1105
263	Building Repair	12-305
270	County School	15-1000
271	Special County School Reserve	15-1001
272	Small District Service Program	15-365
280	Job Training Partnership Act	
281	Housing Authority	36-1404
282	County Sports Authority	11-704
283	County Stadium District	48-4231
284	Public Transportation	28-8103
285	County Housing Trust Fund	36-1511
290	Street Lighting Improvement Districts	48-960
295	Limited Infrastructure Construction Finance Revolving Fund	48-986.01
300	Debt Service Funds (list individually)	11-275
320	Bond Redemption Fund	35-458
321	Bond Interest Fund	35-458
322	Bond Redemption Fund—Bridge Construction Revenues	28-7656
323	Bond Interest Fund—Bridge Construction Revenues	28-7656
330	Tax Anticipation Note Principal and Interest Redemption	35-465.04

CHART OF ACCOUNTS

Code	Title	A.R.S. §
<u>County</u>		
340	Grant Anticipation Note Principal and Interest Redemption	35-466.04
350	Revenue Anticipation Note Principal and Interest Redemption	35-467.04
360	Industrial Pursuits	11-281
370	Theme Park Bond Fund	11-254.03
400	Capital Projects Funds (list individually)	
420	Transportation and Capital Projects Fund	42-6111
500	Hospital Enterprise	11-309
510	Special Hospital Fund	11-309
520	Arizona Health Care Cost Containment System	36-2913
530	Long-Term Care System	36-2952
540	Medical Care System	11-292
550	Landfill	49-701 et seq
560	Wastewater Management	49-361 et seq
600	Central Data Processing	
610	Facilities Management	
620	Materials Management (Purchasing and Warehousing)	
630	Telecommunications	
640	Risk Management	
650	Equipment Services	
700	Public Fiduciary	14-5603
710	Undistributed Auto Lieu	28-5808
720	Arson Detection Reward	41-2167
730	Justice of the Peace Suspension	22-116
731	Sick Pay	11-604
732	Deferred Compensation Plan	38-612
740	Child Passenger Restraint	28-907
750	Mobile Home Relocation	33-1476.03
760	Unapportioned Taxes	11-492
770	Self Insurance Trust	11-981
780	Expense Clearing	11-602
781	Payroll Clearing	11-604

CHART OF ACCOUNTS

Code	Title	A.R.S. §
<u>Community College Districts</u>		
800	Current Unrestricted General	
801	Current Unrestricted Auxiliary Enterprises ¹	
802	Current Restricted ¹	
803	Loan ¹	
804	Endowment and Similar ¹	
805	Unexpended Plant	
806	Retirement of Indebtedness	
807	Agency ¹	
<u>Special Districts</u>		
Fire Districts		Title 48, Ch. 5
900	Operating	
901	Interest	
902	Principal	
903	Capital	
904	Fire District (Assistance Tax)	
Power Districts		Title 48, Ch. 11
Irrigation and Water Conservation Districts		Title 48, Ch. 19
930	Maintenance, Operation and Current Expense (Operating)	
931	Interest	
932	Bond	
933	Prepayment	
934	Deficiency	
935	Completion	
936	Refunding	
937	United States Contract	
Other Special Districts		Title 48
960	Operating	
961	Interest	
962	Bond	
963	Capital	
964	Refunding	
965	Road District (Special Tax)	48-1406
<u>State and Municipalities</u>		
980	Clearing	
<u>Treasurer</u>		
990	Undistributed Interest Income Clearing	
999	Undistributed Tax Collections Clearing	

¹ These funds are normally not deposited with the county treasurer but may be if the community college district chooses to do so.

CHART OF ACCOUNTS

In accordance with the provisions of A.R.S. §15-996, the treasurer may keep a separate account for each school district fund. Alternatively, the treasurer may maintain 1 account for the Maintenance and Operation, Unrestricted Capital Outlay, Adjacent Ways, and Classroom Site Funds and 1 account for federal and state grant monies and all other school district monies except the Bond Building, Debt Service, and New School Facilities Funds. Below are account codes for use when only 5 accounts are maintained followed by account codes for use when separate accounts are maintained for each fund. These account codes are consistent with the chart of accounts developed in the *Uniform System of Financial Records for Arizona School Districts* (USFR).

Code	Title	A.R.S. §
<u>School Districts (funds combined into 5 accounts)</u>		
001	Local and State tax Funds (Maintenance and Operation, Unrestricted Capital Outlay, Adjacent Ways, and Classroom Site)	15-996
002	Grant and other Funds	15-996
003	Bond Building ²	15-1024
004	Debt Service ²	15-1025
005	New School Facilities	41-5741
<u>School Districts (separate accounts for each fund)</u>		
001	Maintenance and Operation ³	15-996
001	Year-Round School Operation	15-855
010	Classroom Site Fund ³	15-977
020	Instructional Improvement	15-979
050	County, City, and Town Grants	
071	English Language Learner	15-756.04
072	Compensatory Instruction	15-756.11
100-399	Federal Projects ⁴	15-996
400-499	State Projects ⁴	15-996
500	School Plant	15-1102
510	Food Service	15-1154
515	Civic Center	15-1105
520	Community School	15-1143
525	Auxiliary Operations	15-1125
526	Extracurricular Activities Fees Tax Credit	43-1089.01
530	Gifts and Donations	15-341
535	Career and Technical Education Projects	15-1231
540	Fingerprint	15-512 & 15-534
545	School Opening	15-943.01
550	Insurance Proceeds	15-1103
555	Textbooks	15-729

² These funds should not be included in pooled investments. A.R.S. §15-996.

³ These funds should be pooled for the purpose of paying warrants when separate accounts are maintained for each school district fund. A.R.S. §15-996.

⁴ The treasurer is not required to maintain a separate account for each federal and state project but may choose to do so.

CHART OF ACCOUNTS

Code	Title	A.R.S. §
565	Litigation Recovery	15-1107
570	Indirect Costs	
575	Unemployment Insurance	15-1104
580	Permanent Teacherage	15-1106
585	Insurance Refund	15-386
590	Grants and Gifts to Teachers	15-1224
595	Advertisement	15-342
596	Career Technical Education	15-393
597	Arizona Industry Credentials Incentive	15-249.15
610	Unrestricted Capital Outlay ³	15-996
620	Adjacent Ways ³	15-996
630	Bond Building ²	15-1024
639	Impact Aid Revenue Bond Building	15-491
650	Gifts and Donations—Capital	15-341
660	Condemnation	15-1102
665	Energy and Water Savings (EWS)	15-910.02
686	Emergency Deficiencies Correction	41-5721
691	Building Grant Renewal	41-5731
695	New School Facilities	41-5741
699	Federal Impact Aid (Construction)	
700	Debt Service ²	15-1022
720	Impact Aid Revenue Bond Debt Service	15-905
750	Permanent Funds	
800-849	Trust and Custodial Funds	
850	Student Activities	15-1121
855	Employee Insurance Program Withholdings	15-1223
865	State Income Tax Withholdings	15-1222
900-949	Enterprise Funds	
950-989	Internal Service Funds	15-1108
955	Intergovernmental Agreements (IGA)	15-342

² These funds should not be included in pooled investments. A.R.S. §15-996.

³ These funds should be pooled for the purpose of paying warrants when separate accounts are maintained for each school district fund. A.R.S. §15-996.

CHART OF ACCOUNTS

ACCOUNT CLASSIFICATION 1—ASSETS

Object code	Subobject code	Title
110		Cash in bank and on hand Currency, coin, checks, money orders, bank drafts, and amounts in checking and savings accounts.
	.10	In bank The balance of the treasurer's servicing account with the bank.
	.20	On hand The amount in cash drawers and vault.
120		Time Certificates of Deposit
130		Investments Securities and other instruments stated at fair value and held for the production of income.
	.10	Government securities
	.20	Repurchase agreements
	.30	Other

CHART OF ACCOUNTS

ACCOUNT CLASSIFICATION 2—LIABILITIES

Object code	Subobject code	Title
210		Due to Agency Accounts
220		Due to Other Governments
		Include cash amounts on deposit that are to be forwarded to other governments.
	.10	State
	.20	Municipalities
230		Undistributed Interest Income
		Includes interest received from pooled cash investments to be distributed to the applicable agency accounts from the undistributed interest income agency account.
240		Undistributed Tax Collections
		Includes daily receipts for both real and personal property taxes to be distributed to the applicable agency accounts from the undistributed tax collections agency account.
	.10	Real
	.20	Personal
250		Unprocessed Redeemed Warrants
		The amount of warrants redeemed from the servicing bank but not yet deducted from an agency account. This account is a contra account and does not appear in the fiscal year-end financial statements.
260		Unprocessed Redeemed Bonds and Coupons
		The amount of bonds and coupons redeemed from individuals or the servicing bank but not yet deducted from an agency account. This account is a contra account and does not appear in the fiscal year-end financial statements.

CHART OF ACCOUNTS

ACCOUNT CLASSIFICATION 3—RECEIPTS

Object code	Subobject code	Title
310		Taxes
311		Real Property Taxes
		Property taxes assessed on real and secured personal property.
	.10	Current
	.20	First preceding year
	.30	Second preceding year
	.40	Third preceding year
	.50	Prior to third preceding year
312		Personal Property Taxes
		Property taxes assessed on unsecured personal property.
	.10	Current
	.20	First preceding year
	.30	Second preceding year
	.40	Third preceding year
	.50	Prior to third preceding year
313		Interest and Penalties on Delinquent Taxes
		Amounts collected as penalties for delinquent tax payments and the interest charged on delinquent taxes from the due date to the date of actual payment.
	.10	Interest
	.20	Penalties
314		Other Taxes
320		Voluntary Contributions
		Includes voluntary contributions received from special taxing districts pursuant to A.R.S. §48-242. Such special taxing districts include irrigation, power, electrical or agricultural improvement districts directly engaged in the sale of electrical power, or energy other than for irrigation purposes. Also includes voluntary contributions received from the various retirement plans as described in A.R.S. §42-11102(C).
330		Interest on Investments
		Includes interest received from securities and other instruments held for the production of income.
340		Received from Trustees
		Includes monies received from trustees to meet debt service requirements.
350		Deposits for Agency Accounts
		Includes monies received from agencies for deposit by the treasurer to agency accounts.

CHART OF ACCOUNTS

ACCOUNT CLASSIFICATION 4—DISBURSEMENTS

Object code	Subobject code	Title
410		Warrants Includes warrants redeemed from the servicing bank or individuals and deducted from agency accounts.
420		Interest Includes interest paid to the servicing bank or individuals and deducted from agency accounts.
	.10	Registered Warrants
	.20	Revolving Line of Credit
430		Bonds and Coupons Includes bonds and coupons redeemed from individuals or the servicing bank and deducted from agency accounts.
440		Remitted to _____ Includes amounts remitted to other agencies.
	.10	State
	.20	Municipalities
450		Remitted to Trustees Includes amounts remitted to trustees for debt service requirements.

CHART OF ACCOUNTS

ACCOUNT CLASSIFICATION 5—TRANSFERS

Object code	Subobject code	Title
500		Transfers Includes interagency transactions.
510		Transfers-in
520		Transfers-out

ACCOUNTING PROCEDURES

CONTENTS

Topic	Page
INTRODUCTION	IV-A
ACCOUNTING RECORDS	IV-B
CASH	IV-C
WARRANT PROCESSING	IV-D
DEBT PROCESSING	IV-E
TAX COLLECTIONS AND PROCESSING	IV-F
INVESTMENTS	IV-G

Now more than ever, citizens are demanding the very highest level of accountability from government officials for their stewardship of public resources. To be truly accountable, county treasurers must use the resources committed to their care as effectively and efficiently as possible, in compliance with all applicable legal requirements and restrictions. At the same time, the treasurers must ensure that reliable financial information is provided on a timely basis to the entities they serve. These objectives can only be achieved within the framework of sound and comprehensive internal controls.

Control activities, the policies and procedures that help ensure management directives are carried out, are essential to effective internal controls. Control activities occur throughout the county, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and separation of responsibilities. The policies, procedures, and exhibits in §§[IV-B](#) through [IV-G](#) will assist county treasurers in establishing and maintaining effective internal controls.

Due to the complex nature of information technology (IT) and the importance of internal controls in an electronic environment, a separate section on IT controls was included in the *Uniform Accounting Manual for Arizona Counties* ([UAMAC](#)). Treasurers should refer to this section of the UAMAC in developing and implementing adequate internal controls over their IT-based accounting systems. These controls are designed to provide reasonable assurance that financial data processed and generated by the IT-based accounting system will be accurate and reliable.

CONTENTS

Topic	Page
INTRODUCTION	IV-B-1
POLICIES	IV-B-1
PROCEDURES	IV-B-1
Treasurer's journal	IV-B-1
Treasurer's ledger	IV-B-2
Trial balance	IV-B-3
Financial information schedules	IV-B-3
EXHIBITS	
Treasurer's journal	IV-B-6
Treasurer's control ledger account	IV-B-7
Treasurer's subsidiary ledger account	IV-B-8
Journal entry	IV-B-9

INTRODUCTION

Accounting methods and records comprise the information system through which a county treasurer identifies, assembles, analyzes, classifies, records, and summarizes financial transactions. In accordance with A.R.S. §11-493, the county treasurer must keep an account of receipts and disbursements in the accounting records, including the detailed information required by that statute.

This subsection provides a basic explanation of the accounting records that are necessary for a treasurer to properly account for receipts and disbursements.

POLICIES

1. Access to the accounting records must be restricted to authorized employees only, and duties should be separated to ensure that no individual has complete authority over an entire financial transaction. This can be accomplished through the use of passwords and different levels of access capabilities—read/write privileges.
2. Cash transactions, including transfers, must be recorded daily in the treasurer's journal (see page [IV-B-6](#)). Transactions are recorded in the treasurer's journal daily as they are entered into the accounting system. A specific time should be established and consistently used to close the accounts for the business day.
3. A record of all financial transactions for each agency must be kept in an appropriate treasurer's ledger, and transactions must be posted at least weekly. The treasurer must maintain a separate ledger for each agency and for each agency account as defined by the chart of accounts (see [§III](#)). A.R.S. §11-493

PROCEDURES

Treasurer's journal

The treasurer's journal provides a chronological, detailed record of daily receipt and disbursement activities and supports the balances in the general ledger accounts. All transactions should be recorded in the treasurer's journal, including:

- Cash from treasurer's receipts (see [§IV—Cash](#)).
- Cash disbursements from treasurer's checks.
- Bank deposits, investments, and bank advices of credit/charge.

Journal entries are used to record certain internal transactions that are not initiated by typical cash receipt or cash disbursement source documents. An employee independent of entering journal entries should review and approve journal entries and supporting documentation before they are posted to the system.

Transactions are recorded in the treasurer's journal to track amounts of cash, investments, unprocessed redeemed warrants, unprocessed redeemed bonds and coupons, due to agency accounts, and cash overage/shortage. At the end of each month, the net overage or shortage should be recorded as either a revenue or an expenditure in the county general fund. More significant overages and shortages should be investigated and the reasons documented.

Activity from the treasurer's journal is recorded daily, by agency, in the treasurer's ledger.

Treasurer's ledger

The treasurer's ledger is an accumulation and summary of all financial transactions such as cash receipts, disbursements, transfers, and adjustments for each agency account. A treasurer's control ledger account (see page [IV-B-7](#)) must be maintained for each agency and a treasurer's subsidiary ledger account (see page [IV-B-8](#)) for each agency account. For school districts, the bond building, debt service, and new school facilities funds must always be accounted for separately in accordance with A.R.S. §§15-1024, 15-1025, and 41-5741. However, the county treasurer may choose to combine the remaining funds into 2 accounts. The first account must include only maintenance and operation, unrestricted capital outlay, adjacent ways, and classroom site fund monies, and the second account would include federal and State grant monies and all other monies. Alternatively, the treasurer may maintain separate accounts for each school district fund. A.R.S. §15-996.

The treasurer's ledger is also the basic source of information for preparing the monthly treasurer's report (see [§V](#)).

The following transactions are recorded in the treasurer's ledger by date, document number, description, and amount:

- Property tax receipts from the tax distribution journal (see page [IV-F-18](#)).
- Cash from treasurer's receipts other than property taxes.
- Warrants redeemed for each agency account from the paid warrant listing or registered warrant journal.
- Amounts accessed and repaid from a revolving line of credit from the revolving line of credit journal.
- Total amount of bonds redeemed for each fund from canceled bonds or coupons.
- All other cash disbursements from treasurer's checks.

The treasurer should prepare a prenumbered and numerically controlled journal entry to authorize interfund transactions of monies. The transactions should be approved by the treasurer, or treasurer's designee, and the clerk of the board. If the transaction applies to a school district, the transaction should be approved by the treasurer, or treasurer's designee, and the county school superintendent or the school district, if the school district has assumed accounting responsibility pursuant to A.R.S. §15-914.01. Interfund transactions should be recorded in the appropriate

subsidiary ledger account by indicating the authorization number, date, and amount. Transfers of school district monies may be made only when authorized by statutes and/or the *Uniform System of Financial Records for Arizona School Districts*.

At the end of each month, the total detailed subsidiary ledger accounts should agree to the agency's control ledger account. The total of the treasurer's control ledger accounts must be reconciled to the ending cash balance according to the treasurer's journal and the treasurer's daily cash balance as of the last day of the month. The treasurer's ledger should be reconciled to the county's general ledger system to ensure the accuracy of the accounting records. The month's total receipts, disbursements, transfers, and beginning and ending balances for each agency account in the treasurer's ledger must be recorded on the treasurer's report (see §V).

The treasurer must also apportion and transfer interest income from pooled investments from the undistributed interest income agency account into each agency account having monies included in the pooled investments. Apportionment is based on each account's proportionate balance of monies on deposit during the period such income is earned. Interest earned on pooled investments should be apportioned monthly, or at least quarterly, to the appropriate agency accounts based on an average monthly balance. Interest on specific investments should be recorded in the appropriate agency account. See §IV-G—Investments, for additional information.

Trial balance

A trial balance is a list of the account balances in the general ledger and should be prepared monthly to ensure that the general ledger is in balance. When accounts are in balance, the total net debits (cash and investments) equal the total net credits (unprocessed redeemed warrants, unprocessed redeemed bonds and coupons, due to agency accounts, and cash overage/shortage). Treasurers should prepare a trial balance for each fund at the end of each fiscal year to prepare the annual financial report and financial statements.

Financial information schedules and records

Specific financial information maintained by a treasurer, which must be confirmed to auditors on request, includes, but may not be limited to, the following:

1. A schedule of real and personal property taxes by tax year and account including the total levy, total collected, balance receivable, and estimate for uncollectible taxes.
2. A schedule of bonds payable and certificates of participation (COPs) payable that includes the following information:
 - Original principal amount, series, and issue date.
 - Principal amount of bonds certified and outstanding as of fiscal year-end.
 - Principal amount of bonds retired during the fiscal year.
 - Bond maturity dates, call dates, and interest rates.

- Deposit date for payment of interest on outstanding bonds.
 - Amount of interest paid for the fiscal year.
 - Known noncompliance with the bond indentures.
 - Required bond debt service fund contributions as of fiscal year-end.
 - Matured bonds and coupons in arrears as of fiscal year-end.
 - Direct or contingent liabilities not specifically addressed above or any additional terms or options.
 - Name of registrar, transfer agent, and paying agent.
3. A schedule of refunded bonds payable and refunded COPs payable that includes the following information:
- Description of issue.
 - Maturity dates and interest rates.
 - Issued amount.
 - Principal amount outstanding as of fiscal year-end.
4. A schedule of long-term debt payments, including interest, to maturity for each debt type.
5. A detailed schedule by bond issue of the balance of arbitrage interest earnings, if any, due to the federal government at fiscal year-end. This schedule should be reviewed and signed by the county's legal counsel.
6. A schedule or record of inter/intra bank transfers between the county's main servicing account and other accounts.
7. Cash balances at fiscal year-end for specific accounts.
8. A schedule, by account, of all investment activity during the fiscal year that includes the following information:
- Investment type, issuer, description, quantity, and account number.
 - Face value, maturity value, interest rate, and interest payment dates.
 - Purchase date, purchase price, and maturity date.
 - Carrying value, fair value, or basis of valuation if other than fair value. Except as provided in Governmental Accounting Standards Board (GASB) Statements No. 31, paragraph 16; No. 72, paragraph 69; and No. 90, paragraph 5, all investments should be recorded at fair value. Counties should establish policies for valuing any investments not reported at fair value. If the fair value is based on other than quoted market prices, the methods and assumptions used to estimate the fair value must be documented and identify the fair value hierarchy category (level 1, 2, or 3) for each investment in accordance with GASB

Statement No. 72.

- Accrued interest receivable at fiscal year-end.
 - Bank name, address, and contact information.
 - Collateral for investments, including type of collateral, holder of collateral, and the name in which the collateral is registered.
 - Investments classified into risk categories for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk as of the date of the financial statements in accordance with GASB Statement Nos. 40 and 53 (see [§IV-G, Investments](#) and [Reporting guidelines for Counties](#), for more information).
 - The net change in the fair value of investments as calculated in accordance with GASB Statement Nos. 31, 72, and 90.
9. A schedule or record, by account, of registered warrants and/or line of credit balances and related interest payable at fiscal year-end.

ACCOUNTING PROCEDURES

ACCOUNTING RECORDS

_____ COUNTY TREASURER

TREASURER'S JOURNAL

DATE _____

	Cash				Investments		Description	Unprocessed redeemed warrants		Unprocessed redeemed bonds and coupons		Due to agency accounts		Cash overage/ shortage	
	On hand		Checking account												
	Dr	Cr	Dr	Cr	Dr	Cr		Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Beginning balance	\$1,000		\$3,004,500		\$16,000,000		Total							\$19,005,500	
	9,500						Property taxes #32							9,500	
	1,500						Interest income #33							1,500	
				\$1,000,000	1,000,000		Investment								
				105,000			Redeemed warrant #1801	\$105,000							
		\$11,000	11,000				Deposits								
	3						Daily closeout (over)								\$3
	12,003	11,000	3,015,500	1,105,000	17,000,000		Total	105,000						19,016,500	3
Ending balance	\$1,003		\$1,910,500		\$17,000,000			\$105,000						\$19,016,500	\$3

TREASURER'S CONTROL LEDGER ACCOUNT

Agency: XYZ Elementary School District No. 99

Page ____

Date	Reference	Description	Receipts (Cr)	Transfers- In	Transfers- Out	Disbursements (Dr)	Balance
7/01/20XX		Beginning balance					\$250,000
7/15/20XX	#1103	State aid	\$ 50,000				300,000
7/31/20XX	#1214	Property tax apportionment		\$500,000			800,000
8/02/20XX	#107	Redemption of warrants				\$100,000	700,000

TREASURER'S SUBSIDIARY LEDGER ACCOUNT

Agency: XYZ Elementary School District No. 99Agency Account: Maintenance and OperationAccount No.: 499001

Page ____

Date	Reference	Description	Receipts (Cr)	Transfers- in	Transfers- out	Disbursements (Dr)	Balance
7/01/20XX		Beginning balance					\$ 50,000
7/15/20XX	#1103	State aid	\$ 20,000				70,000
7/31/20XX	#1214	Property tax apportionment (July)		\$135,000			205,000
8/02/20XX	#107	Redemption of warrants				\$15,000	190,000

JOURNAL ENTRY

Date _____

JE No. _____

Type of Transaction: (Note: Treasurer must classify all interfund transactions as transfers.)

FUND				AMOUNT	
<u>Name</u>	<u>Number</u>	<u>Object Code</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>

Description:

Prepared by: _____

(Requesting official)

Approved by: _____

Posted by: _____

CONTENTS

Topic	Page
INTRODUCTION	IV-C-1
POLICIES	IV-C-1
PROCEDURES	IV-C-2
Cash Received	IV-C-2
Cash disbursements	IV-C-4
Cashier's daily reconciliation (CDR)	IV-C-5
Treasurer's daily cash balance (TDCB)	IV-C-6
Bank reconciliation	IV-C-7
EXHIBITS	
Treasurer's receipt	IV-C-9
Cashier's daily reconciliation	IV-C-10
Vault cash transfer receipt	IV-C-11
Vault cash summary	IV-C-12
Treasurer's daily cash balance	IV-C-13
Bank reconciliation	IV-C-14

INTRODUCTION

Cash includes currency on hand, such as petty cash funds and cash received but not yet deposited; negotiable instruments, such as drafts, checks, warrants, and money orders; and balances on deposit with commercial banks.

Because of the relatively high risk of loss or theft associated with cash transactions, treasurers should have strict internal control policies and procedures to control and safeguard cash and ensure accurate reporting. The treasurer has the responsibility to establish and enforce policies to ensure that adequate internal control exists for receiving, recording, safeguarding, and disbursing cash.

Internal controls should be tailored to each county's specific needs. The controls in this section are recommended and are provided as examples of sound financial and administrative practices. Other controls may be used if they provide at least the same level of internal control. County treasurer offices with limited staff size may need to develop and document compensating controls when recommended procedures cannot be implemented. Transactions processed electronically should include procedures to ensure that evidence of review, verification, and approval is maintained. Detailed procedures for automated systems are not discussed because of differences in these systems. See the *Uniform Accounting Manual for Arizona Counties* (UAMAC), [§VII](#), Information Technology, for information regarding general and application controls for automated systems.

POLICIES

The treasurer should implement the following policies to comply with statutory requirements and maintain adequate internal controls over cash:

1. The treasurer must receive all county monies and maintain separate accounts for amounts received and paid out on separate funds or specific appropriations, in addition to maintaining 1 general or cash account for all receipts and disbursements (see Accounting records, [§IV-B](#)). A.R.S. §11-493
2. The Treasurer must safeguard all monies until disbursed according to law. A.R.S. §11-491
3. Cash-handling and recordkeeping responsibilities must be adequately separated. Employees receiving cash should not have authority to sign checks, reconcile bank accounts, or have access to accounting records other than to enter cash receipts.
4. Cash collections should be deposited intact in the appropriate financial institution account daily. The county board of supervisors may contract with a servicing bank according to the provisions of A.R.S. §35-325. (See the UAMAC, [§VI-C](#))
5. Prenumbered checks must be used and adequately safeguarded.
6. Bank signature cards must reflect only current authorized signers.

7. Bank accounts must be reconciled at least monthly by an employee independent of cash receipts and disbursements functions. All reconciling items should be investigated and immediately resolved.
8. The treasurer must issue either an electronic or hard copy of a receipt for all monies the treasurer receives as treasurer or as tax collector except tax payments made by check, which must be received in accordance with A.R.S. §42-18055 (See item #9 below). A.R.S. §11-494
9. The treasurer must establish procedures for issuance or nonissuance of receipts for tax payments. (See **§IV-F**, Tax collections and processing) A.R.S. §42-18055
10. Treasurer's receipts must be in a standard format, numbered consecutively, issued in numerical sequence, and signed or electronically validated by the treasurer. At the time of issuance, the treasurer must deliver 1 copy of the electronic or hard copy receipt to the person paying the money; 1 copy to the clerk of the board or the clerk's designee, who must immediately charge the treasurer with the amount of the receipt; and, in the case of school district deposits, 1 copy to the county school superintendent (CSS). The treasurer must retain the original receipt. A.R.S. §11-494
11. County monies may be disbursed by county warrant issued by the board of supervisors and signed by the chairman and the clerk of the board, by electronic transfer with written authorization from a person designated by the governing board, or as otherwise provided by law. A.R.S. §11-493
12. All bank deposits in excess of amounts covered by the Federal Deposit Insurance Corporation or the National Credit Union Administration must be collateralized by an amount equal to at least 102 percent of the deposit. Eligible types of collateral are described in A.R.S. §35-323(G).

PROCEDURES

Cash received

Treasurers must safeguard cash and accurately report cash received. To accomplish this, treasurers should establish accounting policies and procedures to deposit cash intact and properly record them in the accounting records on a timely basis.

The treasurer receives cash payments in person, in the mail, through online payment portals, and through electronic fund transfers, from 3 primary sources. Cash payments received includes real and personal property tax payments, collections such as fines and fees, and amounts from federal, State, and local agencies. Procedures for processing property tax payments are presented in **§IV-F**, Tax collections and processing. Recommended procedures for all other cash received are as follows.

If the depositor (county department or agency) did not prepare a treasurer's receipt (receipt), then an electronic or hard copy receipt must be prepared indicating the amount of the deposit, the date

the monies were received, the depositing entity, the type of revenue, and the applicable fund and account code (see page [IV-C-7](#)). If a treasurer's receipt is received from the depositor, the amount of monies received should be compared with the amount recorded on the receipt and any differences immediately resolved. Any checks received should immediately be restrictively endorsed "for deposit only", and the checks along with the cash should be placed in the cash drawer. Each cashier should use a separate cash drawer, and the cash drawer should be locked in the cashier's absence.

The receipt must be validated and distributed as follows:

- The treasurer retains the original for preparing the treasurer's daily cash balance (see page [IV-C-11](#)).
- A copy must be given to the depositor.
 - For deposits received for school districts, a copy must be forwarded to the CSS for its use and to send a copy to the school district. For school districts that have assumed accounting responsibility pursuant to A.R.S. §15-914.01, this copy should be forwarded to the school district.
 - For deposits received from a county department, a copy should be forwarded to the county finance department.
- A copy must be forwarded to the clerk of the board or the clerk's designee.

Format of the receipts may vary among counties as long as they are in a standard format within the county, numbered consecutively, issued in numerical sequence, and signed or electronically validated by the treasurer. A.R.S. §11-494. Receipts may be prepared at the treasurer's office as deposits are received. Alternatively, blocks of receipts may be issued to depositing departments and school districts, and the receipts may be prepared by the depositors and remitted with the deposit for validation by the treasurer. If the latter procedure is used, a log must be kept of receipt numbers and blocks as issued. The receipts must be assigned a sequential reference as they are returned to the treasurer's office for validation. The treasurer should retain voided receipts to ensure that all receipts are accounted for. The receipts may be handwritten or generated by the accounting system. The cashier should enter receipt information into the accounting system for each transaction, and amounts entered should be verified by a secondary reviewer and agreed to supporting documents. Only authorized personnel should have access to the accounting system for receipt input. (For Information Technology controls, see UAMAC, [§VII](#).)

A receipt must also be prepared for electronic fund transfers when the transmittal document and validated deposit slip are received from the servicing bank.

For those counties in which the county departments deposit cash receipts directly into the county servicing bank account, policies and procedures should be established at the county departments for receiving and safeguarding cash receipts as prescribed in the UAMAC, [§VI-C](#). After the department deposits the monies with the bank, it should obtain a validated deposit slip from the bank and reconcile the deposit slip to the department's supporting documents. The department

should prepare a deposit transmittal form or other similar-type document that indicates the department, type of revenue, account code, and amount deposited and forward a copy to the treasurer's office with the validated deposit slip attached. The treasurer's office should confirm the account code and amount recorded on the deposit transmittal to the validated deposit slip or electronically with the bank. The treasurer must then prepare a receipt.

Cash disbursements

The primary purposes for which a treasurer issues a treasurer's check or disburses cash are as follows:

- To refund overpayments on property taxes.
- To refund money paid by the holder of a certificate of purchase upon subsequent payment of taxes by the original owner within the time specified by law.
- To redeem warrants with the servicing bank or individuals, including jury certificates.
- To repay revolving lines of credit.
- To forward taxes collected by the county treasurer for other agencies to the appropriate agencies.
- To forward penalty assessments, fines, and fees submitted by clerks of the court to the State Treasurer.
- For payment of principal and interest on bonds of counties or other agencies.
- To withdraw public fiduciary monies, but only upon court order. A.R.S. §14-5603.

Unused treasurer's checks should be in the custody of an employee who does not have the authority to sign the checks or control the use of signature stamps, electronic or digital signatures, or other signing authority. Before preparing a treasurer's check, the treasurer should review supporting documents to ensure the disbursement is authorized. All checks should be fully completed before issuance and not made payable to cash or bearer. A copy of the check or a check register should be prepared at the same time the check is prepared. If the treasurer allows staff to use a mechanical or electronic check signer, access to the signature stamps, electronic or digital signatures, or other signing authority should be adequately safeguarded. If allowed by the treasurer, the treasurer should document in writing approval for each staff member authorized to endorse checks and the circumstance in which they are authorized to endorse prior to staff using any mechanical or electronic check signer. Staff should ensure they have the treasurer's approval prior to using the treasurer's signature and log each endorsement.

The supporting documents for all disbursements should be retained and the treasurer should establish controls to prevent duplicate payments. Spoiled checks should be defaced to prevent reuse and retained for subsequent inspection and should be filed with the relevant bank statement.

Cashier's daily reconciliation (CDR)

The CDR reconciles the day's activity to the cash collected. CDRs should be generated from the information entered by the cashier in the accounting system as amounts are received or paid throughout the day. See page [IV-C-8](#) for a sample CDR form. The CDR includes sections for summarizing activity, reconciling cash, and documenting amounts for deposit as described below.

Summary of daily activity

The CDR includes the cashier's opening cash balance. The cash in the cash drawer should be counted and agreed to the opening balance amount. Differences should immediately be resolved.

If the cashier requires additional cash during the day, the treasurer or designated individual should prepare and sign a vault cash transfer receipt (see page [IV-C-9](#) for an example). The cashier should sign the transfer receipt upon delivery of the cash and record the additional cash in the system. One copy of the receipt should be kept in the cash drawer, and a copy should be kept in a permanent receipt record. The cash withdrawal should be recorded on the vault cash summary in the amount decrease column (see page [IV-C-10](#) for an example).

At the end of each business day, total amounts received for each of the following from the accounting system should be reported on the CDR, and the closing balance should be calculated:

- Real property taxes.
- Personal property taxes.
- Interest and charges collected on delinquent taxes.
- Treasurer's receipts (for other than property taxes).
- Other receipt documents, if any.

Reconciliation

The cash in the cash drawer should be counted and the amounts for currency and coin entered on the CDR. Checks received should be reported separately on the CDR. Total disbursement amounts should also be reported on the CDR, if applicable. Total cash should be agreed to the closing balance, as calculated above, and any difference should be recorded as cash over/short. Significant differences should be promptly investigated and resolved.

Once the CDR has been reconciled, the cashier should sign and date it to document agreement.

Deposit

The bank deposit should be calculated as total cash less the operating fund and disbursement amounts. The operating fund amount should equal the amount of the authorized change fund less any disbursement amount. (Change fund procedures are described in the UAMAC, [§VI-C](#).)

The current-day's CDR, deposit, and supporting documents should be transmitted to the treasurer

or designated individual to assist in the preparation of the Treasurer's daily cash balance.

Upon receiving the CDRs from each cashier with supporting receipts and disbursements documents and the cash, the treasurer or designated individual should review each CDR, supporting documents, and cash submitted, then sign and date the CDR to document agreement. The amount of the operating fund should be placed back into the cash drawers for the next day. The cash drawers should then be locked in the vault overnight for safekeeping.

NOTE: Treasurer's receipts should be prepared and validated for total real and personal property tax amounts and any interest and charges collected on delinquent taxes for the day, if a receipt has not already been issued. (See [Tax collections and processing §IV-F](#), for applicable procedures.)

Treasurer's daily cash balance (TDCB)

The TDCB should be used to reconcile the beginning cash balance and the day's activity with the ending cash balance, and to identify the various components of the ending cash balance (see page [IV-C-11](#) for an example). TDCBs may be manually prepared or electronically generated by the accounting system.

Daily cash reconciliation

The beginning cash balance should be entered from the previous day's TDCB ending balance.

The day's receipts should be reviewed, and the beginning receipt number and the ending receipt number should be entered on the TDCB. The number sequence of the receipts issued/received during the day should be accounted for.

The amount available should be reported as the beginning cash balance plus the total amount of the receipts and any cash over, if applicable. The amount of the treasurer's checks (according to the Treasurer's Journal) and any cash short, if applicable, should be subtracted to arrive at the ending cash balance.

Components of ending cash balance

- The ending cash balance should include the following detailed components:
- The beginning servicing bank balance from the previous day's TDCB ending balance.
- Deposits made for the previous day and advices of credit entered in the Treasurer's Journal.
- Totals of treasurer's checks and advices of charge.
- The ending servicing bank balance.
- The investment total as summarized in the Treasurer's Journal.
- The ending vault cash balance obtained from the vault cash summary.
- The cash drawer amounts summarized from each CDR for cash, checks, and supporting

documents.

The components of ending cash balance should be compared to the ending cash balance per the daily cash reconciliation, and differences should be immediately resolved.

Upon completion and final review and approval of TDCB, all receipts, cash overages/shortages, and deposits should be recorded in the Treasurer's Journal, and a bank deposit slip should be prepared. If armored transportation is not available, a sheriff's deputy should deliver large deposits to the bank. The validated deposit slip obtained from the bank for the deposit should be forwarded to an employee who does not have access to cash receipts, and the amount should be compared to the supporting documents.

The validated deposit slip, receipts, CDRs, and TDCB with supporting documents should be filed by date. Any tax stubs should be forwarded to the tax distribution clerk.

Bank reconciliation

Bank accounts should be reconciled at least monthly to the Treasurer's Journal bank account balances by an employee independent of cash receipts and cash disbursements functions. The reconciliation may be prepared using the format on page [IV-C-12](#). The employee performing the reconciliation should receive bank statements directly from the financial institution through electronic access to the account or by mail and have access to voided checks and electronic images or copies of canceled checks.

Recommended procedures for performing a bank reconciliation are as follows:

- The month's ending balance on the bank statement should be recorded on the bank reconciliation.
- Deposits according to the validated deposit slips should be compared to the bank statement. Deposits not appearing on the bank statement should be listed as deposits in transit (by date and amount) or investigated if the deposit should have been recorded as of the statement closing date.
- The total amount of canceled checks and/or other disbursements not made by check, such as electronic fund transfers (EFT), should be compared with the amounts on the bank statement. Differences must be resolved with the bank.
- Canceled checks should be compared to the treasurer's journal to ensure that the number, date, payee, and amount agree.
- A list of outstanding checks should be prepared. Compare canceled checks to the prior month's outstanding checklist and the current month's list of checks issued. List or indicate the total amount of outstanding checks on the bank reconciliation form. Checks outstanding for longer than 1 year are void. A stop payment order should be issued and an entry made restoring such items to cash.
- Checks for large amounts should be examined for authorized signatures, irregular

endorsements, and alterations.

- Nonsufficient funds (NSF) checks should be recorded on a bank deposit slip and redeposited in the bank.
- Record the bank charges indicated on the bank statement in the Treasurer's Journal. Bank charges should not be deducted from interest on investments.
- The balance per the bank statement, plus deposits in transit, less outstanding checks, plus or minus adjustments should equal the balance in the treasurer's records. Differences should be immediately resolved.
- Reconciling items should be described fully. Supporting documents should be retained and either referenced or attached to the reconciliation form.
- The reconciliation should then be signed and the date prepared indicated.
- File the reconciliation, bank statement, and supporting documents by date.

_____ County, Arizona

Treasurer's receipt

No. (prenumbered)
Date _____

Depositing department or entity _____

For the period from _____ to _____

Fund number	Source of revenue	Account code	Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total deposited			=====

Authorized Signature: _____ Title: _____ Date: _____

Summary of deposit

Cash:

Currency _____

Coins _____

Checks _____

Electronic fund transfers _____

Total deposits _____

Treasurer's validation no. _____

_____ County Treasurer

By _____ Date: _____

Clerk of the Board

By _____ Date: _____

_____ County Treasurer
Cashier's daily reconciliation

Summary of daily activity

Opening balance	\$ 600.00
Property tax collections	
Real	13,100.00
Personal	300.00
Interest and charges collected on delinquent taxes	100.00
Treasurer's receipts (for other than property taxes)	1,000.00
Other (specify)	
Closing balance	<u>\$15,100.00</u>

Reconciliation

Currency		Coin		
Large bills	\$300	\$.50	\$ 7.00	
20s	240	.25	18.00	
10s	150	.10	24.00	
5s	145	.05	3.00	
1s	<u>13</u>	.01	<u>5.00</u>	\$ 905.00
Checks				14,102.00
Supporting documents for disbursements				<u>95.00</u>
Total cash (cashier)				<u>\$15,102.00</u>
Cash (over) short				<u>\$ (2.00)</u>

Deposit

Total cash	\$15,102.00
Less: Operating fund	(505.00)
Supporting documents for disbursements	<u>(95.00)</u>
Deposit	<u>\$14,502.00</u>

Cashier (signature) _____

 Date: 11/8/XX

Reviewed by (Treasurer) _____

 Date: 11/8/XX

Vault cash transfer receipt

(Prenumbered)

County Treasurer

Received from

Dollars

\$

(Signature of cashier)

(Authorizing signature)

(Original and 1 copy)

_____ County Treasurer
Vault cash summary

For the month of November 20XX

Day	Beginning balance	Amount		Ending balance	Description
		Increase	Decrease		
1.	\$3,000.00			\$3,000.00	
2.					
3.					
4.	3,000.00		\$300.00	2,700.00	To H. Jones—Cashier
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.					
23.					
24.					
25.					
26.					
27.					
28.					
29.					
30.					

_____ County Treasurer
Treasurer's daily cash balance

Daily cash reconciliation

Beginning cash balance	\$11,111,300.00
Add:	
Treasurer's receipts (Begin #15761 to Ending #15782)	21,200.00
Cash over	2.00
Amount available	<u>\$11,132,502.00</u>
Deduct:	
Treasurer's checks	(1,400.00)
Cash short	
Ending cash balance	<u><u>\$11,131,102.00</u></u>

Components of ending cash balance

Servicing bank account—beginning balance	\$155,100.00	
Deposits/Advice of credit		
Treasurer's checks/Advice of charge	<u>42,000.00</u>	
Ending balance		\$ 113,100.00
Investments		11,000,000.00
Vault		2,900.00
Cash drawer summary:		
Cash	\$ 905.00	
Checks	14,102.00	
Supporting documents for disbursements	<u>95.00</u>	
Total per cash drawers		<u>15,102.00</u>
Ending cash balance		<u><u>\$11,131,102.00</u></u>

Prepared by _____

Date: 11/8/XX

_____ County Treasurer
Bank reconciliation

Bank: XYZ Bank

Prepared by _____

Account Number: 93082Date prepared: 12/8/20XXBank statement date: November 30, 20XXBalance per books \$133,354.00Balance per bank \$166,103.00**Add:**

	Date	Amount
Advice of credit	11/28/XX	\$40,235.00

Add: Deposits in transit

Date	Amount	
11/26/XX	\$3,075.00	
11/28/XX	4,500.00	
11/30/XX	<u>3,630.00</u>	\$11,205.00

Deduct:

	Amount	
Bank charge	\$16.00	
Error in recording check #6709	29.00	\$45.00

Deduct: Outstanding checks

Number	Date	Amount	
6717	11/16/XX	\$3,418.00	
6723	11/23/XX	6.20	
6728	11/25/XX	103.80	
6731	11/27/XX	34.10	
6740	11/28/XX	<u>201.90</u>	\$(3,764.00)

Reconciled balance \$173,544.00Reconciled balance \$173,544.00

CONTENTS

Topic	Page
INTRODUCTION	IV-D-1
POLICIES	IV-D-1
PROCEDURES	IV-D-3
Introduction	IV-D-3
Receipt of warrants	IV-D-3
Payment of warrants	IV-D-4
Stop payment of warrants	IV-D-5
Revolving lines of credit	IV-D-5
Registration of warrants	IV-D-6
EXHIBITS	
Warrant stop payment register	IV-D-9
Revolving line of credit journal	IV-D-10
Registered warrant journal	IV-D-11

INTRODUCTION

The county treasurer is responsible for disbursing county monies. The treasurer's duties also include paying school district warrants issued by the county school superintendents (CSS) and school districts, and special district warrants. The county treasurer must maintain accurate accounting records over disbursements in accordance with A.R.S. §11-493.

POLICIES

The treasurer should implement the following policies to comply with statutory requirements and to maintain internal controls over warrant processing:

1. County monies may be disbursed by 1 of the following methods:
 - By county warrant issued by the board of supervisors and signed by the chairman and the clerk of the board.
 - By electronic transfer with written authorization from a person designated by the governing board.
 - As otherwise provided by law. A.R.S. §11-493
2. Revolving lines of credit may be used to pay lawful claims and obligations (e.g., warrants) if sufficient monies are not available and the board of supervisors has entered into a contract with a financial institution, authorized to do business in this State, to obtain a separate and distinct revolving line of credit for the county or applicable political subdivision of this State. The contract may be for an initial period not exceeding 3 years, with a 2-year renewal option, and should be awarded as part of the bid process for servicing banks prescribed in A.R.S. §35-325. A.R.S. §11-604.01
3. If a revolving line of credit has not been obtained or the line of credit has been spent and if there are insufficient monies in the issuer's account, the county treasurer must register the warrant, substitute check, or electronic funds transfer (EFT) and may invest in the registered payment as prescribed in A.R.S. §35-323(A)(7). When monies become available to pay registered warrants, substitute checks, or electronic funds transfers, payments to original payees or the treasurer's investment pool, as applicable, must be made in the order of presentation. A.R.S. §§11-605 and 11-635
4. Warrants drawn on school districts may only be registered as follows:
 - If separate accounts are maintained for each fund, warrants may only be registered on the maintenance and operation (M&O), unrestricted capital outlay (UCO), and adjacent ways accounts and the classroom site fund prescribed in A.R.S. §15-977 and only if the total cash balance of all 3 accounts is insufficient to pay the warrants, except that, during the period of time when a school district is under receivership pursuant to A.R.S. §15-103, a warrant may be registered on the debt service account for which the cash balance in the debt service account is insufficient to cover the debt service payment if there are not sufficient monies in

the debt service account to cover the debt. A.R.S. §15-996(3)(a)

- If only 2 accounts are maintained, the first account shall consist of maintenance and operation, UCO, and adjacent ways monies and the classroom site fund prescribed in A.R.S. §15-977, and the second account shall consist of federal and State grant monies and all other monies. A.R.S. §15-996(1)
 - If the treasurer maintains only 2 accounts as provided in A.R.S. §15-996(1):
 - Warrants may be registered only on the first account and only if the balance in that account is insufficient to pay the warrants. A.R.S. §15-996(3)(b)(i)
 - The treasurer may honor warrants for any federal or State grant fund with a negative balance as long as the total balance in the second account is positive. If the balance in the second account is negative, the warrant for a federal or State grant must be charged to the M&O fund. A.R.S. §15-996(3)(b)(ii)
5. Registered warrants must accrue interest at a rate not to exceed 10 percent per year. A.R.S. §11-635. The warrants stop accruing interest when public notice is given that the treasurer is ready to pay them. A.R.S. §11-636
 6. For power and irrigation and water conservation districts, if there is any money in the fund upon which a warrant is drawn, the money must be applied to the unpaid warrant. The warrant should be registered for any remaining unpaid balance. Registered warrants of power and irrigation and water conservation districts accrue interest at the rate of 6 percent per year until paid. A.R.S. §§48-1601 and 48-3126
 7. As monies become available to repay a revolving line of credit or redeem registered warrants, the treasurer must first repay the revolving line of credit before paying registered warrants. A.R.S. §11-604.01(C). Registered warrants should be redeemed in the order originally registered. A.R.S. §§11-605 and 11-639
 8. When monies become available to redeem registered warrants, the treasurer must give notice according to A.R.S. §11-636.
 9. A treasurer's check or warrant drawn on the county general fund that is not presented for payment within 1 year after the date of issuance is void, is deemed to have been paid, and is not subject to A.R.S. §44-302. A check or warrant that is not presented for payment within 1 year has no further force or effect, and any monies shall be transferred or revert to the county general fund or other appropriate fund. If within a year after voiding, the board finds that a claim on the voided check or warrant is legitimate and that there is good and sufficient reason for failure to present the original check or warrant, the board may allow the claim and order it to be paid from the county general fund or other appropriate fund. A.R.S. §11-644
 10. For county treasurers in a county that has a population of 2 million or more persons:
 - If there are sufficient monies in the treasury to pay the registered warrants, the county treasurer must notify the issuing entity of the availability of the monies. The treasurer must

place the monies in a clearing fund or other appropriate fund that is agreed on by the treasurer and the district. The issuing entity must issue new warrants that include the original principal amount plus any accrued interest and notify the treasurer of the warrant numbers, amounts, and payees. A.R.S. §11-645(D)

- If only part of the warrants presented on the same day are payable, the county treasurer must designate the payable warrants and notify the issuing entity of the warrants to be paid and the warrants to be registered. A.R.S. §11-645(E)

PROCEDURES

Introduction

The following procedures are recommended to assist county treasurers in fulfilling their statutory responsibilities for processing warrants presented for payment by individuals and servicing banks. Specific procedures may vary depending on size, organization, and degree of automation; however, the same level of internal controls must be maintained.

The exhibits included at the end of the section are provided as examples and may be modified to meet the specific needs of each treasurer's office.

Receipt of warrants

When warrants are presented to the county treasurer by individuals or by the servicing bank, the treasurer must determine if the cash balance available in the appropriate agency account is sufficient to pay the warrants. If separate accounts are maintained for each school district fund, the treasurer must determine if the total cash balance of the M&O, UCO, adjacent ways, and classroom site funds is sufficient to pay the warrants drawn on these funds.

Note: To assist in comparing the total amount of school district warrants to the total balance of pooled school district accounts, the treasurer should maintain records that provide a current balance of the pooled accounts. For example, maintaining a cash control ledger account to record all transactions affecting any of the pooled accounts. This procedure allows the treasurer to determine the balance of the pooled accounts after each transaction is recorded.

If the treasurer maintains only 2 accounts for each school district as described in A.R.S. §15-996(1), the treasurer may honor warrants drawn on a federal or State grant fund with a negative balance as long as the total balance in the grant fund's pooled account is positive. However, if enough cash is not available in the grant fund's pooled account to pay the warrant, the treasurer should pay it from the M&O Fund if adequate monies are available in the M&O Fund's pooled account. Subsequently, when grant monies are received, the county treasurer should adjust the district's cash balances by reimbursing the M&O Fund's pooled account.

The following procedures are recommended for processing warrants:

- Sort warrants by agency, then further group by agency account within each agency. If separate accounts are maintained for each school district fund, batch warrants of the M&O, UCO, adjacent ways, and classroom site funds accounts into 1 group. Warrants within each batch should be kept in order by date of presentation for payment.
- Calculate a total for each group of warrants and compare the totals with the bank list and warrants. Resolve any differences.
- Process data sent electronically from the bank and generate a report. Compare this report with the hard copy of the bank list to ensure the data sent electronically was processed accurately.
- Compare the warrants to the warrant stop payment register to determine if payment was stopped on any warrants.
- Generate error reports that include a comparison of the warrants the bank submitted to the warrants issued by the county. The error reports should indicate any differences in warrant number or amount, duplicate warrant numbers, or warrants for which payment was stopped. All differences should be immediately resolved with the bank and the resolution should be documented in writing.

Note: The treasurer may pay a warrant on which a stop payment notice was previously prepared only upon a written release from the board of supervisors. A.R.S. §11-632. See related discussion “Stop payment of warrants” below.

- Review warrants for authenticity, authorized signatures, and alterations.
- Prepare a treasurer’s check for the total amount of the warrants presented by the servicing bank. (Warrants presented by individuals may be redeemed with cash or a treasurer’s check.) For procedures on issuing treasurer’s checks, see §IV-C, Cash. The amount of the treasurer’s check should agree with the total on the bank list, less warrants to be registered and warrants previously stopped.
- Forward the treasurer’s check to the bank and file the bank list by date.

Note: If sufficient monies are not available in an agency account, the treasurer should follow the procedures presented for revolving lines of credit (see page [IV-D-5](#)) or registered warrants (see page [IV-D-6](#)), as applicable.

Payment of warrants

The Treasurer should establish procedures to monitor paid and outstanding warrants, including procedures to prevent duplicate payments. Monthly, the paid warrants must be submitted to the clerk of the board of supervisors (A.R.S. §11-501) or other applicable agency as required by statute.

Paid warrants should be recorded in the agency account ledgers daily, or at least weekly. If agency account ledgers are not updated daily, the amounts of the paid warrants should be recorded daily

in the treasurer's journal by debiting unprocessed redeemed warrants and crediting cash in bank.

The treasurer must prepare a list of warrants paid and provide it each month to the county school superintendent, school districts that assumed accounting responsibility pursuant to A.R.S. §15-914.01, and special districts. The paid warrants list is used by the county school superintendent's office, accounting responsibility school districts, and special districts to prepare a list of outstanding warrants.

Stop payment of warrants

When the treasurer's office receives notice to stop payment on a warrant, the servicing bank should be immediately notified to ensure that the bank does not pay the warrant. In addition, information on the stop payment order should be entered in the warrant stop payment register (see page [IV-D-9](#)).

If a warrant is received for which payment has been stopped, the warrant should be stamped or endorsed as such and returned to the servicing bank (or payee if the warrant is presented directly).

Revolving lines of credit

If the balance of an agency account is insufficient to pay warrants, the treasurer may use the agency's revolving line of credit if 1 has been established.

For school districts, the revolving line of credit may only be accessed for the M&O, UCO, adjacent ways, and classroom site funds and only if the total cash balance of all 4 funds is insufficient to pay the warrants.

To determine the amount necessary to draw from the credit line, the warrants presented for payment should be totaled and compared to the balance in the agency account or school district's pooled account. Monies may not be drawn in excess of the maximum line of credit amount.

The treasurer should maintain a revolving line of credit journal (see page [IV-D-10](#)) for each entity for which a credit line has been established and record the following information when it is accessed:

- The date the credit line is accessed.
- The account balance in each account at the time the credit line is accessed.
- The total amount of warrants to be paid.
- The amount of the credit line accessed.
- The remaining amount available.

Note: If the treasurer maintains separate accounts for each school district fund and determines the credit line amount to be accessed based on the pooled balance of the applicable school district accounts, the treasurer may maintain 1 account in the revolving line of credit journal for the pooled balance.

The treasurer should also notify each agency of its account balance and the amount of the credit line used. The amount should be recorded in the treasurer's journal by debiting cash in bank and crediting due to agency accounts. The warrants should then be paid in accordance with the procedures outlined on page [IV-D-4](#).

The treasurer should repay the credit line when sufficient monies become available. Interest may be computed by multiplying the amount accessed by the annual interest rate as established in the servicing bank agreement. This amount is then multiplied by the number of days the loan was outstanding divided by 365.

The amount of the interest paid must be recorded separately from the principal repaid in the revolving line of credit journal. The interest cost should be charged directly to the agency account for which the credit line was accessed. The treasurer's office should apportion interest attributable to school district pooled accounts as follows:

- If the treasurer maintains 1 account for a district's M&O, UCO, adjacent ways, and classroom site funds and cannot separately identify the warrants that were paid from the credit line, interest cost should be allocated to the pooled account.
- If the treasurer maintains separate accounts for the M&O, UCO, adjacent ways, and classroom site funds or if the treasurer maintains 1 pooled account and can separately identify the warrants paid from the credit line, interest cost should be apportioned by fund based on the dollar amount of warrants paid for each fund.

When the credit line is repaid, the treasurer should record the following information in the appropriate agency account or school district pooled account in the revolving line of credit journal:

- The date.
- The account balance in each account.
- The principal amount and interest expense payments.
- The number of days the credit line was used.
- The credit amount available.

The treasurer should notify each agency of its account balances, the total principal and interest paid on the line of credit use, and the interest amount allocated to each agency account or school district pooled account. The total amount of the credit line repaid, including interest, should be recorded in the treasurer's journal by debiting due to agency accounts and crediting cash in bank. A treasurer's check should then be prepared for the total amount, principal and interest, and sent to the servicing bank. (See [§IV-C, Cash](#), for recommended procedures for preparing a treasurer's check.)

Registration of warrants, substitute checks, and EFTs

If the balance of an agency account or school district's pooled account is insufficient to pay the warrants, substitute checks, and EFTs and the entity has not obtained, or has expended its

revolving line of credit, then warrants, substitute checks, and EFTs must be registered and interest charged until sufficient monies are available to redeem them.

Interest must accrue on registered warrants, substitute checks, and EFTs at a rate not to exceed 10% per year from the date registered until public notice is given that the treasurer is ready to redeem them. A.R.S. §§11-635 and 11-636. Registered warrants of power, and irrigation and water conservation districts accrue interest at the rate of 6 percent per year until paid. A.R.S. §§48-1601 and 48-3126

The treasurer must keep a register of warrants and substitute checks and a record of EFTs presented for payment. A.R.S. §11-635. Warrants, substitute checks, and EFTs should be recorded in a **registered warrant journal** (See page **IV-D-11**) of the applicable agency account, or in the pooled balance of the M&O, UCO, adjacent ways, and classroom site funds for school districts that includes:

- Warrant, substitute check, or EFT number.
- Date issued.
- Payee.
- Held by.
- Amount of warrant, substitute check, or EFT.
- Date registered.
- The account balance in each account at the time the warrant, substitute check, or EFT is registered.

If the treasurer maintains separate accounts for each school district fund and allocates interest on registered warrants on the pooled balance of the school district accounts, the following information should also be included when recording these warrants:

- Accounts with insufficient balances at the time of registration.
- The balance for each account.

If a revolving line of credit has not been obtained for a political subdivision or if the revolving line of credit has been spent and there are insufficient monies in the issuer's account, the county treasurer may invest in the warrant, substitute check, or EFT pursuant to A.R.S. §§11-635 and 35-323.

If the county treasurer does not invest in the registered warrant, substitute check, or EFT, the county treasurer must notify the servicing bank that the warrant or substitute check will not be paid for lack of monies. A.R.S. §11-635. Warrants or substitute checks that are not paid when presented should be stamped or endorsed "Not Paid for Lack of Funds" with the date of presentation. The registered warrants or substitute checks should then be returned to the servicing bank or individual.

When sufficient monies become available, monies borrowed from a credit line must be repaid

before registered warrants are redeemed. The treasurer must either post a written notice at the courthouse door or on the county's website, or publish a notice in a county newspaper stating that the county treasurer is ready to pay the warrants. A.R.S. §11-636. Servicing banks may be advised of specific warrants to be redeemed by other methods.

The treasurer must redeem unpaid warrants, substitute checks, or electronic funds transfers in the date order they were originally registered. A.R.S. §§11-635 and 11-639. If the presentation order cannot be determined because numerous warrants were received at the same time, the treasurer should pay them in the order of warrant number.

Interest on registered warrants is computed by multiplying the dollar amount of registered warrants by the annual interest rate. This amount is then multiplied by the number of days the warrants were registered and divided by 365. The amount of interest paid must be recorded separately from the principal. A.R.S. §11-640. The interest should be charged directly to the agency account on which the warrant was drawn. The treasurer's office should apportion interest attributable to school district pooled accounts as follows:

- If the treasurer maintains 1 account for the M&O, UCO, adjacent ways, and classroom site funds, interest on registered warrants should be charged to the pooled account.
- If the treasurer maintains separate accounts for the M&O, UCO, adjacent ways, and classroom site funds or if the treasurer maintains 1 pooled account and can separately identify the warrants registered for each fund, interest on registered warrants should be apportioned to the funds on which the warrants were drawn. However, if a fund had sufficient cash to pay a warrant but, because of negative balances in the other 3 accounts, the total balance was insufficient to pay the warrant, interest should be apportioned to the district accounts having the negative balances.

The registered warrant journal should include the following information for each redeemed warrant:

- The date redeemed.
- The number of days of interest.
- The amount of interest.
- The interest apportioned to each school district account.
- The total amount paid.

Monthly, the redeemed warrants must be submitted to the clerk of the board of supervisors (A.R.S. §11-501) or other applicable agency as required by statute.

The amount of the paid, registered warrants should be recorded daily, or at least weekly, in the ledgers of the appropriate agency accounts, with interest and principal payments shown separately. Each agency should be notified of the interest paid and the allocation of interest to each agency account or school district account.

ACCOUNTING PROECEEDURES

WARRANT PROCESSING

_____ COUNTY, ARIZONA

Warrant stop payment register

[illegible]

ACCOUNTING PROCEEDURES

WARRANT PROCESSING

_____ COUNTY, ARIZONA

Revolving line of credit journal

Entity: XYZ School District

Account No: 0918762

Agency Account: Pool (M & O, Unrestricted Capital Outlay, and Adjacent Ways Funds)

Annual rate of interest: 10%

Revolving line of credit authorized: \$50,000

Date line of credit accessed	Account balance		Total of warrants to be paid	Amount of line of credit accessed	Amount of line of credit available	Date line of credit repaid	Account balance		Amount of line of credit repaid	Number of days interest	Amount of interest	Total amount repaid	Amount of line of credit available
	Account	Amount					Account	Amount					
3/1/XX													\$50,000
3/1/XX	001	\$ 5,000	\$15,000	\$10,000									
	610	10,000	14,000	4,000									
	620	2,000	3,000	1,000									
					\$35,000								
						4/1/XX	001	\$ 6,000	\$5,000	31	\$42.47	\$5,042.47	
							610	15,000	4,000	31	33.97	4,033.97	
							620	5,000	1,000	31	8.49	1,008.49	
													45,000
						4/5/XX	001	8,000	5,000	35	47.94	5,047.94	
													50,000
5/1/XX	001	10,000	12,000	2,000									
	610	5,000	15,000	10,000									
					38,000								

ACCOUNTING PROCEEDURES

WARRANT PROCESSING

_____ COUNTY, ARIZONA

Registered warrant journal

Entity: XYZ School District

Agency Account: Pool (M & O, Unrestricted Capital Outlay, and Adjacent Ways Funds)

Annual rate of interest: 10%

Warrant		Payee	Held by	Amount of warrant	Date registered	Negative balance		Date redeemed	Number of days interest	Amount of interest	Interest apportioned	Total amount paid
Number	Date					Account #	Amount					
10110	3/1/XX	DEF Incorporated	WNB	\$25,000.00	4/1/XX			5/15/XX	45	\$308.22		\$25,308.22
						001	\$10,000				\$205.48	
						620	5,000				102.74	
10115	3/3/XX	WXY Company	WNB	10,000.00	4/5/XX							
						001	10,000					
						620	5,000					

CONTENTS

Topic	Page
INTRODUCTION	IV-E-1
LEGAL REQUIREMENTS	IV-E-1
PROCEDURES	IV-E-2
Definition of terms	IV-E-2
Accounting for a bond issue	IV-E-3
Other types of debt	IV-E-7
Debt limitation	IV-E-8
Extinguishment of debt	IV-E-8
Arbitrage	IV-E-10
Reporting requirements	IV-E-10

INTRODUCTION

Counties use a variety of debt instruments to obtain the monies necessary to meet their capital needs. The debt instruments predominantly issued by counties are bonds. However, other types of debt instruments that may be issued include certificates of participation; and bond, tax, grant, and revenue anticipation notes.

County treasurers' duties vary according to the type of funding mechanism employed by the board of supervisors. In addition, counties have certain limitations on the amount of debt that they may incur. Highlights of the current legal requirements governing these responsibilities and recommended procedures for carrying them out are summarized below.

LEGAL REQUIREMENTS

This list may not be all-inclusive and legal requirements may change after this manual is issued. Users of this manual should refer to Arizona Revised Statutes (A.R.S.) for the complete description of legal requirements pertaining to specific types of debt issued.

1. The treasurer must maintain a register of all bonds sold. A.R.S. §11-274
2. The board of supervisors, not the county treasurer, is the official issuer of county bonds and assumes all liability on the bonds including bonds issued pursuant to A.R.S. §§11-254.03, 11-264.01, 11-271, 11-281, 11-307, 11-371, and 11-721, and all other county bonds. A.R.S. §11-499
3. The treasurer must maintain separate accounts for each school district bond building fund and debt service fund. A.R.S. §§15-1022, 15-1024, and 41-5804
4. Monies received from tax collections to pay principal and interest on bonds must be deposited into the entity's debt service fund account. A.R.S. §§11-275 and 15-1022 The treasurer must credit to the impact aid revenue bond debt service fund an amount equal to the principal and interest that will become due on such bonds during the current year, based on the related debt service schedule the district provides to the treasurer. A.R.S. §41-5804
5. The proceeds from the sale of school district bonds must be deposited into the district's bond building fund account. When the bond proceeds will not be used for a period of 10 days or more, they may be invested as provided by A.R.S. §15-1025(B). A.R.S. §§15-1024
6. The proceeds from the sale of impact aid revenue bonds must be deposited into the district's impact aid revenue bond building fund account. If monies in the account are not required to be used for a period of 10 days or more, the treasurer may invest the monies as authorized and directed by the district's governing board. All monies earned as interest or otherwise derived from the investment of the monies in the impact aid revenue bond building fund must be credited to the impact aid revenue bond debt service fund account. A.R.S. §§41-5804 and 41-5808

7. The treasurer may invest a school district's debt service fund account monies as authorized by the governing board. The treasurer must be the custodian of all securities so purchased. A.R.S. §15-1025
8. All monies earned as interest or otherwise derived from the investment of a school district's bond proceeds must be deposited in its debt service fund, except that upon the request of the school district, the interest must be deposited to the bond building fund if federal laws or rules require the interest to be used for capital expenditures or if authorized by the voters for deposit in the bond building fund. A.R.S. §15-1024 Consequently, on or before the 15th day of each month, the treasurer must credit applicable monies collected during the preceding month to the appropriate school district debt service fund account. A.R.S. §15-1027
9. The treasurer, or the treasurer's designated agent, must cancel all bonds and coupons when paid and forward them to the clerk or secretary of the governing body. The clerk or secretary must file the bonds in their office and report the redemptions to the governing body. A.R.S. §§15-1022, 35-459, and 41-5807
10. Costs of registration, transfer, and payment may be deducted from the bond proceeds or may be treated as interest, and the costs added to and paid from the proceeds of taxes levied to pay interest on the bonds. Such costs are the liability of the entity obligated to repay the bonds. A.R.S. §§35-456 and 35-491
11. The treasurer may set aside, at the direction of the governing board or board of supervisors of any political subdivision, or at the discretion of the treasurer, amounts sufficient to meet potential rebate requirements to the federal government. A.R.S. §35-513
12. Within 60 days after bonds are issued, the issuing entity must file a report with the Arizona Department of Administration that includes all the information required by A.R.S. §35-501(B).

PROCEDURES

Definition of terms

A bond is a written promise to pay a specified sum of money, known as the face value or principal amount of the bond, at a specified date or dates in the future, known as the maturity dates. The bond seller must also make periodic payments of interest on the face value of the bond. The interest rate may be either fixed or variable.

Bond principal may either be repaid all on 1 date (i.e., term bond) or periodically over the life of the bond issue (i.e., serial bond). Other repayment modifications include callable bonds that grant the issuer the right to pay part or all of the obligation before the stated maturity and demand bonds that give the bondholder the right to require the issuer, or the issuer's agent, to redeem the bonds within a certain period after giving notice.

Other important bond attributes are:

Bond discount

The difference between the present value and the face amount of the bonds when the former is less than the latter. If bonds are sold at a discount, the aggregate amount of bond discount plus interest to be paid on the bonds must not exceed the amount of interest that would be payable on the bonds over the maturity schedule prescribed by the board of supervisors at the maximum rate set out in the bond resolution and approved by the voters, if applicable. A.R.S. §35-457 However, school district bonds and refunding bonds cannot be sold at a discount. A.R.S. §§15-1024 and 35-475

Bond premium

The difference between the present value and the face amount of bonds when the former is greater than the latter. The amount of net premium associated with a bond issue may be used only for the purposes specified in A.R.S. §§15-1024(D) and 35-457(D).

Accounting for a bond issue

Bonds may be issued by calling for bids at public sale, through an on-line bidding process, through an accelerated bidding process, or by negotiated sale.

The following basic documents are part of the bond offering:

- **Bond resolution**—Includes terms and purpose of the bonds and the financial responsibilities of the parties involved. The board of supervisors must formally adopt the bond resolution.
- **Preliminary official statement**—Discloses all information pertinent to market the bonds to investors.
- **Official statement**—Final version of the Preliminary Official Statement prepared after the bonds are sold. The Official statement contains the actual interest rates at which the bonds were sold.

The board of supervisors must forward a copy of the resolution and redemption and amortization schedules to the treasurer.

The board of supervisors may employ registrars, transfer agents, and paying agents to administer the bonds. The parties involved in a bond issue may include the following individuals:

- **Financial advisor**—Coordinates the bond issuance.
- **Underwriter**—Markets and sells the bonds.
- **Bond counsel**—Gives opinions on whether bonds meet tax-exempt status; acts on behalf of the holders, not the issuer.
- **Trustee**—Acts as fiduciary between holder and issuer.

- **Registrar**—Keeps a list of bond holders; usually a bank.
- **Transfer agent**—Performs the exchange process when a bondholder sells; usually a bank.
- **Paying agent**—Makes actual payments; usually the same bank is the transfer agent, paying agent, and registrar.
- **Credit enhancement providers**—Provides bond insurance, bond rating, bond interest rate.

Bond registration

The treasurer may act as registrar, transfer agent, and paying agent, or the treasurer may be required by the board of supervisors to contract for these services from the private sector. A treasurer designated as a registrar may impose a surcharge of not more than 25% of the average fee charged by commercial bank trust departments during the previous calendar year for discharging the duties described above. A.R.S. §11-496 Treasurers accepting the duties of registrar, transfer agent, and paying agent should still contract for services provided by financial advisors, underwriters, and bond counsel in order to satisfy the legal requirements of an issue and assist in sales.

All government bonds must be registered, and the treasurer must maintain a register of all bonds sold whether or not the treasurer is the registrar (see page [IV-E-5](#) for more guidance related to the bond register).

Bond proceeds

Upon receiving the resolution and redemption and amortization schedules from the board of supervisors, the treasurer should confer with the underwriters and obtain the bond proceeds. The bond proceeds may be transmitted by check or bank wire transfer. The treasurer should then:

- Compare the check or wire transfer amount with the resolution and resolve any differences with the underwriters.
- Prepare a treasurer's receipt (see page [IV-C-7](#)) for the amount of the proceeds.
- Record the amount of the treasurer's receipt in the treasurer's journal, if applicable.
- Record the amount of the bond proceeds in the bond building or capital projects accounts for the applicable agency in the treasurer's ledger (see [§IV-B, Accounting Records](#)).

The treasurer should also sign any pertinent documents such as the indenture; servicing agreement with the bank; and certification of capitalization for debt limitations, which is a written statement certifying that the county is within its debt limitation.

Costs of registration, transfer, and payment may be deducted from bond proceeds, or may be treated as interest and such costs may be added to and paid from the proceeds of taxes levied to pay interest on the bonds. A.R.S. §§35-456 and 35-491

Except as provided in A.R.S. §15-491(A)(3), school district bond proceeds must not be expended

for items whose useful life is less than the average life of the bonds issued, except that bond proceeds must not be expended for items whose useful life is less than 5 years. A.R.S. §15-1021

Bond register

The treasurer must prepare and maintain a bond register. that includes the following information:

- Bond number.
- Date of sale.
- Amount of the bond issue.
- Date of maturity.
- Name and address of purchaser.

When a bond is sold by a holder, the purchaser must notify the treasurer of the purchase, giving the number of the bond and his address, and the treasurer must note every transfer on the register. A.R.S. §11-274

Short-term investment of bond proceeds

When school district bond proceeds are not required to be used for a period of 10 days or more, the proceeds may be invested as provided by A.R.S. §15-1025(B). The treasurer may invest those monies as authorized by the governing board of a school district; however, the treasurer must be the custodian of the purchased securities. All interest earned on the investment of bond proceeds must be deposited in the school district's debt service fund, except that upon the request of the school district, the monies earned as interest shall be deposited to the bond building fund if federal laws or rules require the interest to be used for capital expenditures or the monies earned as interest shall be credited to the bond building fund if the voters authorized such use of the monies in a separate question in the bond election. A.R.S. §§15-1024 and 15-1025

The treasurer must keep separate accounts for all school district debt service and bond building funds. On or before the 15th day of each month, the treasurer must credit the monies collected during the preceding month to the applicable school district debt service fund account. A.R.S. §§15-1024, 15-1027, and 41-5804

For a special taxing district, the treasurer may invest any idle bond proceeds solely for the district's benefit in investments authorized by statute (Title 48).

Lien on Revenues

All bonds issued are secured by a lien on all revenues received pursuant to the tax levy. The lien arises automatically without the need for any action or authorization by the issuing entity. The lien is valid and binding from the time of the issuance of the bonds. The revenues received pursuant to the levy of the tax are immediately subject to the lien. The lien attaches immediately to the revenues and is effective, binding, and enforceable against the issuing entity, the entity's

successors, transferees, and creditors and all other parties asserting rights in the revenues, irrespective of whether the parties have notice of the lien, without the need for any physical delivery, recordation, filing or further act. A.R.S. §§11-275, 15-1022, 35-458, 35-474, 48-719, 48-806, and 48-5566

Principal and interest payments

All principal and interest transactions should be recorded in the appropriate entity's debt service fund or bond principal and interest redemption fund, as applicable. Taxes collected to pay bond principal and interest must be deposited into these accounts, and payments from these accounts should be made by check, warrant, or wire or other electronic transfer. A.R.S. §§11-275, 15-1022, and 35-491

The treasurer should record all principal and interest payments in the bond register. Further, if the paying agent is an outside trustee, the treasurer should reconcile the interest amount billed by the outside trustee to the treasurer's records and resolve any discrepancies. Finally, after the bonds are redeemed, the treasurer should receive a retired bond certificate from the outside trustee.

The treasurer or the treasurer's designated agent must cancel all bonds and coupons when paid. Canceled bonds and coupons and retired bond certificates should then be submitted to the clerk or secretary of the governing body for storage and report the redemptions to the governing body. A.R.S. §§15-1022, 35-459, and 41-5807

If at any time there is insufficient money in the county's debt service fund to pay the interest due on the bonds, the board of supervisors may transfer sufficient monies from the general fund to the debt service fund. Likewise, any excess in the debt service fund over the amount required for principal and interest on the bonds may be transferred to the general fund. A.R.S. §11-275

Bond fund completion

The statutes give clear guidance to school districts on the appropriate disposition of monies remaining in a bond building fund after the facilities being acquired or constructed have been completed. The governing board must specify the disposition of such monies in writing, as follows:

- If the district has outstanding bond debt, the balance remaining in the bond building fund must be transferred to the district's debt service fund. In accordance with A.R.S. §15-1028, districts may apply their remaining balances in the debt service fund to the payment of other outstanding bonded indebtedness, or if there is no outstanding bonded indebtedness, the balance remaining in or accruing to the debt service fund on written request of the governing board of the school district must be used for reduction of school district taxes.
- If the district has no outstanding bond debt, the balance remaining in the bond building fund must be used to reduce school district taxes on written request of the governing board. A.R.S. §15-1024

Although the statutory guidance is specific for school districts, the same logic is appropriate for other bond accounts administered by the county treasurer.

Other types of debt

Certificates of participation (COPs) are units of ownership in debt that are repaid from lease payments, often on major equipment financing. The investors receive portions of the lease payments in proportion to the certificates they own. The difference between a COP and a bond is that the security of the COP is contingent on annual appropriations of monies and not on a general obligation of the issuer. Therefore, the board of supervisors can terminate a COP if they fail to appropriate adequate funding to make the lease payments. COPs are approved by the board of supervisors and are not subject to the Arizona constitutional debt limitations. The security for COPs can range from nothing to the entire asset acquired. Principal and interest payments are made from unrestricted resources. The paying agent is an independent third party.

Certificates of supplemental interest payments (COSIPs) represent the ownership of a right to supplemental interest payments on a bond issue. The COSIP payments represent interest on the bonds that has been stripped away and sold separately from the bond. The interest on COSIPs is payable on maturity. This maturity value is calculated based on the maturity date, market interest rate for similar types of investments, and amount of proceeds estimated as necessary to cover escrow and other issuance costs of the bond offering. Generally, COSIPs mature prior to the maturity date of the bonds. COSIPs are not subject to the county's debt limitation.

Bond anticipation notes are short-term interest-bearing notes issued in anticipation of bonds to be issued at a later date. Bond anticipation notes must be authorized by resolution of the board of directors. The notes are retired from proceeds of the bond issue to which they are related. A.R.S. §§48-962, 48-963, 48-2081, and 48-2082

Tax anticipation notes (TANs) are used to finance short-term projected expenses of a taxing district when taxes will not be received in time to pay expenses. The notes are secured by the taxes estimated at the time of issuance and must be paid in full on or before July 31 following the end of the applicable fiscal year in which they are issued. A.R.S. §35-465.02 The amount of TANs issued in any fiscal year must not exceed 90% of the aggregate of all uncollected taxes estimated to be received by the taxing district for the fiscal year as shown on the budget. A.R.S. §35-465 et seq

The taxing district governing body must approve the issuance of TANs. Principal and interest payments are made from tax revenues that are required to be deposited into a TAN's principal and interest redemption fund. The paying agent is the county treasurer or an outside trustee.

Grant anticipation notes are used to finance short-term projected expenses when applicable grant monies will not be received in time to pay expenses of the grant program. The notes are secured by the estimated grant revenues at the time of issuance, and the liability must be included in the county's financial statements. However, the State or any political subdivision shall not in any event be liable for the payment of principal and interest on grant anticipation notes from other than

grant revenues, and grant anticipation notes are not subject to the State or any political subdivision's debt limitation. The amount of grant anticipation notes cannot exceed the aggregate of all uncollected grant revenues to be received by the county under the terms of the applicable grant agreements.

All grant revenues received must be deposited into a grant anticipation note principal and interest redemption fund until the monies in the fund are sufficient to pay all principal and interest on the notes when due or redeemed prior to maturity. The paying agent is the county treasurer or an outside trustee. A.R.S. §35-466 et seq

Revenue anticipation notes are used to finance short-term projected expenses of a taxing district when revenues will not be received in time to pay expenses. The revenues are limited to assessments, charges, fees, or other revenues derived from or associated with facilities existing and operating at the time the revenue anticipation notes are sold. The notes are secured by the amount of revenues estimated at the time of issuance, and the liability must be included in the county's financial statements. However, the county is not liable for the payment of principal and interest on revenue anticipation notes from other than such revenues, and the notes are not subject to the county's debt limitation. The amount of revenue anticipation notes issued in any fiscal year must not exceed 50% of the aggregate of all uncollected revenues estimated to be received by the district for the fiscal year.

The taxing district governing body must approve issuance of revenue anticipation notes, but they do not need to be approved by the county's taxpayers. Revenues, when received, should be deposited into a special revenue anticipation note redemption fund until monies are sufficient to pay all principal and interest on the notes when due. All monies in the special fund must be used to pay principal and interest on the notes and may not be used for any other purpose. The paying agent is the county treasurer or an outside trustee. A.R.S. §35-467 et seq

Debt limitation

The Arizona Constitution, Article 9, §8, prohibits a county from becoming indebted in any manner in excess of 6% of the county's net assessed value of the full cash value without prior approval of a majority of the property owners. However, under no circumstance may a county become indebted in an amount that exceeds 15% of the assessed valuation of its taxable property. Authority to issue bonds above the 6% limit is provided by A.R.S. §35-451 et seq. The county board of supervisors initiates the process whereby a proposed county bond issue is put before the voters.

Extinguishment of debt

Governmental bonds and other similar long-term debt are considered extinguished in the following circumstances:

- Debt is paid at the scheduled maturity.
- Call provisions of the debt are exercised, in which the county pays off the debt before the

scheduled maturity, which is usually at a premium.

- Sufficient cash or other assets are placed with an escrow agent in an irrevocable trust to be used solely for satisfying scheduled payments of debt interest and principal.
- Old debt is replaced with new debt.
- Debtor is legally released from being the primary obligor under the debt, either judicially or by the creditor, and it is probable that the debtor will not be required to make future payments with respect to the debt under any guarantees.

Defeasance of debt

Defeasance of debt can occur in 2 forms.

- Legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument. An example of this is when refunded bonds are called and paid from the proceeds of the corresponding refunding bond issue.
- In-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes. An example of this is when sufficient assets have been accumulated in a sinking fund that will provide for all future debt service requirements. To qualify as an in-substance defeasance, the assets in the sinking fund must be transferred to an irrevocable trust that is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal. In addition, the monetary assets held by the trust must provide cash flows from interest and maturity of those assets that approximately coincide, in timing and amount, with the scheduled interest and principal payments on the defeased debt.

Note: The circumstances for in-substance defeasance of debt do not apply to refunded bonds with variable interest rates because of the uncertainty of future debt service requirements.

Advanced refunding of debt

Advance refunding of debt involves the issuance of new debt to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. This is done to obtain an economic advantage, such as lower interest rates, a revised payment schedule, an extension of maturity dates, or removal or modification of restrictions.

The board of supervisors may issue refunding bonds to redeem an outstanding bond issue. The refunding bond proceeds are used to purchase U.S. Treasury securities for a refunding escrow account. Bond interest payments and principal repayments are then made from the escrow account. A.R.S. §35-473.01 To comply with A.R.S. §35-472, refunding bonds must be signed by the chairman of the board of supervisors and countersigned by the county treasurer.

Note: See A.R.S. §35-473.01 for restrictions on the use of bond premiums associated with a

refunding bond issue and information describing how those premiums affect an entity's aggregate indebtedness capacity.

Arbitrage

In accordance with U.S. Treasury regulations, if the proceeds from tax-exempt bonds are invested in securities providing a yield materially higher than that of the bonds, the earnings from such investments may be required to be rebated to the U.S. Treasury, and the interest on the bonds may be declared taxable. Arbitrage rebate regulations require that investments of bond proceeds be monitored for arbitrage earnings and rebates be made appropriately to avoid penalties, including fines and retroactive taxability of the bonds. The treasurer may set aside, at the direction of the board of supervisors or at the treasurer's discretion, amounts sufficient to meet potential rebate requirements. A.R.S. §35-513 Arbitrage regulations may also apply to certificates of participation.

Reporting requirements

On or before June 30 of each year, a list of outstanding bond issues should be included on the treasurer's report (see page [V-2](#)). The following information should be reported for each bond issue:

- Agency.
- Opening balance.
- Receipts credits (for new issues).
- Disbursements debits (for principal payments).
- Closing balance.

Refunded bonds should not be included on the treasurer's report.

Reports related to the issuance of bonds must be filed with the Department of Administration within 60 days of the issuance. The reports should include all the necessary information as required in A.R.S. §35-501(B).

CONTENTS

Topic	Page
INTRODUCTION	IV-F-1
LEGAL REQUIREMENTS	IV-F-1
PROCEDURES	IV-F-4
Real property and personal property taxes.....	IV-F-4
Payments under protest.....	IV-F-20
Government property lease excise tax	IV-F-20
EXHIBITS	
Daily Tax Distribution Worksheet.....	IV-F-22
Tax Apportionment and Distribution Worksheet	IV-F-23
Tax Distribution Journal	IV-F-24
Overpayment Tax Receipt	IV-F-25
Partial Payment Tax Receipt	IV-F-25
Treasurer's Certificate of Purchase	IV-F-26
Redemption Certificate	IV-F-27
Treasurer's Certificate of Clearance	IV-F-28

INTRODUCTION

In accordance with Arizona Revised Statutes (A.R.S.) §42-18001, the county treasurer is responsible for collecting all property taxes and apportioning them to the appropriate accounts. When unpaid property taxes become delinquent, the treasurer is also responsible for conducting tax lien sales, processing redemptions of tax liens sold, and processing deeds on foreclosures. Highlights of the current legal requirements governing these responsibilities and recommended procedures for carrying them out are summarized below.

LEGAL REQUIREMENTS

This list may not be all-inclusive and legal requirements may change after this manual is issued. Users of this manual should refer to A.R.S. for the complete description of legal requirements.

1. The tax roll attached to the county board of supervisors' resolution for collecting property taxes is the treasurer's authority to collect taxes levied. A.R.S. §42-18003 Immediately upon receipt of the tax roll, the treasurer must publish an official notice that contains the information required by A.R.S. §42-18051.
2. The county treasurer must mail or, on the request of the mortgagor, email a statement of taxes due on the property to the mortgagor, at the mortgagor's last known mailing address or, if requested, email address. If the mortgagor of the property changes, the county treasurer must mail the tax statement to the new mortgagor at the address of the property until the new mortgagor requests email delivery of the tax statement. The tax statement must be sent to the mortgagor before November 1 and contain the information required by A.R.S. §42-18054. The county treasurer, on request, shall send a statement of taxes due on the property to the mortgagee, in any form established by the county treasurer. A.R.S. §42-18054
3. The tax rate levied against personal property is the rate established pursuant to A.R.S. §42-17151 in the taxing jurisdiction where the property is located. A.R.S. §42-19101

Unless the total amount of taxes is \$100 or less, the first-half taxes on personal and real property are due and payable on October 1, and the second-half taxes are due and payable on the following March 1. If the total amount of taxes is \$100 or less, the entire amount is due and payable on October 1, and the entire amount that is unpaid is delinquent after December 31 at 5:00 p.m.

If the delinquency date is a Saturday, Sunday, or legal holiday, the time of delinquency is 5:00 p.m. on the next business day. A.R.S. §42-18052

4. When taxes are paid, the county treasurer must record the date of payment and credit the payment to the person or property liable for the tax. The treasurer must establish procedures for issuance or nonissuance of receipts. The receipt should include the total amount paid, the date of payment, and the parcel identification number. A.R.S. §42-18055

5. A treasurer must accept a partial tax payment providing the payment is equal to at least 10% of the amount due. However, partial payments may not be less than \$10. If any part of the tax or any installment remains unpaid at the date of delinquency, the delinquency relates only to the amount remaining unpaid. The receipt issued to the taxpayer in accordance with A.R.S. §42-18055(B) must state that it covers a partial payment of taxes. A.R.S. §42-18056
6. The first-half taxes on personal and real property become delinquent after 5 p.m. on the first business day of November, and the second-half taxes become delinquent after 5 p.m. on the first business day of the following May. A.R.S. §42-18052(B)
7. Tax payments that are deposited, properly addressed and postage prepaid, in an official depository of the U.S. mail are deemed received on the date shown by the postmark or other official mark of the U.S. mail stamped thereon. If the due date falls on Saturday, Sunday, or a legal holiday, the tax payment is considered timely if received on the next business day. If the payment does not contain a postmark or other official mark of the U.S. mail stamped thereon, it must be considered timely if received within 5 business days after the filing's due date. A.R.S. §1-218
8. Any taxes that have been overpaid as a result of a change made by statute in the tax roll must be refunded upon claim by the taxpayer. If monies are available, then refunds must be made in the current year. If no monies are available, the board of supervisors must budget the refund in the next fiscal year. If a refund remains unpaid and unclaimed 2 years after the fiscal year in which it was budgeted, the monies budgeted for the refund revert to the appropriate fund of the political subdivision that levied the tax. A.R.S. §42-18061
9. Within 30 days after personal property taxes become delinquent, the treasurer must deliver to the sheriff a tax bill directing the sheriff to seize and sell as much of the property as is necessary to pay taxes, interest, and seizure and selling costs. The treasurer may issue the tax bill within 30 days after the first installment becomes delinquent; however, the treasurer must issue it after the second installment becomes delinquent or after the entire amount is delinquent. A.R.S. §42-19108
10. The treasurer must maintain a record of delinquent taxes that includes a list of the properties, owners of record, and the amount of taxes, penalties, and interest due. A.R.S. §42-18102
Taxes accrue interest from the date of delinquency at the rate of 16% per year simple until paid. A fraction of a month is counted as a whole month. No interest may be collected if the delinquency is the result of an error by the county assessor or county treasurer or if the full year tax is paid on or before December 31 of the tax year, regardless of whether payment of tax is due pursuant to A.R.S. §42-18052(A) and (B), or §42-18052(C) for an amount of tax \$100 or less. However, subject to the approval of the county board of supervisors, the treasurer may waive the interest that accrues and any other penalties, for a delinquency that occurs during the 1-year period after a mortgage or deed of trust is satisfied or otherwise released on the property. A taxpayer may receive a waiver under this subsection only once per property. A.R.S. §42-18053

11. On or before September 1 of each year, the treasurer must mail a notice to the last known address of each person owing delinquent taxes stating that there are delinquent taxes against the real property assessed in the taxpayer's name. A.R.S. §42-18103
12. Property tax liens on properties on which delinquent taxes are due must be advertised and sold for the aggregate amount of all unpaid taxes that are delinquent, together with all penalties, interest, and charges due for the current or preceding years whether or not the aggregate amount of any part has been reduced to judgment, and any outstanding fees attached to the parcel. A.R.S. §42-18104
13. The county treasurer or board of supervisors, as applicable, may act as the agent for the State for the collection of property taxes with respect to any tax liens that are assigned to the State or any property that is held by the State. A.R.S. §42-18005
14. Cities, towns, counties, school districts, State agencies, instrumentalities of the State, and special taxing districts must, when acquiring real or personal property by purchase, exchange, condemnation, gift, or otherwise, pay to the county treasurer any taxes on the property that were unpaid as of the date of acquisition plus penalties and interest, in accordance with A.R.S. §§9-404, 11-260, 15-341(C), 37-804, and 48-248, respectively.
15. On or before December 31 of each year, the treasurer must prepare a list of all real property upon which the taxes for prior years are unpaid and delinquent and a notice stating that the treasurer will sell a tax lien on each parcel of real property at public auction. A.R.S. §42-18106
16. The treasurer must publish the list and notice, required by A.R.S. §42-18106, at least once in a newspaper of general county-wide circulation at least 2 weeks but not more than 3 weeks before the start date of sale. Also, for at least 2 weeks before the start date of sale, the treasurer must post a copy of the list and required notice near the outer door of the treasurer's office. In addition, the newspaper that prints the list and notice required by A.R.S. §42-18106 must also post the list and notice from the first publication date through March 1 of the current year on the internet on a website that posts legal notices of 10 or more Arizona newspapers. A.R.S. §42-18109
17. On or before August 15, the treasurer must report to the board of supervisors the amount of taxes on the roll charged for collection during the preceding fiscal year, the total collections for that year, the amount of increase and decrease due to corrections, and the total amount of unpaid taxes on the roll as of June 30. A.R.S. §42-18002
18. Treasurers in counties with a population exceeding 2 million must administer the elderly assistance fund established by the board of supervisors. On June 30 of each year, the treasurer must determine the total amount of monies in the elderly assistance fund and the total number of qualified individuals who live in the county. The treasurer must use the monies in the fund to proportionately reduce the primary school district taxes that are levied against the property of all qualified individuals in the county for the following tax year. The treasurer must invest monies in the fund. Interest earned on fund monies must be deposited in the taxpayer's information fund established by A.R.S. §11-495. A.R.S. §42-17401

19. The treasurer must collect the assessment imposed by A.R.S. §§33-1476.03 and 33-2151 at the same time and in the same manner as personal property taxes. The treasurer must separately list the assessment on the tax roll and must transfer the revenues collected to the State treasurer for deposit in the mobile home relocation fund. The treasurer must send to the State treasurer a written notice of the total taxable assessed valuation, derived by applying the applicable percentage specified in title 42, chapter 15, article 1, to the limited property value, of all mobile homes, park trailers, or park models in the county on which the assessment is assessed.
20. Each county treasurer must remit to the State Treasurer, on or before the 15th day of each month, the portion of tax money belonging to the State that was collected during the previous month and a statement of financial transactions in a form authorized by the State Treasurer. A.R.S. §35-145
21. On or before the end of each month, the treasurer must apportion the taxes collected to the appropriate accounts. A.R.S. §42-18001

PROCEDURES

The following procedures are recommended to help ensure that property taxes are properly recorded and apportioned.

Real property and personal property taxes

Tax collections—A.R.S. §§42-18001 et seq, 42-18051 et seq, and 42-19101 et seq.

The tax roll is the official list showing the amount of taxes levied against each taxpayer or property.

The assessment roll, in the case of real property, is the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are usually shown. In the case of personal property, the assessment roll is the official list containing the name and address of the owner, a description of the personal property, and its assessed value.

Frequently, the tax roll and the assessment roll are combined, but even in these cases, the 2 are distinguishable.

Upon receipt of the tax roll from the board of supervisors, the treasurer must publish a notice in a newspaper of general circulation in the county. The notice must be published weekly for 4 consecutive weeks and include the following:

- A statement indicating that the assessment and tax roll for the year are in the treasurer's possession for collection of the taxes levied.
- That the taxes on real and personal property are due and payable and become delinquent at the dates and times prescribed by A.R.S. §42-18052, and interest will be added to the tax from

the time of the delinquency as prescribed by A.R.S. §42-18053, unless either:

1. The first half of the taxes are paid before they are delinquent.
 2. The full year tax is paid on or before December 31.
- That all taxes may be paid at the time the first installment is due and payable.
 - When and where tax payments may be made.

The rate of tax extended and levied against personal property is the rate established pursuant to A.R.S. §42-17151 in the taxing jurisdiction where the property is located. A.R.S. §42-19101

Upon receipt of the real and personal property tax rolls, the treasurer should record total taxes due to each account in the applicable Taxes Receivable Ledger (see pages [IV-F-14](#) and [IV-F-15](#)).

The treasurer should prepare and mail numerically controlled tax notices to owners of record. Each notice should include the following information:

- The amount of current-year taxes due.
- A statement of delinquent taxes from prior years.
- The dates payments are due.
- The dates taxes become delinquent.
- A remittance advice to be returned with the taxpayer's first- and second-half payments.

The treasurer must mail or, on the request of the mortgagor, email a statement of taxes due on the property to the mortgagor at the mortgagor's last known mailing address or, if requested, email address. If the mortgagor of the property changes, the county treasurer must mail the tax statement to the new mortgagor at the address of the property until the new mortgagor requests email delivery of the tax statement. Each tax statement should be sent to the mortgagor before November 1.

The tax statement must separately list the following for the current and previous tax years for the property:

- The amount of primary taxes and secondary taxes applicable to the property that is due to each taxing jurisdiction.
- If applicable, the amount of additional State aid to school districts provided to property classified as class 3 in accordance with A.R.S. §42-12003.

On request, the treasurer must send a statement of taxes due on the property to the mortgagee, in any form established by the treasurer.

When the remittance advice and tax payment are received from the taxpayer in-person or by mail, the treasurer should:

- Immediately endorse the check restrictively "for deposit only," and place any cash or check

received in a secured cash drawer.

- Compare the payment to the tax roll.
- Record the date of payment to the tax roll and credit payment to the person or property that is liable for the tax.

NOTE: Payment of taxes for power districts may be made with matured bond interest coupons or warrants of the applicable district. The aggregate par value of the coupons and warrants must not exceed the amount of taxes due, and a money payment must be made to pay the balance of the taxes. The treasurer should immediately cancel any warrants, bonds, or coupons upon receipt. A.R.S. §48-1597

If the payment exceeds the tax due, the treasurer should:

- Record the amount overpaid to the tax roll.
- Calculate the refund amount.
- Prepare a consecutively prenumbered overpayment tax receipt (see page [IV-F-19](#)) for the overpayment.
- Submit the receipt to the treasurer and prepare a treasurer's check.
- Return a copy of the receipt to the cashier to retain in the cash drawer.
- Remit the treasurer's check to the taxpayer.
- Record on the tax roll that the overpayment refund was issued.

If the payment is less than the tax due, the treasurer should process the partial payment as follows:

- Prepare a consecutively prenumbered partial payment tax receipt (see page [IV-F-19](#)). Each receipt must clearly state that it is a partial payment. A.R.S. §42-18056
- Forward to the taxpayer the original receipt (showing amount paid and balance due).
- Record the date, partial payment amount, and partial payment tax receipt number on the tax roll and reduce the amount of taxes due.
- Process the partial payment as a regular tax payment.

For mailed payments, the date of payment is the postmark date. A.R.S. §1-218 For over-the-counter payments, the payment date is the date received. A treasurer's receipt must be prepared for each tax payment unless the treasurer is following procedures established for nonissuance of receipts as allowed by A.R.S. §42-18055(C). When a treasurer's receipt is issued, it must state the total amount paid, date of payment, and parcel identification number. A.R.S. §42-18055. If the tax receipt procedure is followed, a receipt should be prepared daily for the total amount of property tax payments received by check for which receipts were not issued.

The treasurer may require electronic transmission of supporting documentation and payment that includes the name of the taxpayer, tax parcel number, and amount of tax, on or before the due

dates prescribed in A.R.S. §42-18052, by any person or entity, acting on behalf of multiple owners of property who submit tax payments to the county treasurer in a lump sum exceeding \$50,000 or owners who submit 50 or more tax payments. If the sum of funds submitted fails to balance with the tax parcel information and supporting documentation submitted electronically, and there have been no changes to the tax bills as a result of assessor resolutions or tax court judgments, the treasurer must not accept the funds and must return the funds and request that the correct amount be submitted. If any payment is received after a delinquent date prescribed in A.R.S. §42-18052, interest accrues as prescribed by A.R.S. §42-18053. A.R.S. §42-18051

After performing the daily cash reconciliations (see page [IV-C-5](#)), the treasurer should implement the following procedures for recording tax collections:

- Record the numbers and amounts of the TRs prepared for the total taxes, and for interest and charges collected on delinquent taxes in the treasurer's journal as a credit in the due to agency accounts column.
- Enter the total tax collections in the undistributed tax collections clearing account, and record the total interest, penalties, charges, and fees collected on the delinquent taxes in the county general fund account, except as provided in A.R.S. 42-18116(C). A.R.S. §42-18123
- Summarize tax receipts by tax year and by tax area code within each tax year, and enter the total taxes collected by tax area code in the daily tax distribution worksheet (see page [IV-F-16](#)) for the applicable tax year.

The treasurer should deposit all current and delinquent taxes collected intact daily in the servicing bank account (see page [IV-C-7](#)) And batch and file remittance advices daily.

On or before the end of each month, the following procedures should be implemented:

- Total the tax collections recorded on the daily tax distribution worksheets for each tax area code by tax year.
- Record total taxes collected for each tax area code for each tax year to the appropriate monthly tax apportionment and distribution worksheet (see page [IV-F-17](#)) and apportion them by multiplying the total collected by the predetermined tax rate percentages for each entity.

NOTE: The county is responsible for apportioning the property taxes (real and personal) it collects to the appropriate taxing authorities. The treasurer's office receives from the assessor's office the values of all property in the county for each tax year and also the approved tax rates set by the board of supervisors. This information is used by the treasurer's office to create the tax apportionment schedules. Total property tax payments are entered daily into these schedules (as noted above) to determine the taxes to be apportioned to each taxing authority.

Combine and enter totals for related entities for each tax year by entity on the tax distribution journal (see page [IV-F-18](#)).

Prepare a fund transfer journal entry to transfer total tax collections during the month from the undistributed tax collections clearing account to the applicable accounts in the treasurer's ledger listed on the tax distribution journal.

Taxes receivable ledger

The treasurer should maintain separate records for each type (real and personal) of property tax, each year, each agency, and each account.

The records should be maintained to provide a summary of total taxes receivable by type (i.e., real property and personal property taxes receivable), amounts of taxes receivable for each year within type, amounts of taxes receivable for each agency by year and type, and amounts of taxes receivable for each account within each eligible agency by year and type.

When the tax rolls are received, the treasurer should record the total amount of taxes receivable by type, year, agency, and account in the appropriate taxes receivable ledger and subsidiary ledgers. At the end of each month, after the month's tax collections are apportioned, the amounts applicable to each type, year, agency, and account should be recorded in the Taxes Receivable Ledger.

Correcting tax roll—A.R.S. §§42-16215 and 16258

Upon receiving a property tax appeal judgment from a clerk of the court, the board of supervisors, county assessor, or county treasurer, whichever is appropriate, must correct the rolls within 15 days according to the judgment. The full cash value found by the court must be entered on the tax roll and used to determine the taxes due on the property.

If the treasurer determines that any property is omitted from the roll or has reason to believe that any personal property omitted from the roll has not been taxed in any other county for that year, the treasurer must request the assessor to determine the valuation of the property. The treasurer must enter the valuation on the roll as additional valuations, following the levies made and delivered by the board of supervisors. If there is an error on the roll in the name of the taxpayer who should be assessed or taxed, the county treasurer may change the name and collect the tax from the correct taxpayer. If an error or omission is determined, the taxpayer shall be notified of the proposed correction, and the taxpayer may appeal the proposed correction in accordance with A.R.S. §42-16252. Only authorized employees should make adjustments to the tax rolls, and such adjustments should be reviewed and compared to supporting documentation by a second authorized employee to ensure that the adjustment was proper.

The treasurer must mail a corrected billing to the taxpayer on the occurrence of any of the following:

- The consent of the taxpayer to a tax roll correction.
- The consent of the tax officer to the notice of claim.
- The decision of the board of equalization.
- The final nonappealable ruling by a court of competent jurisdiction.

Any taxes that are assessed pursuant to Title 42, Chapter 16, Article 6, are delinquent if not paid within 90 days after the date the corrected billing is mailed to the taxpayer.

Refunds—A.R.S. §§42-16214 and 42-16259

If taxes have been overpaid, the amount of taxes overpaid shall be refunded with interest at the legal rate set by the department as prescribed by A.R.S. §42-1123. For the purpose of computing interest, if the tax was paid in installments, a pro rata share of the total overpayment is considered to be attributable to each installment.

If a judgment is awarded to a taxpayer who paid the taxes to the county treasurer, the county treasurer in which the property is located must pay the judgment out of monies collected from property taxes during the next fiscal year, unless there are sufficient amounts available in funds budgeted for that purpose by the county to allow an immediate refund, or, if both parties agree, the amount of the judgment may be credited toward any taxes that may be remaining due on the property that is the subject of the appeal, subject in either case to the approval of the board of supervisors. If taxes have been overpaid as a result of an error determined by the county treasurer, the refund as described above must be paid within 90 days after the treasurer corrects the tax roll.

Delinquent taxes—A.R.S. §§1-218, 42-18052, 42-18053, 42-18102, 42-18103, and 42-18123

Unpaid first-half taxes on real and personal property become delinquent if received after November 1 at 5:00 p.m. Unpaid second-half taxes are delinquent if received after May 1 at 5:00 p.m. on. However, if the total amount of taxes is \$100 or less, the entire amount that is unpaid after December 31 at 5:00 p.m. is delinquent. If the delinquency date is a Saturday, Sunday, or legal holiday, the time of delinquency is 5:00 p.m. on the next business day.

NOTE: Treasurers should collect delinquent personal property taxes on mobile homes in accordance with A.R.S. §42-19157.

Tax payments received after the delinquency date are subject to 16% per year simple interest charges, except that no interest may be collected if the delinquency is the result of an error by the county assessor or county treasurer or if the full year tax is paid on or before December 31 of the tax year. Interest on delinquent taxes should be calculated on the tax amount only, exclusive of penalties and fees. Upon approval of county board of supervisors, the treasurer may waive the interest that accrues in accordance with A.R.S. §42-18053, and any other penalties, for a delinquency that occurs during the 1-year period after a mortgage or deed of trust is satisfied or

otherwise released on the property. A taxpayer may receive a waiver under this subsection only once per property.

Procedures for processing delinquent taxes are as follows:

- Interest charged should be recorded on the tax roll.
- Taxes received should be placed in the cash drawer.
- Delinquent taxes should be distributed in the same manner and proportions as required by law with respect to other taxes.
- Interest, penalties, charges and fees collected must be credited to the county general fund, except as provided in A.R.S. §42-18116(C).

NOTE: The board of supervisors shall annually establish a time of delinquency for collection of taxes levied for community park maintenance districts. The delinquent taxes are subject to 15% per year simple interest charges. A.R.S. §48-1210

In those instances in which a payer remits the amount of delinquent taxes due but does not include accrued interest, the treasurer may allocate the amount received to the delinquent taxes, the accrued interest, or proportionally to both. However, the treasurer should be consistent in the method used. The treasurer should then notify the property owner of the remaining amounts due.

The treasurer must maintain a record of delinquent taxes that includes a list of the properties, owners of record, and the amount of taxes, penalties, and interest due. On or before September 1, the treasurer must mail notices to the last known address of each person or firm that owes delinquent taxes stating that there are delinquent taxes against the real property assessed in the taxpayers' names.

Tax lien sale for delinquent taxes —A.R.S. §§42-18101 et seq.

A.R.S. §42-18101 requires the treasurer to secure the payment of unpaid delinquent taxes using the provisions of Title 42, Chapter 18, Articles 3 through 6, to sell the tax liens provided for in A.R.S. §42-17154. The treasurer must advertise and sell the tax lien for the aggregate amount of all unpaid taxes that are delinquent on the property together with all penalties, interest, and charges respectively due for the current or preceding years, whether the aggregate amount or any part has been reduced to judgment, and any outstanding fees attached to the parcel. The tax lien sale must be held within the month of February.

On or before December 31, the county treasurer must prepare both a list of all real property on which the taxes for prior tax years are delinquent, and an accompanying notice of sale stating that the treasurer will sell a tax lien on the property at public auction for taxes, penalties, interest, and charges on the real property. The list should describe the property as it is on the tax roll. The notice of sale must include the owner's name; property account number, if available, and the property parcel number; the tax years for which taxes are delinquent; and the taxes, penalties, interest, and charges assessed. The treasurer must mail a copy of the notice or proposed sale to the owner of each parcel of property at the owner's last known address. The county must make a description of

the property associated with the parcel number available to the public on a county website.

On January 1, after the treasurer prepares the delinquent tax list described above, a penalty of \$5 or 5% of the delinquent taxes for which the tax lien is being sold, whichever is more, is imposed and due and must be added to the delinquent tax record for each parcel of real property described in the list and notice.

Not less than 2 weeks or more than 3 weeks before the start date of sale, the treasurer must publish the delinquent tax list and notice, as described above, at least once in a newspaper of general county-wide circulation. The newspaper must also post the list and notice from the first publication date through March 1 of the current year on the internet on a website that posts legal notices of 10 or more Arizona newspapers. The published notice may exclude the owner's name if the description of the real property in the notice is sufficient to identify it and includes the amount of taxes for which its tax lien is to be sold. The treasurer must record an affidavit stating the posting of the delinquent tax list and notice of the tax lien sale. Additionally, each publisher who publishes the list and notice must record and deliver an affidavit of publication to the county treasurer immediately after the last publication. If no affidavit is received and recorded within 10 days after the last publication, the publisher must not be paid for the publication of the list and notice.

The treasurer must also post a copy of the delinquent tax list and notice, as described above, near the outer door of the treasurer's office for at least 2 weeks before the start date of the sale.

Commencing with the day of the tax lien sale, the treasurer must sell the real property tax lien to the person who pays the whole amount of delinquent taxes, interest, penalties, and charges due on the property, and who also accepts the lowest rate of interest on the amount so paid to redeem the property from the sale, which may not exceed 16% per year simple interest. The lien bears interest at the bid rate from the first day of the month following the purchase of the tax lien.

The treasurer must issue a treasurer's certificate of purchase (see page [IV-F-20](#)) to each purchaser, or to each assignee, at the sale for delinquent taxes, and collect \$10 for each certificate. The treasurer may provide for a registered certificate in the treasurer's records in lieu of delivering a physical certificate. If there are no bids for a tax lien, the treasurer must pass it and reoffer it at the beginning of the sale on the next day until all tax liens are sold or until the treasurer is satisfied no more sales will be made. At that time, the treasurer must assign the unsold property tax liens to the State and issue a certificate of purchase to the State.

The treasurer's certificate of purchase or registered certificate must include the following:

- Description of the real property on which the tax lien was sold.
- Date of the sale.
- Name of the purchaser.
- Tax year or years for which the tax lien was sold.
- Amount of all taxes, interest, penalties, and charges for which the tax lien was sold and the rate of interest payable in order to redeem the property.

The treasurer must require that the purchase price be paid in cash at a time the treasurer determines but within 15 days after the close of the sale. A.R.S. §42-18116 describes the treasurer's procedures if the purchaser fails to pay. The treasurer must make a record of all property tax lien sales containing the following information:

- Date of sale.
- Description of each parcel on which a tax lien was sold.
- Name of the owner, if known.
- Name of the purchaser.
- Total amount of taxes, interest, penalties, and charges for which each tax lien was sold.
- Amount of subsequent taxes and interest paid by the purchaser.
- Name of the assignee and the date of assignment of the certificate.
- Name of the person redeeming and the date of redemption.
- Total amount paid for redemption.
- Name of any person to whom conveyed and the date of deed.

Proceeds from a tax lien sale must be distributed. The delinquent taxes portion of the proceeds must be distributed in the same manner and proportions as required by law with respect to other taxes. The interest, penalties, charges, and fees collected in the process of collecting taxes must be credited to the county general fund, except for the \$10 processing fee collected as prescribed by A.R.S. §42-18116(C), which must be credited to the taxpayers' information fund.

On or after June 1, a certificate holder may pay subsequent taxes, accrued interest, and related fees due on the property. Upon receipt of the payment, the treasurer must record the subsequent payment on the certificate and on the record of tax lien sales. The amount of subsequent taxes bears interest at the rate stated in the certificate of purchase from the first day of the month following the purchase of the subsequent tax lien. The treasurer must collect a \$5 fee from the certificate holder for making the entries.

On or after June 1 in a county with a population of more than 3 million persons, if no prior year certificates of purchase are outstanding, if a person who holds a certificate of purchase for tax year 2014 and afterwards desires to pay subsequent taxes, the county treasurer must issue a separate certificate of purchase by assignment for each subsequent year's taxes, accrued interest, and related fees due on the property. The principal amount of each subsequent year's certificate of purchase bears interest at the rate stated in the original certificate of purchase exhibited by the person from the first day of the month following the purchase of the subsequent certificate. The treasurer must collect a \$5 fee for assigning a certificate of purchase for each subsequent year. Taxes, accrued interest, and related fees paid by the certificate holder should be processed as regular tax payments.

If a person who holds a certificate of purchase does not exercise the option to pay subsequent taxes, accrued interest, and related fees due on the property pursuant to A.R.S. §42-18121, the treasurer may require a person who desires to purchase a subsequent certificate of purchase on the property to acquire by assignment all currently outstanding certificates of purchase previously issued on the property. The county treasurer must process the sale as an assignment on behalf of the previous holder of the certificate of purchase.

Unless the restrictions described in A.R.S. §42-18127(C) apply, if the certificate of purchase is not redeemed and the purchaser or the purchaser's heirs or assigns fail to commence an action to foreclose the right of redemption within 10 years after the last day of the month in which the original certificate of purchase, including any subsequent taxes paid, was acquired pursuant to A.R.S. §42-18114, the certificate of purchase or registered certificate expires and the lien is void. Within 365 days before the expiration date, the treasurer must notify the purchaser by certified mail of the pending expiration. Within 30 days after expiration, the treasurer must notify the purchaser by mail or email, if practicable, that the lien and certificate of purchase or registered certificate have expired.

Redemption of real property tax liens—A.R.S. §§42-18151 et seq.

Real property tax liens sold in a tax sale can be redeemed by the owner; any person who wants to pay on behalf of the owner by making a charitable gift; the owner's agent, assignee, or attorney; or anyone having a legal or equitable claim to the property, including a certificate of purchase of a different date. A lien may be redeemed at any time within 3 years after the date of tax lien sale or after 3 years but before the delivery of a treasurer's deed to the certificate holder or holders heirs or assigns. Redemption may be made by paying the treasurer the amount for which the real property tax lien was sold, subsequent taxes, and fees (except the processing fee), plus interest at the rate specified in the treasurer's certificate of purchase.

A person owning a partial interest in real property may redeem a tax lien against that interest in the property by paying the proportionate share of the total amount due.

The following procedures should be followed when real property tax liens are redeemed:

- The redemption certificate (see page [IV-F-21](#)) must be issued to the person redeeming the tax lien and a duplicate copy filed with the treasurer's certificate of purchase. The redemption certificate should describe the parcels on which the tax lien is redeemed and state the date of redemption, amount paid, and by whom redeemed.
- If a person requests to make a partial payment on a certificate of purchase in a county with a population of more than 3 million persons and if the treasurer is satisfied that the person has the right to make a partial payment and if the person pays the amount due as required by A.R.S. §42-18056(C), the treasurer must issue to the person a statement of partial payment. The partial payment statement must identify the person or entity making the partial payment, describe the parcels on which the partial payment is made, and state the date of the partial payment, the amount paid, and the amount remaining due to fully redeem the lien on the date of the partial payment.

- The treasurer must collect a \$5 fee for the first and last partial payment and a \$10 fee for a full redemption if no partial payments were made.
- A redemption must be entered in the record of tax lien sales.
- A treasurer's receipt should be prepared and recorded in the Treasurer's Journal.
- On demand of any person who is entitled to redemption money held by the treasurer, the treasurer must pay the money to that person on the surrender of the certificate of purchase or on the redemption of the registered certificate for the redeemed tax lien.
- If the redemption is less than whole, the treasurer must endorse on the certificate or annotate the record of the registered certificate, the portion redeemed, and the amount of money paid to the certificate holder. The treasurer should then obtain a receipt from the holder for the monies redeemed and return the certificate to the holder.

Foreclosure on real property—A.R.S. §§42-18201 et seq.

At any time beginning 3 years after the sale of a tax lien but not later than 10 years after the last day of the month in which the lien was acquired pursuant to A.R.S. §42-18114, or for a subsequent year certificate of purchase by assignment issued under A.R.S. §42-18121(B), if a lien is not redeemed, the purchaser or purchasers heirs or assigns, or the State if it is the assignee, may file an action to obtain a court judgment foreclosing the owner's right to redeem and ordering the treasurer to deliver the deed. At least 30 days before filing, but not more than 180 days before such an action is commenced or may be commenced under A.R.S. §42-18201, the certificate of purchase holder must send notice of intent to file the foreclosure action by certified mail to the property owner of record and to the county treasurer. The county treasurer may not accept partial payments under A.R.S. §42-18056(C) after the date the treasurer receives a notice of action to foreclose the right to redeem.

On receiving a certified copy of a judgment foreclosing the right to redeem is in accordance with A.R.S. §42-18204(A)(1), and \$50 per parcel from the holder of the certificate of purchase, the treasurer must execute and deliver to the party whose favor the judgment was entered a deed conveying the property described in the judgment. The deed must include the following information:

- Date, court action number, and name of the judgment.
- Name of the purchaser.
- The property description.
- Date of the conveyance.
- Formal acknowledgment by the treasurer.

Conveyance to State on failure to redeem—A.R.S. §§42-18261 et seq

If tax liens are not redeemed 5 years after assignment to the State, the county board of supervisors, acting on behalf of the State, may apply for a treasurer's deed to the property. Any costs the treasurer incurs under this process must be charged to the county general fund until recovered through redemption of the tax lien of sale of the land under tax deed.

After the board of supervisors applies for a treasurer's deed, no person may redeem the tax lien unless they pay the treasurer the amount necessary to redeem plus the entire amount of the related costs the treasurer incurred. Costs to prepare and deliver a treasurer's deed may include the costs of the title search and of mailing, publishing, and posting the notice.

Before preparing a treasurer's deed, the treasurer must make a limited title search that is sufficient to identify all parties having a legal or equitable interest in the property.

At least 90 days before delivering a treasurer's deed on a parcel of property, the treasurer must notify the property owner and any other person identified in the title search required by A.R.S. §42-18263 as having a legal or equitable interest in the property. The notice must be sent by certified mail, return receipt requested, to the person's last known address and must state that the county board of supervisors has applied for a treasurer's deed on behalf of the State and must include a description of the property, the date the tax lien was assigned, and the last date for redeeming the property. The notice may be in the following form:

<p style="text-align: center;">OFFICIAL NOTICE</p> <p>Treasurer's Office, _____ County, State of Arizona.</p> <p>The board of supervisors of _____ county, acting of behalf of the State of Arizona, has applied for a treasurer's deed to the following described real property, owned by _____ and located in _____ County, Arizona:</p> <p style="text-align: center;">(Description)</p> <p>A tax lien was assigned to the state of Arizona on <u>(Date)</u> for taxes, interest, penalties, and charges. If this tax lien is not redeemed according to law before <u>(Date)</u>, I will convey the property to the State of Arizona.</p> <p style="text-align: right;">_____ _____ County Treasurer State of Arizona</p>

In addition, the treasurer must publish a notice once a week for 2 consecutive weeks in a newspaper of general circulation in the area in which the property is located, or in the county, stating that a treasurer's deed has been applied for and that unless the property is redeemed before the date specified, a treasurer's deed will be executed and delivered to the county board of supervisors acting on behalf of the State. The published notice must include the name of the applicant; a property description; the date the tax lien was assigned; the amount of taxes interest, penalties, and charges for which the tax lien was assigned; and the final date for redeeming the tax lien.

TAX BILL	
<div style="border-bottom: 1px solid black; display: inline-block; width: 200px;"></div> County, Arizona	
In the matter of the delinquent personal property tax assessed against <div style="border-bottom: 1px solid black; display: inline-block; width: 200px;"></div>	
To the Sheriff of <div style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></div> County, Arizona:	
You are commanded to seize and sell the following personal property:	
(Description)	
Or as much of it as is necessary to pay the amount of \$ <div style="border-bottom: 1px solid black; display: inline-block; width: 100px;"></div> , constituting delinquent taxes assessed against the property, plus ____% interest on that amount from <u> (Date) </u> , as prescribed by law, and the cost of sale.	
This tax bill is your warrant of authority to seize the property, make the sale and make and deliver a bill of sale to the purchaser of the property. You are authorized to seize and sell the property in any county where the property may be found.	
<div style="border-bottom: 1px solid black; display: inline-block; width: 150px;"></div> County Treasurer (Date)	

The sheriff must return the tax bill to the treasurer on or before the 10th day of the month following the sale and must pay the treasurer the total amount of all monies received if the property is sold to a person other than the county. The treasurer must apportion the tax proceeds to the taxing entities' accounts. Amounts received for costs incurred must be credited to the county expense fund. If a balance remains after payment of taxes, interest, and costs, the treasurer must issue a refund check to the property owner. The amount of the refund check should be recorded in the Treasurer's Journal.

If the treasurer or sheriff is unable to find sufficient personal property to pay the tax and costs assessed, and the owner or the owner's successors and assignees refuses or fails to pay the tax or to surrender property sufficient for that purpose, the treasurer must bring an action in the Superior Court in accordance with A.R.S. §12-163(B) against the owner and owner's successors and assignees for collection of the tax and costs.

If the treasurer, sheriff, and county attorney are unable to locate both the personal property on which taxes have been assessed and the owner, successors, or assignees, the tax may be declared uncollectible after the following procedures are completed:

- The treasurer must prepare and submit to the board of supervisors a treasurer's certificate of clearance (see page [IV-F-22](#)), stating:
 1. The name of the person liable for the tax.
 2. A description of the property.
 3. The tax roll number.

4. the delinquent date of tax.
 5. the year and amount of the tax, interest, and penalties.
 6. The extent of any lien on the property.
- The treasurer must also submit an affidavit from the sheriff stating that the property and the owner, successors, or assignees have not been located after a diligent search.

After the board of supervisors approves the certificate, the treasurer must delete from the records the tax, interest, and penalties covered by the certificate. The treasurer must note in the records the number and date of the certificate of clearance authorizing the deletion. If the property owner, successors, or assignees are located after approval of the certificate, the treasurer may reinstate and collect the taxes, interest, and penalties.

Residential property tax deferral—A.R.S. §§42-17301 et seq.

An individual who meets the qualifications prescribed by A.R.S. §42-17302 may elect to defer property taxes on the individual's qualifying residence for a taxable year.

The treasurer must issue a certificate of deferral for each residence whose property taxes are deferred under Title 42, Chapter 17, Article 7. Each certificate must include the following:

- The name of the individual.
- A description of the property.
- The year for which taxes are deferred.
- The amount of taxes deferred.
- The rate of interest that accrues to the certificate, computed pursuant to A.R.S. §42-17309.

The treasurer must transmit a copy of the certificate to the taxpayer and to the county assessor, record a copy of the certificate with the county recorder, maintain a permanent record of all deferred taxes in the county each year, and enter the deferral on the current year's tax roll.

On or before January 15 of each year, the treasurer must sell to the State Treasurer or to the county, or both, all certificates of deferred taxes issued in the county during the previous tax year. The amount of the sale must include a \$10 reimbursement for the county treasurer's cost of administering the tax deferral, which must be deposited in the taxpayers' information fund established by A.R.S. §11-495, plus the cost of recording the copy of the deferral certificate.

Tax abatement—A.R.S. §§42-18351 et seq.

A treasurer must grant appropriate relief, subject to the board of supervisors approval, that may include removing all or part of the tax lien or abating all or part of the tax if the treasurer determines the existence of any of the situations listed below in a prior year or years.

- An error or omission resulting in an improper imposition of a property tax.
- An event or circumstance that existed at the time of the levy and assessment or that occurred

afterwards and that invalidates the lien of the property tax or the sale of the lien.

- The property tax lien was not advertised for sale according to A.R.S. §42-18105 within 5 years after the delinquency, unless the failure to advertise within 5 years after the delinquency was due to a restraining order or injunction issued by a court of competent jurisdiction.
- The cost of pursuing the statutory lien sale and collection procedures or the sale of lands under A.R.S. §§42-18301 et seq. or the cost of the seizure and sale of personal property pursuant to A.R.S. §42-18401 would equal or exceed the revenue that could be derived.
- At the discretion of the county treasurer and if the county assessor agrees, for taxes levied against personal property only, the amount of the personal property taxes owing, including interest and penalties, is de minimis and the property taxes are 6 years or more past due.

The process may be initiated in 1 of 2 ways. The first way is a result of the treasurer's own motion, in which case the treasurer must conduct an investigation that the treasurer considers necessary to determine the existence of any of the situations described above. The second way requires the property owner to apply and submit to the treasurer sufficient evidence to permit the treasurer to determine the existence of the situations described above.

Upon receiving the board of supervisors' approval, the treasurer must prepare a certificate of removal and abatement stating:

- The name of the property owner.
- A description of the property.
- The tax parcel number.
- The years and amounts of tax, penalty, and interest involved.
- The extent to which the lien is proposed to be removed and the extent to which the tax, penalty, and interest are proposed to be abated.

The treasurer must present the certificate of removal and abatement to the board of supervisors for approval, and it becomes final and effective when approved. When the certificate becomes final and effective, the treasurer must delete the tax, interest, and penalty from the delinquent list and record of tax lien sale and make a notation in those records that the deletion was made pursuant to a certificate that was duly issued pursuant to A.R.S. §§42-18353, stating the certificate number.

Payments under protest

When a property owner disputes the amount of property taxes assessed, the payment may be made under protest. In such cases, the following procedures should be performed:

- Document “Paid Under Protest” on the tax roll and tax receipt.
- Process and apportion as a regular tax payment.

Government property lease excise tax (GPLET)—A.R.S. §§42-6201 et seq.

The treasurer must collect annual excise taxes levied by a city, town, county, or county stadium district (government lessor) on a prime lessee (lessee) for the use or occupancy of the applicable government’s property improvement (improvement). Within 30 days after entering into such a lease, the government lessor must submit copies or an abstract of the lease to the treasurer.

The excise taxes are due and payable to the treasurer annually on or before December 1 and are delinquent if not paid on or before the due date. The government lessor must calculate the tax for each lessee and submit a return, on a form developed by the Arizona Department of Revenue (ADOR), to the treasurer and the lessee. The treasurer must make the return form available at least 60 days before the taxes are due and payable. If any part of the tax is not paid before it becomes delinquent, interest accrues on the unpaid amount at the rate and in the manner prescribed by A.R.S. §42-18053 until it is paid. The treasurer must assess and collect a penalty of 5% of any part of the tax that is not paid before it becomes delinquent. Interest on overpayments accrues at the rate and in the manner prescribed by A.R.S. §42-18053 until the refund is paid by the treasurer. The treasurer must issue a receipt to the government lessor and lessee for GPLET payments received.

On or before February 15, the treasurer must submit the following reports:

- A report to ADOR of all GPLET returns and payments received for the preceding calendar year in a form prescribed by ADOR.
- A report to the joint legislative budget committee of all GPLET returns and payments received for the preceding calendar year with respect to leases of improvements owned by the government lessor, containing the same data in the report to ADOR.

The treasurer must separately account for GPLET payments received with respect to each improvement. Within 30 days after receiving GPLET tax revenues, the treasurer must pay to the following taxing jurisdictions in which the improvement is located the monies received with respect to the improvement, allocating the revenue among the jurisdictions as follows:

- To the county, 13%, for deposit in its general fund.
- To the city or town, 7%. If the improvement is located in an unincorporated area, the revenue that would otherwise be allocated to a city or town must be allocated to the other jurisdictions in

the same proportion that the remaining revenues are allocated to them.

- To the community college district, 7%. If the improvement is not located in a community college district, the revenue that would otherwise be allocated to the district must be allocated to the other jurisdictions in the same proportion that the remaining revenues are allocated to them.
- To the common school district, 36.5%; to the high school district, 36.5%; to the common school district not within a high school district, 73%; or to the unified school district, 73%. If the improvement is not located in any school district, the revenue that would otherwise be allocated to the district(s) must be allocated to the other jurisdictions in the same proportion that the remaining revenues are allocated to them.

The treasurer must distribute all monies collected or received as delinquent or back taxes in the same manner and proportions as described above, except that the treasurer must credit any interest and penalties collected with respect to delinquent taxes to the county general fund.

A city or town abates the GPLET amounts owed as allowed by A.R.S. §42-6209. The lessee must notify the treasurer and the government lessor and apply for the abatement before the GPLET are due and payable in the first year after the certificate of occupancy is issued.

Park property lease excise tax—A.R.S. §42-6210

The treasurer must collect an annual excise tax levied by the county on each lessee of a lease with the National Park Service of the United States Department of the Interior of a property improvement located in the county. The tax must be assessed, collected, and distributed in the same manner as prescribed for the GPLET, except as described in A.R.S. §42-6210(B).

Daily Tax Distribution Worksheet (By Tax Area Code)

For 20XX Real Property Taxes

(Month Year)

<u>Date</u>	<u>105</u>	<u>130</u>	<u>131</u>				<u>Total</u>
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
Total							

ACCOUNTING PROCEDURES

TAX COLLECTIONS AND PROCESSING

Tax Apportionment and Distribution Worksheet

For 20XX Real Property Taxes

(Month Year)

Area Code (Total Collected)	Percentage	State	County		CCD		Total
105 (\$)			General	Debt Service			
State	Y%						
County							
General	Y%						
Debt Service	Y%						
Community College District	Y%						
City or Town	Y%						
School District (Funds Maintained Separately)							
Maintenance & Operation	Y%						
Capital Outlay	Y%						
Adjacent Ways	Y%						
Debt Service	Y%						
Special District							
Operating	Y%						
Debt Service	Y%						
Total	100%						
Grand Total							

TAX DISTRIBUTION JOURNAL

(Month Year)

<u>Description</u>	YEAR OF TAX LEVY				<u>Total</u>
	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX & Prior</u>	
State	_____	_____	_____	_____	_____
County					
General	_____	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____	_____
Community College District	_____	_____	_____	_____	_____
City or Town	_____	_____	_____	_____	_____
School District (Funds Maintained Separately)					
Maintenance & Operation	_____	_____	_____	_____	_____
Capital Outlay	_____	_____	_____	_____	_____
Adjacent Ways	_____	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____	_____
Special District					
Operations	_____	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____	_____
Total	=====	=====	=====	=====	=====

OVERPAYMENT TAX RECEIPT	
No. _____ (Prenumbered)	Date _____
ABC County Treasurer	
Received from _____	
_____ Dollars	
(amount of overpayment)	
For _____	
(description of taxes received)	

(Signature of Cashier)	

(Original and one copy)

PARTIAL PAYMENT TAX RECEIPT	
No. _____ (Prenumbered)	Date _____
ABC County Treasurer	
Received from _____	
_____ Dollars	
Tax Roll No. _____	
Tax year _____	
Amount paid \$ _____	
Balance due \$ _____	

(Signature of Cashier)	

No. (prenumbered)

TREASURER'S CERTIFICATE OF PURCHASE

_____ County,
State of Arizona

I certify that at a sale of tax liens on real estate located in _____ County, Arizona, for delinquent taxes for the following year, or years, _____: held at the County Treasurer's Office in _____ County on _____ (Date) in accordance with law, (Name of Purchaser) purchased a tax lien on the real property described as follows:

Location	Sec. or Lot	Sec. or Block	Township, City, or Town	Range, Division, or Addition	No. of Acres	Amount Paid
						Taxes
						Penalties
						Interest
						Other Charges
						Total
						Interest Rate

The purchaser has paid the amount of money indicated opposite the description of the real property, on which amount the purchaser shall receive, until this certificate is redeemed, interest at a rate not to exceed 16 % per year simple.

Treasurer, Treasurer, County, Arizona

Deputy Treasurer, County, Arizona

Above purchase recorded on the County's tax lien sale records this _____ (Date recorded) _____.

By: _____

Date of Sale: _____

Total Paid: \$ _____

Purchased by: _____

Original Owner: _____

Treasurer's Assignment From County of _____

To: _____

Date: _____ Fee: \$10.00

No. _____

Assignment

From: _____

To: _____

Date: _____

Assignment

From: _____

To: _____

Date: _____

REDEMPTION CERTIFICATE**TREASURER'S OFFICE**

_____ County, State of Arizona

I certify that the real estate described below and located in _____ County, Arizona, which was sold for delinquent taxes for the year ____ on Certificate of Purchase No. _____ on ____ (Date) has been redeemed by _____ by the payment to me of the following sum of money, \$_____, being the amount due as provided by law:

DESCRIPTION OF PROPERTY REDEEMED

Sec. or Lot	Sec. or Block	Township, City or Town	Range, Division or Addition	No. of Acres

Amount of Certificate of Purchase	_____
Accrued Interest on Certificate of Purchase	_____
Subsequent Tax	_____
Interest on Same	_____
Recording Redemption Certificate	_____
Redemption Certificate Fee	_____
 Total Amount Paid	 =====

County Treasurer

By _____
Deputy Treasurer

(Date)

CONTENTS

Topic	Page
INTRODUCTION	IV-G-1
LEGAL REQUIREMENTS	IV-G-1
PROCEDURES	IV-G-2
Investment restrictions	IV-G-3
Accounting for investments	IV-G-4
Safeguarding investments	IV-G-5
Reporting requirements	IV-G-7
Apportioning interest earned on pooled investments	IV-G-10
EXHIBITS	
Treasurer's investment log	IV-G-12
Investment account	IV-G-13
Allocation of pooled cash and investments	IV-G-14
Allocation of interest pool participants	IV-G-15
Guidelines for valuing investments (Individual investment accounts)	IV-G-16
Guidelines for valuing investments (External investment pools)	IV-G-17

INTRODUCTION

The county treasurer's primary responsibility is to manage the public monies and trust funds of the county and related political subdivisions. Public monies include all monies in the county treasury or coming lawfully into the treasurer's possession or custody. In addition to those monies required to be deposited with the county treasurer, the governing body of any political subdivision may authorize the treasurer to invest other monies on its behalf. Trust funds are those monies that the treasurer must preserve and invest, as prescribed by statute or trust agreement.

The county treasurer has the fiduciary responsibility to invest monies to gain the most benefit possible while minimizing the risk of loss. To maximize investment opportunities, the treasurer may establish and maintain investment pools or may invest certain amounts individually. However, the Legislature has imposed many statutory requirements and restrictions on the investment of public monies. Highlights of the current legal requirements governing these responsibilities and recommended procedures for carrying them out are summarized below.

LEGAL REQUIREMENTS

This list may not be all-inclusive, and legal requirements may change after this manual is issued. Users of this manual should always refer to Arizona Revised Statutes (A.R.S.) for the complete description of legal requirements.

1. The treasurer must invest public monies only in eligible investments, as prescribed in A.R.S. §35-323(A). The maximum maturity for all eligible investments, other than repurchase agreements, is 5 years. For repurchase agreements, the maximum maturity is 180 days. A.R.S. §35-323
2. The treasurer must solicit bids from eligible depositories, as defined by A.R.S. §35-321(5), for purchases of certificates of deposit (CDs). CDs must be purchased from the eligible depository bidding the highest permissible rate of interest. A.R.S. §35-323(B)
3. The treasurer must allocate pooled income earnings on a pro rata basis to agency pool participants. Involuntary pool participants shall have the income earnings for their funds deposited in the general fund of the collecting agency. A.R.S. §35-327(F)
4. Interest earned on pooled investments of school district monies must be apportioned at least quarterly to the appropriate school district accounts based on an average monthly balance. A.R.S. §15-996
5. The treasurer must invest proceeds from tax, grant, and revenue anticipation notes if authorized by the appropriate governing body. Note proceeds may be invested only in authorized securities. The resolution pertaining to the issuance of the notes should be consulted to determine the maximum period proceeds may be invested and the maximum allowable yield on such investments. A.R.S. §§35-323.01, 35-465.05, 35-466.05, and 35-467.05

6. The treasurer must invest debt service monies belonging or credited to school district accounts as authorized by a school district governing board. A.R.S. §15-1025 If requested by the school district governing board, the treasurer must also invest bond proceeds that are not required to be used for a period of 10 days or more. All monies earned on the investment of bond proceeds must be deposited in the debt service fund except that on the request of the district, the monies earned as interest must be deposited to the bond building fund if federal laws or rules require the interest to be used for capital expenditures, or the monies earned as interest must be credited to the bond building fund if designated by the voters in a separate question at the bond election. A.R.S. §15-1024
7. The treasurer must invest trust funds in any securities allowed for the investment of public monies as prescribed in A.R.S. §35-323(A) or in fixed income securities of corporations in any state that carry 1 of the 2 highest ratings of Moody's Investors Service and Standard and Poor's Rating Service. If only 1 of these services rates the security, the security must carry the highest rating of that service. A.R.S. §35-324
8. The treasurer must ensure that all cash deposits more than the amounts covered by insurance are properly collateralized. Collateral must equal at least 102 percent of the deposit. Acceptable types of collateral are described in A.R.S. §35-323(G).
9. The treasurer is responsible for safeguarding all investments pursuant to A.R.S. §35-327 and must regularly account for, itemize, and inventory investments.
10. The treasurer may deposit political subdivision monies in the State Treasurer's investment pool if authorized by the appropriate governing body. A.R.S. §35-326

PROCEDURES

The treasurer should establish written policies concerning investments. These policies should require that proper authorization be obtained for the purchase or sale of investments, modification in terms of investments, release of collateral, the receipt and delivery of securities, and the reconciliation of investments. Similarly, any changes in the types of investments in the investment portfolio should be approved in accordance with investment policies.

The treasurer should analyze deposits and prepare a projection of cash flows to determine when monies will be needed and the amounts available to invest. Then the treasurer should determine which monies may be included in pooled investments and which must be separately invested and accounted for. For example, monies in a school district's debt service fund must be invested and separately accounted for if specifically requested by the district's governing board. Also, certain special districts may request that their monies be separately invested.

Investment Restrictions

The treasurer may invest public monies only in eligible investments, defined by A.R.S. §35-323(A) as the following:

- Certificates of deposit (CDs) in eligible depositories.
- Deposits in 1 or more federally insured banks or savings and loan associations in accordance with the procedures prescribed in A.R.S. §35-323.01.
- Interest-bearing savings accounts.
- Repurchase agreements with a maximum maturity of 180 days.
- The pooled investment funds established by the State Treasurer pursuant to A.R.S. §35-326.
- Obligations issued or guaranteed by the U.S. or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.
- Bonds, notes, or other debt instruments of Arizona or any of its counties, incorporated cities or towns, school districts, or special taxing districts, including registered warrants, substitute checks, and electronic fund transfer vouchers that bear interest pursuant to A.R.S. §11-635.
- Bonds, notes, or other debt instruments of any county, municipal district, municipal utility, or special taxing district of any state that are payable from revenues, earnings, or a special tax specifically pledged to pay the principal and interest on the obligations, and payments to establish and maintain a lawful sinking fund or reserve fund.
- Bonds, notes, or other debt instruments issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district.
- Commercial paper issued by corporations organized and doing business in the U.S. that is rated within the top 2 ratings by a nationally recognized rating agency.
- Bonds, debentures and notes denominated in U.S. dollars and that carry at a minimum an “A” or better rating, at the time of purchase, from at least 2 nationally recognized rating agencies.
- Negotiable or brokered certificates of deposit issued by a nationally or state-chartered bank or savings and loan association.
- Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the Investment Company Act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.

Additionally, the treasurer must invest trust funds in any securities allowed for the investment of public monies as prescribed in A.R.S. §35-323(A) or in fixed income securities of corporations in

any state that carry 1 of the 2 highest ratings of Moody's Investors Service and Standard and Poor's Rating Service. If only 1 of these services rates the security, the security must carry the highest rating of that service. A.R.S. §35-324

The treasurer must award investments in CDs to the eligible depository bidding the highest permissible interest rate. No monies over \$100,000 may be awarded at any interest rate less than 103% of the equivalent bond yield of the offer side of U.S. treasury bills with a similar term. A.R.S. §35-323(B) An eligible depository, as defined in A.R.S. §35-321(5), is any commercial or savings bank or savings and loan association having either an Arizona branch or its principal place of business in Arizona and insured by the Federal Deposit Insurance Corporation or its successor or any other insuring instrumentality of the U.S. according to the applicable federal law, or any credit union that is insured by the National Credit Union Administration or its successor.

The information for each bid received from each depository should include the amount for bid, the name of the depository and interest rate on the CD, and the maturity date. The treasurer must maintain a record of all bids received and shall make available to the board of deposit at its next regularly scheduled meeting a correct list showing the bidders, the bids received and the amount awarded. These records must be available to the public and shall be kept in the possession of the treasurer for at least 2 years after the date of the report. A.R.S. §35-323(F)

Accounting for investments

Each time an investment is purchased, the treasurer should record the account, date purchased, type of investment purchased, face amount, name of the bank/investor, interest rate, and maturity date in the investment log (see page [IV-G-10](#)). If the investment is not with the county's servicing bank, the servicing bank should be notified to transfer the investment amount to the appropriate bank/investor. When an advice of purchase is received from the bank, the investment activity should be recorded in the treasurer's journal and posted to the applicable investment account in the investment ledger. (See page [IV-G-11](#) for an example posting to the investment account.) The advice of purchase should contain the date, description, amount, and new ending balance. The treasurer or a designated employee, independent of the investment purchasing process, should compare the advice to the investment log entry for propriety. Differences with the bank should be investigated and resolved immediately. Advices should be filed by investment account and date of purchase.

When securities mature, the treasurer should notify the bank regarding which securities to sell. The treasurer should record the sale of the securities in the investment log. Upon receiving an advice of redemption from the bank, the investment activity should be recorded in the treasurer's journal and posted to the applicable investment account in the investment ledger. The advice of redemption should contain the date, description, amount, new ending balance, and interest earned. The treasurer or designated employee, independent of the investment sale process, should compare the advice to the investment log entry for propriety, and any differences with the bank should be

investigated and resolved immediately. A treasurer's receipt should be prepared to record the interest earned for each investment account and recorded as follows:

- Interest earned on specific investments should be recorded in the applicable agency accounts in the treasurer's ledger.
- Interest earned on pooled investments should be recorded in the undistributed interest income clearing account. See pages [IV-G-10](#) and [11](#) for information on apportioning interest earnings to pool participants at least quarterly.

After the above procedures have been completed, the advice of redemption should be attached to the applicable advice of purchase. The advices should then be filed by investment account and date of redemption.

At the end of each month, the following procedures should be performed by an employee independent of any investment function:

- The investment ledger should be reconciled to the treasurer's journal.
- The trustee statements received from the bank should be reconciled to the accounting records, including the investment ledger.

Safeguarding investments

The treasurer is responsible for the safekeeping of all investments purchased as described in A.R.S. §35-327. The safekeeping of investments includes ensuring not only their physical security but also adopting policies to ensure certain risks are kept to a minimum, including the following risks that Governmental Accounting Standards Board (GASB) Statement No. 40 requires disclosure of for financial reporting purposes:

- **Credit risk**—The risk that an issuer or another party to the investment (i.e., counterparty) will not fulfill its obligations.

The treasurer should limit its investments to those identified in A.R.S. §§35-323 and 35-324, and described in the investment restrictions section above, which include requirements that limit credit risk.

For financial reporting purposes, the treasurer should disclose the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating agencies as of fiscal year-end (for example, by aggregating the amount of investments by rating categories). GASB Statement No. 40, paragraph 7; GASB Statement No. 53, paragraph 73; GASB Codification I50.152

The treasurer should periodically monitor its credit risk by examining credit quality ratings and should retain documentation from the rating agencies to support the credit quality ratings reported.

- **Custodial credit risk**—The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The treasurer should collateralize uninsured deposits at a minimum of 102% of the deposits using allowable types of collateral as listed in A.R.S. §35-323(G).

For financial reporting purposes, the treasurer should identify and disclose deposits exposed to custodial credit risk on the basis of not being covered by depository insurance and either (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name. GASB Statement No. 40, paragraphs 8; GASB Codification C20.107

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

For financial reporting purposes, the treasurer should identify and disclose investments that are exposed to custodial credit risk on the basis of not being covered by depository insurance, not registered in the county's name, and either held by the counterparty or the counterparty's trust department or agency but not in the county's name. GASB Statement No. 40, paragraph 9; GASB Codification I50.153

- **Concentration of credit risk**—The risk of loss attributed to the magnitude of a government's investment in a single issuer.

For financial reporting purposes, the treasurer should identify and disclose the number of investments in any 1 issuer of 5% or more. Investments the U.S. government issues or explicitly guarantees and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. GASB Statement No. 40, paragraph 12

- **Interest rate risk**—The risk that changes in interest rates will adversely affect the fair value of an investment. The treasurer should ensure public monies invested in securities and deposits have a maximum maturity of 5 years and investments in repurchase agreements have a maximum maturity of 180 days, in accordance with A.R.S. §35-323(A).

For financial reporting purposes, the treasurer should disclose information about the interest rate risk of investments by selecting the disclosure method that is most consistent with the method they use to identify and manage interest rate risk and should also disclose the terms of investments with fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40, paragraphs 14-16

- **Foreign currency risk**—The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

For financial reporting purposes, the treasurer should identify and disclose deposits or investments exposed to foreign currency risk. GASB Statement No. 40, paragraph 17

See [§IV-B Accounting Records](#) and [Reporting guidelines for Counties](#) for more information on the financial reporting requirements for investment risks.

The treasurer may enter into an agreement with any eligible depository's trust department for the safekeeping and handling of purchased securities. However, if investments are handled by the county rather than a bank trust department, the treasurer should take the following steps to physically safeguard investments:

- Require that investments be stored in a vault or safe deposit box.
- Obtain adequate bonding for the custodian of the investments.
- Require that an employee independent of the custodian record all investments placed in or removed from the box or vault.
- Maintain a permanent log of employees who are authorized access to the investments. Signature cards for these employees should be kept on file. To obtain access to the investments, the signatures of 2 or more authorized employees should be required.
- Require that 1 or more persons, independent of recordkeeping duties, be present during all inspections of investments.

Reporting requirements

Certain financial reporting requirements, in addition to those related to investment risk disclosures noted above, will impact county treasurers because they are the counties' investment managers in addition to county finance departments who are typically responsible for financial reporting.

The treasurer acts as the county's investment manager and holds monies for both the county and outside entities. If these monies belong to county departments, they will be reported in the county funds. If they belong to outside entities, they will be reported in the county's fiduciary funds, as required by GASB Statement No. 84, including:

- **Investment trust funds** account for individual investment accounts that the treasurer holds in trust and invests on behalf of other governmental entities.
- **Private purpose trust funds** account for assets the county's public fiduciary holds in trust for the benefit of various parties.
- **Custodial funds—external investment pool** account for the pooled assets the treasurer holds and invests on behalf of other governmental entities, such as a school or fire district, that are not held in trust.
- **Custodial funds—other** account for other fiduciary activities not part of the external investment pool such as monies the treasurer collects for others and holds for a short time until they are remitted to the other entity. For example, property taxes collected on behalf of cities and towns. These monies do not belong to the county and generally will not be invested by the treasurer.

GASB Statement No. 84 requires separate reporting of fiduciary funds with each fund presented in a separate column on the financial statements. Also, outside participants must disclose certain information concerning their investments in the pool. The county finance department and the outside participants will rely on the county treasurer to provide the necessary information to meet those requirements.

Investment valuation

Governmental entities are required to report certain investments at fair value in the balance sheet and all investment income, which includes interest, dividends, and the net increase or decrease in the fair value of investments, in the statement of activities required by GASB Statements No. 31, 72, and 90. See pages [IV-G-14](#) and [IV-G-15](#) for guidance concerning how different types of investments should be valued for the financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

For financial reporting purposes, the treasurer should identify and disclose investments and associated fair value hierarchy as either:

- **Level 1—Quoted prices in active markets for identical assets.**

A quoted price for identical assets or liabilities in an active market at the measurement date provides the most reliable evidence of a Level 1 input of fair value and should generally be used to measure fair value without adjustment whenever available. Examples of markets in which inputs might be observable include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

- **Level 2—Significant other observable inputs.**

Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities, or credit spreads; or market-corroborated inputs.

- **Level 3—Significant unobservable inputs.**

If a price for an identical asset or liability is not observable, fair value should be measured using another valuation technique that maximizes the use of relevant observable inputs and

minimizes the use of unobservable inputs. Level 3 inputs should be developed using the best information available under the circumstances, which might include the county's own data. In developing unobservable inputs, a county may begin with its own data, but it should adjust those data if (1) reasonably available information indicates that other market participants would use different data or (2) there is something particular to the county that is not available to other market participants.

The treasurer should establish written policies and procedures for determining the fair value of investments and identifying other investments, such as repurchase agreements, that are reported at amortized cost rather than at fair value.

At year-end, the treasurer must determine the fair value for all investments. These valuations may be performed more frequently if desired.

Note: Investments may be recorded at cost in the accounting records. There is no requirement to make journal entries to adjust the accounting records to fair value.

Individual investment accounts should be valued separately. Pooled investments should be valued in total and the total value allocated to each pool participant in proportion to their year-end cost balances.

The example worksheet on page [IV-G-12](#) illustrates 1 method for allocating pooled cash and investments to pool participants. The steps for that allocation method illustration are described below.

Step 1—Identify pooled assets and who they belonged to.

First, the treasurer categorized the assets held by cash and investment elements such as cash on hand, cash in servicing account, cash in depository accounts, and investments. The treasurer then further categorize the investments as pooled and specific, and finally categorize them by type. The treasurer then identified the accounts: county monies, monies held and invested for others, and remittance accounts held temporarily for others.

Next the treasurer adjusted both the assets and accounts for those monies that were not part of the pooled assets. Cash in servicing accounts was reduced by the amount of the remittance accounts since they were not invested, and the specific investments for county fund D, county fund E, school fund C, and other agency B were eliminated. At this point, the treasurer arrived at a total for pooled assets and each agency's portion of those assets, valued at cost.

Step 2—Determine fair value of pooled assets and calculate allocation rate.

The treasurer determined the fair value for each of the pooled investments and added the adjusted cash amounts to determine the fair value of pooled assets to be allocated among the pool participants. Finally, the treasurer calculated the allocation rate by dividing the fair value of the total pooled assets by the cost of those assets.

Step 3—Allocate fair value of pooled assets to participants.

The treasurer multiplied each agency's adjusted portion of the assets determined in step 1 (assets

valued at cost) by the allocation rate to determine that agency's fair value of pooled assets.

At year-end, the treasurer must communicate the cost and fair value of each individual investment account to the pertinent agency. The treasurer must also communicate to each pool participant its portion of the pooled assets valued both at cost and fair value.

In addition, the treasurer should provide a summary of cash inflows (deposits, interest earnings, etc.) and cash outflows (warrants paid, withdrawals, etc.) to the county finance department and each outside participant to enable them to calculate the change in fair value for their investments.

The treasurer should also provide the following information to the county finance department and other agencies for which the county treasurer invests:

- The fair value hierarchy method used to estimate the fair value of investments.
- The policy for determining which investments are reported at amortized cost.
- A description of any regulatory oversight for the investment pool.
- Any involuntary participation in the external investment pool.
- Investment income associated with one fund that has been assigned to another fund.

Apportioning interest earnings on pooled investments

The treasurer should periodically apportion interest earnings from pooled investments (recorded in the undistributed interest income clearing account) first to the participating agencies and then to the individual accounts within the agencies. These should be apportioned monthly, or at least quarterly.

If apportioned monthly, the treasurer may average each agency's beginning and ending balances and allocate amounts proportionately. Then, for each agency, the treasurer would average the beginning and ending balances for each account and allocate the agency's earnings, to the accounts proportionately, or, amounts may be apportioned using an average daily balance.

If apportioned quarterly, the treasurer may use 1 of several methods to calculate the apportionment rate (percentages) used to apportion amounts first to the agencies and then to the individual accounts, including:

- Total the month-end balances for the 3 months of the quarter.
- Total the average month-end balances for the 3 months of the quarter.
- Calculate an average monthly balance for the quarter.

Treasurers may develop apportionment rates using 1 of the methods described here or may develop another reasonable method appropriate to their particular accounting system. In any case, the method chosen must be used consistently.

Note: The treasurer should apportion interest earnings to participating agencies and individual accounts based on their proportionate balances on deposit during the period such

amounts are earned or incurred and not on the proportionate balances during the period in which interest earnings are ultimately received.

Treasurers should credit interest earnings on pooled investments to all individual accounts with positive balances and charge expenses proportionately to accounts with negative balances. This method ensures that accounts with positive balances receive their appropriate share of interest income, including charges to accounts with negative balances. However, as a more practical alternative, the treasurer may apportion interest income only to those accounts with positive balances.

The example worksheet on page [IV-G-13](#) illustrates a quarterly interest earnings apportionment. From January 1 through March 31, the treasurer's investment pool earned \$94,000. That interest was first allocated to the 3 agencies participating in the pool using total month-end balances to calculate the apportionment rate. XYZ School District received 8.16 percent (\$7,670) of the interest earnings.

Then, the treasurer allocated the school district's earnings to its individual accounts. For the purpose of this example, the school district's debt service and bond building accounts were presumed to have been invested separately. Therefore, the interest was apportioned only to the accounts that were pooled for investment. Since the Adjacent Ways account had a negative total balance, that account was excluded from the allocation, and the earnings were allocated to the remaining accounts based on their total month-end balances during the quarter.

Note: When the interest earnings are actually received, the treasurer debits the clearing account and credits the individual accounts based on the amounts calculated on the apportionment schedule.

Treasurer's Investment Log

Account	Date purchased	Type of investment	Face amount	Name of bank/investor	Interest rate	Maturity date	Number of days	Amount of interest	Date redeemed
County General Fund	6/16/20XX	C.D.	\$ 500,000	DEF Bank	6.5%	7/16/20XX	30	\$ 2,671	7/16/20XX
County General Fund	2/16/20XX	U.S.T.B.	1,500,000	DEF Bank	5.5%	8/15/20XX	180	40,685	8/15/20XX
County General Fund	6/30/20XX	C.D.	500,000	ABC Bank	6.0%	7/30/20XX	30	2,466	7/30/20XX
XYZ SD Debt Service	7/6/20XX	C.D.	240,000	ABC Bank	7.0%	1/2/20XX	180	8,285	1/2/20XX
_____	__/__/__	_____	_____	_____	____%	__/__/__	____	_____	__/__/__
_____	__/__/__	_____	_____	_____	____%	__/__/__	____	_____	__/__/__
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_____	__/__/__	_____	_____	_____	____%	__/__/__	____	_____	__/__/__

Investment Account

XYZ School District No. 99

Debt Service

		<u>Amount</u>		
		<u>Purchased</u>	<u>(Redeemed)</u>	<u>Balance</u>
<u>Date</u>	<u>Description</u> (i.e., type of security, interest rate or due date)	<u>Debit</u>	<u>Credit</u>	
7/6/20XX	Certificate of deposit (7%) 6 months	\$240,000		\$240,000
1/2/20XX	Certificate of deposit (7%) 6 months—interest earned \$8,285		\$240,000	
1/6/20XX	Certificate of deposit (7.5%) 12 months	268,000		268,000
__/__/__	_____	_____	_____	_____
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__/__/__	_____	_____	_____	_____
__/__/__	_____	_____	_____	_____

Example Worksheet Allocation of pooled cash and investments						
Step 1: Identify pooled assets (valued at cost) and who they belong to.						
ASSETS			ACCOUNTS			
	Balance	Adjustments ¹	Adjusted Balance		Balance	Adjusted Balance
Cash on hand	\$ 5,000		\$ 5,000	County fund A	\$180,000	\$180,000
Cash in servicing account	255,000	(\$ 55,000)	200,000	County fund B	160,000	160,000
Cash in depository accounts	60,000		60,000	County fund C	140,000	140,000
Pooled investments:				County fund D	120,000	(\$ 40,000)
Repurchase agreements	100,000		100,000	County fund E	100,000	100,000
U.S. Treasury securities	235,000		235,000	County fund E—specific invest.	120,000	(120,000)
Government agency securities	240,000		240,000	School fund A	110,000	110,000
State Treasurer LGIP	200,000		200,000	School fund B	90,000	90,000
Specific investments:				School fund C	70,000	70,000
For County fund D—State LGIP	40,000	(40,000)	0	School fund C—specific invest.	50,000	(50,000)
For County fund E—Repo	120,000	(120,000)	0	Other agency A	65,000	65,000
For School fund C—U.S. Treas	50,000	(50,000)	0	Other agency B	45,000	45,000
For Other agency B—State LGIP	<u>30,000</u>	<u>(30,000)</u>	<u>0</u>	Other agency B—specific invest.	30,000	(30,000)
				Remittance account—State	40,000	(40,000)
				Remittance account—cities	<u>15,000</u>	<u>(15,000)</u>
TOTALS	<u>\$1,335,000</u>	<u>(\$295,000)</u>	<u>\$1,040,000</u>		<u>\$1,335,000</u>	<u>(\$295,000)</u>
						<u>\$1,040,000</u>

Step 2: Determine fair value of pooled assets and calculate allocation rate.

Pooled Assets	Cost	Fair Value
Investments:		
Repurchase agreements	\$ 100,000	\$ 100,000
U.S. Treasury securities	235,000	245,000
Government agency securities	240,000	260,000
State Treasurer LGIP	<u>200,000</u>	<u>200,000</u>
	775,000	805,000
Cash:		
Cash on hand	5,000	5,000
Cash in servicing account	200,000	200,000
Cash in depository accounts	<u>60,000</u>	<u>60,000</u>
Total pooled assets	<u>\$1,040,000</u>	<u>\$1,070,000</u>
Allocation rate (fair value/cost)		1.0288

Step 3: Allocate fair value of pooled assets to participants.

Pool Participants	Cost	Fair Value ²
County fund A	\$ 180,000	\$ 185,184
County fund B	160,000	164,608
County fund C	140,000	144,032
County fund D	80,000	82,304
County fund E	100,000	102,880
School fund A	110,000	113,168
School fund B	90,000	92,592
School fund C	70,000	72,016
Other agency A	65,000	66,872
Other agency B	<u>45,000</u>	<u>46,344</u>
Total	<u>\$1,040,000</u>	<u>\$1,070,000</u>

¹Remittance accounts excluded and cash in servicing bank reduced by same amount because remittance accounts are not invested. Specific investments also eliminated.

² Each participant's portion of posted assets valued at cost (from Step 1) multiplied by the allocation rate (from Step 2).

Example worksheet—Interest earnings apportionment

Allocation of amounts to pool participants

Apportionment period: January 1 – March 31

Interest earnings: \$94,000

Agency	Month-end balances			Total agency balances	Apportionment rate ¹	Amounts earned by agency ²
	Jan	Feb	Mar			
County	\$520,000	\$610,000	\$530,000	\$1,660,000	.7739	\$ 72,747
Fire district	130,000	60,000	120,000	310,000	.1445	13,583
XYZ School District	55,000	62,000	58,000	175,000	.0816	7,670
Total month-end balances				<u>\$2,145,000</u>	<u>1.0000</u>	<u>\$ 94,000</u>

Allocation of amounts to accounts

Agency: XYZ School District

Apportionment period: January 1 – March 31

Interest earnings: \$7,670

Account	Month-end balances			Total account balances	Apportionment rate ⁵	Amounts earned by account ⁶
	Jan	Feb	March			
Maintenance & operation	\$30,000	\$40,000	\$44,000	\$ 114,000	.6477	\$ 4,968
Capital outlay	11,000	12,000	10,000	33,000	.1875	1,438
Food services	10,000	11,000	8,000	29,000	.1648	1,264
Adjacent ways	4,000	(1,000)	(4,000)	(1,000)		
Total agency balance ³				\$ 175,000	<u>1.000</u>	<u>\$ 7,670</u>
Negative balances excluded ⁴				1,000		
Total for apportionment				<u>\$ 176,000</u>		

¹ Total agency balance for each agency divided by total month-end balances. The combined apportionment rates for all agencies must total 1.

² Amounts earned/incurred by the pool multiplied by agency's apportionment rate. The combined interest earned by all agencies must equal amounts earned/incurred by the pool.

³ Must be same as total month-end balances for XYZ School District listed in the allocation of interest to pool participants.

⁴ Negative balances are added back to determine apportionment rate, which allows interest to be apportioned only to accounts with positive balances.

⁵ Total account balance for each account divided by total for apportionment. The combined apportionment rates for all accounts must total 1.

⁶ Amounts earned/incurred by XYZ School District multiplied by the account's apportionment rate. The combined amounts earned/incurred by all accounts must equal amounts earned/incurred by XYZ School District.

Guidelines for valuing investments			
Applicable types of investments	Examples of investment type	Conditions	Valuation basis
<u>Individual investment accounts (Specific investments)</u>			
Interest-earning investment contracts	• Certificates of deposit, nonparticipating/nonnegotiable		Cost
	• Certificates of deposit, participating/negotiable	<ul style="list-style-type: none"> ▪ Remaining maturity at time of purchase of one year or less ▪ Remaining maturity at time of purchase of over one year 	Cost Fair value
	• Repurchase agreements, nonparticipating/nonnegotiable		Cost
	• Repurchase agreements, participating/negotiable	<ul style="list-style-type: none"> ▪ Remaining maturity at time of purchase of one year or less ▪ Remaining maturity at time of purchase of over one year 	Cost Fair value
	• Guaranteed investment contracts		Fair value
	• Bank investment contracts		Fair value
External investment pools	• State Treasurer's LGIP		Share price
	• SEC 2a7-like pools		Share price
Open-end mutual funds	• SEC-registered investment companies issuing shares to investors		Share price
Debt securities	↑ • U.S. Treasury securities (bonds and notes)	↑↑ • Remaining maturity at time of purchase of one year or less	Cost
	↓ • Government agency securities (e.g., FNMA, FHLB)	↓↓ • Remaining maturity at a time of purchase of over one year	Fair value
	• County/municipal securities		Fair value
	• Corporate bonds		Fair value
Equity securities	• Common and preferred stock		Fair value

Guidelines For Valuing Investments

Applicable types of investments	Examples of investment type	Conditions	Valuation basis
<u>External investment pools (pooled investments)</u>			
Interest-earning investment contracts	• Certificates of deposit, nonparticipating/nonnegotiable		Cost
	• Certificates of deposit, participating/negotiable		Fair value
	• Repurchase agreements, nonparticipating/nonnegotiable		Cost
	• Repurchase agreements, participating/negotiable		Fair value
	• Guaranteed investment contracts		Fair value
	• Bank investment contracts		Fair value
External investment pools	• State Treasurer's LGIPSEC 2a7-like pools		Share price
			Share price
Open-end mutual funds	• SEC-registered investment companies issuing shares to investors		Share price
Debt securities	<div> <div>↑</div> <div>↓</div> </div> <ul style="list-style-type: none"> • U.S. Treasury securities (bonds and notes) • Government agency securities (e.g., FNMA, FHLB) 	<div> <div>↑</div> <div>↓</div> </div> <ul style="list-style-type: none"> ▪ Remaining maturity at year-end of ninety days or less ▪ Remaining maturity at year-end of over ninety days 	Cost ¹
			Fair value
	• County/municipal securities		Fair value
	• Corporate bonds		Fair value
Equity securities	• Common and preferred stock		Fair value

¹ For an investment originally purchased with a maturity longer than 90 days, the investment's fair value on the day it becomes short term (i.e., 90 days) is its cost for purposes of valuing the investment.

TREASURER’S REPORT

CONTENTS

Topic	Page
INTRODUCTION	V-1
PROCEDURES	V-1
EXHIBITS	
Treasurer’s report (Page 1).....	V-2
Treasurer’s report (Page 2).....	V-3

TREASURER'S REPORT

INTRODUCTION

The treasurer has statutory responsibility for preparing certain reports. Monies collected and disbursements made for each agency account must be reported to the board of supervisors monthly by the fifteenth day of each month for the preceding month and annually, as of the last business day of June. The county treasurer must post all annual and monthly reports on the treasurer's website within 5 days after submitting the report to the board of supervisors. Arizona Revised Statutes (A.R.S.) §11-501

PROCEDURES

The above statutory requirements are normally accomplished by preparing a monthly treasurer's report (see pages [V-2](#) and [V-3](#)). The treasurer's report includes beginning and ending cash balances, receipts, disbursements, and transfers for each agency account. Additional information requested by the board of supervisors may be included in the treasurer's report, such as information on outstanding registered warrants and the county's bonded indebtedness. The treasurer's report must include a statement signed by the treasurer attesting to its accuracy.

The treasurer should obtain information for preparing the report from the treasurer's journal (see page [IV-B-6](#)) and treasurer's ledger (see pages [IV-B-7](#) and [IV-B-8](#)). The treasurer's report should be reconciled monthly to the treasurer's journal and treasurer's ledger.

The county treasurer should also provide timely monthly treasurer's reports to the various agencies and county departments that have cash on deposit with the county treasurer. The county treasurer must provide the treasurer's report of the month's ending balance for each school district account to the County School Superintendent by the fifteenth day of each calendar month (A.R.S. §15-996). The Treasurer should provide the report directly to school districts that assumed accounting responsibility pursuant to A.R.S. §15-914.01. These agencies and departments use the report to reconcile their records to the treasurer's records in order to ensure the accuracy of their records and the treasurer's records.

TREASURER'S REPORT

____ County, Arizona
Treasurer's Report
July 20XX

Page: 1

Agency	Agency account	Account number	Opening balance		Receipts Credit	Transfers-		Disbursements Debit	Closing balance	
			Debit	Credit		In Credit	Out Debit		Debit	Credit
Treasurer	Undistributed interest income clearing	000990			\$ 16,100					\$ 16,100
	Undistributed tax collections clearing	000999			225,600		\$ 225,600			
County	General	200100		\$2,523,600	1,536,750	\$ 47,850	1,266,750	\$ 510,250		2,331,200
	Law library	200202		52,100	9,700	900		8,400		54,300
	Road	200201		526,250	159,900	22,000		205,500		502,650
	Rabies control	200203	\$3,150		5,350	400		1,250		1,350
	Health services	200240		1,874,800	273,100	1,700		225,300		1,924,300
	County school	200270		447,100	168,600	7,400		147,950		475,150
	Special County School Reserve	200271		223,650	83,950	1,800		49,800		259,600
	Job Training Partnership Act	200280		137,300	24,200	600		12,650		149,450
	Expense clearing	200780				739,900		739,900		
	Payroll clearing	200781		3,200		527,350		517,600		12,950
	Capital projects	200400		1,532,450	580,200	2,800		604,700		1,510,750
	Debt service	200300		932,600	467,550	2,450		610,000		792,600
School District No. 99	Maintenance & Operation	499001		1,246,650	249,300	62,700		427,500		1,131,150
	School plant	499506		23,500						23,500
	Federal projects	499214		573,000	347,000			351,000		569,000
	Capital outlay	499610		237,400	91,600			138,000		191,000
	Bond building	499630		425,200	125,000			147,000		403,200
	Debt service	499700		282,500	43,300	37,150		10,500		352,450
	Food service	499510		253,400	34,750			57,650		230,500
	Civic center	499515		3,800	200			800		3,200
	Community school	499520		18,150	2,150			2,350		17,950
	Insurance proceeds	499550		25,200	10,800			8,400		27,600
XYZ Community College	Current general	500800		2,027,450	1,113,450			847,600		2,293,300
	Unexpended plant	500805		521,600	225,000			277,050		469,550
	Retirement of indebtedness—plant	500806		173,400	85,000			3,500		254,900
XYZ Fire District	Operating	610900		113,450	17,050	21,450		22,100		129,850
ABC Sanitary District	Operating	620960		64,650	8,050	15,900		27,500		61,100
State of Arizona	Clearing	100980		238,650	40,500			238,650		40,500
City of Cholla	Clearing	310980		7,400	7,750			7,400		7,750
City of Saguaro	Clearing	320980		12,350	14,500			12,350		14,500
TOTALS			<u>\$3,150</u>	<u>\$14,500,800</u>	<u>\$5,966,400</u>	<u>\$1,492,350</u>	<u>\$1,492,350</u>	<u>\$6,212,650</u>		<u>\$14,251,400</u>

I _____, Treasurer and ex-officio tax collector of _____ County, State of Arizona, do solemnly swear that the report herewith submitted is a true and correct statement of transactions of my office for the month of _____, _____, and that the balances or overdrafts as herein indicated are the true and correct balances or overdrafts as of the close of business _____, _____.

Treasurer

TREASURER'S REPORT

_____ County, Arizona
Treasurer's report
July 20XX

Page: 2

Outstanding registered warrants:

	<u>Balance</u>
Rabies control	<u>\$1,900</u>
Total registered warrants	<u>\$1,900</u>

Bonded indebtedness:	<u>Beginning balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending balance</u>
XYZ Elementary School District No. 99	\$1,200,000		\$95,000	\$1,105,000
XYZ Community College District	600,000		20,000	580,000
XYZ Fire District	30,000			30,000
XYZ Sanitary District	<u>25,000</u>	<u> </u>	<u> </u>	<u>25,000</u>
Total bonded indebtedness	<u>\$1,855,000</u>	<u> </u>	<u>\$115,000</u>	<u>\$1,740,000</u>

Arizona Revised Statutes §41-151.12 authorizes the Arizona State Library, Archives and Public Records to establish standards, procedures, and techniques for the effective management of public records. The Arizona State Library, Archives, and Public Records' Records Management Division publishes the [*General Retention Schedule for Counties*](#), which the county treasurer should refer to for proper record retention and disposition of their records. In addition, the county treasurer should follow any county specific record retention guidance.

Questions regarding records management should be directed to the Arizona State Library, Archives and Public Records' Records Management Division. Information may also be obtained from the Records Management Divisions' [website](#).