

EXPENDITURE LIMITATION REPORTS

The
Basics

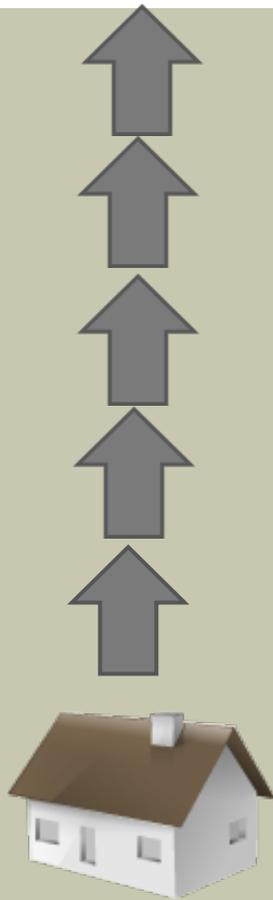
OBJECTIVE



OUTLINE

- **History and Background of Expenditure Limits**
- **The Uniform Expenditure Reporting System (UERS)**
- **Purpose of the Expenditure Limitation Report (ELR)**
- **Structure and Overview of the ELR**

US...CIRCA 1960-1970



Property Values

California

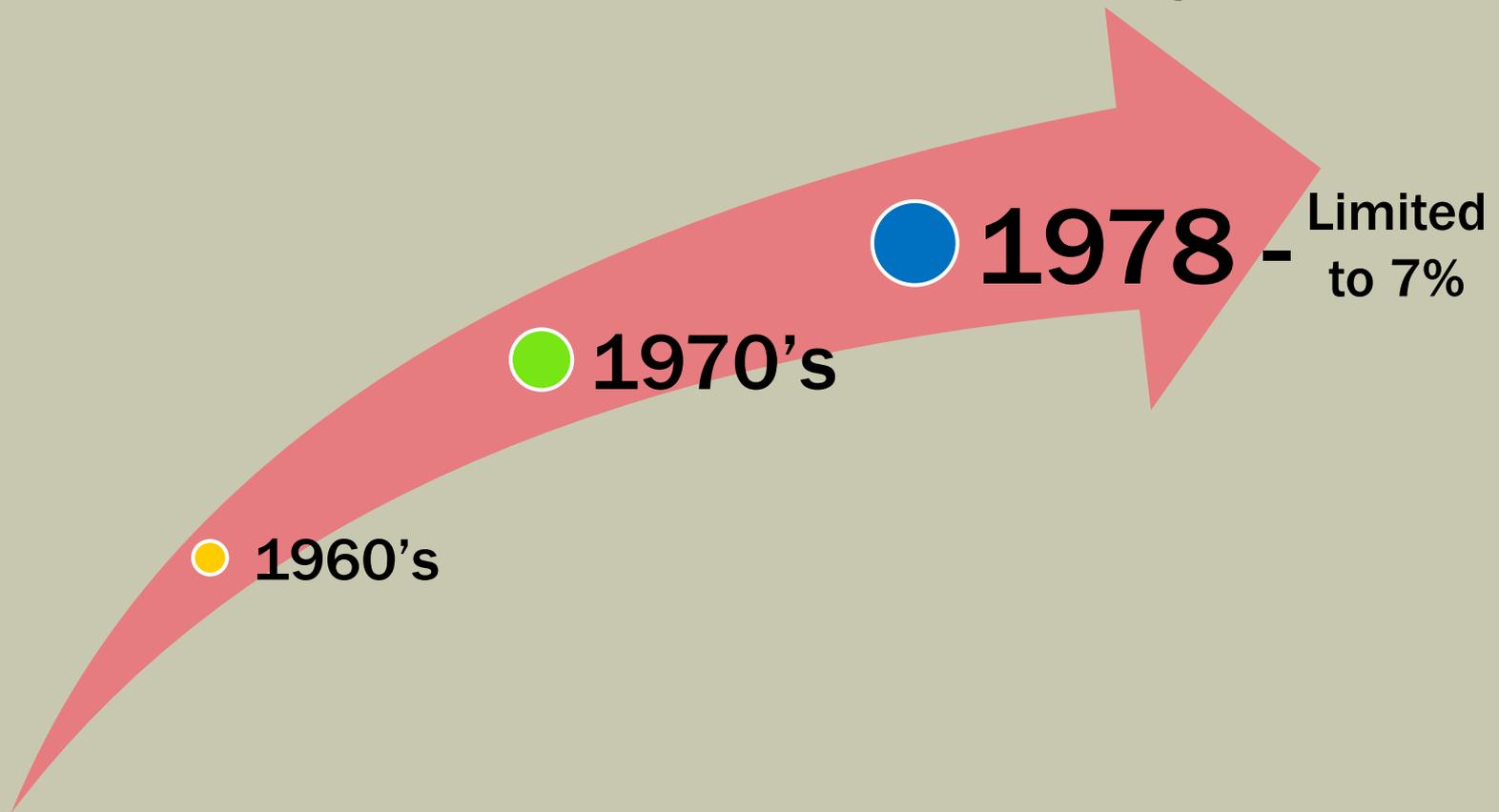


Property Taxes

ARIZONA CONSTITUTION

ARTICLE IX, §17

Percent of Personal Income Spent by the State



ARIZONA CONSTITUTION, ARTICLE IX, §§20 AND 21

Applies To

- Counties
- Cities & Towns
- Community College Districts

Expenditure Limitations

- Local Revenues
- Adjusted yearly for: Inflation, Population Growth
- Base Year: 1979-80

EEC

- Calculates & Publishes Expenditure Limitations
- Preliminary - February 1st
- Final - April 1st
- Annexations - June

STATE IMPOSED EXPENDITURE LIMIT CALCULATION

Counties, Cities, and Towns

$$\frac{\text{2009 Population}}{\text{1978 Population}} \times \frac{\text{GDP Implicit Price Deflator 2009}}{\text{GDP Implicit Price Deflator 1980}} \times \text{FY 1979 - 80 Base Limit} = \text{FY 2011 Expenditure Limitation}$$

Community College Districts

$$\frac{\text{2011 Population Estimate}}{\text{1980 Population Estimate}} \times \frac{\text{GDP Implicit Price Deflator 2009}}{\text{GDP Implicit Price Deflator 1980}} \times \text{FY 1979 - 80 Base Limit} = \text{FY 2011 Budgeted Expenditure Limitation}$$

VOTER-APPROVED OPTIONS

Counties

Permanent
Base
Adjustment



Cities and Towns

Permanent
Base
Adjustment

Alternative
Expenditure
Limitations

CCDs

Modified
Expenditure
Limitations



IMPLEMENTING THE LIMITATIONS

A.R.S. §41-1279.07

Uniform Expenditure Reporting System

Counties, Cities & Towns

- AELR
- F/S
- Reconciliation
- Supporting
Notes

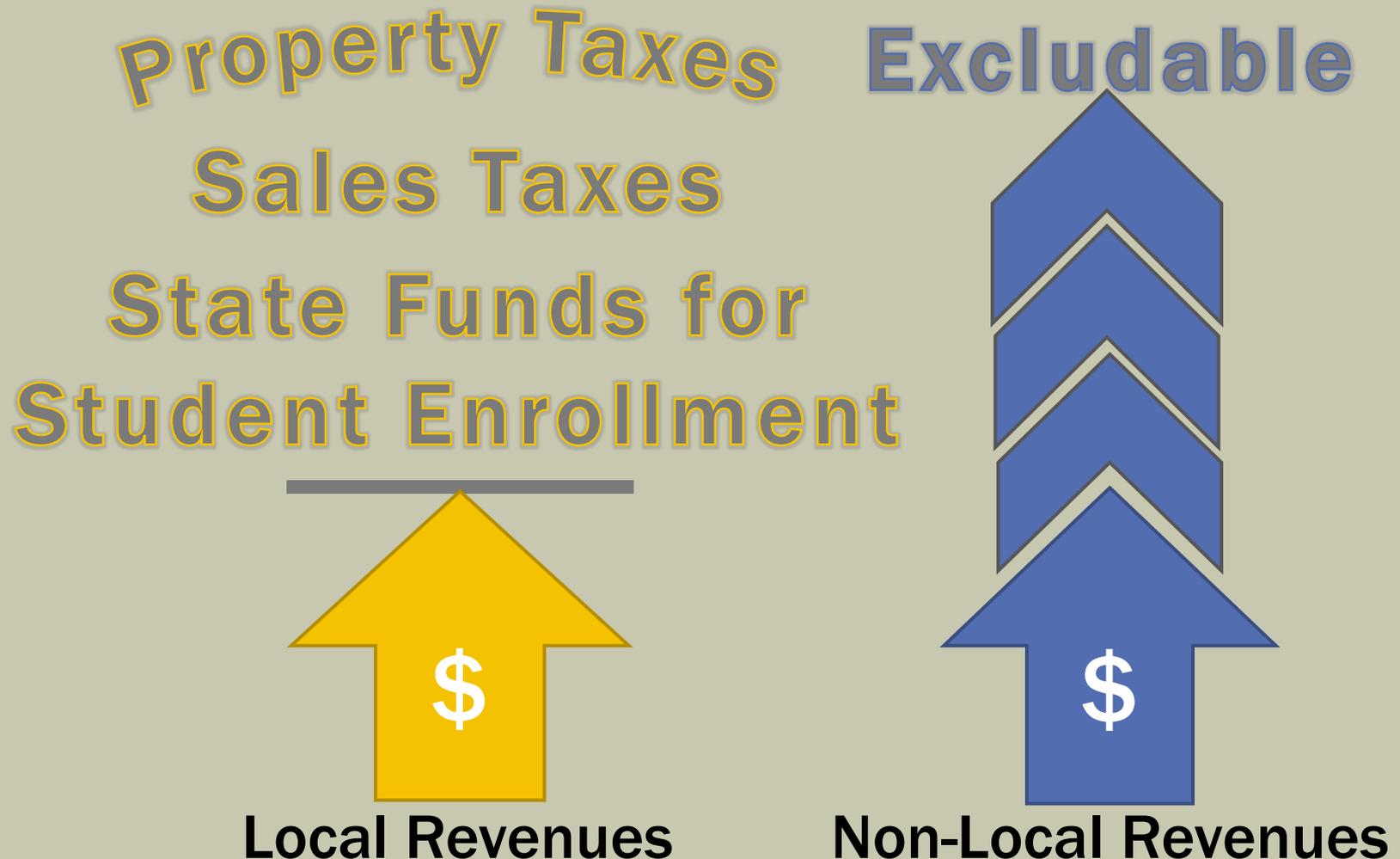
Community College Districts

- ABELR
- F/S
- Supporting
Notes

Auditor General Responsibilities

- UERS Manual
- Review
Submitted
Reports

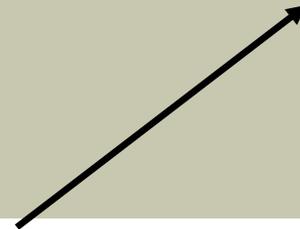
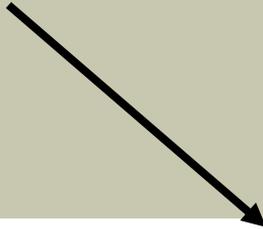
WHAT DOES THE ELR DO?



WHAT DOES THE ELR DO?

GAAP

USERS

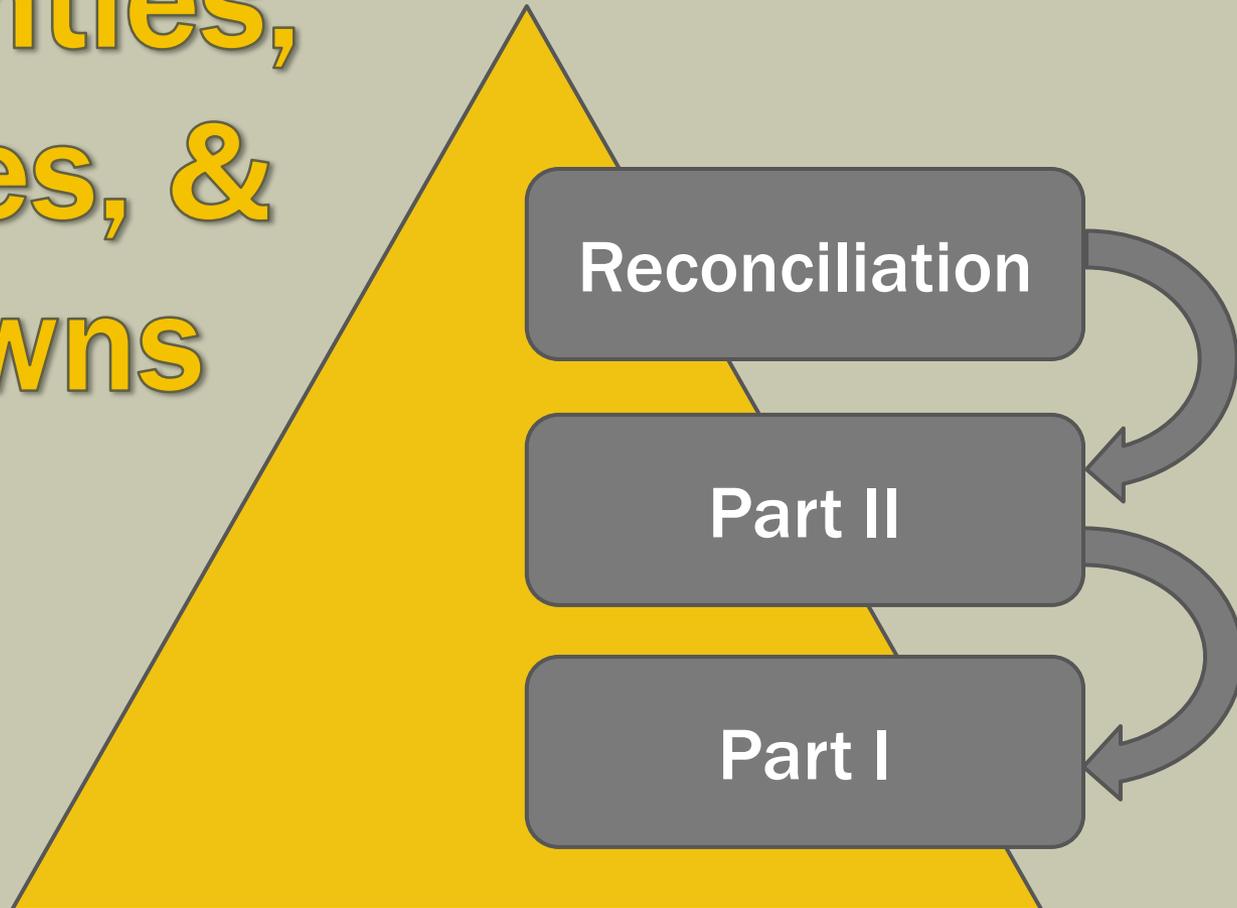


_____ COUNTY
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 20__

- | | | |
|--|----------|----------|
| 1. Economic Estimates Commission expenditure limitation | | \$ _____ |
| 2. Amount subject to the expenditure limitation (total amount from Part II, Line C) | \$ _____ | |
| 3. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution] | - _____ | |
| 4. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona | | |

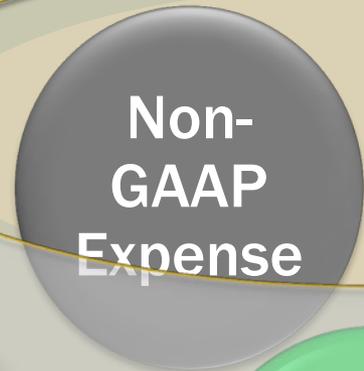
ELR STRUCTURE

Counties,
Cities, &
Towns



RECONCILIATION

Financial Statements



UERS Expenditures

RECONCILIATION

Line A: Financial Statement Expenditures/Expenses

—

Line B: F/S Expenditures Not Subject to Limitation

+

Line C: Items Not Reported in F/S as Expenditures

=

Line D: UERS Basis Expenditures

PART II

Counties/Cities./Towns

CCD's

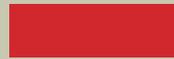
Line A: UERS
Basis
Expenditures

or

Line A:
Budgeted
Expenditures

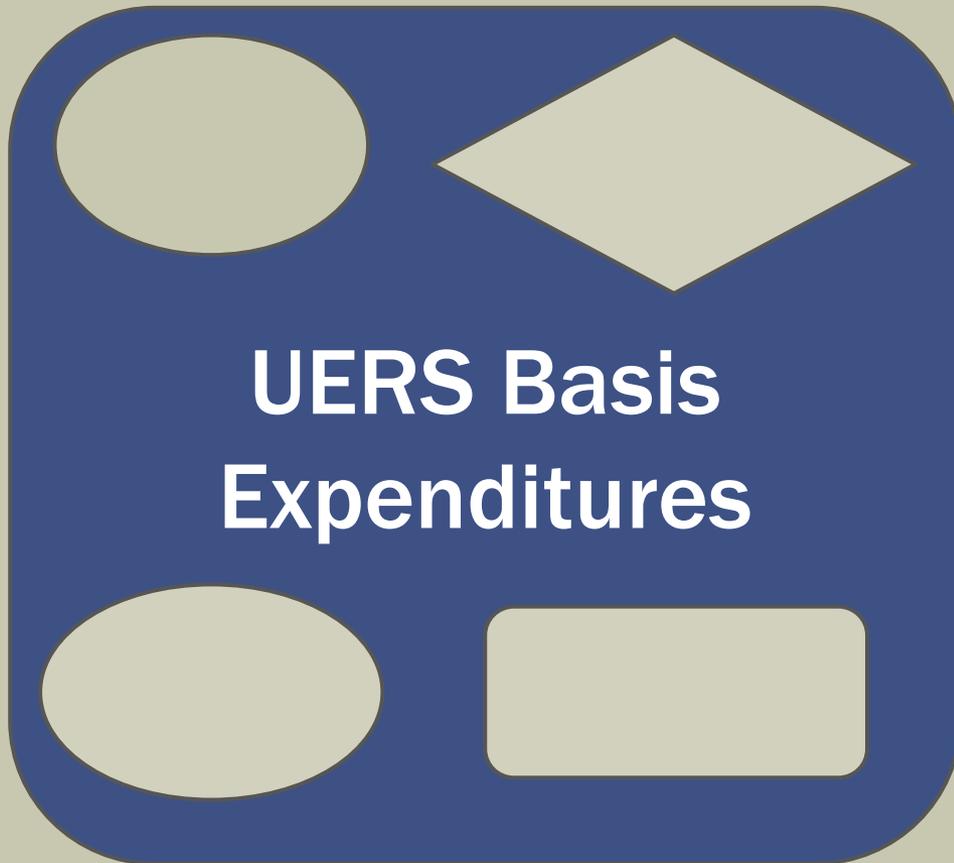
Expenditures of
Excludable
Revenues

Total
Expenditures
Subject to the
Limitation

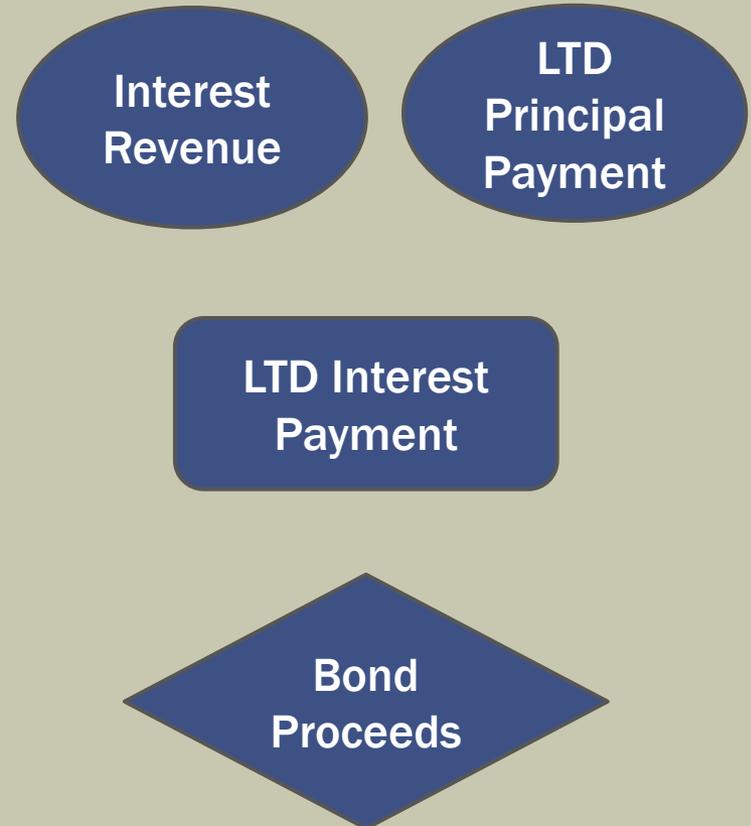


WHAT IS A LOCAL REVENUE?

Local Revenues



Exclusions



EXCLUSIONS

When are exclusions not allowed?



Home Rule (HR) Expenditure
Limitations



Unless specifically defined
in HR resolution

TYPES OF EXCLUSIONS

Revenue-
Driven

Expenditure-
Driven

Total
Exclusions

```
graph TD; A[Revenue-Driven] --> C((Total Exclusions)); B[Expenditure-Driven] --> C;
```

REVENUE-DRIVEN EXCLUSIONS

Investment Income

\$100,000

Expenditures

\$50,000

Available Exclusion

\$50,000

Carryforward

\$50,000

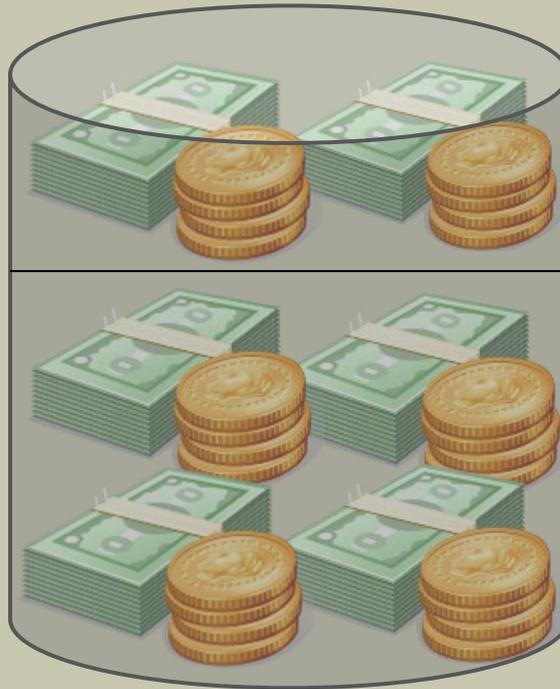
FLOW ASSUMPTION

Total Expenditures

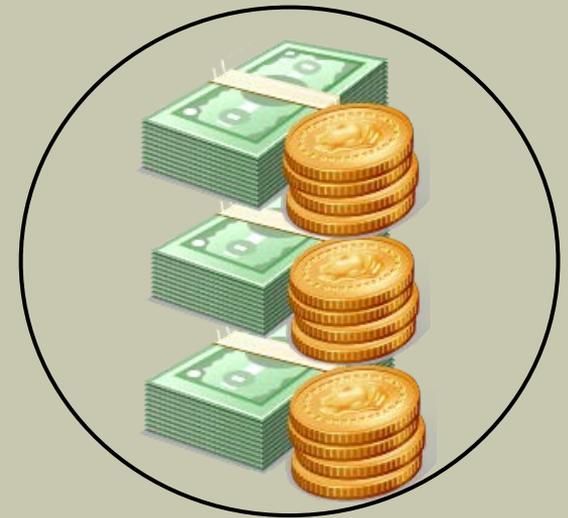
Expenditure Limit



Local Revenues



Carryforward



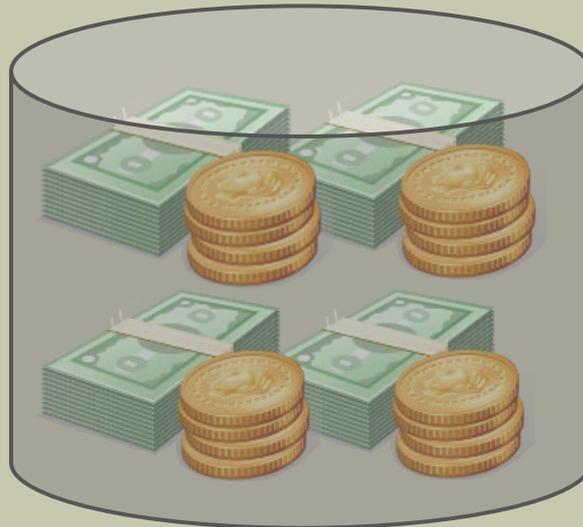
Excludable Revenues

FLOW ASSUMPTION

Total Expenditures



Local Revenues

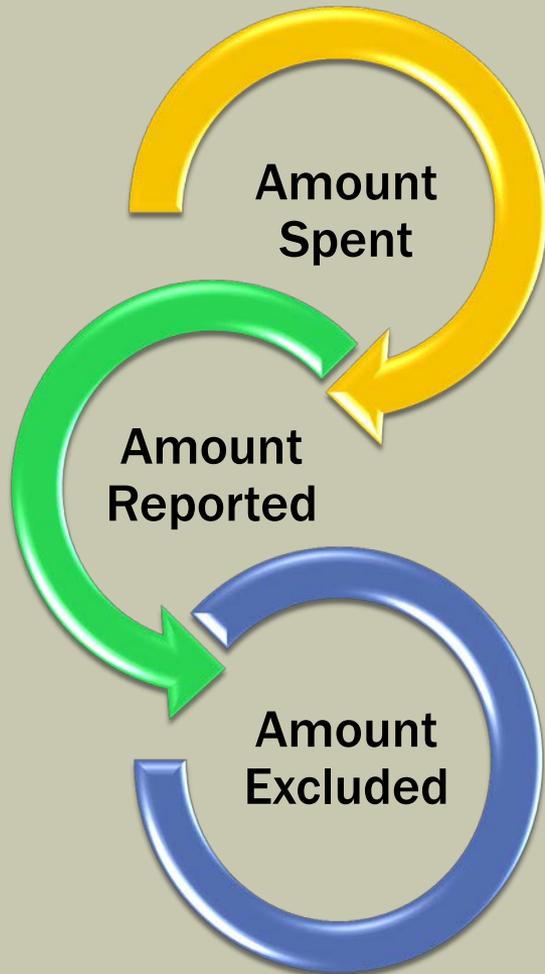


Carryforward



Excludable Revenues

EXPENDITURE-DRIVEN EXCLUSIONS



Nothing Carried
Forward

Expenditures Only
Excluded Once

CAN EXCLUSIONS CHANGE?



- Auditor General has no ability to add or takeaway allowable exclusion categories
- A revenue source's excludability can be reviewed for agreement with the Constitutional Definition
- A change in funding source can mean a change in excludability

PART I

Total
Expenditures
Subject to the
Limit

—

Adjustments



Expenditure Limitation

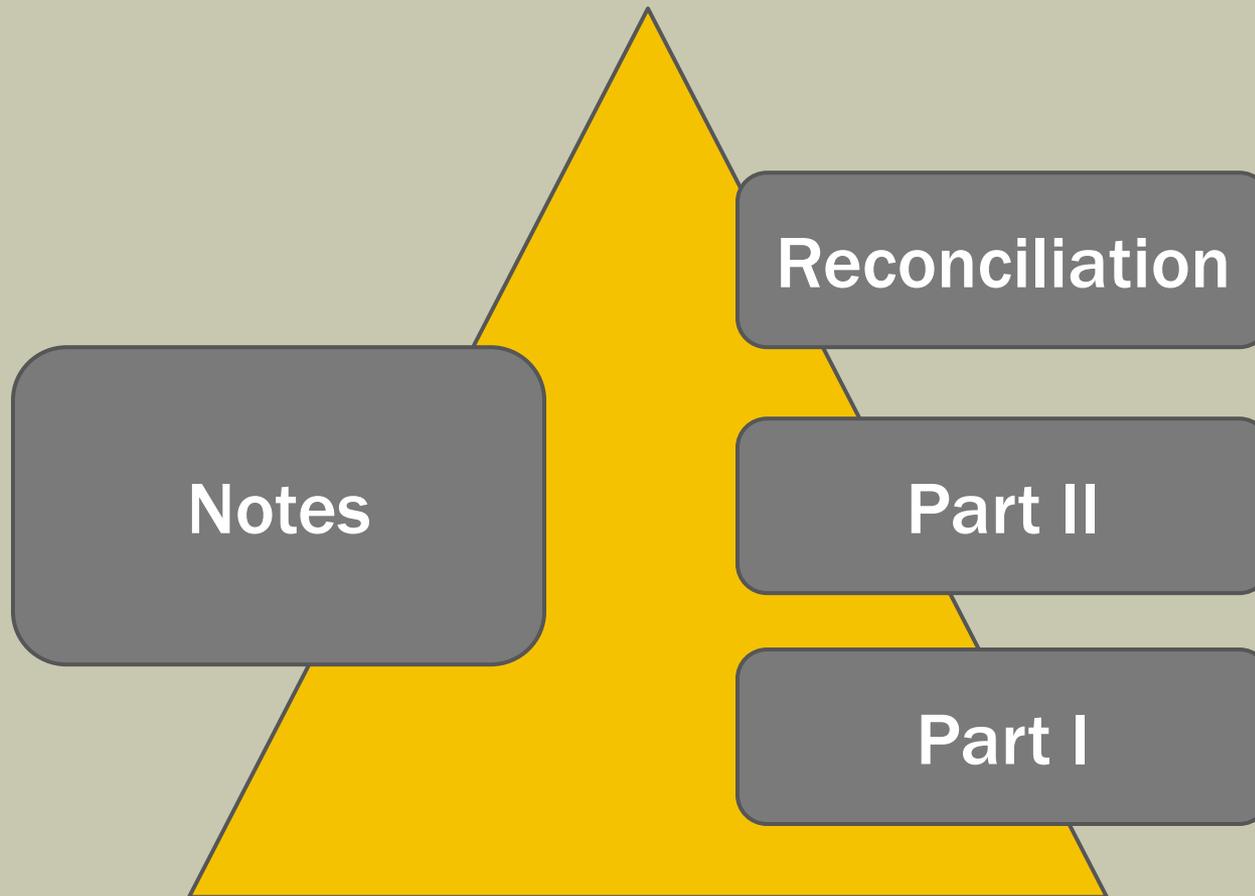
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Adjusted Amount Subject
to the Limitation

=

Amount Under (in Excess
of) the Expenditure
Limitation

ELR STRUCTURE



Explain the difference in a Note!

NOTES

Intergovernmental Revenue
\$2,000,000

Exclusion Taken
\$1,500,000

Difference
\$500,000

Note

Describe revenue source, amounts excluded, and reason for the difference:

- Portion is non-excludable
- Portion is carried forward

RESOURCES

www.azauditor.gov

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Office of the Auditor General

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Type	Description
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QUESTIONS??

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Accounting Services Division**

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