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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

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DEPUTY AUDITOR GENERAL

April 17, 2008

TO: City/Town Officials

FROM: Debra K. Davenport  
Auditor General

Arizona Revised Statutes §§42-17101 and 42-17102 require my Office to develop official budget forms for Arizona cities and towns. These forms, along with instructions, are available from my Office's Web site at [www.azauditor.gov/forms\\_citiestowns.htm](http://www.azauditor.gov/forms_citiestowns.htm).

This year, the budget forms and instructions have been revised to remove specific dates because they will no longer be issued annually. Cities and towns should use the revised forms and instructions for fiscal year 2009 and future years. As changes become necessary, new forms will be posted on our Web site, and cities and towns will be notified of the changes through e-mail.

As used in these instructions, the term "current year" is the fiscal year in which the city or town is operating, and "budget year" is the fiscal year for which the city or town is budgeting.

The Forty-eighth Legislature, Second Regular Session, has not yet concluded; therefore, these official budget forms and instructions do not contain changes that may become effective subsequent to the date of this e-mail. However, currently we know of no proposed legislation that will affect these budget forms and instructions.

Should you have any questions or comments, please contact my Office's Accounting Services Division at (602) 553-0333.

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# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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Arizona Revised Statutes (A.R.S.) §§42-17101 and 42-17102 require cities and towns to prepare annual budgets on forms developed by the Office of the Auditor General. Cities and towns should use the accompanying forms to prepare their budgets. However, a city or town may choose to add more information or detail than is required by statute within the official budget forms.

Cities and towns must prepare an annual budget for each department, public office, or official indicating the amount proposed to be spent from each fund. Cities and towns are not required to prepare budgets for the Fiduciary Funds (Agency, Investment Trust, and Private-Purpose Trust Funds) because these funds represent assets the city or town holds for others. Annual budgets for Fiduciary Funds, while not required, may be prepared for internal management purposes.

Budgets include estimated revenues and expenditures/expenses for the fiscal year and other information required by statute. For consistency, the budget should be prepared on the same basis used to prepare the fund financial statements. Fund financial statements are prepared on the modified accrual basis of accounting for the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds. Fund financial statements are prepared on the accrual basis of accounting for Enterprise and Internal Service Funds. The official forms include all elements required by statute that the cities and towns must include in their budget.

Some cities and towns may have to budget for Internal Service and Fiduciary Funds so that these expenses will be included in the expenditure limitation. The *Uniform Expenditure Reporting System* (UERS) manual, Section VII, requires cities and towns to exclude expenses paid from Internal Service Fund charges for services to other funds of the government as quasi-external interfund transactions on Part II of the Annual Expenditure Limitation Report (AELR), in accordance with the Arizona Constitution, Article IX, §20(3)(d)(vii). Likewise, expenses reported in Fiduciary Funds are excludable as trustee or custodian on Part II of the AELR. However, cities and towns operating under a voter-approved alternative expenditure limitation (Home Rule) may not take exclusions unless specifically included in the resolution adopting the alternative expenditure limitation as approved by the voters. Therefore, such expenses would be subject to the city's or town's expenditure limitation. However, for most cities and towns operating under Home Rule, the expenditure limitation equals the total budgeted expenditures/expenses for all funds as reported in the last column on Schedule A of the budget forms.

Cities and towns may prepare flexible budgets for the Enterprise and Internal Service Funds. Generally, the nature of operations financed and accounted for through Enterprise and Internal Service Funds are such that the demand for the goods and services provided primarily determines the level of revenues earned and expenses incurred. Cities and towns that employ flexible budgeting for Enterprise and Internal Service Funds should include on Schedule A estimated financial resources and expenses at maximum expected activity levels to provide a "worst-case" expenditure limitation comparison in order to help ensure that total actual expenditures/expenses of the city or town do not exceed its expenditure limitation. Likewise, Schedules C, D, E, and F should include amounts at maximum expected activity levels; however, budgets for reduced, present, or expanded levels of activity may also be incorporated in these schedules for use in internal financial planning and budgetary control.

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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Title Page

Table of Contents

Resolution for the Adoption of the Budget

Schedule A Summary Schedule of Estimated Revenues and Expenditures/Expenses

Schedule B Summary of Tax Levy and Tax Rate Information

Schedule C Summary by Fund Type of Revenues Other Than Property Taxes

Schedule D Summary by Fund Type of Other Financing Sources/<Uses> and Interfund Transfers

Schedule E Summary by Department of Expenditures/Expenses Within Each Fund Type

Schedule F Summary by Department of Expenditures/Expenses

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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### **Resolution for the Adoption of the Budget**

The resolution is recommended to support the final adopted budget. However, it is not required by statute and does not have to be published. Cities and towns not imposing property taxes should revise the resolution to omit references to property tax levies.

#### **Heading**

The city/town name and fiscal year data should be entered on the instructions sheet in the Official C&T Budget Excel file, as indicated. This information will be automatically transferred to the resolution.

#### **First Paragraph**

Enter the date the budget estimate was proposed by the Council and the city/town name.

#### **Second Paragraph**

Enter the date the budget was adopted.

#### **Third Paragraph**

Enter the date the Council set the primary and secondary tax levies.

#### **Fifth Paragraph**

Enter the city/town name and the fiscal year.

#### **Sixth Paragraph**

Enter the city/town name and the date the budget was adopted.

#### **Closing**

Obtain the signatures of the Mayor and Clerk on the resolution.

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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### SCHEDULE A

#### **Summary Schedule of Estimated Revenues and Expenditures/Expenses**

This schedule should be completed after Schedules B through E are completed. The appropriate information should be included from Schedules B through E on Schedule A. If the Excel spreadsheets provided are used to complete the budget, the spreadsheets will automatically perform mathematical calculations and include certain amounts from Schedules B through E on Schedule A. Note that amounts from Schedule F are not brought forward to Schedule A because they are already included on Schedule E by fund.

#### **Heading**

The city/town name and fiscal year data should be entered on the instructions sheet in the Official C&T Budget Excel file, as indicated. This information will be automatically transferred to Schedules A through F.

#### **Column: Adopted Budgeted Expenditures/Expenses Current Year**

Include from Schedule E the total amounts for each fund type in the Adopted Budgeted Expenditures/Expenses Current Year column and the Expenditure/Expense Adjustments Approved Current Year column. The total for all funds must agree with the corresponding combined totals of these two columns on Schedule E.

#### **Column: Actual Expenditures/Expenses Current Year**

Include from Schedule E the total amounts for each fund type in the Actual Expenditures/Expenses Current Year column. The total for all funds must agree with the corresponding total on Schedule E.

#### **Column: Fund Balance/Net Assets at July 1 of the Budget Year**

Enter the fund balance/net assets for each fund type at July 1 of the budget year. This amount, obtained from the accounting records, should be the fund balance/net assets at July 1 of the budget year that will be available to finance estimated expenditures/expenses of the budget year. Omit amounts that represent investments in capital assets, net of related debt, and reserved/restricted amounts established as offsets to assets for informational purposes (i.e., prepaids, inventory, etc.). If the actual fund balance/net assets amount is not available, an estimate should be determined and recorded when the budget is prepared.

#### **Column: Property Tax Revenues Budget Year**

The Property Tax Revenues column consists of amounts from primary and secondary property taxes. Record the entire estimated revenue from the primary property tax levy in the General Fund. Record the estimated secondary property tax revenues in the appropriate fund types. Secondary property tax revenues for payment of principal and interest on general obligation bonds should be recorded in the Debt Service Funds. Total property taxes to be levied in the budget year must agree with the corresponding amount on line 3.C on Schedule B.

If the city/town does not levy property taxes and does not have special assessment districts for which property taxes are levied, check the box provided at the bottom of Schedule A and omit Schedule B.

#### **Column: Estimated Revenues Other Than Property Taxes Budget Year**

Include from Schedule C the total amounts for each fund type in the Estimated Revenues Budget Year column. The total for all funds must agree with the corresponding total on Schedule C.

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

---

### **Column: Other Financing Sources and <Uses> Budget Year**

Include from Schedule D the estimated amounts of other financing sources and other financing uses for the budget year for each fund type. The totals of other financing sources and other financing uses for all funds must agree with the corresponding totals on Schedule D.

### **Column: Interfund Transfers Budget Year**

Include from Schedule D the amounts of transfers in and out for the budget year for each fund type. Fund transfers in and out are the estimated amounts that will be transferred in or out of the fund type during the budget year. The totals of transfers in and out for all funds must agree with the corresponding totals on Schedule D.

### **Column: Total Financial Resources Available Budget Year**

To comply with A.R.S. §42-17102, the amounts recorded in this column for each fund type should be the sum of the amounts in the columns titled Fund Balance/Net Assets at July 1 of the budget year, Property Tax Revenues Budget Year, Estimated Revenues Other Than Property Taxes Budget Year, Other Financing Sources and Uses Budget Year, and Interfund Transfers Budget Year. Other financing sources and transfers in should be added; and other financing uses and transfers out should be deducted to arrive at amounts in the Total Financial Resources Available Budget Year column.

### **Column: Budgeted Expenditures/Expenses Budget Year**

Include from Schedule E the total amounts for each fund type in the Budgeted Expenditures/Expenses Budget Year column. The total for all fund types must agree with the corresponding total on Schedule E, and should not be greater than the TOTAL ALL FUNDS line of the Total Financial Resources Available Budget Year column.

### **Lines 3, 4, and 5: Debt Service Funds**

Fund balance, revenues, and proceeds from other financing sources designated for future debt retirement must be recorded on line 4 and subtracted from Debt Service Funds Available on line 3. The difference recorded on line 5 is Total Debt Service Funds that can be expended in the budget year.

### **Lines 8, 9, and 10: Enterprise Funds**

Net assets, revenues, and proceeds designated for future debt retirement must be recorded on line 9 and subtracted from Enterprise Funds Available on line 8. The difference recorded on line 10 is Total Enterprise Funds that can be expended in the budget year.

### **Line 12: TOTAL ALL FUNDS**

Add the amounts of all applicable fund totals and record the total on line 12.

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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### Expenditure Limitation Comparison

1. Include the total budgeted expenditures/expenses for the current year and budget year from the first and last columns of the summary schedule above.
2. Enter the estimated net reconciling items for the current year and budget year. Estimated net reconciling items for the current year may be obtained from that year's adopted budget. Estimated net reconciling items for the budget year may be determined by preparing an estimated AELR as part of the budgeting process. The UERS manual includes examples of reconciling items and forms for preparing an AELR.
3. Add or subtract, as applicable, line 2, estimated net reconciling items, to/from line 1, budgeted expenditures/expenses, and enter on line 3, budgeted expenditures/expenses adjusted for reconciling items.
4. Enter the estimated exclusions from budgeted expenditures/expenses for the current year and budget year. If the city or town is operating under a voter-approved alternative expenditure limitation, only voter-approved exclusions may be used. Estimated exclusions may be obtained in the same manner as reconciling items described in step 2.
5. Subtract line 4, estimated exclusions, from line 3, budgeted expenditures/expenses adjusted for reconciling items, and enter on line 5, amount subject to the expenditure limitation.
6. Enter the expenditure limitation provided by the Economic Estimates Commission (EEC) or the voter-approved alternative expenditure limitation, if applicable. The total amount subject to the expenditure limitation on line 5 must not exceed this amount.

**OFFICIAL CITY AND TOWN BUDGET FORMS**

**INSTRUCTIONS**

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**SCHEDULE B**

**Summary of Tax Levy and Tax Rate Information**

**NOTE: If the city/town has checked the box on Schedule A, it may omit this schedule.**

**Heading**

When the city/town name and fiscal year data have been entered on the instructions sheet in the Official C&T Budget Excel file, as indicated, the heading on this schedule will update automatically.

**Property Taxes**

1. Enter the maximum allowable primary property tax levies for the current year and budget year. The amount for the current year may be obtained from that year's adopted budget. The amount for the budget year should be calculated in accordance with A.R.S. §42-17051(A).
2. Enter the amount received from primary property taxation in the current year in excess of the sum of that year's maximum allowable primary property tax levy in accordance with A.R.S. §42-17102(A)(18). Such excess taxes collected must be used to reduce the primary property tax levy in the following fiscal year. Do not include amounts received in the current year from the payment of delinquent taxes assessed in prior years. A.R.S. §42-17051(B)
3. Property Tax Levy Amounts
  - A. Enter the amount of primary property taxes levied in the current year and the estimated amount of primary property taxes to be levied for the budget year. The estimated amount of primary property taxes to be levied for the budget year must not exceed the maximum allowable primary property tax levy for the budget year recorded on line 1.
  - B. Enter the amount of secondary property taxes levied in the current year and the estimated amount of secondary property taxes to be levied for the budget year.
  - C. Add lines A and B, and enter the total property tax levy amount for the current year and the estimated total property tax levy amount for the budget year.
4. Property Taxes Collected
  - A. Primary Property Taxes
    - (1) Enter the amount of primary property taxes actually collected from the tax roll of the current year. If the actual amount of primary property taxes collected is not available, enter the actual amount collected as of the date the proposed budget was prepared, plus an estimate of primary property tax collections for the remainder of the fiscal year.
    - (2) Enter the amount of delinquent taxes collected from the tax rolls of fiscal years prior to the current year.
    - (3) Add line (1) and line (2), and enter the total primary property taxes collected.

## OFFICIAL CITY AND TOWN BUDGET FORMS

### INSTRUCTIONS

---

#### B. Secondary Property Taxes

- (1) Enter the amount of secondary property taxes actually collected from the tax roll of the current year. If the actual amount of secondary property taxes collected is not available, enter the actual amount collected as of the date the proposed budget was prepared plus an estimate of secondary property tax collections for the remainder of the fiscal year.
- (2) Enter the amount of delinquent taxes collected from the tax rolls of fiscal years prior to the current year.
- (3) Add line (1) and line (2), and enter the total secondary property taxes collected.

C. Add line 4.A.(3) and line 4.B.(3), and enter the total property taxes collected.

#### 5. Property Tax Rates

##### A. City/Town Tax Rate

- (1) Enter the primary property tax rate for the current year and the estimated primary property tax rate for the budget year. The estimated budget year tax rate should be calculated by dividing the proposed tax levy for the budget year on line 3.A. by the assessed valuation, then multiplying by 100.
- (2) Enter the secondary property tax rate for the current year and the estimated secondary property tax rate for the budget year applicable to city/town taxpayers for payment of principal and interest on general obligation bonds. The estimated budget year tax rate should be calculated by dividing the proposed tax levy for the budget year on line 3.B. by the assessed valuation, then multiplying by 100.
- (3) Add line (1) and line (2), and enter the total city/town tax rate for the current year and the estimated total city/town tax rate for the budget year.

##### B. Special Assessment District Tax Rates

On the line provided, enter the number of special assessment districts within the city/town for which secondary property taxes are levied.

**OFFICIAL CITY AND TOWN BUDGET FORMS**

**INSTRUCTIONS**

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**SCHEDULE C**

**Summary by Fund Type of Revenues Other Than Property Taxes**

All estimated revenues other than property taxes must be identified on this schedule by source of revenue within each fund type.

**Heading**

When the city/town name and fiscal year data have been entered on the instructions sheet in the Official C&T Budget Excel file, as indicated, the heading on this schedule will update automatically.

**Column: Source of Revenues**

Enter the title of each fund and its revenue sources other than property taxes. All funds must be included within the appropriate fund type. Assessments received from special assessment districts that are treated as revenues of the city/town should be disclosed as a revenue source in the applicable fund.

Intergovernmental revenues should be categorized by source as well as by fund. Federal, state, and county sources should be listed separately. Motor vehicle license taxes received should be categorized as county revenue under intergovernmental revenues.

In-lieu property taxes should include amounts paid by governments exempt from paying property taxes, such as the federal government, and those governments not covered by A.R.S. §48-242, which provides for voluntary contributions.

Voluntary contributions received under A.R.S. §48-242 must be recorded on the applicable line in the General Fund. Voluntary contributions consist of contributions from any irrigation, power, electrical, or agricultural improvement district engaged in the sale of electric power, which is located within the city/town and elects to make a voluntary contribution to the city/town. Contributions from the Salt River Project fall into this category. The amount of the contributions should be based on information prepared by the Arizona Department of Revenue and transmitted to the city/town by the County Assessor.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. The Highway User Revenue Fund and Local Transportation Assistance Fund are listed as examples. Another example might include Grants-in-Aid. This list is not intended to be all-inclusive.

Permanent Funds should be used to account for monies that are legally restricted to the extent that only earnings, and not principal, may be used to support city/town government or citizens programs; for example, the Fire Fighters' Relief and Pension Fund.

**Column: Estimated Revenues Current Year**

Enter the amounts from the Estimated Revenues column on Schedule C from the prior year's adopted budget.

# OFFICIAL CITY AND TOWN BUDGET FORMS

## INSTRUCTIONS

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### **Column: Actual Revenues Current Year**

Enter the amounts of revenues other than property taxes for the current year. These amounts include actual revenues recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated revenues for the remainder of the fiscal year.

### **Column: Estimated Revenues Budget Year**

Enter the estimated revenues other than property taxes for the budget year. Proceeds from other financing sources such as the sale or refunding of bonds and interfund transfers should not be included on this schedule; other financing sources/uses and interfund transfers should be included on Schedule D.

**OFFICIAL CITY AND TOWN BUDGET FORMS**

**INSTRUCTIONS**

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**SCHEDULE D**

**Summary by Fund Type of Other Financing Sources/<Uses> and Interfund Transfers**

Receipt of monies considered other financing sources, such as the proceeds from the sale or refunding of bonds, loans, or installment sales of city/town property; payments considered other financing uses, such as payments to refunded bond escrow agent; and interfund transfers, should be included on this schedule, not on Schedule C. Proceeds from sources such as bonds expected to be received in the Enterprise Funds should also be included on this schedule.

**Heading**

When the city/town name and fiscal year data have been entered on the instructions sheet in the Official C&T Budget Excel file, as indicated, the heading on this schedule will update automatically.

**Column: Fund**

Enter all funds within the appropriate fund type.

**Column: Other Financing Sources Budget Year**

Enter the amounts expected to be received in the budget year from other financing sources by fund and in total for each fund type.

Bond proceeds of special assessment districts, which are considered to be other financing sources of the city/town, should be disclosed in the applicable fund.

**Column: Other Financing <Uses> Budget Year**

Enter the amounts expected to be paid in the budget year as other financing uses by fund and in total for each fund type. Other financing uses must be entered as POSITIVE numbers in order for the formulas in the spreadsheet to calculate correctly.

**Column: Interfund Transfers Budget Year**

Enter estimated transfers in and out for the budget year for each fund and the totals for each fund type. Transfers out must be entered as POSITIVE numbers in order for the formulas in the spreadsheet to calculate correctly. Transfers in must equal transfers out on the TOTAL ALL FUNDS line.

**OFFICIAL CITY AND TOWN BUDGET FORMS**

**INSTRUCTIONS**

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**SCHEDULE E**

**Summary by Department of Expenditures/Expenses Within Each Fund Type**

**Heading**

When the city/town name and fiscal year data have been entered on the instructions sheet in the Official C&T Budget Excel file, as indicated, the heading on this schedule will update automatically.

**Column: Fund/Department**

Enter titles of funds and departments within each fund. All funds must be included within the appropriate fund type.

See instructions on page C-1 for explanations of Special Revenue and Permanent Funds.

**Column: Adopted Budgeted Expenditures/Expenses Current Year**

Enter the amounts from the Budgeted Expenditures/Expenses column on Schedule E from the prior year's adopted budget.

**Column: Expenditure/Expense Adjustments Approved Current Year**

Enter the amounts of each departmental transfer approved by the Council in accordance with A.R.S. §42-17106(B) during the current year.

**Column: Actual Expenditures/Expenses Current Year**

Enter the amounts of the current year actual expenditures/expenses, if available. If the actual expenditures/expenses are not available, enter the actual amounts as of the date the proposed budget was prepared, plus the estimated expenditures/expenses for the remainder of the fiscal year.

**Column: Budgeted Expenditures/Expenses Budget Year**

Enter the amounts of estimated expenditures/expenses for the budget year by department, fund, and total. Although budgets for Enterprise Funds should be prepared on the accrual basis, to comply with A.R.S. §42-17102(A) include estimated payments for capital acquisitions, and principal and interest payments on long-term debt in the Enterprise Funds.

**OFFICIAL CITY AND TOWN BUDGET FORMS**

**INSTRUCTIONS**

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**SCHEDULE F**

**Summary by Department of Expenditures/Expenses**

Schedule F helps facilitate budgetary comparison reporting at the department level (the statutorily required legal level of budgetary control) when a single department is budgeted in more than one fund. Total expenditures on Schedule F should agree to total expenditures on Schedule E. However, if a city/town budgets each department in only one fund, Schedule F may be omitted.

**Heading**

When the city/town name and fiscal year data have been entered on the instructions sheet in the Official C&T Budget Excel file, as indicated, the heading on this schedule will update automatically.

**Column: Department/Fund**

Enter the titles of each department and each fund in which the department is budgeted.

**Column: Adopted Budgeted Expenditures/Expenses Current Year**

Enter the amounts from the Budgeted Expenditures/Expenses column on Schedule F from the prior year's adopted budget. If Schedule F was not used in the prior year, these amounts may be determined from the prior year's Schedule E for the departments that are budgeted in more than one fund.

**Column: Expenditure/Expense Adjustments Approved Current Year**

Enter the amounts of each departmental transfer approved by the Council in accordance with A.R.S. §42-17106(B) during the current year.

**Column: Actual Expenditures/Expenses Current Year**

Enter the amounts of the current year actual expenditures/expenses, if available. If the actual expenditures/expenses are not available, enter the actual amounts as of the date the proposed budget was prepared, plus the estimated expenditures/expenses for the remainder of the fiscal year.

**Column: Budgeted Expenditures/Expenses Budget Year**

Enter the amounts of estimated expenditures/expenses for the budget year for each department by fund. Although budgets for Enterprise Funds should be prepared on the accrual basis, to comply with A.R.S. §42-17102(A) include estimated payments for capital acquisitions, and principal and interest payments on long-term debt in the Enterprise Funds.