

Expenditure Limitation Reports

Part II

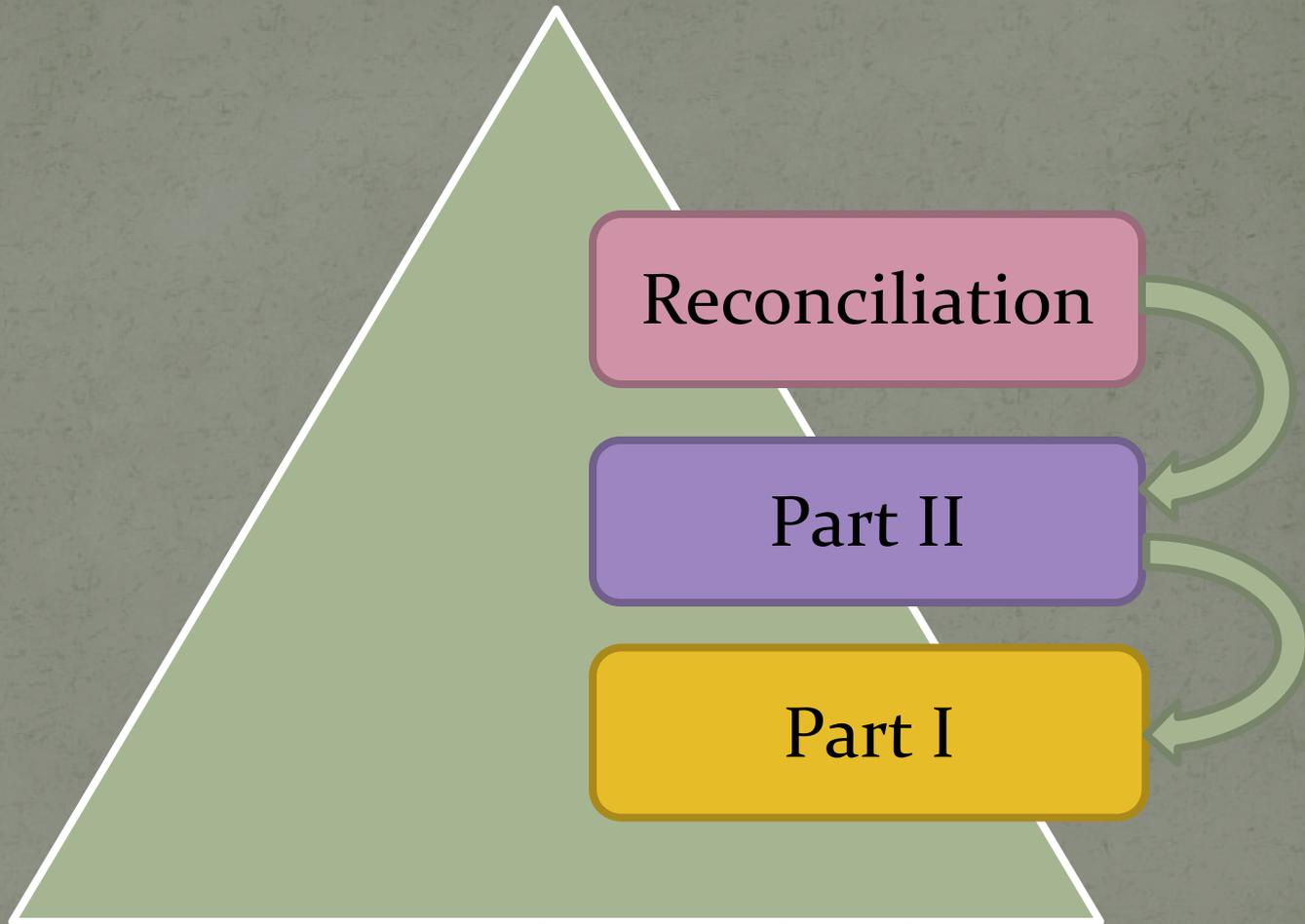
Got Questions?

Submit questions through the message system

FAQs are on the Auditor General's Web site:
www.azauditor.gov



The ELR Format



Arizona Constitution, Article IX, Section 20



Expenditure Limitations

- Limit the spending of local revenues only

Exclusions

- Certain revenues not included in the definition of “local revenues”

Home Rule Expenditure Limitations

- City/town must include exclusions in the resolution adopting the home rule to include on Part II

ELR – Fund Types

Governmental

Enterprise

Internal Service

Fiduciary

Notes to the ELR

Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental

Statement of Revenues, Expenses, and Changes in Fund Net Assets/Statement of Cash Flows — Proprietary Funds

Statement of Changes in Fiduciary Net Assets

Notes to the Financial Statements

**Town of Sample
Expenditure Limitation Report-Part II
For the Year Ended June 30, 2012**

Line A: Amounts Reported on the Reconciliation, Line D

Line B: Less Exclusions Claimed

- 1.
- 2.
- 3.
- 4.
- 5.

What is a Local Revenue?

**The
Constitution
says:**

All revenues are local except:
Those listed in Article IX, §20
(Lines B1 – B12 of Part II)

Which revenue is non-local?

- Property tax revenue
- Investment income
- License & permit fees
- None of the above

What is a Local Revenue?

**The
Constitution
says:**

Expenditures for the following purposes are excludable no matter what revenue type is used:

- Debt service requirements on bonded indebtedness
- Debt service requirements on other long-term obligations

Revenue-driven exclusions

VS

Expenditure- driven exclusions

Excludability is
determined by revenue
source

Non-local revenues only
excludable once spent

Unspent non-local
revenues are carried
forward

- Interfund transfers:
- Not expenditures
 - Excludable when spent

Revenue-driven exclusions

VS

Expenditure- driven exclusions

Excludability is
determined by revenue
source

Excludability is
determined by actual
expenditure

Non-local revenues only
excludable once spent

Can't exclude expenditure
and non-local revenue
used

Unspent non-local
revenues are carried
forward

Expenditures only
excludable once

- Interfund transfers:
- Not expenditures
 - Excludable when spent

Cannot be carried forward

Long-term debt incurred for a specific purpose

Expenditure of proceeds

Debt service requirements

Bond proceeds

Proceeds from other long-term obligations

Debt service requirements on bonded indebtedness

Debt service requirements on other long-term obligations

Calculating Debt Proceeds Exclusions

Financial Statement Reporting

- Other Financing Source – Statement of Revenues and Expenditures Governmental Funds
- Cash Inflow- Statement of Cash Flows Proprietary Funds

What's Included

- Proceeds actually expended
- Payments to registrars and paying agents

What's Not Included

- Proceeds received and unexpended in the current year
- Bond proceeds in a special assessment district fund
- COP issued by Municipal Property Corporation
- Expenditures of separate legal entities already subtracted

Debt service exclusions may include...

- Principal and interest payments on:

Bonds

Installment
Purchases

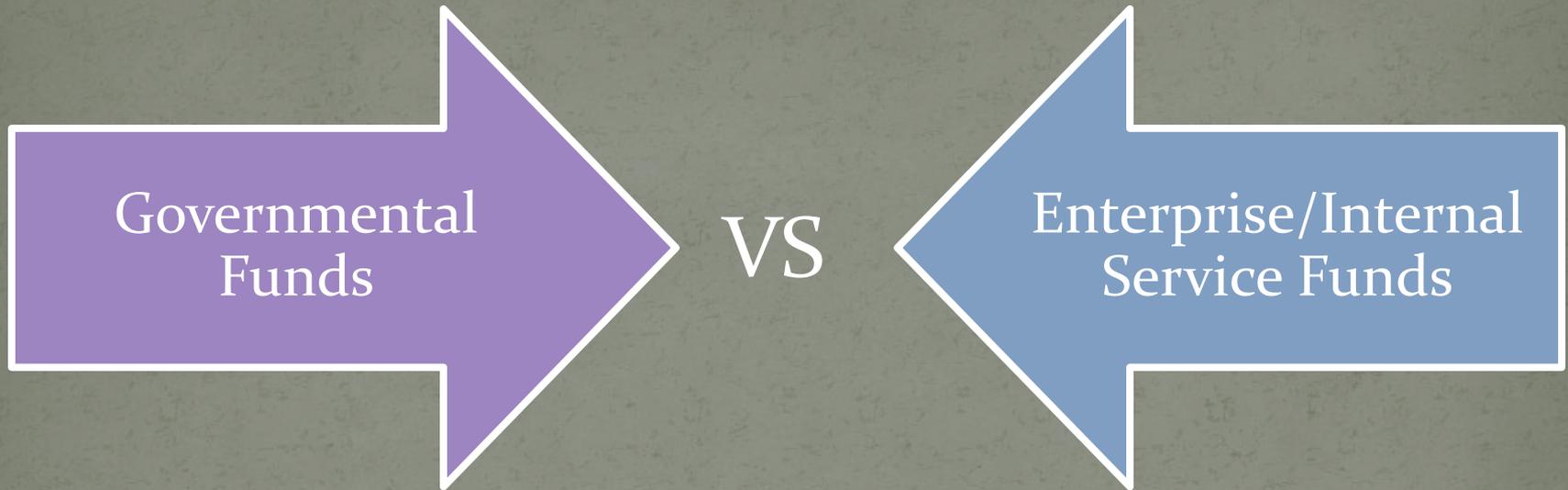
Capital
Leases

COPs not
issued by
separate
legal entity

- Amounts paid into sinking funds
- Payments for ~~contracts~~/operating leases



Calculating Debt Service Exclusions



- Statement of Revenues, Expenditures & Changes in Fund Balances
 - Principal retirement
 - Interest and fiscal charges
- Statement of Cash Flows
 - Principal payments
- Statement of Revenues, Expenses & Changes in Fund Net Assets
 - Interest and fiscal charges

Dividends, Interest, & Gains on Investment Securities



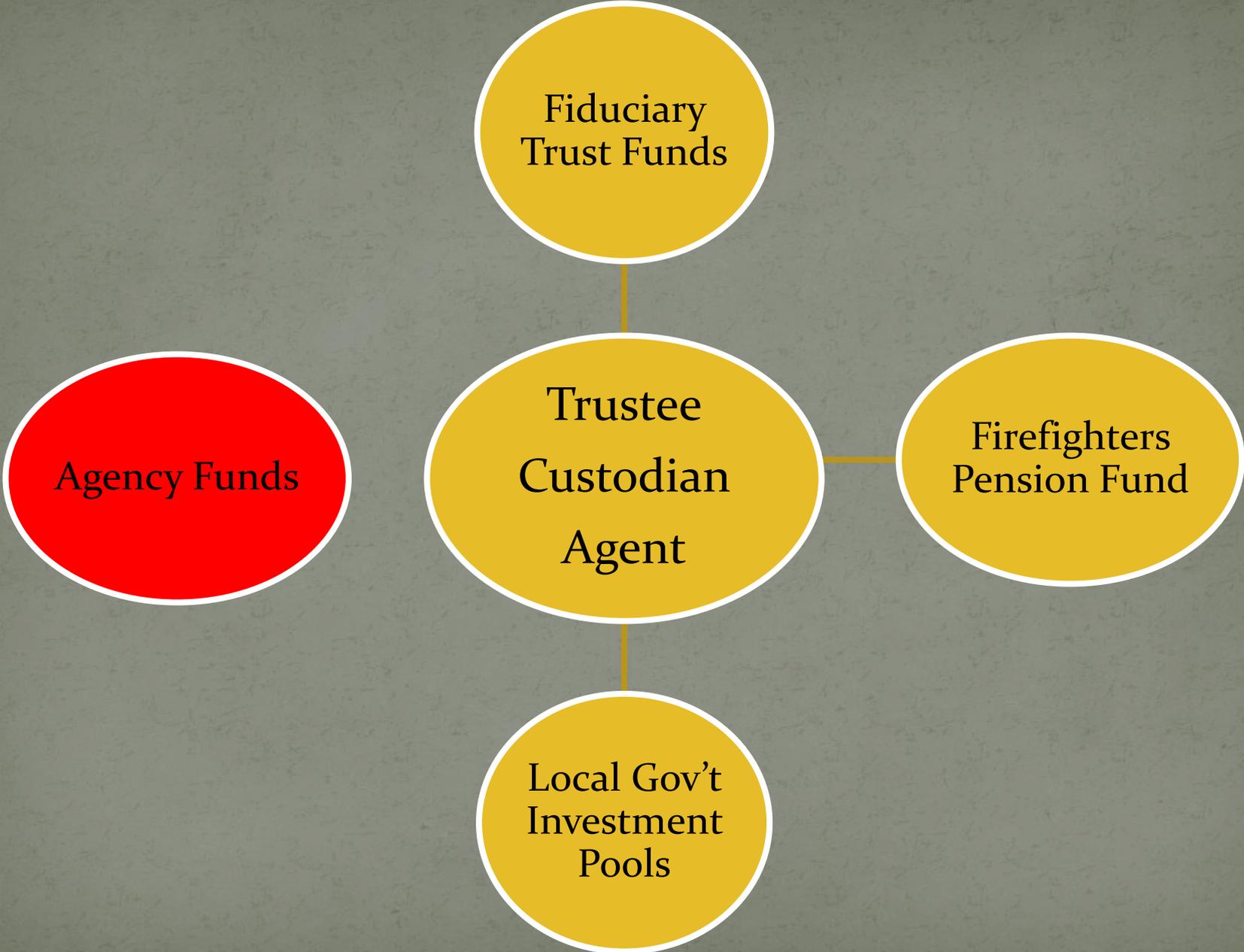
Includes interest from delinquent taxes

Does **not** include gains from sale of fixed assets

Note to the AELR

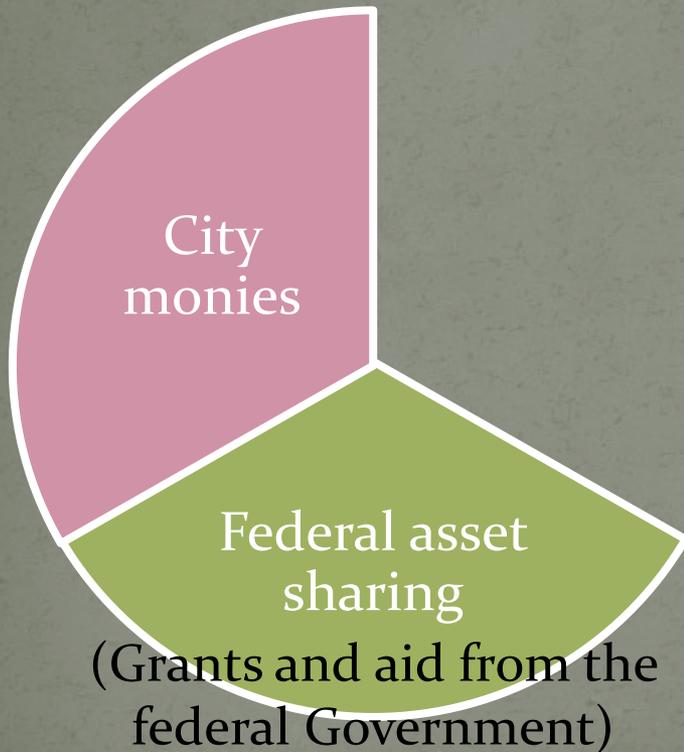
The exclusion for investment income includes expenditures of investment interest and interest on delinquent tax revenue reported as described below

Investment income	\$4,000
Tax interest rev.	<u>\$2,000</u>
Total	\$6,000

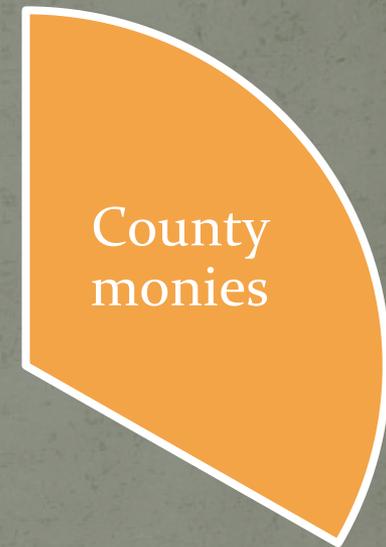


Trustee, Custodian, or Agent

County Anti-Racketeering Revolving Fund Seizure & Forfeiture Revenues



Excludable



Not Excludable

AHCCCS Exclusions

Acute Care

- Includes administrative costs

Uncompensated Care

- Temporary: extended through FY 2013

Set by the legislature

Should agree to amounts withheld by the State Treasurer, less withheld revenues returned

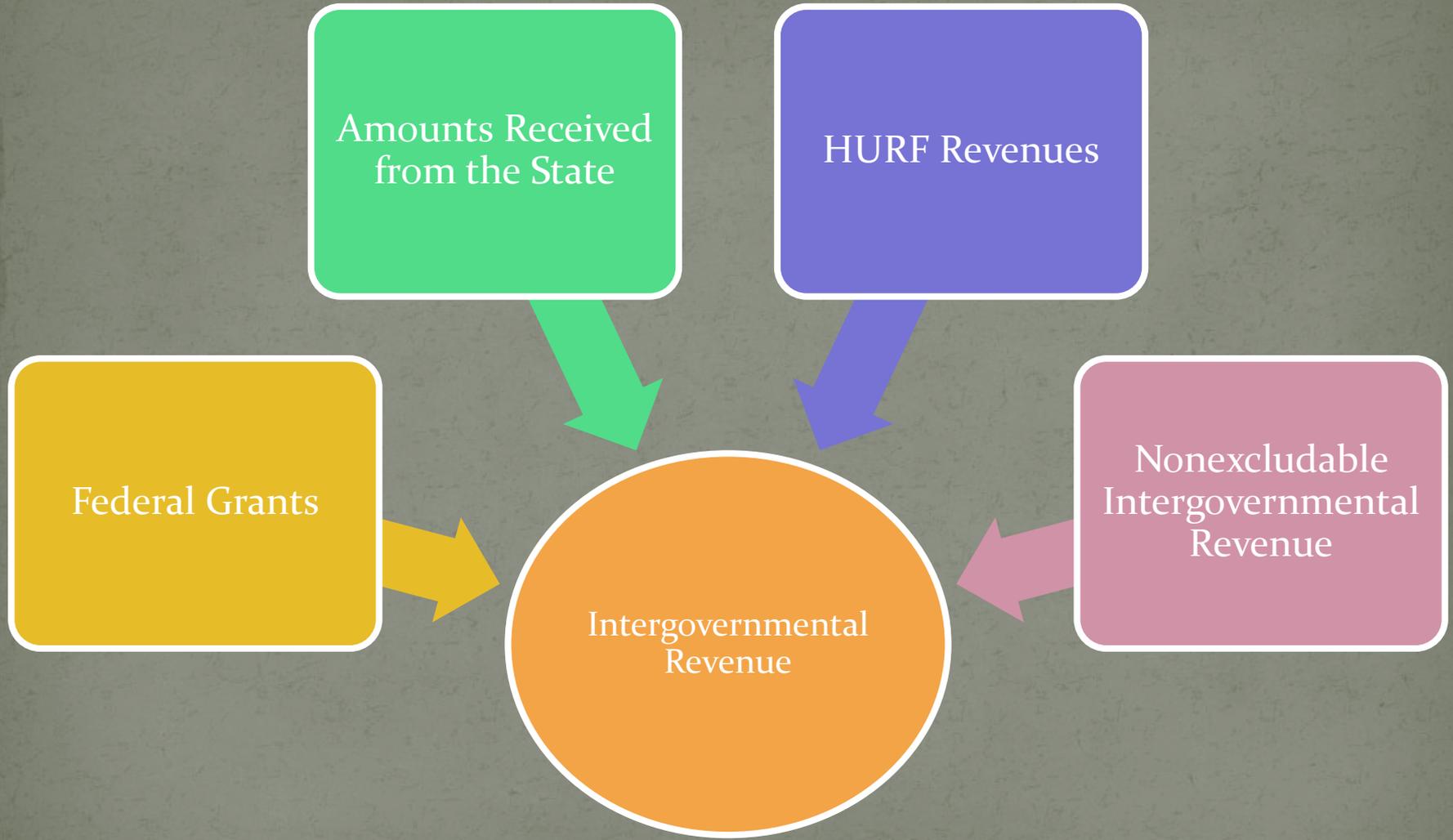
Grants and Aid from
the Federal
Government



Expenditures
should agree to...

Audited Financial
Statements

Schedule of
Expenditures of
Federal Awards



Amounts Received
from the State

HURF Revenues

Federal Grants

Nonexcludable
Intergovernmental
Revenue

Intergovernmental
Revenue

Private Grants, Aid, Contributions, or Gifts



- Includes private donations for the operation of charter schools that are **not** separate legal entities
- Does not include amounts received in lieu of taxes

Amounts Received from the State ...

With a restricted purpose

Excludable

State Grants

Hotel Excise Taxes

Without a restricted purpose

Not Excludable

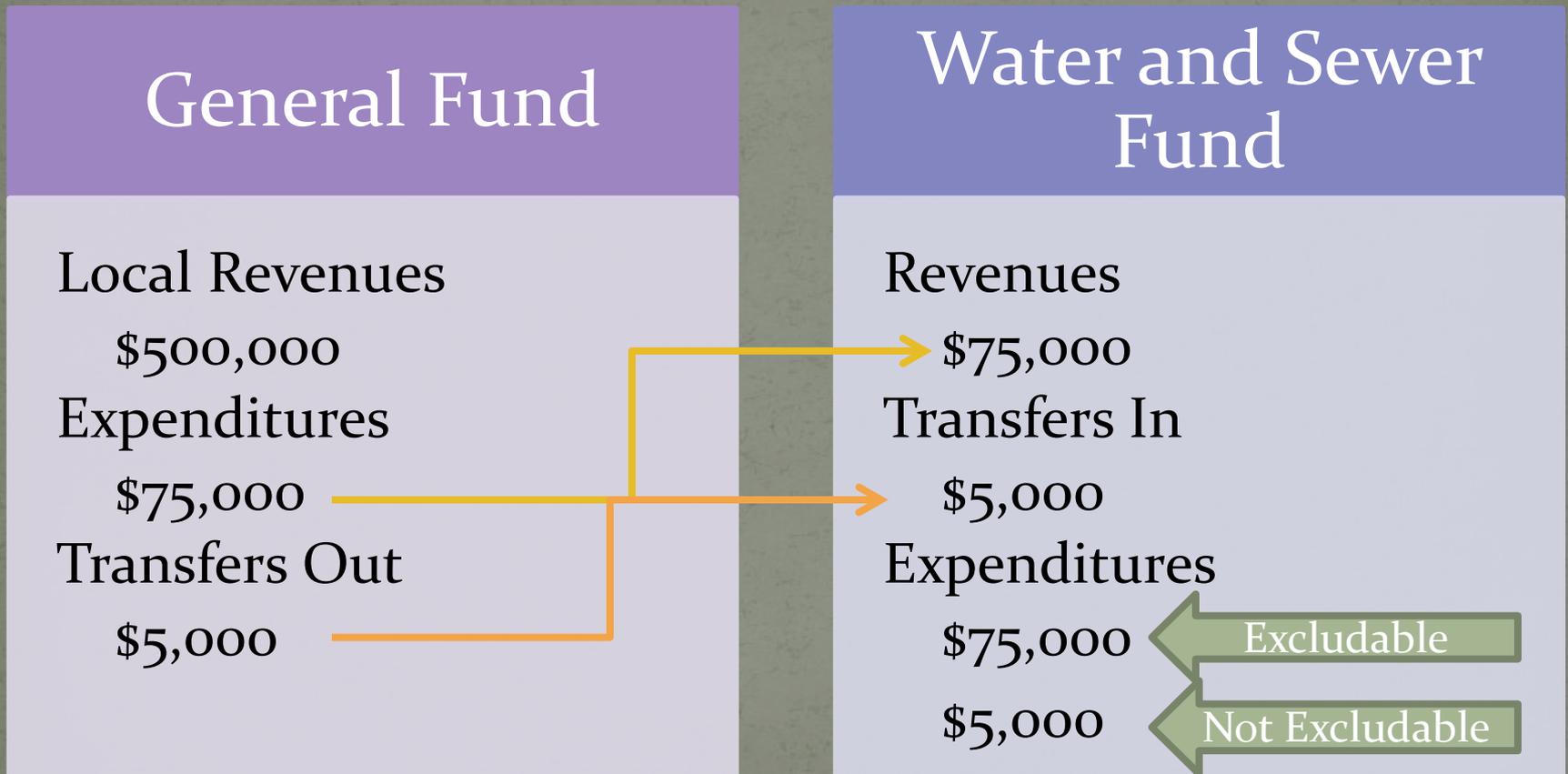
Liquor license fees

Sales Taxes

Motor vehicle license tax

HURF revenues are excludable on a separate line

Quasi-External Interfund Transactions



Purchase of Land/Purchase or Construction of Buildings & Improvements

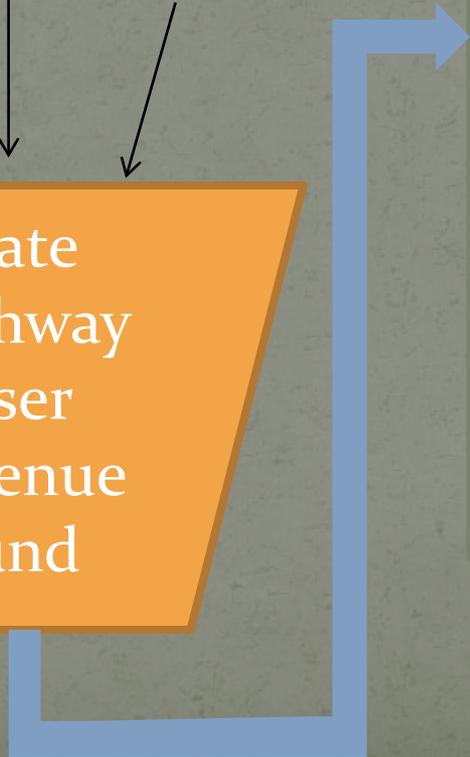
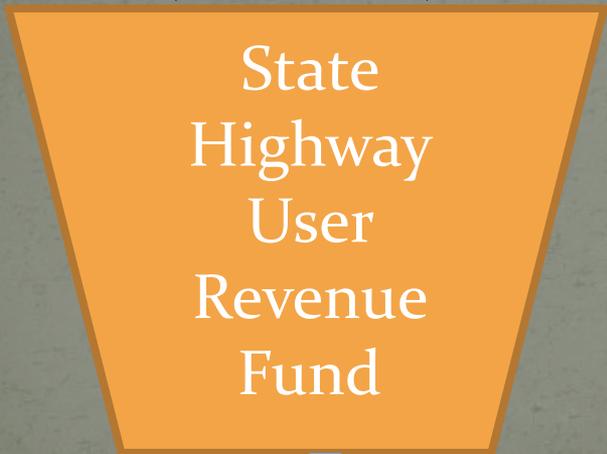
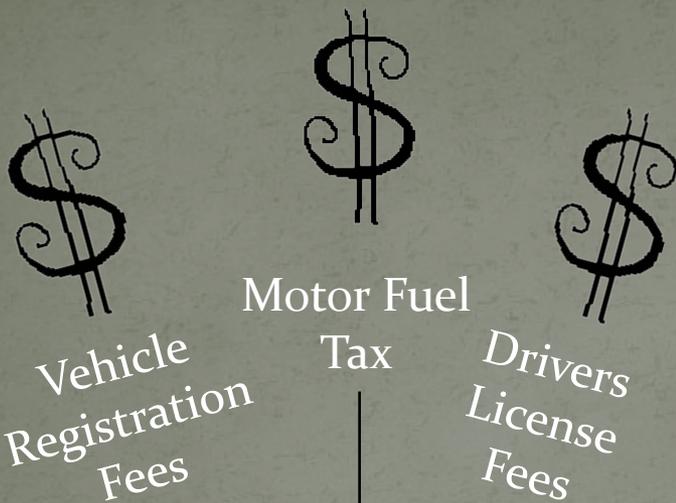


Entity must obtain voter approval to accumulate money for the specific purpose

Only exclude portion spent for land, buildings, and improvements

Revenue from sale of capital assets **not** excludable when spent





City of Sample
Road Fund

Revenues

HURF	\$75,000
Miscellaneous	\$10,000
Investment Income	<u>\$5,000</u>
Total Revenues	\$90,000

HURF Exclusion

FY 2012 Road Fund Assumptions

Total Revenues
\$510,000

HURF Revenues
\$500,000

Expenditures
\$600,000

Current year revenues spent first

HURF Revenue	\$500,000
FY1980 Base Limit	- <u>\$200,000</u>
Available for Exclusion	\$300,000

Total Expenditures	\$600,000
Non-HURF Revenues	- \$10,000
FY1980 Base Limit Revenues	- <u>\$200,000</u>
Remaining Expenditures	\$390,000

Remaining Expenditures	\$390,000
HURF Revenues Available for Exclusion	<u>\$300,000</u>
Expenditures of Beginning Fund Balance	\$90,000

Additional Circumstances ...

Non-HURF revenues transferred in: \$5,000

HURF revenues transferred out, expended: \$10,000

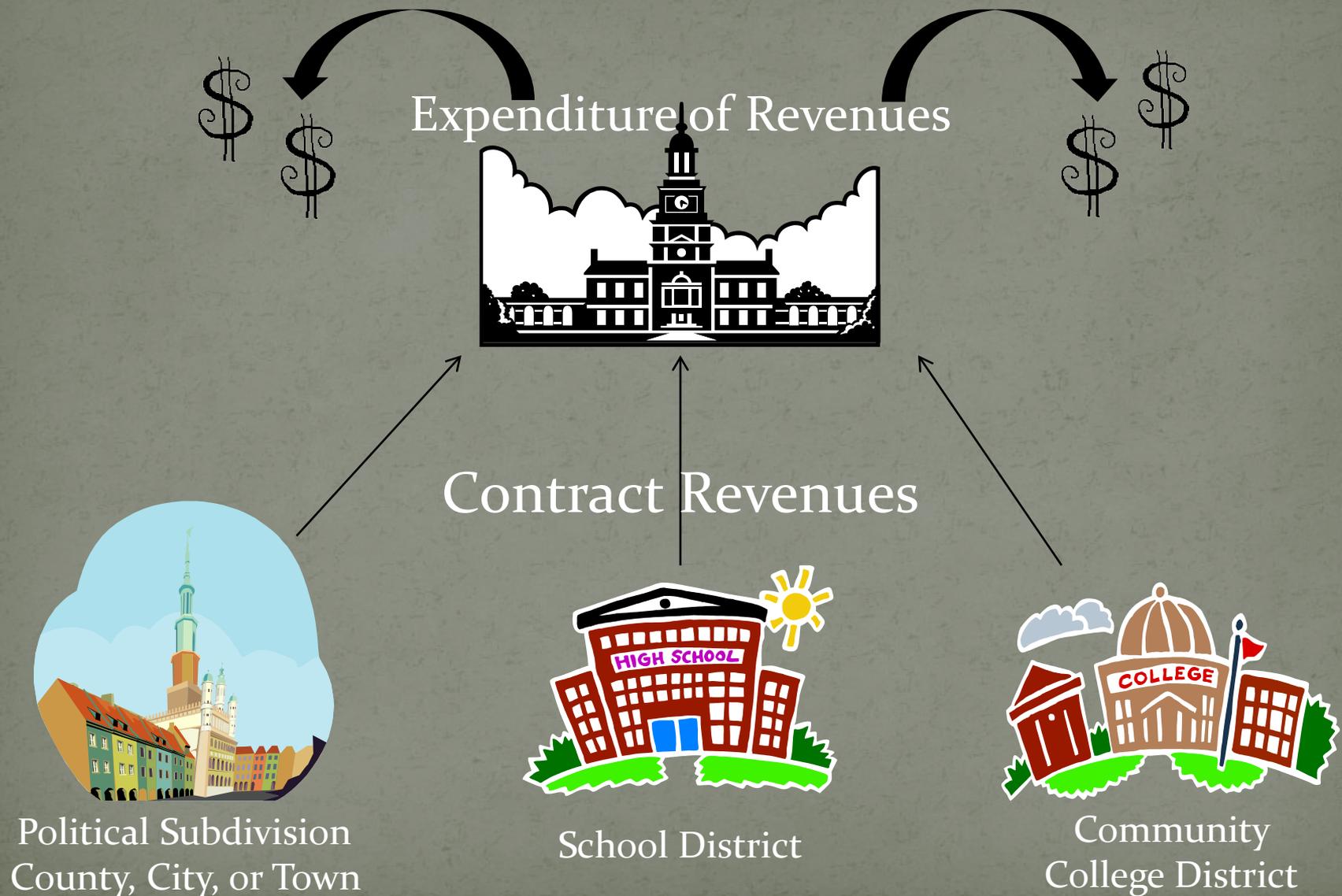
HURF revenues transferred out, unexpended: \$5,000

HURF Revenue	\$500,000
FY1980 Base Limit	- <u>\$200,000</u>
Available for Exclusion	\$300,000

Total Expenditures	\$600,000
Non-HURF Revenues	- \$15,000
FY1980 Base Limit Revenues	- \$200,000
HURF transferred out	<u>+\$10,000</u>
Remaining Expenditures	\$395,000

Remaining Expenditures	\$400,000
HURF Revenues Available for Exclusion	<u>\$295,000</u>
Expenditures of Beginning Fund Balance	\$105,000

Contracts with Other Political Subdivisions



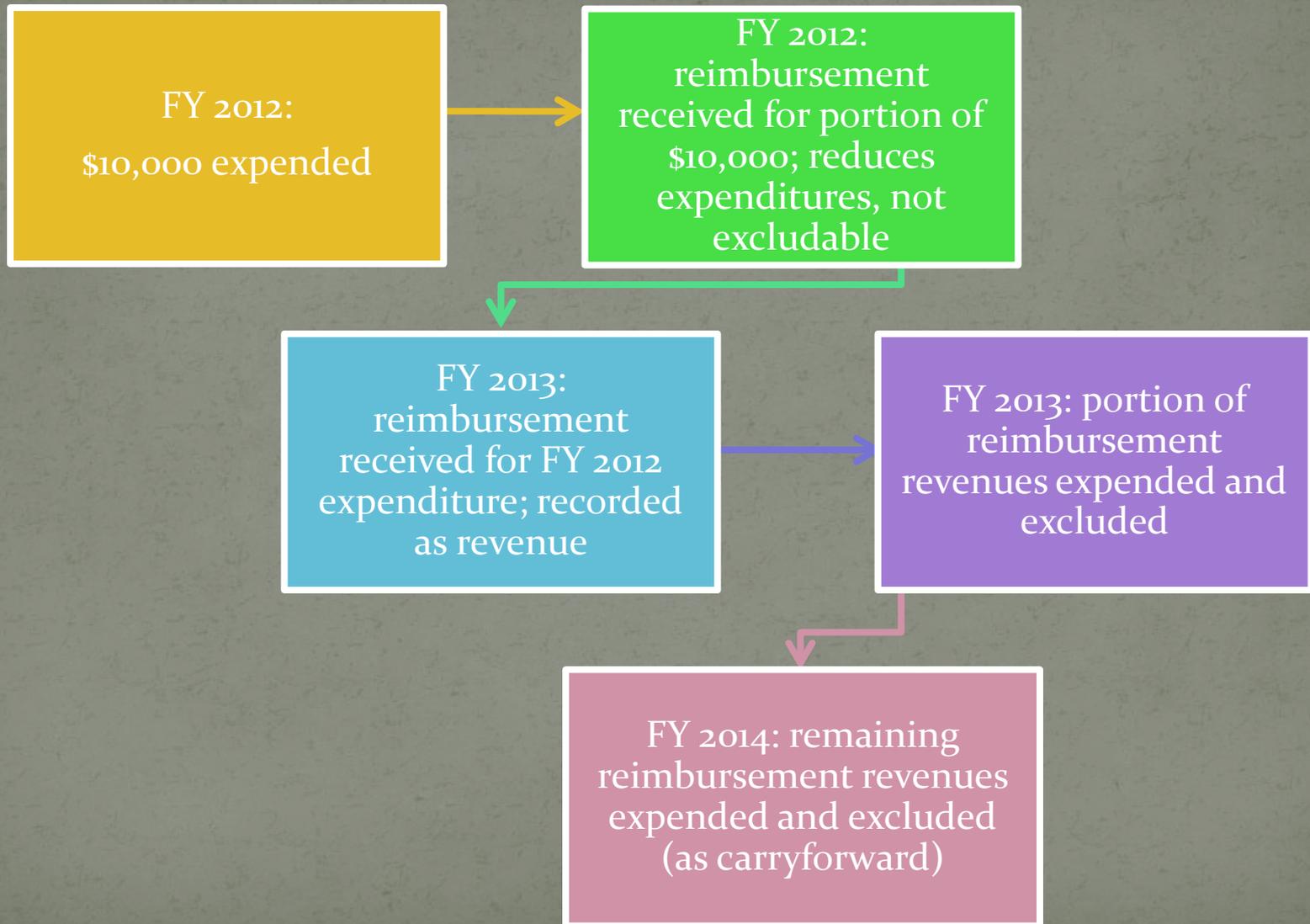
Note X: The following schedule presents a summary of the revenues expended and excluded for contracts with other political subdivisions in the Governmental and Enterprise Funds.

Contract Revenue Descriptions	Governmental Funds	Enterprise Funds
School Districts Intergovernmental Charges for Services	\$35,000	\$15,000
Community Coll. Districts Charges for Services		\$30,000
Town of Sample Intergovernmental	\$27,000	
State of AZ-DES Intergovernmental Miscellaneous	\$8,500	\$12,250
Total	\$70,500	\$57,250

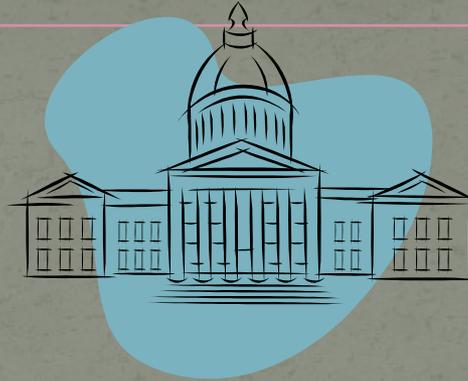
Note X: The following schedule presents intergovernmental revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, other political subdivisions and highway user revenues in the Governmental Funds:

Descriptions	Governmental Funds
Grants and aid from the federal government	\$150,000
Amounts received from the State	\$75,000
HURF revenues in excess of those received in FY 1979-80	\$1,475,000
Contracts w/ other political subdivisions	\$70,500
Other revenues (nonexcludable)	\$15,000
Amount carried forward	\$25,000
Total intergovernmental revenues	\$1,810,500

Refunds, Reimbursements, or Recoveries



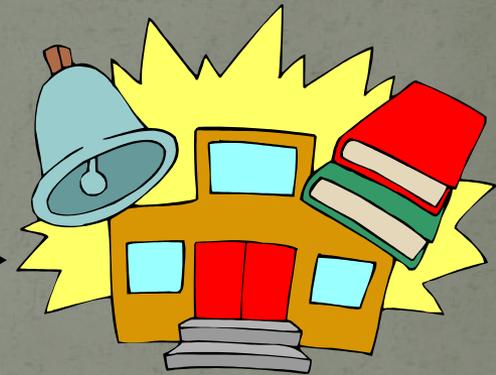
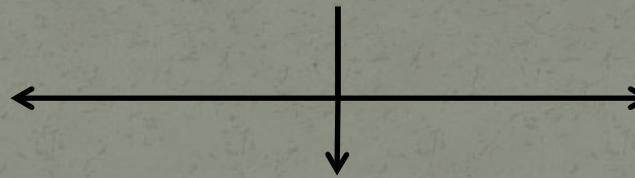
Counties Only-Revenues Distributed to School Districts



County



Expenditures for CSS
Accommodation
Schools



Revenues Distributed
to School Districts



Juvenile Detention Centers/County
Jail Education if operated by
Accommodation School

Cities and Towns Under Home Rule Only- Voter Approved Exclusions



- Must be included in resolution adopting the alternative limitation
- Only for exclusions other than those listed in the Constitution
- Sanitation & refuse, elections, new services
- Constitutional exclusions included in resolution should be included on applicable line of Part II

Prior Years Carryforward

FY 2012

Beginning Fund Balance	\$0
Excludable Revenues	\$10,000
Expenditures	<u>\$7,000</u>
Fund Balance	\$3,000

FY 2013

Beginning Fund Balance	\$3,000
Excludable Revenues	\$0
Expenditures	<u>\$3,000</u>
Fund Balance	\$0

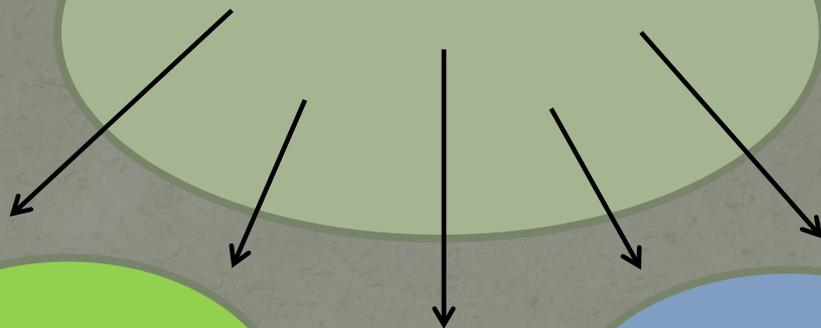
Expenditures
excluded on lines
B.1 through B.12,
as applicable

Expenditures
Excluded on line
B.13

Carryforward Note

Description	Governmental Funds	Enterprise Funds
Dividends, interest, and gains on investment securities	\$500,000	
Grants and aid from the federal government		
Amounts received from the State of Arizona		
Highway user revenues in excess of those received in fiscal year 1979-80	\$500,000	
Total prior years carryforward expended	\$1,000,000	

Carryforward Revenues



General Fund



Debt Service Fund



Road Fund



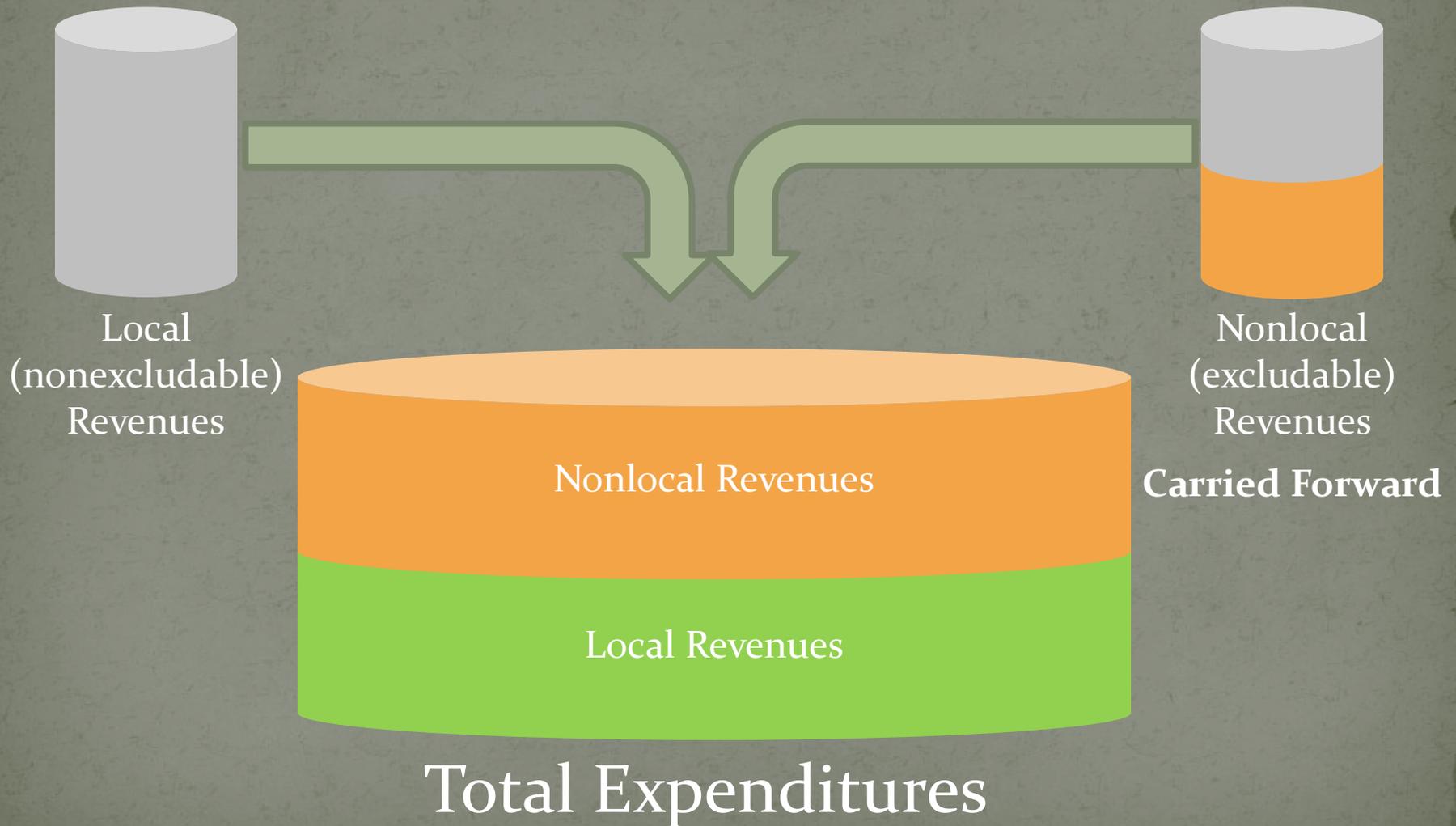
Water & Sewer Fund



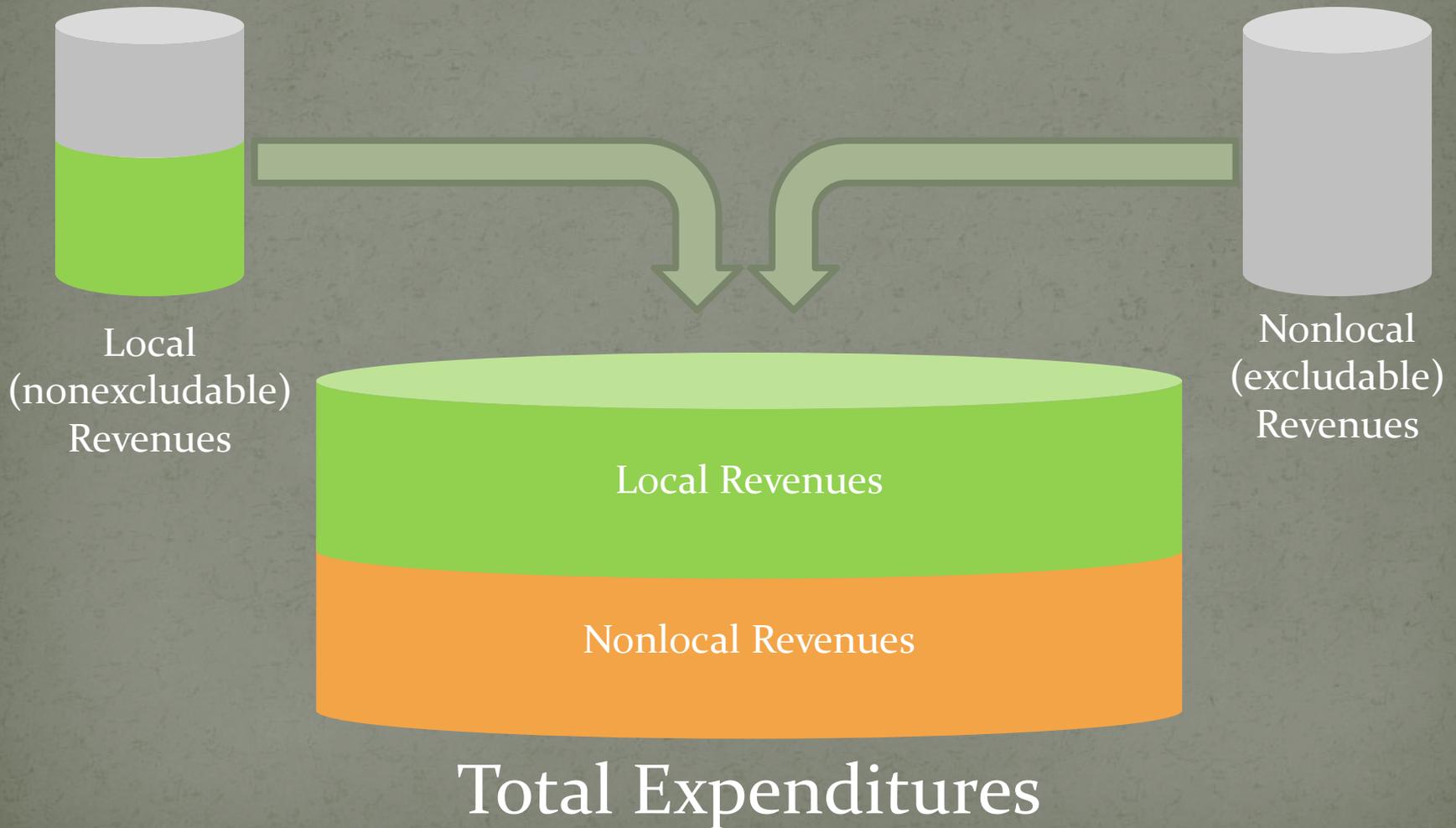
Utilities Fund



Flow Assumption – Maximizing Carryforward



Flow Assumption – Maximizing Exclusions



Flow Assumption – Fund Balance

General Fund

Revenues

Local Revenues	\$5,000
Non-local revenues	\$7,000

Expenditures \$15,000

Beginning Fund Balance \$10,000

Ending Fund Balance \$7,000

Fund Balance

Local Revenue	\$6,000
Non-local Revenue	<u>\$4,000</u>
Total	\$10,000

Carryforward

Accumulated	\$3,000
Used	\$ -0-

Flow Assumption – Fund Balance

General Fund

<u>Revenues</u>	
Local Revenues	\$5,000
Non-local Revenues	\$7,000
Expenditures	\$15,000
Beginning Fund Balance	\$10,000
Ending Fund Balance	\$7,000

Fund Balance

Local Revenue	\$1,000
Non-local Revenue	<u>\$9,000</u>
Total	\$10,000

Carryforward

Accumulated	\$-0-
Used	\$2,000

Calculating Carryforward– Maximizing Carryforward

Road Fund

Total
Revenues
\$510,000

HURF
Revenues
\$500,000

Non-HURF
Revenues
\$10,000

HURF Revenue	\$500,000
FY1980 Base Limit	- <u>\$200,000</u>
Available for Exclusion	\$300,000

Total Expenditures	\$450,000
FY1980 Base Limit Revenues	- \$200,000
Non-HURF Revenues	- <u>\$10,000</u>
Excludable Expenditures	\$240,000

HURF Revenues Available for Exclusion	\$300,000
Excludable Expenditures	<u>\$240,000</u>
Excludable Revenues Carried Forward	\$60,000

Calculating Carryforward – Maximizing Exclusions

Total
Revenues
\$510,000

HURF
Revenues
\$500,000

Non-HURF
Revenues
\$10,000

HURF Revenue	\$500,000
FY1980 Base Limit	- <u>\$200,000</u>
Available for Exclusion	\$300,000

Total Expenditures	\$450,000
Available for Exclusion	- \$300,000
Non-HURF Revenues	- <u>\$10,000</u>
FY1980 Base Limit Expended	- \$140,000

FY 1980 Base Limit	\$200,000
FY 1980 Base Limit Expended	- <u>\$140,000</u>
Unspent FY 1980 Base Limit Revenues (not excludable)	\$60,000

Governmental
Funds

Enterprise
Funds

Internal
Service Funds

Fiduciary
Funds

Total

Line A:

\$10,000

\$5,000

\$7,000

\$3,000

\$25,000

Line B:

B.1.

B.2.

B.3.

B.4.

B.5.

B.6.

B.7.

B.8.

B.9.

B.10.

B.11.

B.12.

B.13.

B.14. Total

\$3,000

\$1,000

\$2,000

\$3,000

\$9,000

Line C:

\$7,000

\$4,000

\$5,000

\$0

\$16,000

Common Errors

Exclusion and
Subtraction for
one expenditure

Two exclusions
for one
expenditure

Carryforward
exclusion in fund
with no beginning
balance

Contracts w/ other
governments not
considered
“political
subdivision”

HR city/town
claiming exclusions
not included in
Resolution

Not accounting
for HURF base
year revenues in
HURF exclusion

Exclusions exceed
expenditures in a
given fund

Common Errors

Carryforward
accumulated
exceeds revenue
in given fund

Not including
notes to the AELR
when needed

Carryforward
exclusion exceeds
beginning fund
balance

Not revising or
omitting notes from
previous years

Conflicting
amounts in notes
to the AELR

Carryforward
exclusions not
lumped on line B.13

Questions



Contact Us!

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Accounting Services Division

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FAQs: www.azauditor.gov