

# Expenditure Limitation Reports:

Reconciliation  
and Part I

# Questions

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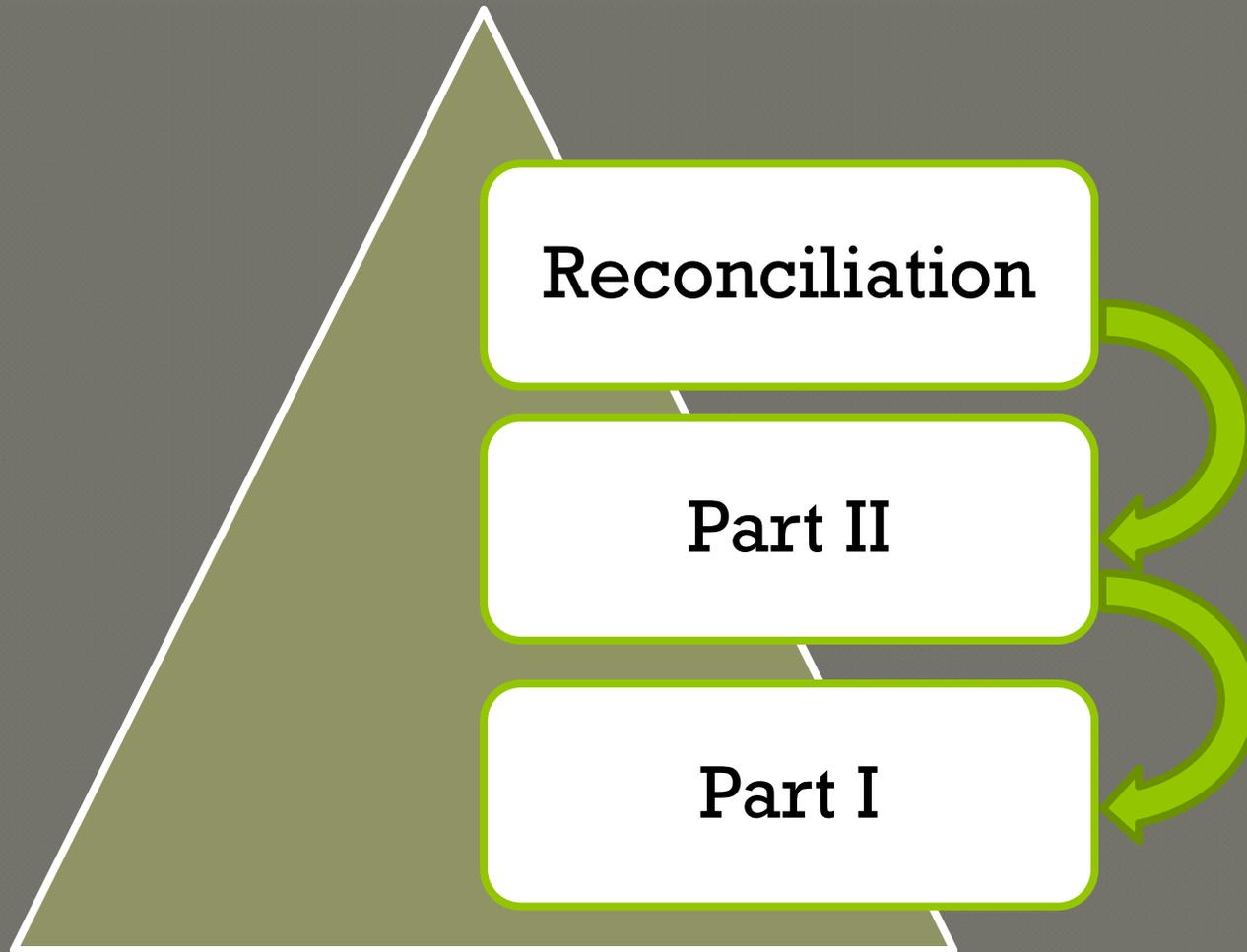
**Submit questions  
to us during the  
presentation.**

**Don't forget  
about the  
FAQs on our  
Website.**

[www.azauditor.gov](http://www.azauditor.gov)

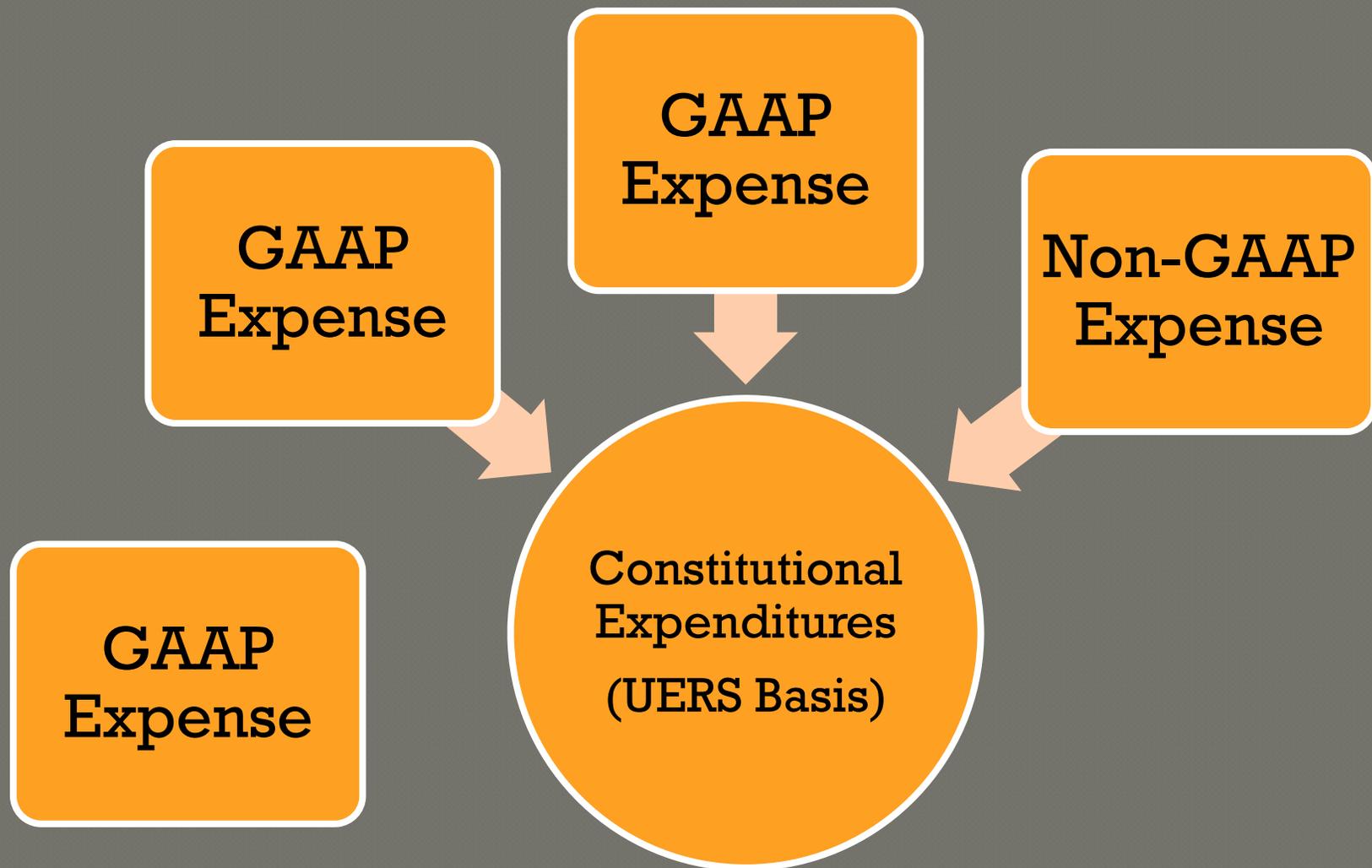
# The ELR

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# Reconciliation

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# Financial Statements

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## ○ Line A

### **Governmental**

Statement of Revenues,  
Expenditures, and Changes in  
Fund Balances

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### **Enterprise and Internal Service**

Statement of Revenues, Expenses  
and Changes in Fund Net Assets

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### **Fiduciary**

Statement of Changes in Fiduciary  
Net Assets

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# Line A

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- Make sure all required items are included.
- Do not include transfers out.

## Governmental

- Other financing uses
- Special items
- Extraordinary items

## Enterprise & Internal Service

- Loss on disposal of capital assets
- Interest Expense
- Other non-operating expenses
- Special and extraordinary items

# Subtractions

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UERS Basis Expenditures



Cities & Towns: Line B1 through B4

Counties: Lines B1 through B7

# The Notes

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Directly from ELR



**FINANCIAL  
STATEMENTS**



From ELR



Note to  
ELR



# Items not requiring the use of working capital

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- Items do not involve cash payments
- 5 different expense types
- Do not apply to Governmental Funds

# Capital asset subtractions

## Year of Acquisition

Depreciation  
expense  
recorded  
annually over  
asset's life

Depreciation  
not subject to  
limitation

Entire Cost  
recorded as an  
asset



# Capital asset subtractions cont.

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Loss not  
subject to  
limit...

Because full cost  
was subject to  
limit when  
purchased



# Bad Debt Expense

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- Represents revenue the government will not receive.
- Note to ELR is needed.

# Future Costs

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Expenses recorded,

but...

cash outlay may not  
occur for years,  
(or decades).

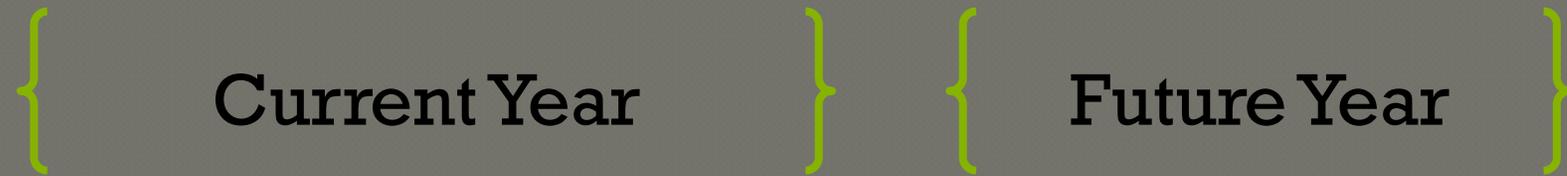
Claims incurred but not  
reported

Landfill closure and  
postclosure care costs

Other Postemployment  
Benefits (OPEB)

# Claims incurred

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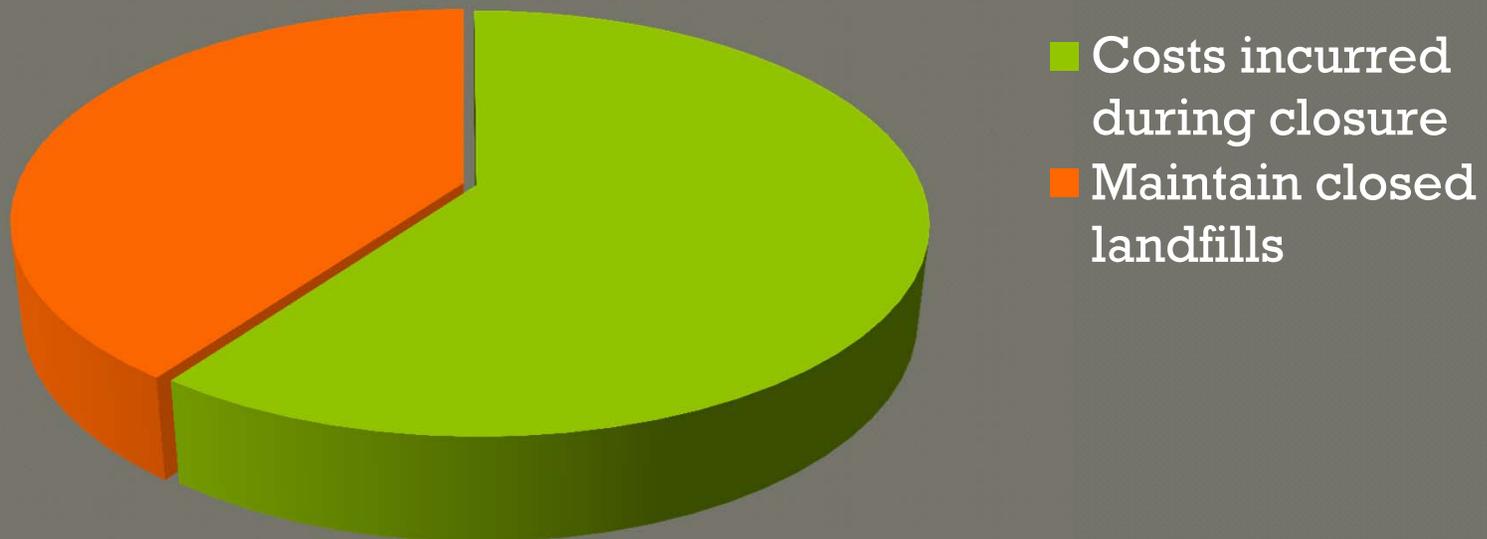
Not Subject to Current Year  
Expenditure Limitation

Subject to Expenditure  
Limitation in Year Paid

# Landfill closure and postclosure care

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## Landfill Closure Costs



Liabilities accrue over the life of the landfill

# OPEB

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- Recognized when employees render services.
- Expenses represent liabilities rather than cash outlays.

# OPEB

## State Retirement Plans only

Arizona  
State  
Retirement  
System

Public  
Safety  
Personnel  
Retirement  
System

Corrections  
Officer  
Retirement  
Plan

Elected  
Officials  
Retirement  
Plan

No adjustment needed.

Contributions = OPEB costs paid annually

# Other OPEB Plans

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## Governmental

- Expenditure recorded only when payment made
- No adjustment needed

## Enterprise, Internal Service or Fiduciary

- Expense and Liability recorded
- Subtraction needed

# Calculate subtractions

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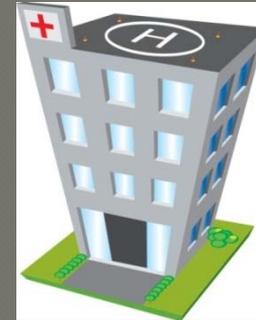
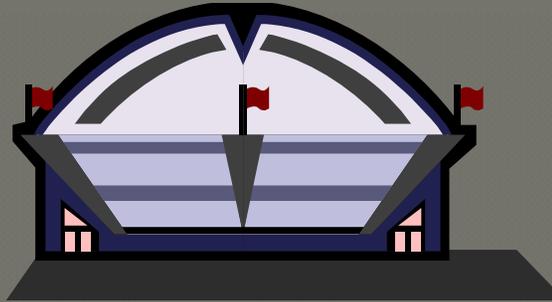
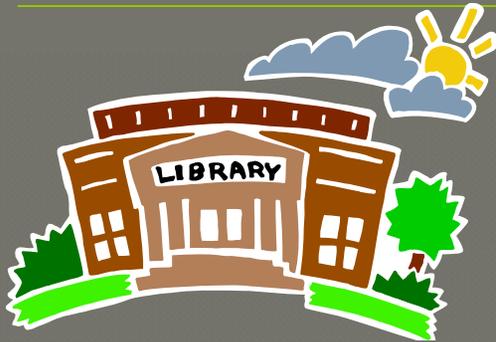
2 ways to determine subtraction amount

**Subtract the  
increase in the  
related liability**

**Subtract the  
ending liability  
balance**

Both amounts can be found in the Notes to the Financial Statements

# Expenditures of separate legal entities



- County jail/public health services in excess of maintenance of effort payments:  
A.R.S. §§48-4024 or 48-5802
- Only expenditures of the government's legal entity are subject to the limitation.
- Entities established before FY 1980 may be included in the base limit calculation.

# Expenditures of separate legal entities

Entity A

Capital Projects Fund

Expenditures

\$5,000 **Subtracted**

Transfers In

\$5,000

Library District

Library District Fund

Expenditures

\$25,000      **Subtraction**  
\$30,000

Transfers In

\$10,000      **-\$ 7,000**  
\$23,000

Transfers Out

\$5,000

General Fund

Transfers Out    \$10,000

# Present value of net minimum capital lease payments

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- Governmental Funds only
- Only available in the year the government enters into a new lease agreement.
- Does not apply if cash received for leasing purposes.



# Involuntary court judgments

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- Expenditures must be the result of an involuntary act.
- Refer to Attorney General Opinion I86-031



# Counties: Contributions to Fire Districts

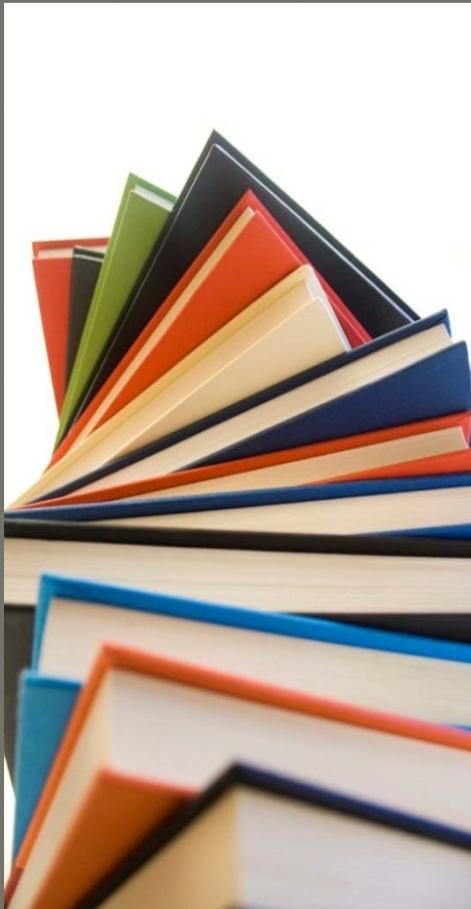
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- Distribution of monies from specific fire district tax - A.R.S. §48-807



# Counties: Community College Reimbursement Payments

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- Required by A.R.S. §15-1469.01 for counties that are not part of an established CCD.
- Amount calculated pursuant to A.R.S. §15-1469 withheld from sales tax.
- Payment made by the State on behalf of the county.

# Counties: Long Term Care Contributions

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- ALTCS Payments
- Amount withheld from allocation of transaction privilege taxes.



# Counties: DHS Payments

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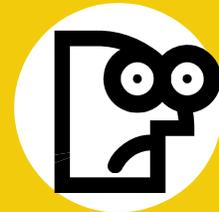
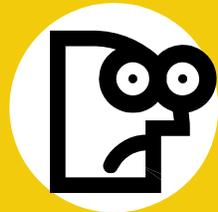
- Required contributions are based on annual session laws.



- Session laws indicate these contributions are not subject to the expenditure limitation.

# Questions

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**It's QUESTION TIME !!**

# Additions

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~~Financial Statement Expenditures~~

UERS Basis Expenditures

Line C1 through C4

# Principal on long term debt...and capital asset acquisitions

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## Principal on LT Debt

- Payment recorded as reduction of a liability.
- Related interest already included on Line A.

## Capital Asset Acquisitions

- Assets are not fully expensed when purchased.

# Claims paid and OPEB

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Cash outlay recorded as reduction of liability, not a current year expense.

Claims paid are added (to the extent they were previously recorded as expenses).

Applicable fund types:

**Enterprise**

**Internal Service**

# Calculate addition

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**Addition amount depends on subtraction method:**

Subtracted the increase?

Add the decrease

Subtracted the ending balance?

Add the beginning balance

○ Same net effect on the ELR

# Landfill closure and postclosure care costs

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Liabilities accrue over the landfill's life

Cash outlays recorded as reduction of liability rather than expense

Cash outlays added (to the extent that they were previously recorded as expenses).

# What about Part II?

Reconciliation

- Apply total subtractions and additions to total expenditures

~~Part II~~

- Excludes expenditures that were made from non-local revenues

Part I

- Determine if expenditures were within the limitation

# Part I

## Expenditure Limitation

County, City, or Town  
State Imposed: Line 1

Home Rule City/Town  
Voter-approved: Line 2

Preliminary

Final

Revised

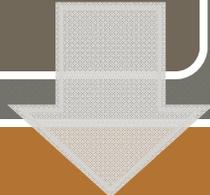
**Total Expenditures Subject to the Limit from Part II**

**Counties: Line 2; Cities/Towns: Line 4**

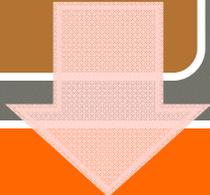
# Adjustments - Disasters

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Disaster declared by Governor



Authorized by 2/3 of  
Board/Council

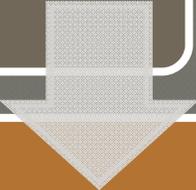


No impact on subsequent years'  
limitations

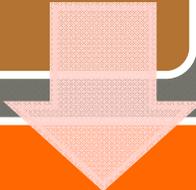
# Adjustments - Disasters cont.

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Authorized by 70% of  
Board/Council



No impact on subsequent  
limitations...**IF** also approved  
by voters



If not voter approved, then limit  
impacted for following year

# Adjustments - One time Overrides

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Allowed to exceed limit by a specific amount

- Must be approved by 2/3 of Board/Council
- Approved by voters

Refer to our Webinar for more information

# Part I

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- Calculates the “bottom line”

Determine the total amount under (or in excess of) limitation

A.R.S. §41-1279.07(H) requires our Office to hold a hearing for overexpenditures

- Action by our Office may be required

# CFO

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- The person who signs the ELR should be the same person we have on file.
- A.R.S. §41-1279.07(E): entities must submit CFO designation to our Office.



# Questions and Thanks

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○ Contact us

**Accounting Services Division**

**602-553-0333**

**[asd@azauditor.gov](mailto:asd@azauditor.gov)**