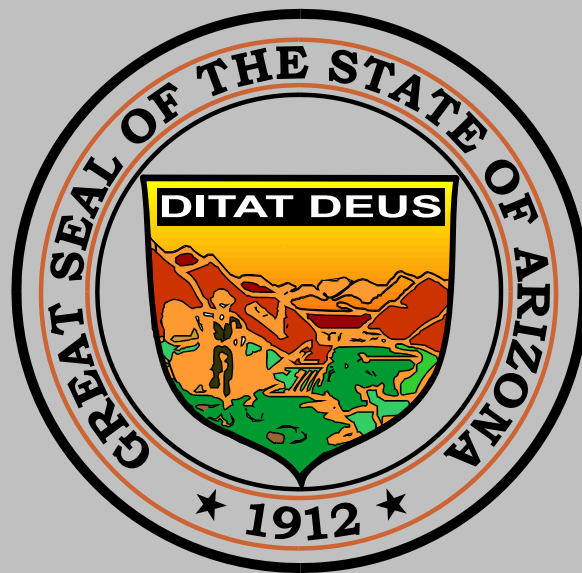


# **UNIFORM EXPENDITURE REPORTING SYSTEM**

**UERS**



**AUDITOR GENERAL**

# UNIFORM EXPENDITURE REPORTING SYSTEM MANUAL

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## BACKGROUND

On June 3, 1980, Arizona voters approved **Arizona Constitution, Article IX, §§20 and 21**, prescribing an expenditure limitation for each county, city, town, and community college district. The purpose of the expenditure limitation is to control expenditures and limit future increases in spending to adjustments for inflation; deflation; population growth of counties, cities, and towns; and student population growth of community college districts.

Provisions are included that allow counties, cities, and towns to authorize expenditures in excess of the expenditure limitation for expenditures directly necessitated by a natural or manmade disaster or if approved by two-thirds of the governing board and a majority of the qualified voters. The Constitution also allows counties, cities, and towns to **permanently adjust the base limit** subject to voter approval; allows cities and towns to establish a voter-approved **alternative expenditure limitation**; and allows community college districts to establish a voter-approved **modified expenditure limitation**.

Counties, cities, and towns were subject to the expenditure limitation effective in the fiscal year following the first regularly scheduled election of governing board members after July 1, 1980. Community college districts became subject to the expenditure limitation on July 1, 1981.

The Constitution also limits the amount of revenues that may be generated from property taxes. A 2 percent annual increase is the maximum allowed by law unless special voter approval is obtained.

**Arizona Revised Statutes (A.R.S.) §41-1279.07** requires the Auditor General to prescribe a *Uniform Expenditure Reporting System* (UERS) for all political subdivisions subject to the constitutional expenditure limitations prescribed by **Article IX, §§20 and 21**. As required by A.R.S., this manual was developed to provide detailed instructions for completing and submitting the required reports. Detailed instructions and examples of the reports are presented in **§§VI, VII, and VIII**.

## DEVELOPMENT OF THE BASE LIMIT

The Economic Estimates Commission (EEC) was required by the Constitution to establish for each political subdivision a base limit from actual expenditures of local revenues of fiscal year 1979-80.

Each year, the EEC develops an expenditure limitation for each county, city, and town by adjusting the base limit for population and inflation factors. In the case of community college districts, the base limit is adjusted for changes in student population and inflation factors. **By February 1**, the EEC must provide each political subdivision with an **estimated** expenditure limitation for the following fiscal year, and **by April 1**, must determine and report the **actual** expenditure limitation for the following fiscal year to each political subdivision.

## CALENDAR OF EVENTS

The following is a list of significant events concerning expenditure limitation reports, permanent adjustments of the base limit, alternative expenditure limitations, and modified expenditure limitations as prescribed by the Arizona Constitution (A.C.) and Arizona Revised Statutes (A.R.S.). In order to meet the required dates, the governing board may specify additional interim dates for internal planning and control.

Date	Event	Authority
<b>EXPENDITURE LIMITATION REPORTS</b>		
Prior to February 1	The Economic Estimates Commission (EEC) notifies political subdivisions of the estimated expenditure limitations for the following fiscal year.	A.R.S. §41-563
Prior to April 1	The EEC notifies political subdivisions of their actual expenditure limitations for the following fiscal year.	<a href="#">A.C. IX §20(1)</a> <a href="#">A.C. IX §21(1)</a> A.R.S. §41-563
Prior to July 31	Political subdivisions provide to the Auditor General the names of the chief fiscal officers designated to submit the expenditure limitation reports for the current fiscal year.	<a href="#">A.R.S. §41-1279.07(E)</a>
Prior to October 31	Political subdivisions submit to the Auditor General the reports for the previous fiscal year required by the <i>Uniform Expenditure Reporting System</i> (UERS), unless an extension of up to 120 days is requested and approved.	<a href="#">A.R.S. §41-1279.07(C)</a>
February 28, or first business day thereafter	The 120-day extension period is over. Reports required by the UERS must be submitted to the Auditor General.	<a href="#">A.R.S. §41-1279.07(C)</a>
<b>PERMANENT BASE LIMIT ADJUSTMENTS AND ALTERNATIVE EXPENDITURE LIMITATIONS</b>		
60 days prior to the election	Political subdivisions must submit the analyses required by A.R.S. to the Auditor General.	<a href="#">A.R.S. §41-563.03(D) &amp; (E)</a>
15 working days after the required documents are submitted	The Auditor General must complete a review of the submitted analyses and return them to the political subdivisions.	<a href="#">A.R.S. §41-563.03(D) &amp; (E)</a>
Prior to the election	A copy of the printed publicity pamphlet must be submitted to the Auditor General.	<a href="#">A.R.S. §41-563.03(D) &amp; (E)</a>
Before the earliest date that registered voters can receive early ballots, but not less than 10 days prior to the election	A copy of the publicity pamphlet must be mailed to each household containing a registered voter.  If publicity pamphlets are not mailed before the earliest date that registered voters can receive early ballots, voters must be provided a notice with early ballots that states when the pamphlets will be mailed and when and where pamphlets may be accessed or viewed.	A.R.S. §19-141
After the election	The Auditor General and the EEC must receive a copy of the certified election results.	<a href="#">A.R.S. §41-563.03(F)</a>
<b>MODIFIED EXPENDITURE LIMITATIONS</b>		
Before the earliest date that registered voters can receive early ballots, but not less than 10 days prior to the election	A copy of the publicity pamphlet must be mailed to each household containing a registered voter.  If publicity pamphlets are not mailed before the earliest date that registered voters can receive early ballots, voters must be provided a notice with early ballots that states when the pamphlets will be mailed and when and where pamphlets may be accessed or viewed.	A.R.S. §19-141
After the election	A copy of the certified election results should be provided to the Auditor General and the EEC.	

# SANCTIONS AND PENALTIES

## EXCESS EXPENDITURES

As provided in **Arizona Revised Statutes (A.R.S.) §41-1279.07(G)**, a statutorily prescribed amount of state income tax will be withheld from cities and towns, and the amount of state aid specified by statute will be withheld from community college districts that exceed their expenditure limitations without authorization. **A.R.S. §41-1279.07(H)** requires a county that exceeds the expenditure limitation without authorization to reduce its maximum allowable levy of primary property taxes.

Before state funds are withheld from cities, towns, or community college districts or the maximum allowable levy of primary property taxes is reduced for counties, the Auditor General must hold a hearing to determine if the political subdivision has exceeded the expenditure limitation without authorization. To ensure due process, representatives of the political subdivision are invited to attend and participate in this hearing.

If it has been determined that a city, town, or community college district has exceeded the expenditure limitation without authorization, the Auditor General must notify the State Treasurer to withhold a portion of the political subdivision's allocations of the above revenues for the fiscal year subsequent to the Auditor General's hearing in the following amounts:

1. If the excess expenditures are less than 5 percent of the limitation, an amount equal to the excess expenditures.
2. If the excess expenditures are equal to or greater than 5 percent but less than 10 percent of the limitation or are less than 5 percent of the limitation but the entity has exceeded the limitation for the second consecutive time, an amount equal to triple the excess expenditures.
3. If the excess expenditures are equal to or greater than 10 percent of the limitation, an amount equal to five times the excess expenditures or one-third of the allocation of the revenues, whichever is less.

When it has been determined that a county has exceeded the expenditure limitation without authorization, the maximum allowable primary property tax levy must be reduced in the fiscal year subsequent to the Auditor General's hearing by the amount of expenditures in excess of the county's expenditure limitation. The calculation of the allowable levy for the fiscal year after the fiscal year of reduction, and future years, should be calculated without regard to the reduction.

## FAILURE TO FILE REPORTS

As prescribed in **A.R.S. §41-1279.07(G)**, a chief fiscal officer, designated by the governing board of the political subdivision, who refuses to make a timely filing of the required reports or intentionally files erroneous reports is guilty of a Class 1 misdemeanor. An erroneous report is one that contains a material misstatement.

Chief fiscal officers who fail to make a timely filing of the required reports will receive letters from the Auditor General requesting that the reports be filed. If the reports remain outstanding, a letter requesting that appropriate action be taken will be sent by the Auditor General to the county attorney.

# PERMANENT ADJUSTMENTS OF THE BASE LIMIT

**Arizona Constitution, Article IX, §20(6)** allows each county, city, or town to permanently adjust its base limit with the approval of a majority of the qualified electors. The adjustment should be used to determine the expenditure limitation beginning with the fiscal year immediately following the fiscal year the permanent adjustment is approved. If the permanent adjustment of the base limit is not adopted by a majority of the qualified voters, the state-imposed base limit would apply.

## Auditor General Review

As required by **Arizona Revised Statutes (A.R.S.) §41-563.03**, at least **60 days before the election** and before printing the publicity pamphlet, the following documents must be submitted to the Auditor General by the person, group, organization, or governing board proposing the adjustment:

1. A detailed analysis that contains the following information:
  - a. The amount of the proposed adjustment to the base limit
  - b. The specific area or areas of the base limit to be adjusted
  - c. Specific amounts of estimated revenue from each and any source to be used for financing the upward adjustment to the base limit, or the source or sources of estimated revenues to be reduced as a result of a downward adjustment of the base limit and any assumptions used in estimating such revenue
2. A summary analysis that contains the following information:
  - a. The amount of the proposed adjustment to the base limit
  - b. The effect of the adjustment on the expenditure limitation
  - c. The source or sources of estimated revenues to be used for financing the upward adjustment to the base limit, or the source or sources of estimated revenues to be reduced as a result of a downward adjustment of the base limit
  - d. A statement of the purpose or purposes for which the additional spending capacity will be used

Once the detailed and summary analyses are received by the Auditor General, they must be reviewed **within 15 working days**. Additional information may be requested by the Auditor General to clarify or correct the analyses. The reviewed analyses are then returned to the county, city, or town. No revision may be made to the documents after the Auditor General's review.

The clerk of the board of supervisors or the city or town clerk must retain the reviewed analyses and make copies available to any registered voter.

## Publicity Pamphlets

**A.R.S. §41-563.03** requires a county, city, or town to prepare and print publicity pamphlets presenting the proposed permanent adjustment of the base limit to be voted upon and related information according to the requirements of A.R.S. §§19-123 and 19-141. The governing board must submit a copy of the publicity pamphlet to the Auditor General before the election. One copy of the publicity pamphlet must be mailed to each household containing a registered voter before the earliest date registered voters can receive early ballots. If pamphlets are not mailed by that date, voters must be provided a notice with early

# PERMANENT ADJUSTMENTS OF THE BASE LIMIT

ballots that states when the pamphlets will be mailed and when and where pamphlets may be accessed or viewed. Pamphlets must be mailed not less than **10 days before the election**. In order to comply with this requirement, the governing board may need to submit the detailed and summary analyses described above to the Auditor General earlier than 60 days before the regular election date.

The publicity pamphlets must contain the following information:

1. The date of the election
2. The names and locations of polling places and the times they are open
3. A true and complete copy of the title and text of the proposed permanent adjustment of the base limit
4. The form in which the proposed permanent adjustment will appear on the ballot, the official title, a descriptive title prepared by the clerk of the board of supervisors or the city or town clerk, and the number by which the proposed adjustment will be designated
5. A statement of the purpose or purposes for which the additional spending capacity will be used, as reviewed by the Auditor General
6. A summary of the amount of the proposed adjustment to the base limit, as reviewed by the Auditor General
7. A summary of the effect of the adjustment on the expenditure limitation, as reviewed by the Auditor General
8. A summary of the source or sources of estimated revenues to be used for financing the upward adjustment of the base limit or the source or sources of the estimated revenues to be reduced as a result of a downward adjustment of the base limit, as reviewed by the Auditor General
9. Arguments for and against the proposed adjustment, or an indication that no arguments for/against were received

## Official Ballot

The ballot must be in the form prescribed by A.R.S. §19-125, unless more than one adjustment to the base limit is to be voted upon. In that case, the ballot must be in a format that enables voters to vote separately on each adjustment. The official ballot must include the following information:

1. The official title and number of the proposed permanent adjustment of the base limit
2. A statement disclosing whether the adjustment to be voted upon was referred by a person, group, or organization, or the governing board
3. A descriptive title not to exceed 50 words that includes a summary of the principal provisions of the measure to be voted upon, which shall be prepared by the clerk of the board of supervisors or the city or town clerk

After the election, the clerk of the board of supervisors or the city or town clerk must notify the Auditor General and the Economic Estimates Commission of the election results as soon as the official canvass is completed.

Detailed instructions for a permanent adjustment of the base limit and sample forms may be obtained from the League of Arizona Cities and Towns.

# VOTER-APPROVED EXPENDITURE LIMITATIONS

## ALTERNATIVE EXPENDITURE LIMITATIONS

**Arizona Constitution, Article IX, §20(9)** allows a city or town to adopt an alternative expenditure limitation with the approval of a majority of the qualified voters. Approval of an alternative expenditure limitation must occur prior to the first fiscal year in which it applies. Alternative expenditure limitations apply for 4 succeeding fiscal years, after which the state-imposed expenditure limitation becomes effective, unless a new alternative expenditure limitation is adopted. If an alternative expenditure limitation is not adopted by a majority of the qualified voters, the state-imposed expenditure limitation applies, and no new alternative expenditure limitations may be submitted to the voters for at least 2 years.

Exclusions from local revenues, including those enumerated in the Constitution, may be taken against alternative expenditure limitations only if such exclusions are specifically identified in the resolution and the publicity pamphlet.

### Auditor General Review

As required by **Arizona Revised Statutes (A.R.S.) §41-563.03**, at least **60 days before the election** and before printing the publicity pamphlet, the following documents must be submitted to the Auditor General by the person, group, organization, or governing board proposing the alternative expenditure limitation:

1. A detailed analysis that contains the following information:
  - a. The specific amounts estimated to be expended in specific areas for a period of 4 consecutive fiscal years
  - b. Specific amounts of estimated revenue from all sources, and any assumptions used in estimating such revenue, for a period of 4 consecutive fiscal years
2. A summary analysis that contains the following information:
  - a. The total amount of estimated expenditures under the proposed alternative expenditure limitation for a period of 4 consecutive fiscal years
  - b. The total amount of estimated expenditures under the state-imposed expenditure limitation, considering constitutionally allowed exclusions, for a period of 4 consecutive fiscal years
  - c. Estimated revenues from all sources from which any expenditure limitation shall be funded for a period of 4 consecutive fiscal years
  - d. A statement that if the proposed alternative expenditure limitation is not approved by a majority of the qualified voters, the state-imposed expenditure limitation will apply to the city or town

Once the detailed and summary analyses are received by the Auditor General, they must be reviewed **within 15 working days**. Additional information necessary to clarify or correct the analyses may be requested by the Auditor General. The reviewed analyses are then returned to the city or town. No revision may be made to the documents after the Auditor General's review.

The city or town clerk must retain the reviewed analyses and make copies available to any registered voter.

# VOTER-APPROVED EXPENDITURE LIMITATIONS

## Publicity Pamphlets

**A.R.S. §41-563.03** requires a city or town to prepare and print publicity pamphlets presenting the proposed alternative expenditure limitation to be voted upon and related information according to the requirements of A.R.S. §§19-123 and 19-141. The city or town council must transmit a copy of the publicity pamphlet to the Auditor General before the election. One copy of the publicity pamphlet must be mailed to each household containing a registered voter before the earliest date that registered voters can receive early ballots. If pamphlets are not mailed by that date, voters must be provided a notice with early ballots that states when the pamphlets will be mailed and when and where pamphlets may be accessed or viewed. Pamphlets must be mailed not less than **10 days before the election**. In order to comply with this requirement, the governing board may need to submit the detailed and summary analyses described above to the Auditor General earlier than 60 days before the regular election date.

The publicity pamphlets must include the following information:

1. The date of the election
2. The names and locations of polling places and the times they are open
3. A true and complete copy of the title and text of the proposed alternative expenditure limitation
4. The form in which the proposed alternative expenditure limitation will appear on the ballot, the official title, a descriptive title prepared by the city or town clerk, and the number by which the alternative expenditure limitation will be designated
5. A summary of estimated total expenditures under the proposed alternative expenditure limitation for a period of 4 consecutive fiscal years, as reviewed by the Auditor General
6. Any exclusions under the proposed alternative expenditure limitation
7. A summary of the estimated total expenditures under the state-imposed expenditure limitation, considering constitutionally allowed exclusions, for a period of 4 consecutive fiscal years, as reviewed by the Auditor General
8. A summary of estimated revenue from all sources from which any expenditure limitation shall be funded, for a period of 4 consecutive fiscal years, as reviewed by the Auditor General
9. A statement that if the proposed alternative expenditure limitation is not approved by a majority of the qualified voters, the state-imposed expenditure limitation will apply to the city or town
10. Arguments for and against the proposed alternative expenditure limitation, or an indication that no arguments for/against were received

## Official Ballot

The ballot must be in the form prescribed by A.R.S. §19-125, unless more than one alternative expenditure limitation is to be voted upon. In that case, the ballot must be in a format that enables voters to vote separately on each proposed alternative expenditure limitation. The official ballot must include the following information:

1. The official title and number of the proposed alternative expenditure limitation
2. A statement disclosing whether the proposed alternative expenditure limitation to be voted upon was referred by a person, group, or organization, or the city or town council

## VOTER-APPROVED EXPENDITURE LIMITATIONS

3. A descriptive title not to exceed 50 words that includes a summary of the principal provisions of the proposed alternative expenditure limitation which shall be prepared by the city or town clerk

After the election, the city or town clerk must notify the Auditor General and the Economic Estimates Commission of the election results as soon as the official canvass is completed.

Detailed instructions for adopting or renewing an alternative expenditure limitation and sample forms may be obtained from the League of Arizona Cities and Towns.

## MODIFIED EXPENDITURE LIMITATIONS

**A.R.S. §15-1471** allows a community college district to adopt a modified expenditure limitation with the approval of a majority of the qualified voters in the district. The excess expenditures must be a specified percentage of the constitutional expenditure limitation. The modified expenditure limitation becomes effective beginning in the fiscal year immediately following approval and applies for a period of not less than 2 years, but no more than 7 years. After that time, the constitutional expenditure limitation becomes effective unless a new modified expenditure limitation is approved. The district board may not authorize expenditures in excess of the modified expenditure limitation without the approval of a majority of the qualified voters in the district.

### Publicity Pamphlets

**A.R.S. §15-1471** requires a community college district to prepare and print publicity pamphlets presenting the proposed modified expenditure limitation to be voted upon and related information in the same manner as prescribed in **A.R.S. §41-563.03**. The publicity pamphlets must include the following information:

1. The date of the election
2. The names and locations of polling places and the times they are open
3. A true and complete copy of the title and text of the proposed modified expenditure limitation
4. The form in which the proposed modified expenditure limitation will appear on the ballot, the official title, the descriptive title prepared by the district board and the number by which the modified expenditure limitation will be designated
5. A summary of estimated total budgeted expenditures under the proposed modified expenditure limitation for each fiscal year subject to the modified expenditure limitation
6. A summary of estimated total budgeted expenditures under the state-imposed expenditure limitation, considering constitutionally allowed exclusions, for each fiscal year subject to the modified expenditure limitation
7. A summary of estimated revenue from all sources from which any expenditure limitation shall be funded
8. A statement that if the proposed modified expenditure limitation is not approved by a majority of the qualified voters, the state-imposed expenditure limitation will apply to the community college district

# VOTER-APPROVED EXPENDITURE LIMITATIONS

9. Arguments for and against the proposed modified expenditure limitation, or an indication that no arguments for/against were received

One copy of the publicity pamphlet must be mailed to each household containing a registered voter before the earliest date that registered voters can receive early ballots. If pamphlets are not mailed by that date, voters must be provided a notice with early ballots that states when the pamphlets will be mailed and when and where pamphlets may be accessed or viewed. Pamphlets must be mailed not less than **10 days before the election**.

## Official Ballot

The ballot must be in the form prescribed by A.R.S. §19-125, unless more than one modified expenditure limitation is to be voted upon. In that case, the ballot must be in a format that enables voters to vote separately on each proposed modified expenditure limitation. The official ballot must include the following information:

1. The official title and number of the proposed modified expenditure limitation
2. A statement that the proposed modified expenditure limitation is being referred by the district board
3. A descriptive title not to exceed 50 words that includes a summary of the principal provisions of the modified expenditure limitation, which shall be prepared by the district board

A copy of the election results should be provided to the Auditor General and Economic Estimates Commission as soon as the official canvass is completed

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## GENERAL INFORMATION

**Arizona Revised Statutes (A.R.S.) §41-1279.07** requires counties to prepare an Annual Expenditure Limitation Report (AELR). In addition, annual financial statements must be prepared in accordance with generally accepted accounting principles. On the AELR, total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported in the fund financial statements, less expenditures/expenses/deductions made with constitutionally excludable revenues is compared for compliance with the expenditure limitation.

Both the AELR and the financial statements must be filed with the Auditor General **within 4 months** after the close of each fiscal year. Upon written request, the Auditor General may grant up to a **120-day extension** if extenuating circumstances exist.

The Auditor General, another certified public accountant, or a public accountant must render an opinion on whether the AELR presents fairly, in all material respects, the information required by the *Uniform Expenditure Reporting System* (UERS) prescribed by **A.R.S. §41-1279.07**. A sample of an **independent auditors' report** containing an unqualified opinion is provided on page **VI-13**. If the auditor concludes that an unqualified opinion on the AELR cannot be expressed, the auditor should disclose all the substantive reasons for the conclusion in an explanatory paragraph in the auditors' report.

**A.R.S. §41-1279.07** also requires counties to provide to the Auditor General **by July 31 of each fiscal year** the name of the chief fiscal officer designated by the board of supervisors to submit the AELR and certify its accuracy for that fiscal year. Any replacement of the designated individual should be reported to the Auditor General immediately.

Detailed instructions for preparing the AELR are contained on pages VI-1 through VI-11 and sample forms and notes are provided on pages **VI-14 through VI-20**. General information concerning annual financial statements is contained on pages **VI-11 and VI-12**.

## AELR—RECONCILIATION

Expenditures, expenses, and deductions are reported in annual financial statements in accordance with generally accepted accounting principles (GAAP). However, adjustments to these amounts must be made to arrive at the amounts to be reported on the **AELR—Part II**. Therefore, a **Reconciliation** must be prepared. A copy of the form is provided on page **VI-16**.

Detailed instructions for preparing the Reconciliation are as follows:

- Step 1. Enter the name of the county and the fiscal year of the report.
- Step 2. On **line A**, enter expenditures, expenses (operating and nonoperating), and deductions reported within the fund financial statements for the fund categories/types listed. Also, include other financing uses, special items, and extraordinary items that represent an outlay of cash for each fund category/type. (**Note: transfers should not be included on line A.**) These amounts should be obtained from the following sources:
  - Governmental Funds—from the total column on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

- Enterprise Funds—from the total column on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Internal Service Funds—from the Internal Service Funds column on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Fiduciary Funds—the total of all funds reported on the Statement of Changes in Fiduciary Net Assets.

Agency funds are not listed as a fund type on the **Reconciliation** or **Part II**, since they are custodial in nature and do not involve the measurement of additions or deductions.

Fund category/type totals on **line A** should be added to calculate total expenditures/expenses/deductions.

Step 3. Calculate total subtractions from expenditures/expenses/deductions reported within the fund financial statements. Subtractions are items recorded in the fund financial statements prepared in accordance with GAAP that are not subject to the expenditure limitation.

**Line B.1** For enterprise, internal service, and fiduciary funds only, enter the amount of expenses/deductions not requiring the use of working capital. Expenses that may be subtracted would include depreciation, loss on disposal of capital assets, and bad debt expense.

For enterprise and internal service funds only, subtract the total estimated cost of claims incurred but not reported (IBNR) recognized in the current period.

Finally, for enterprise funds only, the amount of estimated total current cost of landfill closure and postclosure care recognized in the current period may be subtracted here.

**Line B.2** Enter expenditures of separate legal entities established under Arizona Revised Statutes (e.g., special assessment districts that were not included in the base limit and municipal property corporations included within the reporting entity). Expenditures of a county jail district in excess of the county’s maintenance of effort payments pursuant to A.R.S. §48-4024 may also be subtracted.

**Line B.3** Enter contributions to fire districts.

**Line B.4** Enter community college reimbursement payments made by the state on behalf of the county pursuant to A.R.S. §15-1469.01.

**Line B.5** Enter long-term care contributions paid from transaction privilege taxes withheld by the State Treasurer for payment to the Arizona Long-Term Care System. Such amounts may be subtracted if the county reported a revenue and an offsetting expenditure in the fund financial statements.

**Line B.6** For governmental funds only, enter the present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the inception of the agreements.

**Line B.7** Enter the amount of involuntary court judgments or involuntary settlements. If an expenditure is involuntary because it is a court judgment or settlement arising from a tortious act, it is not subject to the expenditure limitation and may be

subtracted on the Reconciliation. However, court judgments or settlements arising from a contract are voluntary and, as such, are subject to the expenditure limitation and should not be subtracted. See Attorney General Opinion I86-031 for further information.

Blank lines are provided for any items that qualify as allowable subtractions that are not listed on the Reconciliation.

**Line B.8** Calculate total subtractions for each fund category/type by adding **lines B.1 through B.7**. Fund category/type totals calculated on **line B.8** should be added to arrive at total subtractions.

Step 4. Calculate total additions to expenditures/expenses/deductions reported within the fund financial statements. Additions are items that required the use of financial resources but were not recorded as expenditures/expenses/deductions in the fund financial statements prepared in accordance with GAAP.

**Line C.1** For enterprise, internal service, and fiduciary funds only, enter principal payments on long-term debt.

**Line C.2** For enterprise, internal service, and fiduciary funds only, enter amounts paid for the acquisition of capital assets.

**Line C.3** For enterprise and internal service funds only, enter cash outlays for claims that were paid in the current year but recognized as IBNR in previous years.

**Line C.4** For enterprise funds only, enter cash outlays made at or near the end of the life of the landfill for closure and postclosure care costs, to the extent that such cash outlays were recorded as expenses in previous years.

Blank lines are provided for any items that qualify as additions that are not listed on the Reconciliation.

**Line C.5** Calculate total additions for each fund category/type by adding **lines C.1 through C.4**. Fund category/type totals calculated on **line C.5** should be added to arrive at total additions.

Step 5. On **line D**, calculate the amounts to be reported on **Part II, line A** by subtracting the amount on **line B.8** from the amount on **line A** and adding the amount on **line C.5**.

A note to the AELR should be presented for each subtraction or addition that cannot be agreed directly to an amount recorded in the fund financial statements. Each note must be in sufficient detail to properly disclose the nature of the subtraction or addition. Reference to the note should be included in the Description column of the Reconciliation. Examples of frequently used notes are provided on pages **VI-17 through VI-20**.

**AELR—PART II**

**Arizona Constitution, Article IX, §20** excludes certain revenues from the definition of local revenues, and only expenditures/expenses/deductions made with local revenues are subject to the expenditure limitation. Therefore, to arrive at the amount subject to the expenditure limitation to be reported on the

**AELR—Part I**, it is necessary to exclude from total expenditures/expenses/deductions, as adjusted on the **Reconciliation**, the expenditures/expenses/deductions made with these excludable revenues. The **AELR—Part II** facilitates this calculation. A copy of the form is provided on page **VI-15**.

Detailed instructions for preparing **Part II** are as follows:

- Step 1. Enter the name of the county and the fiscal year of the report.
- Step 2. On **line A**, enter the amount for each fund category/type and the total for all funds from **line D of the Reconciliation**.
- Step 3. Calculate total exclusions. Exclusions are expenditures/expenses/deductions reported within the fund financial statements that were made from revenues that are excluded from the definition of local revenues as provided in the **Arizona Constitution, Article IX, §20**, and are therefore not subject to the expenditure limitation.

The exclusion provided in the **Arizona Constitution, Article IX, §20, subsections 3(d)(xii)** has expired. Therefore, a line for this exclusion has not been provided on **Part II**.

**Lines B.1 through B.12** list constitutional exclusions that may be taken. **Line B.13** lists an exclusion that may be taken as a result of an Attorney General opinion. Explanations and examples of the exclusions follow.

**Line B.1** “Any amounts or property received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment, by a political subdivision.”

Bond proceeds—Exclude expenditures/expenses made from amounts received from the issuance of bonds (e.g., general obligation or revenue bonds), including payments to registrars and paying agents. Proceeds from bonds of special assessment districts may be excluded if expenditures from these proceeds have not already been subtracted on the reconciliation. (See **Reconciliation, line B.2**.)

Debt service requirements on bonded indebtedness—Exclude expenditures/expenses made to pay principal and interest on outstanding bonds. Amounts paid into sinking funds that are expenditures/expenses of the reporting fiscal year may also be excluded.

Proceeds from other long-term obligations—Exclude expenditures/expenses made from amounts received from the issuance of lawful long-term obligations including payments to registrars and paying agents. The long-term obligation must have a maturity date of more than one year and must be incurred for a specific purpose.

Exclude expenditures/expenses from proceeds of certificates of participation (COPs) issued in the name of the entity. See **Reconciliation, line B.2** for treatment of expenditures/expenses from COP proceeds issued by a municipal property corporation included in the county reporting entity.

Debt service requirements on other long-term obligations—Exclude expenditures/expenses made for principal and interest on other long-term obligations (e.g., capital lease agreements, installment purchase agreements, and COPs).

Payments made pursuant to contracts, including operating leases, are not excludable under long-term obligations, as the county has not incurred a long-term liability.

It should be noted that revenues from the sale of capital assets purchased with the proceeds from bonds or other long-term obligations are not excludable revenues since the original proceeds used to purchase the assets were excluded in the fiscal years the assets were purchased.

**Line B.2** “Any amounts or property received as payment of dividends or interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.”

Exclude expenditures/expenses made from amounts received as interest from investments or delinquent taxes, dividends, and gains on sales or redemptions of investment securities.

**Line B.3** “Any amounts or property received by a political subdivision in the capacity of trustee, custodian or agent.”

Agency funds are used to report resources held by counties in a purely custodial capacity. They account for assets belonging to other governments, individuals, or private organizations and do not involve the measurement of additions or deductions. For this reason, agency funds are not reported in the Statement of Changes in Fiduciary Net Assets and disbursements from agency funds are not excludable.

Deductions made from amounts received in other fiduciary funds may be excluded, as the revenues are held by the county for the benefit of other entities [e.g., deductions from the Special Services Fund, as provided in A.R.S. §31-131; and deductions from amounts deposited in the County Anti-Racketeering Revolving Fund by other governmental entities pursuant to A.R.S. §13-2314.03(C), as provided in Attorney General Opinion I91-013].

Expenditures of monies received from federal, state, and private sources in a custodial capacity for the operation of charter schools that **are** separate legal entities included within the reporting entity may be excluded here. (See **lines B.4, B.5, and B.10** for information on exclusions for charter schools that **are not** separate legal entities.)

Contributions made to the Arizona Health Care Cost Containment System (AHCCCS) pursuant to A.R.S. §11-292(A) may also be excluded. Contributions made to AHCCCS pursuant to other laws [e.g., administrative costs pursuant to A.R.S. §11-292(P); hospitalization and medical care under the uncompensated care program] and contributions to the Arizona Long-Term Care System (ALTCS) may not be excluded. However, contributions to ALTCS may be subtracted on the **Reconciliation, line B.5**.

**Line B.4** “Any amounts received as grants and aid of any type received from the federal government or any of its agencies.”

Exclude expenditures/expenses made from amounts received as grants, cooperative agreements, entitlements, contracts, payments in lieu of taxes, or asset-sharing from the federal government [e.g., expenditures from reimbursements received from Medicare].

Expenditures from federal revenues for the operation of charter schools that **are not** separate legal entities are also excludable here. (See **line B.3** for the exclusion for charter schools that **are** separate legal entities.)

**Line B.5** “Any amounts received as grants, aid, contributions or gifts of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization or any individual.”

Expenditures/expenses made from amounts received as grants, aid, contributions, donations, or gifts from private donors may be excluded.

Expenditures from private donations or gifts for the operation of charter schools that **are not** separate legal entities are also excludable here. (See **line B.3** for the exclusion for charter schools that **are** separate legal entities.)

**Line B.6** “Any amounts received from the state which are included within the appropriation limitation prescribed in §17 of this article.”

Exclude expenditures/expenses made from any amounts received from the state or collected by or for the state and shared with the county that were included within the state appropriation limitation [e.g., expenditures/expenses of restricted state grants; expenditures of lottery monies pursuant to Laws 1986, Chapter 382, §5; expenditures of lottery monies from the Local Transportation Assistance Fund received pursuant to A.R.S. §28-8103; expenditures of Judicial Collection Enhancement Fund monies returned by the State Treasurer pursuant to A.R.S. §12-113; expenditures of Criminal Justice Enhancement Fund monies received from the Department of Corrections for the enhancements of jail facilities and operations pursuant to A.R.S. §41-2401(D)(9); expenditures of Juvenile Crime Reduction Fund monies received from the Arizona Supreme Court; expenditures of State Aid to Detention Fund monies received from the Arizona Supreme Court pursuant to A.R.S. §41-2417; expenditures of the portion of motor vehicle registration fees deposited in the County Assessors Special Registration Fund pursuant to A.R.S. §28-2005; expenditures of the portion of vehicle license tax monies received from the State Treasurer pursuant to A.R.S. §28-5808(A)(2)(b); expenditures of hotel excise taxes pursuant to A.R.S. §42-6108; and expenditures of appropriations received from the Street Gang Enforcement Revolving Fund pursuant to A.R.S. §41-191.07; expenditures of appropriations received from the State General Fund for juvenile detention center and county jail education programs operated through county education funds pursuant to A.R.S. §§15-913 and 15-913.01.]

Exclusions should not include expenditures from monies received from the state or collected by or for the state and shared with the county that are not included

within the state appropriation limitation [e.g., liquor license fees, state transaction privilege tax (sales tax), severance tax, the portion of motor vehicle license tax deposited in the county general fund, the portion of the time payment fee retained by the local court pursuant to A.R.S. §12-116].

Revenues from the Highway User Revenue Fund are not included in the definition of amounts received from the state, as provided in Arizona Constitution, Article IX, §17. However, **Arizona Constitution, Article IX, §20, subsection 3(d)(ix)** provides an exclusion for expenditures of highway user revenues. See **line B.9** for instructions concerning this exclusion.

**Line B.7** “Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same political subdivision which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this section.”

Exclude expenditures/expenses made from revenues received due to quasi-external interfund transactions recorded in the fund financial statements including internal service fund transactions. Quasi-external interfund transactions are transactions between funds of a county that are recorded as if the transaction was with an entity external to the county. (See Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, §1800 for further information on recording quasi-external interfund transactions.) This exclusion may only be taken in the fund in which the revenue is recorded. An example of such a transaction is payments made from the enterprise fund to the general fund in lieu of taxes. The exclusion should be claimed in the governmental funds, as the revenue would be recorded within this fund category.

Interfund transfers are not excludable, as they do not represent revenues and expenditures of the county.

**Line B.8** “Any amounts or property accumulated for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements, if such accumulation and purpose have been approved by the voters of the political subdivision.”

Exclude expenditures/expenses made from amounts accumulated if voter approval was obtained to accumulate the amounts and make the expenditures. Expenditures of county transportation excise tax monies collected pursuant to A.R.S. §§42-6105, 42-6106, or 42-6107 may be excludable here.

It should be noted that revenues from the sale of capital assets purchased with amounts accumulated for such items are not excludable revenues, since the original amounts used to purchase the assets were excluded in the fiscal years the assets were purchased.

**Line B.9** “Any amounts received pursuant to §14 of this article which are greater than the amount received in fiscal year 1979-1980.”

Exclude expenditures from highway user revenues received in the reporting fiscal year in excess of amounts actually received in fiscal year 1979-80. The following examples illustrate the calculation of this exclusion:

**Example 1**

If **carryforwards** are maximized:

Highway user revenues received in the current fiscal year	\$500,000
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	<u>(200,000)</u>
Revenues available for exclusion in the current fiscal year	<u>\$300,000</u>
Actual expenditures of highway user revenues in the current fiscal year	\$450,000
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>(200,000)</u>
Excludable revenues expended in the current fiscal year	<u>\$250,000</u>
Revenues available for exclusion in the current fiscal year	\$300,000
Revenues expended and claimed as an exclusion in the current fiscal year	<u>(250,000)</u>
Unspent excludable revenue available for carryforward in future years	<u>\$ 50,000</u>

**Example 2**

If **exclusions** are maximized:

Highway user revenues received in the current fiscal year	\$500,000
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	<u>(200,000)</u>
Revenues available for exclusion in the current fiscal year	<u>\$300,000</u>
Actual expenditures of highway user revenues in the current fiscal year	\$450,000
Excludable revenues expended in the current fiscal year	<u>(300,000)</u>
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>\$150,000</u>
Revenues available for exclusion in the current fiscal year	\$300,000
Revenues expended and claimed as an exclusion in the current fiscal year	<u>(300,000)</u>
Unspent excludable revenue available for carryforward in future years	<u>\$ 0</u>
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	\$200,000
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>(150,000)</u>
Unspent highway user revenues <b>not</b> excludable in future years	<u>\$ 50,000</u>

**Line B.10** “Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state, and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.”

Exclude expenditures/expenses made from revenues received in return for goods or services pursuant to a contract with a county, city, town, school district, community college district, or the state conforming to general contract laws (e.g., expenditures from amounts received as a result of a contract between the county and the state for housing state prisoners; expenditures from reimbursements received as a result of a contract between the county and AHCCCS).

Expenditures from amounts received pursuant to a contract with the Arizona State Board of Education or the Arizona State Board for Charter Schools for the operation of charter schools that **are not** separate legal entities may also be excluded here. (See **line B.3** for exclusions for charter schools that **are** separate legal entities.)

**Line B.11** “Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.”

Refunds, reimbursements, or other recoveries of revenues expended that are received during the same fiscal year the related expenditures/expenses are made are generally accounted for as reductions of those expenditures/expenses, and not as revenues. Therefore, such receipts are not excludable.

If refunds, reimbursements, or other recoveries of revenues expended, regardless of the year received, are accounted for as revenues (i.e., recoveries for prosecution and investigation costs recorded as revenues in the County Anti-Racketeering Revolving Fund, damage awards, and insurance reimbursements), the expenditures/expenses from them are excludable. Development (impact) fees imposed on developments under A.R.S. §11-1102 to offset the costs of providing a development with public services are **not** excludable.

**Line B.12** “Any amounts received collected by the counties for distribution to school districts pursuant to state law.”

Exclude expenditures/expenses made from amounts received for accommodation schools. Also, exclude expenditures from amounts received for juvenile detention center and county jail education programs operated through existing accommodation schools. (See line B.6 for the exclusion for juvenile detention center and county jail education programs operated through county education funds.)

Pursuant to A.R.S. §15-994, counties collect state equalization assistance property taxes for school districts. However, these amounts are not revenues or expenditures of the county and are not included in the amounts recorded on **line**

**A of the reconciliation.** Therefore, these amounts may not be excluded from the expenditure limitation.

**Line B.13** Counties may exclude expenditures/expenses of prior years carryforward of constitutionally excludable revenues (exclusions explained on lines **B.1 through B.12**), as provided in Attorney General Opinion I88-017. Prior years carryforward is defined as constitutionally excludable revenues unexpended in the year recorded that are accumulated and eligible for exclusion when expended in subsequent fiscal years.

Carryforwards should be specifically identified in the county’s accounting records by fund as to the nature of the exclusion, the amount of the carryforward, and the fiscal year in which the carryforward was generated.

**Line B.14** Calculate total exclusions claimed by adding **lines B.1 through B.13**. Fund category/type totals should be added to calculate total exclusions claimed.

Step 4. On **line C**, subtract the amount on **line B.14** from the amount recorded on **line A**. If the calculated amount is negative, exclusions must be reduced so the amount is zero or greater. Fund category/type totals should then be added to calculate the amounts subject to the expenditure limitation to be reported on **Part I, line 2**.

A note to the AELR should be presented for each exclusion that cannot be agreed directly to an amount recorded in the fund financial statements. Each note must be in sufficient detail to enable identification of the exclusion in the fund financial statements and verification of the amount excluded. Reference to the notes should be included in the Description column on **Part II**. Examples of several frequently used notes are provided on pages **VI-17 through VI-20**.

**AELR—PART I**

The **AELR—Part I** compares the expenditure limitation and the amount subject to the expenditure limitation to determine whether the county has exceeded the expenditure limitation. A copy of the form is provided on page **VI-14**.

Detailed instructions for preparing **Part I** are as follows:

- Step 1. Enter the name of the county and the fiscal year of the report.
- Step 2. Enter the amount of the Economic Estimates Commission expenditure limitation on **line 1**.
- Step 3. On **line 2**, enter the amount subject to the expenditure limitation from **Part II, line C**.
- Step 4. Determine the total adjusted amount subject to the expenditure limitation on **line 8**.

**Arizona Constitution, Article IX, §20(2)**, lines 3, 4, 5, and 7 provide for adjustments.

**Line 3** Enter the actual amount of expenditures/expenses made in the reporting fiscal year that were directly necessitated by a natural or manmade disaster declared by the Governor. The expenditures/expenses must be authorized by at least two-thirds of the members of the board of supervisors, as required by **Arizona Constitution, Article IX, §20(2)(a)**. (**Attach supporting documentation.**)

- Line 4** Enter the actual amount of expenditures/expenses made in the reporting fiscal year that were directly necessitated by a natural or manmade disaster not declared by the Governor. The expenditures/expenses must be authorized by at least 70 percent of the members of the board of supervisors as required by **Arizona Constitution, Article IX, §20(2)(b)**. (Attach supporting documentation.)
- Line 5** Enter the actual amount of expenditures/expenses in excess of the expenditure limitation authorized in the prior fiscal year. The amount must be specific and must be authorized by at least two-thirds of the members of the board of supervisors and approved by a majority of qualified voters, as required by the **Arizona Constitution, Article IX, §20(2)(c)**. (Attach supporting documentation.)
- Line 6** Subtract **lines 3, 4, and 5** from **line 2**.
- Line 7** Enter the actual amount of expenditures/expenses made in the prior fiscal year in excess of the expenditure limitation. The expenditures/expenses must have been authorized by at least 70 percent of the members of the board of supervisors for expenditures directly necessitated by a natural or manmade disaster not declared by the Governor and not approved by a majority of the qualified voters, as required by the **Arizona Constitution, Article IX, §20(2)(b)**. Total expenditures/expenses for the reporting fiscal year subject to the expenditure limitation must be increased by this amount. (Attach supporting documentation.)
- Line 8** Add the amount on **line 7** to the amount on **line 6** to determine the adjusted amount subject to the expenditure limitation.

- Step 5. Subtract the amount on **line 8** from the amount on **line 1** and record the difference on **line 9**. If the difference is a negative number, the county exceeded the expenditure limitation and should submit a supporting schedule explaining the reason for the excess. If the difference is a positive number or zero, the county did not exceed the expenditure limitation and a supporting schedule is not necessary.
- Step 6. Enter the name, title, and telephone number of the chief fiscal officer. The chief fiscal officer should then sign and date the AELR to provide written certification that the AELR is accurate.

**FINANCIAL STATEMENTS**

**A.R.S. §41-1279.07** requires annual financial statements to be prepared in accordance with generally accepted accounting principles. These principles are the conventions, rules, and procedures that define accepted accounting practices at a particular time and provide a standard by which auditors form their professional opinions about the financial statements.

The Auditor General, another certified public accountant, or a public accountant performing the audit must render an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations in conformity with generally accepted accounting principles. In addition, the auditor must render an opinion on whether the AELR presents fairly, in all material respects, the information required by the UERS prescribed by **A.R.S. §41-1279.07**. See page **VI-1** for further information on the audit of the AELR.

The GASB *Codification of Governmental Accounting and Financial Reporting Standards* promulgates authoritative accounting and financial reporting guidance for state and local governmental entities. The American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide, State and Local Governments* should be used as a source for illustrations of the accounting and reporting requirements set forth in the GASB Codification.

Reporting guidelines for financial statements and notes for counties are issued annually by the Office of the Auditor General. For further information on preparing financial statements, counties should refer to the *Uniform Accounting Manual for Arizona Counties* (UAMAC) published by the Office of the Auditor General.

Independent Auditors' Report

The Auditor General of the State of Arizona  
The Board of Supervisors  
of \_\_\_\_\_ County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of \_\_\_\_\_ County for the year ended June 30, 20\_\_\_. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in **Note 1**, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of \_\_\_\_\_ County for the year ended June 30, 20\_\_\_, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in **Note 1**.

This report is intended solely for the information and use of the Board of Supervisors, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)

Last day of fieldwork

# REPORTING INSTRUCTIONS

# COUNTIES

\_\_\_\_\_ 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 <b>Part II, Line C</b> )	\$ _____	
3. Board-authorized expenditures necessitated by a disaster declared by the Governor [ <b>Article IX, §20(2)(a), Arizona Constitution</b> ]	- _____	
4. Board-authorized expenditures necessitated by a disaster not declared by the Governor [ <b>Article IX, §20(2)(b), Arizona Constitution</b> ]	- _____	
5. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year [ <b>Article IX, §20(2)(c), Arizona Constitution</b> ]	- _____	
6. Subtotal	\$ _____	
7. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [ <b>Article IX, §20(2)(b), Arizona Constitution</b> ]	+ _____	
8. Total adjusted amount subject to the expenditure limitation		\$ _____
9. Amount under (in excess of) the expenditure limitation ( <b>If excess expenditures are reported, provide an explanation.</b> )		\$ _____

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

**See accompanying notes to report.**

# REPORTING INSTRUCTIONS

# COUNTIES

\_\_\_\_\_ COUNTY  
**Annual Expenditure Limitation Report—Part II**  
 Year Ended June 30, 20\_\_

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
<b>A.</b> Amounts reported on the <b>Reconciliation, Line D</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>B.</b> Less exclusions claimed:					
<b>1.</b> Bond proceeds					
Debt service requirements on bonded indebtedness					
Proceeds from other long-term obligations					
Debt service requirements on other long-term obligations					
<b>2.</b> Dividends, interest, and gains on the sale or redemption of investment securities					
<b>3.</b> Trustee or custodian					
<b>4.</b> Grants and aid from the federal government					
<b>5.</b> Grants, aid, contributions, or gifts, from a private agency, organization, or individual, except amounts received in lieu of taxes					
<b>6.</b> Amounts received from the State of Arizona					
<b>7.</b> Quasi-external interfund transactions					
<b>8.</b> Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements					
<b>9.</b> Highway user revenues in excess of those received in fiscal year 1979-80					
<b>10.</b> Contracts with other political subdivisions					
<b>11.</b> Refunds, reimbursements, and other recoveries					
<b>12.</b> Amounts received for distribution to school districts					
<b>13.</b> Prior years carryforward					
<b>14.</b> Total exclusions claimed	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>C.</b> Amounts subject to the expenditure limitation ( <b>If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.</b> )	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

See accompanying notes to report.

# REPORTING INSTRUCTIONS

# COUNTIES

\_\_\_\_\_ COUNTY  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year Ended June 30, 20\_\_**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation	_____	_____	_____	_____	_____
Loss on disposal of capital assets	_____	_____	_____	_____	_____
Bad debt expense	_____	_____	_____	_____	_____
Claims incurred but not reported	_____	_____	_____	_____	_____
Landfill closure and postclosure care costs	_____	_____	_____	_____	_____
2. Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.)	_____	_____	_____	_____	_____
3. Contributions to fire districts	_____	_____	_____	_____	_____
4. Community college reimbursement payments pursuant to A.R.S. §15-1469.01	_____	_____	_____	_____	_____
5. Long-term care contributions withheld by the State Treasurer	_____	_____	_____	_____	_____
6. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	_____	_____	_____	_____	_____
7. Involuntary court judgments	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
8. Total subtractions	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
C. Additions:					
1. Principal payments on long-term debt	_____	_____	_____	_____	_____
2. Acquisition of capital assets	_____	_____	_____	_____	_____
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years	_____	_____	_____	_____	_____
4. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
5. Total additions	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
D. Amounts reported on <b>Part II, Line A</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**See accompanying notes to report.**

\_\_\_\_\_ COUNTY  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

Note 1— Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes §41-1279.07**, which excludes expenditures, expenses, or deductions of certain revenues specified in the **Arizona Constitution, Article IX, §20** from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on **Part II** and each subtraction or addition in the **Reconciliation** that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note — The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense.

Note — The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$\_\_\_\_\_ in the Governmental Funds includes interest on investments expended of \$\_\_\_\_\_; interest on delinquent taxes expended of \$\_\_\_\_\_, which was recorded as tax revenue; and dividends expended of \$\_\_\_\_\_, which were recorded as miscellaneous revenues. Remaining revenues of \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively, have been carried forward to future years.

Note — The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$\_\_\_\_\_ in contributions by the County to the Arizona Health Care Cost Containment System for acute care and in the Fiduciary Funds, the exclusion consists of \$\_\_\_\_\_ in distributions to investment pool participants.

Note — The exclusion claimed for trustee or custodian consists of \$\_\_\_\_\_ expended from federal, state, and private sources recorded as education expenditures for operating a charter school that is a legal entity separate from the County. Remaining revenues of \$\_\_\_\_\_ have been carried forward to future years.

# REPORTING INSTRUCTIONS

# COUNTIES

\_\_\_\_\_ COUNTY  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

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

<b>Description</b>	
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	
Other revenues (nonexcludable)	
Amount carried forward	_____
Total intergovernmental revenues as reported in the fund financial statements	\$ _____

Note — The exclusion claimed for contracts with other political subdivisions of \$\_\_\_\_\_ includes \$\_\_\_\_\_ of charges for services expended and \$\_\_\_\_\_ of miscellaneous revenues expended. Remaining revenues of \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, have been carried forward to future years.

Note — The exclusion claimed for contracts with other political subdivisions includes expenditures of \$\_\_\_\_\_ from state appropriations received pursuant to a contract with the Arizona State Board of (for) \_\_\_\_\_ for operating a charter school that is not a legal entity separate from the County. Remaining revenues of \$\_\_\_\_\_ have been carried forward to future years.

Note — The exclusion claimed for amounts received for distribution to school districts consists of federal, state, and county revenues recorded as education expenditures for operating an accommodation school. Remaining federal, state, and county revenues of \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively, have been carried forward to future years.

# REPORTING INSTRUCTIONS

# COUNTIES

\_\_\_\_\_ COUNTY  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

Note — Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>
Dividends, interest, and gains on the sale or redemption of investment securities	\$	\$	\$	\$
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	_____	_____	_____	_____
Total prior years carryforward expended	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Note — The subtraction of \$\_\_\_\_\_ for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Enterprise (and Internal Service) Fund(s).

Note — The addition of \$\_\_\_\_\_ for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Enterprise (and Internal Service) Fund(s).

Note — The subtraction of \$\_\_\_\_\_ for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

<b>Special Assessment Districts</b>	
General government	\$
<i>List other applicable functions</i>	
Principal	
Interest and other charges	
Capital outlay	_____
Total	<u>\$</u>
<b>Municipal Property Corporations</b>	
General government	\$
<i>List other applicable functions</i>	
Principal	
Interest and other charges	
Capital outlay	_____
Total	<u>\$</u>

\_\_\_\_\_ COUNTY  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

- Note — The subtraction for long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes withheld by the State Treasurer to meet the County’s share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County’s Governmental Funds. Consequently, this expenditure has been subtracted on the **Reconciliation**.
- Note — The addition of \$\_\_\_\_\_ for principal payments on long-term debt in the Enterprise Funds consists of \_\_\_\_\_. **(List the total amount of principal payments for each long-term debt item.)**
- Note — The subtraction of \$\_\_\_\_\_ for landfill closure and postclosure care costs consists of that portion of the total estimated liability reported as expenses in the current year but not yet paid in the Enterprise Funds.
- Note — The addition of \$\_\_\_\_\_ for landfill closure and postclosure care costs paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for those costs reported as expenses in previous years in the Enterprise Funds.

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## GENERAL INFORMATION

**Arizona Revised Statutes (A.R.S.) §41-1279.07** requires incorporated cities and towns to prepare an Annual Expenditure Limitation Report (AELR). In addition, financial statements must be prepared in accordance with generally accepted accounting principles (GAAP). On the AELR, total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported in the fund financial statements, less expenditures/expenses/deductions made with constitutionally excludable revenues is compared for compliance with the expenditure limitation.

In accordance with **A.R.S. §9-481**, cities are required to have financial statement audits performed annually. Towns subject to the *Single Audit Act Amendments of 1996* must also have financial statement audits performed annually. All other towns may have financial statement audits performed either annually or biennially, as specified in **A.R.S. §9-481**. These audits must be performed by a certified public accountant or a public accountant currently licensed by the Arizona State Board of Accountancy.

Cities and towns having annual audits are required to file with the Auditor General an AELR, an auditors' report on the AELR, and audited financial statements **within 4 months** after the close of each fiscal year. Towns having biennial audits are also required to file an AELR within four months after the close of each fiscal year, but are not required to file an auditors' report on the AELR or audited financial statements for the interim fiscal year. When the biennial audit is performed, auditors' reports on the AELRs of both fiscal years and the audited financial statements must be filed within four months after the close of the last fiscal year of the biennial audit. Upon written request, the Auditor General may grant up to a **120-day filing extension** if extenuating circumstances exist.

**Arizona Constitution, Article IX, §20(9)** allows a city or town to adopt an alternative expenditure limitation, with the approval of a majority of the qualified voters. Approval of an alternative expenditure limitation must occur prior to the first fiscal year in which it applies. Alternative expenditure limitations apply for 4 succeeding fiscal years, after which the state-imposed expenditure limitation becomes effective, unless a new alternative expenditure limitation is adopted. If an alternative expenditure limitation is not adopted by a majority of the qualified voters, the state-imposed expenditure limitation applies and no new alternative expenditure limitations may be submitted to the voters for at least 2 years. See **§V** for detailed information on alternative expenditure limitations.

The independent auditors' report on the AELR must express an opinion on whether the AELR presents fairly, in all material respects, the information required by the *Uniform Expenditure Reporting System* (UERS) prescribed by **A.R.S. §41-1279.07**. A sample of an **independent auditors' report** containing an unqualified opinion for cities or towns is provided on page **VII-13**. If the auditor concludes that an unqualified opinion on the AELR cannot be expressed, the auditor should disclose all the substantive reasons for the conclusion in an explanatory paragraph in the auditors' report

**A.R.S. §41-1279.07** also requires cities and towns to provide to the Auditor General **by July 31 of each fiscal year** the name of the chief fiscal officer designated by the governing board to submit the AELR and certify its accuracy for that fiscal year. Any replacement of the designated individual must be reported to the Auditor General immediately.

Detailed instructions for preparing the AELR are contained on pages VII-2 through VII-11 and sample forms and notes are provided on pages **VII-14 through VII-19**. General information concerning financial statements is contained on pages **VII-11 and VII-12**.

## AE LR—RECONCILIATION

Expenditures, expenses, and deductions are reported in financial statements in accordance with GAAP. However, adjustments to these amounts must be made to arrive at the amounts to be reported on the **AE LR—Part II**. Therefore, a **Reconciliation** must be prepared. A copy of the form is provided on page **VII-16**.

Detailed instructions for preparing the **Reconciliation** are as follows:

Step 1. Enter the name of the city or town and the fiscal year of the report.

Step 2. On **line A**, enter expenditures, expenses (operating and nonoperating), and deductions reported within the fund financial statements for the fund categories/types listed. Also, include other financing uses, special items, and extraordinary items that represent an outlay of cash for each fund category/type. (**Note: transfers should not be included on line A.**) These amounts should be obtained from the following sources:

- Governmental Funds—from the total column on the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- Enterprise Funds—from the total column on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Internal Service Funds—from the Internal Service Funds column on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.
- Fiduciary Funds—the total of all funds reported on the Statement of Changes in Fiduciary Net Assets.

Agency funds are not listed as a fund type on the **Reconciliation** or **Part II**, since they are custodial in nature and do not involve the measurement of additions or deductions.

Fund category/type totals on **line A** should be added to calculate total expenditures/expenses/deductions.

Step 3. Calculate total subtractions from expenditures/expenses/deductions reported within the fund financial statements. Subtractions are items recorded in the fund financial statements prepared in accordance with GAAP that are not subject to the expenditure limitation.

**Line B.1** For enterprise, internal service, and fiduciary funds only, enter the amount of expenses/deductions not requiring the use of working capital. Expenses that may be subtracted would include depreciation, loss on disposal of capital assets, and bad debt expense.

For enterprise and internal service funds only, subtract the total estimated cost of claims incurred but not reported (IBNR) recognized in the current period.

Finally, for enterprise funds only, the amount of estimated total current cost of landfill closure and postclosure care recognized in the current period may be subtracted here.

**Line B.2** Enter expenditures of separate legal entities established under Arizona Revised Statutes (e.g. special assessment districts that were not included in the base limit, and municipal property corporations included within the reporting entity.)

**Line B.3** For governmental funds only, enter the present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the inception of the agreements.

**Line B.4** Enter the amount of involuntary court judgments or involuntary settlements. If an expenditure is involuntary because it is a court judgment or settlement arising from a tortious act, it is not subject to the expenditure limitation and may be subtracted on the Reconciliation. However, court judgments or settlements arising from a contract are voluntary and, as such, are subject to the expenditure limitation and should not be subtracted. See Attorney General Opinion I86-031 for further information.

Blank lines are provided for any items that qualify as allowable subtractions that are not listed on the Reconciliation.

**Line B.5** Calculate total subtractions for each fund category/type by adding **lines B.1 through B.4**. Fund category/type totals calculated on **line B.5** should be added to arrive at total subtractions.

Step 4. Calculate total additions to expenditures/expenses/deductions reported within the fund financial statements. Additions are items that required the use of financial resources but were not recorded as expenditures/expenses/deductions in the fund financial statements prepared in accordance with GAAP.

**Line C.1** For enterprise, internal service, and fiduciary funds only, enter principal payments on long-term debt.

**Line C.2** For enterprise, internal service, and fiduciary funds only, enter amounts paid for the acquisition of capital assets.

**Line C.3** For enterprise and internal service funds only, enter cash outlays for claims that were paid in the current year but recognized as IBNR in previous years.

**Line C.4** For enterprise funds only, enter cash outlays made at or near the end of the life of the landfill for closure and postclosure care costs, to the extent that such cash outlays were recorded as expenses in previous years.

Blank lines are provided for any items that qualify as additions that are not listed on the **Reconciliation**.

**Line C.5** Calculate total additions for each fund category/type by adding **lines C.1 through C.4**. Fund category/type totals calculated on **line C.5** should be added to arrive at total additions.

Step 5. On **line D**, calculate the amounts to be reported on **Part II, line A** by subtracting the amount on **line B.5** from the amount on **line A** and adding the amount on **line C.5**.

A note to the AELR should be presented for each subtraction or addition that cannot be agreed directly to an amount recorded in the fund financial statements. Each note must be in sufficient detail to properly disclose the nature of the subtraction or addition. Reference to the note should be included in the Description column of the **Reconciliation**. Examples of frequently used notes are provided on pages **VII-17 through VII-19**.

## **AELR—PART II**

**Arizona Constitution, Article IX, §20** excludes certain revenues from the definition of local revenues, and only expenditures/expenses/deductions made with local revenues are subject to the expenditure limitation. Therefore, to arrive at the amount subject to the expenditure limitation to be reported on the **AELR—Part I**, it is necessary to exclude from total expenditures/expenses/deductions, as adjusted on the **Reconciliation**, the expenditures/expenses/deductions made with these excludable revenues. The **AELR—Part II** facilitates this calculation. A copy of the form is provided on page **VII-15**.

Detailed instructions for preparing **Part II** are as follows:

- Step 1. Enter the name of the city or town and the fiscal year of the report.
- Step 2. On **line A**, enter the amount for each fund category/type and the total for all funds from **line D of the Reconciliation**.
- Step 3. Calculate total exclusions. Exclusions are expenditures/expenses/deductions reported within the fund financial statements that were made from revenues that are excluded from the definition of local revenues as provided in the **Arizona Constitution, Article IX, §20**, and are therefore not subject to the expenditure limitation. Exclusions including those enumerated in the Constitution may be taken against alternative expenditure limitations only if the exclusions are specifically identified in the resolution and the publicity pamphlet.

Exclusions provided in **Arizona Constitution, Article IX, §20, subsections 3(d)(xi), (xii), and (xiv)** do not generally apply. Therefore, lines for these exclusions have not been provided on **Part II**.

**Lines B.1 through B.11** list constitutional exclusions that may be taken. **Lines B.12 and B.13** list exclusions that may be taken as a result of Attorney General opinions. Explanations and examples of the exclusions follow:

**Line B.1** “Any amounts or property received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision, long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment by a political subdivision.”

Bond proceeds—Exclude expenditures/expenses made from amounts received from the issuance of bonds (e.g., general obligation or revenue bonds), including payments to registrars and paying agents. Proceeds from bonds of special assessment districts may be excluded if expenditures from these proceeds have not already been subtracted on the **Reconciliation**. (See **Reconciliation, line B.2.**)

Debt service requirements on bonded indebtedness—Exclude expenditures/expenses made to pay principal and interest on outstanding bonds. Amounts paid into sinking funds that are expenditures/expenses of the reporting fiscal year may also be excluded.

Proceeds from other long-term obligations—Exclude expenditures/expenses made from amounts received from the issuance of lawful long-term obligations including payments to registrars and paying agents. The long-term obligation must have a maturity date of more than one year and must be incurred for a specific purpose.

Exclude expenditures/expenses from proceeds of certificates of participation (COPs) issued in the name of the entity. See **Reconciliation, line B.2** for treatment of expenditures/expenses from COP proceeds issued by a municipal property corporation included in the city/town reporting entity.

Debt service requirements on other long-term obligations—Exclude expenditures/expenses made for principal and interest on other long-term obligations (e.g., capital lease agreements, installment purchase agreements, and COPs).

Payments made pursuant to contracts, including operating leases, are not excludable under long-term obligations as the city or town has not incurred a long-term liability.

It should be noted that revenues from the sale of capital assets purchased with the proceeds from bonds or other long-term obligations are not excludable revenues since the original proceeds used to purchase the assets were excluded in the fiscal years the assets were purchased.

**Line B.2** “Any amounts or property received as payment of dividends or interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.”

Exclude expenditures/expenses made from amounts received as interest from investments, dividends, and gains on sales or redemptions of investment securities.

**Line B.3** “Any amounts or property received by a political subdivision in the capacity of trustee, custodian or agent.”

Agency funds are used to report resources held by cities and towns in a purely custodial capacity. They account for assets belonging to other governments, individuals, or private organizations and do not involve the measurement of additions or deductions. For this reason, agency funds are not reported in the Statement of Changes in Fiduciary Net Assets and disbursements from agency funds are not excludable.

Deductions made from amounts received in other fiduciary funds may be excluded, as the revenues are held by the city or town for the benefit of other entities (e.g., deductions from the Fire Fighters’ Relief and Pension Fund).

**Line B.4** “Any amounts received as grants and aid of any type received from the federal government or any of its agencies.”

Exclude expenditures/expenses made from amounts received as grants, cooperative agreements, entitlements, contracts, payments in lieu of taxes, or asset-sharing from the federal government.

**Line B.5** “Any amounts received as grants, aid, contributions or gifts of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization or any individual.”

Expenditures/expenses made from amounts received as grants, aid, contributions, donations, or gifts from private donors may be excluded.

**Line B.6** “Any amounts received from the state which are included within the appropriation limitation prescribed in §17 of this article.”

Exclude expenditures/expenses made from any amounts received from the state that were included within the state appropriation limitation (e.g., expenditures/expenses of lottery monies from the Local Transportation Assistance Fund, expenditures of Judicial Collection Enhancement Fund monies received from the State Treasurer pursuant to A.R.S. §12-113, state grants).

Exclusions should not include expenditures from monies received from the state or collected by or for the state and shared with the city or town that are not included within the state appropriation limitation (e.g., state transaction privilege tax (sales tax), state income tax deposited in the Urban Revenue Sharing Fund, motor vehicle license tax, the portion of the time payment fee retained by the local court pursuant to A.R.S. §12-116).

Revenues from the Highway User Revenue Fund are not included in the definition of amounts received from the state, as provided in Arizona Constitution, Article IX, §17. However, **Arizona Constitution, Article IX, §20, subsection 3(d)(ix)** provides an exclusion for expenditures of highway user revenues. See **line B.9** for instructions concerning this exclusion.

**Line B.7** “Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same political subdivision which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this section.”

Exclude expenditures/expenses made from revenues received due to quasi-external interfund transactions recorded in the fund financial statements including internal service fund transactions. Quasi-external interfund transactions are transactions between funds of a city or town that are recorded as if the transaction was with an entity external to the city or town. (See Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, §1800 for further information on recording quasi-external interfund transactions.) This exclusion may only be taken in the fund in which the revenue is recorded. An example of such a transaction is payments made from the general fund to the enterprise fund for water and sewer services. The exclusion should be claimed in the enterprise fund, as the revenue would be recorded within this fund type.

Interfund transfers are not excludable, as they do not represent revenues and expenditures of the city or town.

**Line B.8** “Any amounts or property accumulated for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements, if such accumulation and purpose have been approved by the voters of the political subdivision.”

Exclude expenditures/expenses made from amounts accumulated if voter approval was obtained to accumulate the amounts and make the expenditures. Expenditures of county transportation excise tax monies collected pursuant to A.R.S. §§42-6105, 42-6106, or 42-6107 may be excludable here.

It should be noted that revenues from the sale of capital assets purchased with amounts accumulated for such items are not excludable revenues, since the original amounts used to purchase the assets were excluded in the fiscal years the assets were purchased.

**Line B.9** “Any amounts received pursuant to §14 of this article which are greater than the amount received in fiscal year 1979-80.”

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

Exclude expenditures from highway user revenues received in the reporting fiscal year in excess of amounts actually received in fiscal year 1979-80. The following examples illustrate the calculation of this exclusion:

### Example 1

If **carryforwards** are maximized:

Highway user revenues received in the current fiscal year	\$500,000
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	<u>(200,000)</u>
Revenues available for exclusion in the current fiscal year	<u>\$300,000</u>
Actual expenditures of highway user revenues in the current fiscal year	\$450,000
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>(200,000)</u>
Excludable revenues expended in the current fiscal year	<u>\$250,000</u>
Revenues available for exclusion in the current fiscal year	\$300,000
Revenues expended and claimed as an exclusion in the current fiscal year	<u>(250,000)</u>
Unspent excludable revenue available for carryforward in future years	<u>\$ 50,000</u>

### Example 2

If **exclusions** are maximized:

Highway user revenues received in the current fiscal year	\$500,000
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	<u>(200,000)</u>
Revenues available for exclusion in the current fiscal year	<u>\$300,000</u>
Actual expenditures of highway user revenues in the current fiscal year	\$450,000
Excludable revenues expended in the current fiscal year	<u>(300,000)</u>
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>\$150,000</u>
Revenues available for exclusion in the current fiscal year	\$300,000
Revenues expended and claimed as an exclusion in the current fiscal year	<u>(300,000)</u>
Unspent excludable revenue available for carryforward in future years	<u>\$ 0</u>
Highway user revenues received in the current fiscal year equal to fiscal year 1979-80 revenues received	\$200,000
Amount equal to 1979-80 revenues expended in the current fiscal year	<u>(150,000)</u>
Unspent highway user revenues <b>not</b> excludable in future years	<u>\$ 50,000</u>

**Line B.10** “Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state, and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.”

Exclude expenditures/expenses made from revenues received in return for goods or services pursuant to a contract with a county, city, town, school district, community college district, or the state conforming to general contract laws.

**Line B.11** “Any amounts received during a fiscal year as refunds, reimbursements, or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.”

Refunds, reimbursements, or other recoveries of revenues expended that are received during the same fiscal year the related expenditures/expenses are made are generally accounted for as reductions of those expenditures/expenses, and not as revenues. Therefore, such receipts are not excludable.

If refunds, reimbursements, or other recoveries of revenues expended, regardless of the year received, are accounted for as revenues (e.g., damage awards and insurance reimbursements), the expenditures/expenses from them are excludable. Development (impact) fees imposed on developments under A.R.S. §9-463.05 to offset the costs of providing a development with public services are **not** excludable.

**Line B.12** Cities and towns under an alternative expenditure limitation may exclude expenditures of excludable revenues specifically identified in the resolution and the publicity pamphlet placed before the voters, as provided in Attorney General Opinion I88-045.

Voter-approved exclusions that are the same as constitutional exclusions should be taken on **lines B.1 through B.11**, as appropriate. **Line B.12** should be used for exclusions that are different from those exclusions provided in the Constitution (e.g., exclusions for sanitation and refuse, elections, new services, and/or newly mandated services).

**Line B.13** Cities and towns may exclude expenditures/expenses of prior years carryforward of excludable revenues (exclusions explained on **lines B.1 through B.12**), as provided in Attorney General Opinion I88-017. Prior years carryforward is defined as excludable revenues unexpended in the year recorded that are accumulated and eligible for exclusion when expended in subsequent fiscal years.

Carryforwards should be specifically identified in the city’s or town’s accounting records by fund as to the nature of the exclusion, the amount of the carryforward, and the fiscal year in which the carryforward was generated.

**Line B.14** Calculate total exclusions claimed by adding **lines B.1 through B.13**. Fund category/type totals should be added to calculate total exclusions claimed.

Step 4. On **line C**, subtract the amount on **line B.14** from the amount recorded on **line A**. If the calculated amount is negative, exclusions must be reduced so the amount is zero or greater.

Fund category/type totals should then be added to calculate the amount subject to the expenditure limitation to be reported on **Part I, line 4**.

A note to the AELR should be presented for each exclusion that cannot be agreed directly to an amount recorded in the fund financial statements. Each note must be in sufficient detail to enable identification of the exclusion in the fund financial statements and verification of the amount excluded. Reference to the note should be included in the Description column on **Part II**. Examples of several frequently used notes are provided on pages **VII-17 through VII-19**.

## AELR—PART I

The **AELR—Part I** compares the expenditure limitation and the amount subject to the expenditure limitation to determine whether the city or town has exceeded the expenditure limitation. A copy of the form is provided on page **VII-14**.

Detailed instructions for preparing **Part I** are as follows:

- Step 1. Enter the name of the city or town and the fiscal year of the report.
- Step 2. Enter the amount of the Economic Estimates Commission expenditure limitation on **line 1**.
- Step 3. Enter the voter-approved **alternative expenditure limitation** and the date approved, if applicable, on **line 2**. (**Attach supporting documentation, such as the ordinance or adopted budget, that indicates the amount of the alternative expenditure limitation for the reporting fiscal year.**)
- Step 4. On **line 3**, enter the applicable expenditure limitation from **line 1** or **line 2**.
- Step 5. On **line 4**, enter the amount subject to the expenditure limitation from **Part II, line C**.
- Step 6. Determine the total adjusted amount subject to the expenditure limitation on **Line 10**.

**Arizona Constitution, Article IX, §20(2)**, lines 5, 6, 7, and 9 provide for adjustments.

**Line 5** Enter the actual amount of expenditures/expenses made in the reporting fiscal year that were directly necessitated by a natural or manmade disaster declared by the Governor. The expenditures/expenses must be authorized by at least two-thirds of the members of the city or town council, as required by the **Arizona Constitution, Article IX, §20(2)(a)**. (**Attach supporting documentation.**)

**Line 6** Enter the actual amount of expenditures/expenses made in the reporting fiscal year that were directly necessitated by a natural or manmade disaster not declared by the Governor. The expenditures/expenses must be authorized by at least 70 percent of the members of the city or town council as required by the **Arizona Constitution, Article IX, §20(2)(b)**. (**Attach supporting documentation.**)

**Line 7** Enter the actual amount of expenditures/expenses in excess of the expenditure limitation authorized in the prior fiscal year. The amount must be specific and must be authorized by at least two-thirds of the members of the city or town council and approved by a majority of qualified voters, as required by the **Arizona Constitution, Article IX, §20(2)(c)**. (Attach supporting documentation.)

**Line 8** Subtract **lines 5, 6, and 7** from **line 4**.

**Line 9** Enter the actual amount of expenditures/expenses made in the prior fiscal year in excess of the expenditure limitation. The expenditures/expenses must have been authorized by at least 70 percent of the members of the city or town council for expenditures directly necessitated by a natural or manmade disaster not declared by the Governor and not approved by a majority of the qualified voters, as required by the **Arizona Constitution, Article IX, §20(2)(b)**. Total expenditures/expenses for the reporting fiscal year subject to the expenditure limitation must be increased by this amount. (Attach supporting documentation.)

**Line 10** Add the amount on **line 9** to the amount on **line 8** to determine the adjusted amount subject to the expenditure limitation.

Step 7. Subtract the amount on **line 10** from the amount on **line 3** and record the difference on **line 11**. If the difference is a negative number, the city or town exceeded the expenditure limitation and should submit a supporting schedule explaining the reason for the excess. If the difference is a positive number or zero, the city or town did not exceed the expenditure limitation and a supporting schedule is not necessary.

Step 8. Enter the name, title, and telephone number of the chief fiscal officer. The chief fiscal officer should then sign and date the AELR to provide written certification that the AELR is accurate.

## FINANCIAL STATEMENTS

**A.R.S. §41-1279.07** requires financial statements to be prepared in accordance with GAAP. These principles are the conventions, rules, and procedures that define accepted accounting practices at a particular time and provide a standard by which auditors form their professional opinions about the financial statements.

In accordance with **A.R.S. §9-481**, cities are required to have financial statement audits performed annually. Towns subject to the *Single Audit Act Amendments of 1996* must also have financial statement audits performed annually. All other towns may have financial statement audits performed either annually or biennially, as specified in **A.R.S. §9-481**. Cities and towns having annual audits are required to file audited annual financial statements with the Auditor General **within four months** after the close of each fiscal year. Towns having biennial audits must file audited financial statements of both fiscal years within four months after the close of the last fiscal year of the biennial audit. Upon written request, the Auditor General may grant up to a 120-day filing extension if extenuating circumstances exist.

A certified public accountant or public accountant performing the audit must render an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations in conformity with GAAP. The audit report must also include a determination as to whether Highway User Revenue Fund monies and any other dedicated state transportation revenues received by the city or town are being used solely for authorized transportation purposes. In addition, the auditor must render an opinion on whether the AELR presents fairly, in all material respects, the information required by the UERS prescribed by **A.R.S. §41-1279.07**. See page **VII-1** for further information on the audit of the AELR.

The GASB *Codification of Governmental Accounting and Financial Reporting Standards* promulgates authoritative accounting and financial reporting guidance for state and local governmental entities. The American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, *State and Local Governments* should be used as a source for illustrations of the accounting and reporting requirements set forth in the GASB Codification.

Examples of financial statements for cities and towns may be found in the GASB Codification.

Independent Auditors' Report

The Auditor General of the State of Arizona  
The Honorable Mayor and \_\_\_\_\_ Council  
of the \_\_\_\_\_, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of \_\_\_\_\_  
for the year ended June 30, 20\_\_\_. This report is the responsibility of the \_\_\_\_\_ management. Our  
responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards  
require that we plan and perform the audit to obtain reasonable assurance about whether the report is free  
of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts  
and disclosures in the report. An audit also includes assessing the accounting principles used and  
significant estimates made by management, as well as evaluating the overall report presentation. We  
believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying  
with the uniform expenditure reporting system as discussed in **Note 1**, and is not intended to be a  
presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of \_\_\_\_\_ for the year ended  
June 30, 20\_\_\_, referred to above presents fairly, in all material respects, the information required by the  
uniform expenditure reporting system on the basis of accounting described in **Note 1**.

This report is intended solely for the information and use of management, and for filing with the Auditor  
General of the State of Arizona, and is not intended to be and should not be used by anyone other than  
these specified parties.

(Signature)

Last day of fieldwork

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

CITY/TOWN OF \_\_\_\_\_  
**Annual Expenditure Limitation Report—Part I**  
**Year Ended June 30, 20\_\_**

1. Economic Estimates Commission expenditure limitation	\$ _____	
2. Voter-approved alternative expenditure limitation (Approved _____)	_____	
3. Enter applicable amount from Line 1 or Line 2		\$ _____
4. Amount subject to the expenditure limitation (total amount from <b>Part II, Line C</b> )	\$ _____	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor [ <b>Article IX, §20(2)(a), Arizona Constitution</b> ]	- _____	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [ <b>Article IX, §20(2)(b), Arizona Constitution</b> ]	- _____	
7. Prior-year, voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year [ <b>Article IX, §20(2)(c), Arizona Constitution</b> ]	- _____	
8. Subtotal	\$ _____	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [ <b>Article IX, §20(2)(b), Arizona Constitution</b> ]	+ _____	
10. Total adjusted amount subject to the expenditure limitation		\$ _____
11. Amount under (in excess of) the expenditure limitation ( <b>If excess expenditures are reported, provide an explanation.</b> )		\$ _____

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

**See accompanying notes to report.**

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

CITY/TOWN OF \_\_\_\_\_  
**Annual Expenditure Limitation Report—Part II**  
 Year Ended June 30, 20\_\_\_\_

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
<b>A. Amounts reported on the Reconciliation, Line D</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>B. Less exclusions claimed:</b>					
<b>1. Bond proceeds</b>	_____	_____	_____	_____	_____
Debt service requirements on bonded indebtedness	_____	_____	_____	_____	_____
Proceeds from other long-term obligations	_____	_____	_____	_____	_____
Debt service requirements on other long-term obligations	_____	_____	_____	_____	_____
<b>2. Dividends, interest, and gains on the sale or redemption of investment securities</b>	_____	_____	_____	_____	_____
<b>3. Trustee or custodian</b>	_____	_____	_____	_____	_____
<b>4. Grants and aid from the federal government</b>	_____	_____	_____	_____	_____
<b>5. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes</b>	_____	_____	_____	_____	_____
<b>6. Amounts received from the State of Arizona</b>	_____	_____	_____	_____	_____
<b>7. Quasi-external interfund transactions</b>	_____	_____	_____	_____	_____
<b>8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements</b>	_____	_____	_____	_____	_____
<b>9. Highway user revenues in excess of those received in fiscal year 1979-80</b>	_____	_____	_____	_____	_____
<b>10. Contracts with other political subdivisions</b>	_____	_____	_____	_____	_____
<b>11. Refunds, reimbursements, and other recoveries</b>	_____	_____	_____	_____	_____
<b>12. Voter-approved exclusions not identified above (attach resolution)</b>	_____	_____	_____	_____	_____
<b>13. Prior years carryforward</b>	_____	_____	_____	_____	_____
<b>14. Total exclusions claimed</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>C. Amounts subject to the expenditure limitation (If an individual fund category/type amount is negative, reduce exclusions claimed to net to zero.)</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

See accompanying notes to report.

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

CITY/TOWN OF \_\_\_\_\_  
**Annual Expenditure Limitation Report—Reconciliation**  
 Year Ended June 30, 20\_\_

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
<b>A.</b> Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>B.</b> Subtractions					
<b>1.</b> Items not requiring use of working capital:					
Depreciation	_____	_____	_____	_____	_____
Loss on disposal of capital assets	_____	_____	_____	_____	_____
Bad debt expense	_____	_____	_____	_____	_____
Claims incurred but not reported	_____	_____	_____	_____	_____
Landfill closure and postclosure care costs	_____	_____	_____	_____	_____
<b>2.</b> Expenditures of separate legal entities established under Arizona Revised Statutes	_____	_____	_____	_____	_____
<b>3.</b> Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	_____	_____	_____	_____	_____
<b>4.</b> Involuntary court judgments	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
<b>5.</b> Total subtractions	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>C.</b> Additions:					
<b>1.</b> Principal payments on long-term debt	_____	_____	_____	_____	_____
<b>2.</b> Acquisition of capital assets	_____	_____	_____	_____	_____
<b>3.</b> Claims paid in the current year but reported as expenses incurred but not reported in previous years	_____	_____	_____	_____	_____
<b>4.</b> Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
<b>5.</b> Total additions	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>D.</b> Amounts reported on <b>Part II, Line A</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

**See accompanying notes to report.**

**CITY/TOWN OF \_\_\_\_\_**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

Note 1 — Summary of Significant Accounting Policies

**(This paragraph should be used by cities and towns not governed by an alternative expenditure limitation.)** The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes §41-1279.07**, which excludes expenditures, expenses, or deductions of certain revenues specified in the **Arizona Constitution, Article IX, §20** from the total expenditures, expenses, or deductions reported in the fund financial statements.

**(This paragraph should be used by cities and towns governed by an alternative expenditure limitation.)** The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes §41-1279.07**, and in accordance with the voter-approved alternative expenditure limitation adopted (date) \_\_\_\_\_, as authorized by the **Arizona Constitution, Article IX, §20(9)**.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on **Part II** and each subtraction or addition in the **Reconciliation** that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note — The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense.

Note — The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$\_\_\_\_\_ in the Governmental Funds includes interest on investments expended of \$\_\_\_\_\_; interest on delinquent taxes expended of \$\_\_\_\_\_, which was recorded as tax revenue; and dividends expended of \$\_\_\_\_\_, which were recorded as miscellaneous revenues. Remaining revenues of \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively, have been carried forward to future years.

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

CITY/TOWN OF \_\_\_\_\_  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 20\_\_**

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

<b>Description</b>	
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	
Other revenues (nonexcludable)	
Amount carried forward	_____
Total intergovernmental revenues as reported in the fund financial statements	\$ =====

Note — The exclusion claimed for contracts with other political subdivisions of \$\_\_\_\_\_ includes \$\_\_\_\_\_ of charges for services expended and \$\_\_\_\_\_ of miscellaneous revenues expended. Remaining revenues of \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, have been carried forward to future years.

Note — Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

<b>Description</b>	<b><u>Governmental Funds</u></b>	<b><u>Enterprise Funds</u></b>	<b><u>Internal Service Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Dividends, interest, and gains on the sale or redemption of investment securities	\$	\$	\$	\$
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	_____	_____	_____	_____
Total prior years carryforward expended	\$ =====	\$ =====	\$ =====	\$ =====

Note — The subtraction of \$\_\_\_\_\_ for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Enterprise (and Internal Service) Fund(s).

# REPORTING INSTRUCTIONS

# CITIES & TOWNS

CITY/TOWN OF \_\_\_\_\_  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 20\_\_

Note — The addition of \$\_\_\_\_\_ for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Enterprise (and Internal Service) Fund(s).

Note — The subtraction of \$\_\_\_\_\_ for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations included within the city/town's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

<b>Special Assessment Districts</b>	
General government	\$
<i>List other applicable functions</i>	
Principal	
Interest and other charges	
Capital outlay	_____
Total	\$ =====
<b>Municipal Property Corporations</b>	
General government	\$
<i>List other applicable functions</i>	
Principal	
Interest and other charges	
Capital outlay	_____
Total	\$ =====

Note — The addition of \$\_\_\_\_\_ for principal payments on long-term debt in the Enterprise Funds consists of \_\_\_\_\_. **(List the total amount of principal payments for each long-term debt item.)**

Note — The subtraction of \$\_\_\_\_\_ for landfill closure and postclosure care costs consists of that portion of the total estimated liability reported as expenses in the current year but not yet paid in the Enterprise Funds.

Note — The addition of \$\_\_\_\_\_ for landfill closure and postclosure care costs paid in the current year, but reported as expenses in previous years, consists of cash payments in the current year for those costs reported as expenses in previous years in the Enterprise Funds.

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## GENERAL INFORMATION

**Arizona Revised Statutes (A.R.S.) §41-1279.07** requires community college districts to prepare an Annual Budgeted Expenditure Limitation Report (ABELR). In addition, annual financial statements must be prepared in accordance with generally accepted accounting principles. On the ABELR, total budgeted expenditures less expenditures of constitutionally excludable revenues is compared for compliance with the expenditure limitation.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting records. **A.R.S. §41-1279.07** requires the ABELR to present expenditures, exclusions, and amounts subject to the limitation by fund type since community college districts' budgets are prepared at that level. Conversely, community college districts' financial statements are presented in conformity with U.S. generally accepted accounting principles, which presents information for the district as a whole. Therefore, the formats of the ABELR and the financial statements differ.

A reconciliation of total expenditures reported within the annual financial statements to total expenditures stated within the ABELR is required by **A.R.S. §41-1279.07**. However, in addition to the difference noted above, the ABELR presents total budgeted expenditures and the annual financial statements present actual expenditures without budgeted information. Therefore, a reconciliation is not possible.

The ABELR and the financial statements must be filed with the Auditor General **within 4 months** after the close of each fiscal year. Upon written request, the Auditor General may grant up to a **120-day extension** if extenuating circumstances exist.

**A.R.S. §15-1471** allows a community college district to adopt a modified expenditure limitation, with the approval of a majority of the qualified voters in the district. The excess expenditures must be a specified percentage of the constitutional expenditure limitation. The modified expenditure limitation becomes effective beginning in the fiscal year immediately following approval and applies for a period of not less than 2 and not more than 7 years. After that time, the constitutional expenditure limitation becomes effective unless a new modified expenditure limitation is approved. The district board may not authorize expenditures in excess of the modified expenditure limitation without the approval of a majority of the qualified voters in the district. See **§V, Voter-approved Expenditure Limitations**, for detailed information on modified expenditure limitations.

The Auditor General, another certified public accountant, or a public accountant must render an opinion on whether the ABELR presents fairly, in all material respects, the information required by the *Uniform Expenditure Reporting System* (UERS) prescribed by **A.R.S. §41-1279.07**. A sample of an **independent auditors' report** containing an unqualified opinion for community college districts is provided on page **VIII-9**. If the auditor concludes that an unqualified opinion cannot be expressed on the ABELR, the auditor should disclose all the substantive reasons for the conclusion in an explanatory paragraph in the auditors' report.

**A.R.S. §41-1279.07** also requires community college districts to provide to the Auditor General by **July 31 of each fiscal year** the name of the chief fiscal officer designated by the governing board to

submit the ABELR and certify its accuracy for that fiscal year. Any replacement of the designated individual must be reported to the Auditor General immediately.

Detailed instructions for preparing the ABELR are contained on pages VIII-2 through VIII-7. Sample forms and notes are provided on pages **VIII-10 through VIII-14**. General information concerning annual financial statements is contained on page **VIII-8**.

## ABELR—PART II

**Arizona Constitution, Article IX, §21** excludes certain revenues from the definition of local revenues, and only expenditures made with local revenues are subject to the expenditure limitation. Therefore, to arrive at budgeted expenditures subject to the expenditure limitation to be reported on the **ABELR—Part I**, it is necessary to reduce budgeted expenditures by expenditures made with these excludable revenues. The **ABELR—Part II** facilitates this calculation. A copy of the form is provided on page **VIII-11**.

Districts that present the Current General and Current Auxiliary Enterprises Funds as a combined total in the adopted budget may also record a combined total on the ABELR. The form provided on page **VIII-11** should be modified accordingly.

Detailed instructions for preparing **Part II** are as follows:

- Step 1. Enter the name of the district and the fiscal year of the report.
- Step 2. On **line A**, enter total budgeted expenditures and applicable other deductions from the final adopted budget for each fund type and the total for all funds from the district's final adopted budget for the reporting fiscal year.
- Step 3. Determine exclusions from local revenues as provided in the **Arizona Constitution, Article IX, §21**.

**Lines B.1 through B.12** list constitutional exclusions that may be taken. **Line B.13** lists an exclusion that may be taken as a result of an Attorney General opinion. Explanations and examples of the exclusions follow.

**Line B.1** “Any amounts or property received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or any amounts or property collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment by a political subdivision.”

Bond proceeds—Exclude expenditures made from amounts received from the issuance of bonds (e.g., general obligation or revenue bonds), including payments to registrars and paying agents.

Debt service requirements on bonded indebtedness—Exclude expenditures made to pay principal and interest on outstanding bonds. Amounts paid into sinking funds that are expenditures of the reporting fiscal year may also be excluded.

Proceeds from other long-term obligations—Exclude expenditures made from amounts received from the issuance of lawful long-term obligations (e.g., loans), including payments to registrars and paying agents. The long-term obligation must have a maturity date of more than 1 year and must be incurred for a specific purpose.

Exclude expenditures from proceeds of certificates of participation (COPs) issued in the name of the entity.

Debt service requirements on other long-term obligations—Exclude expenditures made for principal and interest on other long-term obligations (e.g., capital lease agreements, installment purchase agreements, and COPs).

Payments made pursuant to contracts, including operating leases, are not excludable under long-term obligations, as the district has not incurred a long-term liability.

It should be noted that revenues from the sale of capital assets purchased with the proceeds from bonds or other long-term obligations are not excludable revenues since the original proceeds used to purchase the assets were excluded in the fiscal year the assets were purchased.

**Line B.2** “Any amounts or property received as payment of dividends and interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.”

Exclude expenditures made from amounts received as interest from investments, dividends, and gains on sales or redemptions of investment securities.

**Line B.3** “Any amounts or property received by a school or community college district in the capacity of trustee, custodian or agent.”

Community college districts may receive monies from federal, state, and private sources in a custodial capacity for the operation of a charter school. Expenditures of such monies may be excluded here if the charter school expenditures are included in the district’s adopted budget, and the charter school is a separate legal entity. (See **lines B.4, B.5, and B.9** for information on exclusions for charter schools that **are not** separate legal entities.)

Since Endowment and Similar Funds, Loan Funds, and Agency Funds are not included in the district’s adopted budget, this exclusion does not apply to those funds.

**Line B.4** “Any amounts received as grants and aid of any type received from the federal government or any of its agencies except school assistance in federally affected areas.”

Exclude expenditures made from amounts received as grants, cooperative agreements, contracts, and student financial aid from the federal government, including indirect cost recoveries.

Expenditures from federal revenues for the operation of charter schools that **are not** separate legal entities are excludable here. (See **line B.3** for the exclusion for charter schools that **are** separate legal entities.)

**Line B.5** “Any amounts or property received as grants, gifts, aid or contributions of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization, or any individual.”

Exclude expenditures made from amounts received as grants, aid, contributions, donations, or gifts from private donors, including indirect cost recoveries.

Expenditures from private donations or gifts for the operation of charter schools that **are not** separate legal entities are also excludable here. (See **line B.3** for exclusion for charter schools that **are** separate legal entities.)

**Line B.6** “Any amounts received from the State for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements.”

Exclude expenditures made from amounts received from the State, such as those prescribed in A.R.S. §§15-1463 and 15-1464, for the purpose of purchasing land, buildings or improvements, or constructing buildings or improvements.

It should be noted that revenues from the sale of capital assets purchased with amounts accumulated for such items are not excludable revenues, since the original amounts used to purchase the assets were excluded in the fiscal years the assets were purchased.

**Line B.7** “Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same community college or school district which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this subsection.”

Exclude expenditures made from revenues received due to intrainstitutional transactions. Intrainstitutional transactions are transactions between funds of a district that are recorded as if the transaction was with an entity external to the district. The exclusion may only be taken in the fund in which the revenue is recorded. An example of such a transaction is the sale of supplies by an auxiliary enterprise to an institutional department. The exclusion should be claimed in the

Current Auxiliary Enterprises Fund, since the revenue from the sale of supplies would be recorded in this fund.

Interfund transfers are not excludable, as they do not represent revenues and expenditures of the district.

- Line B.8** “Any amounts or property accumulated by a community college district for the purpose of purchasing land, buildings, or improvements or constructing buildings or improvements.”

Exclude expenditures made from amounts that were specifically authorized by the district governing board to be accumulated for the purpose of purchasing land, buildings or improvements, or constructing buildings or improvements.

It should be noted that proceeds from the sale of capital assets purchased with amounts accumulated for such items are not excludable revenues, since the original amounts used to purchase the assets were excluded in the fiscal years the assets were purchased.

- Line B.9** “Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.”

Exclude expenditures made from revenues received in return for goods or services pursuant to a contract with a county, city, town, school district, community college district, or the state conforming to general contract laws (e.g., expenditures from amounts received as a result of a contract between the district and a city for use of the district’s facilities).

Expenditures from amounts received pursuant to a contract with the Arizona State Board of Education or the Arizona State Board for Charter Schools for the operation of charter schools that **are not** separate legal entities may also be excluded here. (See **line B.3** for the exclusion for charter schools that **are** separate legal entities.)

- Line B.10** “Any amounts received as tuition or fees directly or indirectly from any public or private agency or organization or any individual.”

Exclude expenditures made from revenues received for general, out-of-district, out-of-state, and foreign tuition as well as expenditures made from tuition received pursuant to contracts the district has entered into to provide instruction. Expenditures made from registration fees, course fees, and library fees are also excludable. Expenditures from receipts of auxiliary enterprise activities such as bookstores, cafeterias, dormitories, student unions, and athletics do not qualify as exclusions.

Tuition and fees revenue on the Statement of Revenues, Expenses, and Changes in Net Assets is reported net of scholarship allowances. If a district also budgets for tuition and fees revenue net of scholarship allowances, the amount excluded should be based on expenditures of the net tuition and fees revenue. However, if a district does not budget for tuition and fees revenue net of scholarship allowances, the amount excluded should be based on the gross tuition and fees revenue.

- Line B.11** “Any ad valorem taxes received pursuant to an election to exceed the limitation prescribed by §19 of this article or for the purposes of funding expenditures in excess of the expenditure limitations prescribed by subsection (7) of this section.”

Exclude expenditures from secondary taxes received pursuant to an override election conducted to exceed the 2 percent levy limitation, as prescribed in Article IX, §19, Arizona Constitution. The override election must be held prior to the fiscal year of reporting.

- Line B.12** “Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.”

Refunds, reimbursements, or other recoveries of revenues expended that are received during the same fiscal year the related expenditures/expenses are made are generally accounted for as reductions of those expenditures/expenses, and not as revenues. Therefore, such receipts are not excludable.

If refunds, reimbursements, or other recoveries of revenues expended, regardless of the year received, are accounted for as revenues (e.g., damage awards and insurance reimbursements), the expenditures/expenses from them are excludable.

This exclusion should not be used for indirect cost recoveries, as these transactions should be excluded on either **line B.4** or **line B.5**.

- Line B.13** Community college districts may exclude expenditures of prior years carryforward of constitutionally excludable revenues (exclusions explained on lines B.1 through B.12), as provided in Attorney General Opinion I88-017. Prior years carryforward is defined as constitutionally excludable revenues unexpended in the year accrued that are accumulated and eligible for exclusion when expended in subsequent fiscal years.

Carryforwards should be specifically identified in the district’s accounting records by fund as to the nature of the exclusion, the amount of the carryforward, and the fiscal year in which the carryforward was generated.

- Line B.14** Calculate total exclusions claimed by adding lines B.1 through B.13. Fund type totals should be added to calculate total exclusions.

Step 4. On **line C**, subtract the amount on **line B.14** from the amount recorded on **line A**. If the calculated amount is negative, exclusions must be reduced so the amount is zero or greater. Fund type totals should then be added to calculate total budgeted expenditures subject to the expenditure limitation to be reported on **Part I, line 4**.

A note to the ABELR should be presented for each exclusion amount reported in the Total column of **Part II** that cannot be agreed directly to an amount recorded in the annual financial statements. Each note must be in sufficient detail to enable identification of the exclusion in the financial statements and verification of the total amount excluded. Reference to the note should be included in the Description column on **Part II**. Examples of several frequently used notes are provided on pages **VIII-12 through VIII-14**.

## ABELR—PART I

The **ABELR—Part I** compares the expenditure limitation and budgeted expenditures subject to the expenditure limitation to determine whether the district has exceeded the expenditure limitation. A copy of the form is provided on page **VIII-10**.

Detailed instructions for preparing **Part I** are as follows:

- Step 1. Enter the name of the district and the fiscal year of the report.
- Step 2. Enter the amount of the Economic Estimates Commission expenditure limitation on **line 1**.
- Step 3. Enter the voter-approved **modified expenditure limitation** and the date approved, if applicable, on **line 2**. (**Attach supporting documentation that indicates the amount of the modified expenditure limitation for the reporting fiscal year.**)
- Step 4. On **line 3**, enter the applicable expenditure limitation from **line 1** or **line 2**.
- Step 5. On **line 4**, enter the total budgeted expenditures subject to the expenditure limitation from **Part II, line C**.
- Step 6. Determine the total adjusted amount subject to the expenditure limitation on **line 6** as follows:
- On **line 5**, enter the actual amount of expenditures made in the reporting fiscal year from monies received by the community college districts for its workforce development accounts pursuant to A.R.S. §15-1472. These monies are not local revenues, and therefore, expenditures of these monies are not subject to the expenditure limitation. See A.R.S. §15-1472(F) and Attorney General Opinion I01-015 for further information.
- On **line 6**, subtract **line 5** from **line 4**.
- Step 7. Subtract the amount on **line 6** from the amount on **line 3** and record the difference on **line 7**. If the difference is a negative number, the district exceeded the expenditure limitation and should submit a supporting schedule explaining the reason for the excess. If the difference is

a positive number or zero, the district did not exceed the expenditure limitation, and a supporting schedule is not necessary.

- Step 8. Enter the name, title, and telephone number of the chief fiscal officer. The chief fiscal officer should then sign and date the ABELR to provide written certification that the ABELR is accurate.

## **FINANCIAL STATEMENTS**

**A.R.S. §41-1279.07** requires annual financial statements to be prepared in accordance with generally accepted accounting principles. These principles are the conventions, rules, and procedures that define accepted accounting practices at a particular time and provide a standard by which auditors form their professional opinions about the financial statements.

The Auditor General, another certified public accountant, or a public accountant performing the audit must render an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations in conformity with generally accepted accounting principles. In addition, the auditor must render an opinion on whether the ABELR presents fairly, in all material respects, the information required by the UERS prescribed by **A.R.S. §41-1279.07**. See page **VIII-1** for further information on the audit of the ABELR.

Community college districts should refer to the *GASB Codification of Governmental Accounting and Financial Reporting Standards* for authoritative financial reporting guidance. Additionally, districts may refer to the reporting guidelines for financial statements issued annually by the Office of the Auditor General for assistance in preparing community college district financial statements.

Independent Auditors' Report

The Auditor General of the State of Arizona  
The Governing Board  
\_\_\_\_\_ County Community College District

We have audited the accompanying Annual Budgeted Expenditure Limitation Report of \_\_\_\_\_ County Community College District for the year ended June 30, 20\_\_\_\_. This report is the responsibility of the District's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Budgeted Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in **Note 1**, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Budgeted Expenditure Limitation Report of \_\_\_\_\_ County Community College District for the year ended June 30, 20\_\_\_\_, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in **Note 1**.

This report is intended solely for the information and use of the Governing Board, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)

Last day of fieldwork

**REPORTING INSTRUCTIONS**

**COMMUNITY COLLEGE DISTRICTS**

\_\_\_\_\_ COUNTY COMMUNITY COLLEGE DISTRICT

( \_\_\_\_\_ COLLEGE)

**Annual Budgeted Expenditure Limitation Report—Part I**

**Year Ended June 30, 20\_\_**

- |   |          |          |
|---|----------|----------|
| 1. Economic Estimates Commission expenditure limitation   | \$ _____ |          |
| 2. Voter-approved modified expenditure limitation (Approved _____)  | \$ _____ |          |
| 3. Enter applicable amount from Line 1 or Line 2  |          | \$ _____ |
| 4. Total amount subject to the expenditure limitation (from <b>Part II, Line C</b> )  | \$ _____ |          |
| 5. Less expenditures of monies received pursuant to Arizona Revised Statutes §15-1472 (workforce development)                     | - _____  |          |
| 6. Adjusted amount subject to the expenditure limitation  |          | \$ _____ |
| 7. Amount under (in excess of) the expenditure limitation ( <b>If excess expenditures are reported, provide an explanation.</b> ) |          | \$ _____ |

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_

**See accompanying notes to report.**

# REPORTING INSTRUCTIONS

# COMMUNITY COLLEGE DISTRICTS

\_\_\_\_\_ COUNTY COMMUNITY COLLEGE DISTRICT  
 (\_\_\_\_\_ COLLEGE)  
**Annual Budgeted Expenditure Limitation Report—Part II**  
**Year Ended June 30, 20\_\_**

<u>Description</u>	Current Funds			Plant Funds		<u>Total</u>
	Unrestricted			<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	
	<u>General</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>			
<b>A.</b> Total budgeted expenditures	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>B.</b> Less exclusions claimed:	_____	_____	_____	_____	_____	_____
<b>1.</b> Bond proceeds	_____	_____	_____	_____	_____	_____
Debt service requirements on bonded indebtedness	_____	_____	_____	_____	_____	_____
Proceeds from other long-term obligations	_____	_____	_____	_____	_____	_____
Debt service requirements on other long-term obligations	_____	_____	_____	_____	_____	_____
<b>2.</b> Dividends, interest, and gains on the sale or redemption of investment securities	_____	_____	_____	_____	_____	_____
<b>3.</b> Trustee or custodian	_____	_____	_____	_____	_____	_____
<b>4.</b> Grants and aid from the federal government	_____	_____	_____	_____	_____	_____
<b>5.</b> Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	_____	_____	_____	_____	_____	_____
<b>6.</b> Amounts received from the State of Arizona for the purchase of land, and the purchase or construction of buildings or improvements	_____	_____	_____	_____	_____	_____
<b>7.</b> Interfund transactions	_____	_____	_____	_____	_____	_____
<b>8.</b> Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	_____	_____	_____	_____	_____	_____
<b>9.</b> Contracts with other political subdivisions	_____	_____	_____	_____	_____	_____
<b>10.</b> Tuition and fees	_____	_____	_____	_____	_____	_____
<b>11.</b> Property taxes received from voter-approved overrides	_____	_____	_____	_____	_____	_____
<b>12.</b> Refunds, reimbursements, and other recoveries	_____	_____	_____	_____	_____	_____
<b>13.</b> Prior years carryforward	_____	_____	_____	_____	_____	_____
<b>14.</b> Total exclusions claimed	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>C.</b> Amounts subject to the expenditure limitation <b>(If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)</b>	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

See accompanying notes to report.

\_\_\_\_\_ COUNTY COMMUNITY COLLEGE DISTRICT  
 (\_\_\_\_\_ COLLEGE)

Notes to Annual Budgeted Expenditure Limitation Report  
 Year Ended June 30, 20\_\_\_\_\_

Note 1— Summary of Significant Accounting Policies

**(This paragraph should be used by districts not governed by a modified expenditure limitation.)**

The Annual Budgeted Expenditure Limitation Report (ABELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes (A.R.S.) §41-1279.07**, which excludes expenditures of certain revenues specified in the **Arizona Constitution, Article IX, §21** from total budgeted expenditures.

**(This paragraph should be used by districts governed by a modified expenditure limitation.)** The Annual Budgeted Expenditure Limitation Report (ABELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes (A.R.S.) §41-1279.07**, which excludes expenditures of certain revenues specified in the **Arizona Constitution, Article IX, §21** from the total budgeted expenditures, and in accordance with the modified expenditure limitation adopted on \_\_\_\_\_, as authorized by **A.R.S. §15-1471**.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by **A.R.S. §41-1279.07**. The financial statements present the net assets, changes in net assets, and cash flows in accordance with U.S. generally accepted accounting principles.

In accordance with the UERS requirements, a note to the ABELR is presented below for any exclusion reported in the Total column on **Part II** that cannot be traced directly to an amount reported in the annual financial statements.

Note — Of the \$\_\_\_\_\_ reported as purchases of capital assets on the Statement of Cash Flows—Primary Government, only \$\_\_\_\_\_ was expended from bond proceeds and claimed as an exclusion. The remaining \$\_\_\_\_\_ has been carried forward to future years.

Note — Exclusions claimed for debt service requirements on bonded indebtedness and debt service requirements on other long-term obligations are \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively. Both amounts are included in the amounts reported as principal paid on capital debt and interest paid on capital debt on the Statement of Cash Flows—Primary Government.

Note — The exclusion claimed for trustee or custodian consists of \$\_\_\_\_\_ from federal, state, and private sources for operating a charter school that is a legal entity separate from the District.

# REPORTING INSTRUCTIONS

# COMMUNITY COLLEGE DISTRICTS

\_\_\_\_\_ COUNTY COMMUNITY COLLEGE DISTRICT  
(\_\_\_\_\_ COLLEGE)

## Notes to Annual Budgeted Expenditure Limitation Report Year Ended June 30, 20\_\_\_\_\_

Note — The following schedule presents revenues from which exclusions have been claimed for grants and aid from the federal government and contracts with other political subdivisions:

**Statement of Revenues, Expenses,  
and Changes in Net Assets—**

**Primary Government:**

**ABELR:**

Government grants and contracts	\$		
		Grants and aid from the federal government	
Capital grants and gifts		Contracts with other political subdivisions	
		Total exclusions claimed	
		Other revenues (nonexcludable)	
		Amount carried forward	
Total	\$	Total	\$

Note — Amounts received from the State of Arizona for the purchase of land, and the purchase or construction of buildings or improvements of \$\_\_\_\_\_ are included in capital appropriations reported on the Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government. Of these excludable revenues, only \$\_\_\_\_\_ was expended and claimed as an exclusion. The remaining \$\_\_\_\_\_ has been carried forward to future years.

Note — Interfund transactions resulting from bookstore supplies sold to various departments reported in the Auxiliary Enterprises Fund are included in bookstore income on the Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government. Of these excludable revenues, only \$\_\_\_\_\_ was expended and claimed as an exclusion. The remaining \$\_\_\_\_\_ has been carried forward to future years.

Note — The exclusion claimed for contracts with other political subdivisions includes expenditures of \$\_\_\_\_\_ from state appropriations received pursuant to a contract with the Arizona State Board of (for) \_\_\_\_\_ for operating a charter school that is not a legal entity separate from the District. Remaining revenues of \$\_\_\_\_\_ have been carried forward to future years.

Note — The District (does not) budget(s) tuition and fees revenue net of scholarship allowances. Of the (net *or* gross) tuition and fees of \$\_\_\_\_\_ reported on the Statement of Revenues, Expenses, and Changes in Net Assets—Primary Government, only \$\_\_\_\_\_ was expended and claimed as an exclusion. The remaining \$\_\_\_\_\_ has been carried forward to future years.

**REPORTING INSTRUCTIONS**

**COMMUNITY COLLEGE DISTRICTS**

\_\_\_\_\_ COUNTY COMMUNITY COLLEGE DISTRICT  
 (\_\_\_\_\_ COLLEGE)

**Notes to Annual Budgeted Expenditure Limitation Report  
 Year Ended June 30, 20\_\_\_\_\_**

Note — Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

<b>Description</b>	<b>Current General Fund</b>	<b>Current Auxiliary Enterprises Fund</b>	<b>Current Restricted Fund</b>	<b>Unexpended Plant Fund</b>	<b>Retirement of Indebtedness Plant Fund</b>
Dividends, interest, and gains on the sale or redemption of investment securities	\$	\$	\$	\$	\$
Grants and aid from the federal government					
Amounts received from the State of Arizona					
Tuition and fees	_____	_____	_____	_____	_____
Total prior years carryforward expended	\$_____	\$_____	\$_____	\$_____	\$_____

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## ARTICLE IX—ARIZONA CONSTITUTION

## §20—Expenditure limitation; adjustments; reporting

- (1) The Economic Estimates Commission shall determine and publish **prior to April 1** of each year the expenditure limitation for the following fiscal year for each county, city and town. The expenditure limitations shall be determined by adjusting the amount of actual payments of local revenues for each such political subdivision for fiscal year 1979-1980 to reflect the changes in the population of each political subdivision and the cost of living. The governing board of any political subdivision shall not authorize expenditures of local revenues in excess of the limitation prescribed in this section, except as provided in subsections **(2)**, **(6)** and **(9)** of this section.
- (2) Expenditures in excess of the limitations determined pursuant to subsection **(1)** of this section may be authorized as follows:
  - (a) Upon affirmative vote of two-thirds of the members of the governing board for expenditures directly necessitated by a natural or man-made disaster declared by the Governor. Any expenditures in excess of the expenditure limitation, as authorized by this paragraph, shall not affect the determination of the expenditure limitation pursuant to subsection **(1)** of this section in any subsequent years. Any expenditures authorized pursuant to this paragraph shall be made either in the fiscal year in which the disaster is declared or in the succeeding fiscal year.
  - (b) Upon the affirmative vote of seventy percent of the members of the governing board for expenditures directly necessitated by a natural or man-made disaster not declared by the Governor, subject to the following:
    - (i) The governing board reducing expenditures below the expenditure limitation determined pursuant to subsection **(1)** of this section by the amount of the excess expenditure for the fiscal year following a fiscal year in which excess expenditures were made pursuant to this paragraph; or
    - (ii) Approval of the excess expenditure by a majority of the qualified electors voting either at a special election held by the governing board or at a regularly scheduled election for the nomination or election of the members of the governing board, in the manner provided by law. If the excess expenditure is not approved by a majority of the qualified electors voting, the governing board shall for the fiscal year which immediately follows the fiscal year in which the excess expenditures are made, reduce expenditures below the expenditure limitation determined pursuant to subsection **(1)** of this section by the amount of the excess expenditures. Any expenditures in excess of the expenditure limitation, as authorized by this paragraph, shall not affect the determination of the expenditure limitation pursuant to subsection **(1)** of this section in any subsequent years. Any expenditures pursuant to this paragraph shall be made either in the fiscal year in which the disaster occurs or in the succeeding fiscal year.

**§20—Expenditure limitation; adjustments; reporting (Cont'd)**

- (c) Upon affirmative vote of at least two-thirds of the members of the governing board and approval by a majority of the qualified electors voting either at a special election held by the governing board in a manner prescribed by law, or at a regularly scheduled election for the nomination or election of the members of the governing board. Such approval by a majority of the qualified electors voting shall be for a specific amount in excess of the expenditure limitation, and such approval must occur prior to the fiscal year in which the expenditure limitation is to be exceeded. Any expenditures in excess of the expenditure limitation, as authorized by this subdivision, shall not affect the determination of the expenditure limitation pursuant to subsection (1) of this section, in subsequent years.
- (3) As used in this section:
- (a) “Base limit” means the amount of actual payments of local revenues for fiscal year 1979-1980 as used to determine the expenditure limitation pursuant to subsection (1) of this section.
  - (b) “Cost of living” means either:
    - (i) The price of goods and services as measured by the implicit price deflator for the gross national product or its successor as reported by the United States Department of Commerce or its successor agency.
    - (ii) A different measure or index of the cost of living adopted at the direction of the Legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.
  - (c) “Expenditure” means any authorization for the payment of local revenues.
  - (d) “Local revenues” includes all monies, revenues, funds, fees, fines, penalties, tuitions, property and receipts of any kind whatsoever received by or for the account of a political subdivision or any of its agencies, departments, offices, boards, commissions, authorities, councils and institutions, except:
    - (i) Any amounts or property received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment, by a political subdivision.
    - (ii) Any amounts or property received as payment of dividends or interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.

**§20—Expenditure limitation; adjustments; reporting (Cont'd)**

- (iii) Any amounts or property received by a political subdivision in the capacity of trustee, custodian or agent.
- (iv) Any amounts received as grants and aid of any type received from the federal government or any of its agencies.
- (v) Any amounts received as grants, aid, contributions or gifts of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization or any individual.
- (vi) Any amounts received from the state which are included within the appropriation limitation prescribed in §17 of this Article.
- (vii) Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same political subdivision which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this section.
- (viii) Any amounts or property accumulated for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements, if such accumulation and purpose have been approved by the voters of the political subdivision.
- (ix) Any amounts received pursuant to §14 of this Article which are greater than the amount received in fiscal year 1979-1980.
- (x) Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state, and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.
- (xi) Any amounts expended for the construction, reconstruction, operation or maintenance of a hospital financially supported by a city or town prior to January 1, 1980.
- (xii) Any amounts or property collected to pay the principal of and interest on any warrants issued by a political subdivision and outstanding as of July 1, 1979.
- (xiii) Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.
- (xiv) Any amounts received collected by the counties for distribution to school districts pursuant to state law.

**§20—Expenditure limitation; adjustments; reporting (Cont'd)**

- (e) “Political subdivision” means any county, city or town. This definition applies only to this section and does not otherwise modify the commonly accepted definition of political subdivision.
- (f) “Population” means either:
  - (i) The periodic census conducted by the United States Department of Commerce or its successor agency, or the annual update of such census by the Department of Economic Security or its successor agency.
  - (ii) A different measure or index of population adopted at the direction of the Legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.
- (4) The Economic Estimates Commission shall adjust the base limit to reflect subsequent transfers of all or any part of the cost of providing a governmental function, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the transfer.
- (5) The Economic Estimates Commission shall adjust the base limit to reflect any subsequent annexation, creation of a new political subdivision, consolidation or change in the boundaries of a political subdivision, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the annexation, creation of a new political subdivision, consolidation or change in the boundaries of a political subdivision.
- (6) Any political subdivision may adjust the base limit by the affirmative vote of two-thirds of the members of the governing board or by initiative, in the manner provided by law, and in either instance by approval of the proposed adjustment by a majority of the qualified electors voting at a regularly scheduled general election or at a nonpartisan election held for the nomination or election of the members of the governing board. The impact of the modification of the expenditure limitation shall appear on the ballot and in publicity pamphlets, as provided by law. Any adjustment pursuant to this subsection of the base limit shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the approval, as provided by law.
- (7) The Legislature shall provide for expenditure limitations for such special districts as it deems necessary.

**§20—Expenditure limitation; adjustments; reporting (Concl'd)**

- (8) The Legislature shall establish by law a uniform reporting system for all political subdivisions or special districts subject to an expenditure limitation pursuant to this section to insure compliance with this section. The Legislature shall establish by law sanctions and penalties for failure to comply with this section.
- (9) Subsection (1) of this section does not apply to a city or town which at a regularly scheduled election for the nomination or election of members of the governing board of the city or town adopts an expenditure limitation pursuant to this subsection different from the expenditure limitation prescribed by subsection (1) of this section. The governing board of a city or town may by a two-thirds vote provide for referral of an alternative expenditure limitation or the qualified electors may by initiative, in the manner provided by law, propose an alternative expenditure limitation. In a manner provided by law, the impact of the alternative expenditure limitation shall be compared to the impact of the expenditure limitation prescribed by subsection (1) of this section, and the comparison shall appear on the ballot and in publicity pamphlets. If a majority of the qualified electors voting on such issue vote in favor of the alternative expenditure limitation, such limitation shall apply to the city or town. If more than one alternative expenditure limitation is on the ballot and more than one alternative expenditure limitation is approved by the voters, the alternative expenditure limitation receiving the highest number of votes shall apply to such city or town. If an alternative expenditure limitation is adopted, it shall apply for the four succeeding fiscal years. Following the fourth succeeding fiscal year, the expenditure limitation prescribed by subsection (1) of this section shall become the expenditure limitation for the city or town unless an alternative expenditure limitation is approved as provided in this subsection. If a majority of the qualified electors voting on such issue vote against an alternative expenditure limitation, the expenditure limitation prescribed pursuant to subsection (1) of this section shall apply to the city or town, and no new alternative expenditure limitation may be submitted to the voters for a period of at least two years. If an alternative expenditure limitation is adopted pursuant to this subsection, the city or town may not conduct an override election provided for in section 19, subsection (4) of this Article, during the time period in which the alternative expenditure limitation is in effect.
- (10) This section does not apply to any political subdivision until the fiscal year immediately following the first regularly scheduled election after July 1, 1980 for the nomination or election of the members of the governing board of such political subdivision, except that a political subdivision, prior to the fiscal year during which the spending limitation would first become effective, may modify the expenditure limitation prescribed pursuant to subsection (1) of this section, by the provisions prescribed by subsections (2) and (6) of this section, or may adopt an alternative expenditure limitation pursuant to subsection (9) of this section.
- A county may conduct a special election to exceed the expenditure limitation prescribed pursuant to subsection (1) of this section for the fiscal years 1982-1983 and 1983-1984, on the first Tuesday after the first Monday in November in 1981.
- (11) “City”, as used in this Article, means city or charter city.

**§21—Expenditure limitations for school districts and community college districts**

- (1) The Economic Estimates Commission shall determine and publish prior to April 1 of each year the expenditure limitation for the following fiscal year for each community college district. The expenditure limitations shall be determined by adjusting the amount of expenditures of local revenues for each such district for fiscal year 1979-1980 to reflect the changes in the student population of each district and the cost of living. The governing board of any community college district shall not authorize expenditures of local revenues in excess of the limitation prescribed in this section, except in the manner provided by law.
- (2) The Economic Estimates Commission shall determine and publish prior to May 1 of each year the aggregate expenditure limitation for all school districts for the following fiscal year. The aggregate expenditure limitation shall be determined by adjusting the total amount of expenditures of local revenues for all school districts for fiscal year 1979-1980 to reflect the changes in student population in the school districts and the cost of living, and multiplying the result by 1.10. The aggregate expenditures of local revenues for all school districts shall not exceed the limitation prescribed in this section, except as provided in subsection (3) of this section.
- (3) Expenditures in excess of the limitation determined pursuant to subsection (2) of this section may be authorized by the Legislature for a single fiscal year, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature.
- (4) As used in this section:
  - (a) “Cost of living” means either:
    - (i) The price of goods and services as measured by the implicit price deflator for the gross national product or its successor as reported by the United States Department of Commerce, or its successor agency.
    - (ii) A different measure or index of the cost of living adopted at the direction of the Legislature, by concurrent resolution, upon affirmative vote of two-thirds of the membership of each house of the Legislature. Such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year.
  - (b) “Expenditure” means any amounts budgeted to be paid from local revenues as prescribed by law.
  - (c) “Local revenues” includes all monies, revenues, funds, property and receipts of any kind whatsoever received by or for the account of a school district or community college district or any of its agencies, departments, offices, boards, commissions, authorities, councils and institutions, except:

**§21—Expenditure limitations for school districts and community college districts  
(Cont'd)**

- (i) Any amounts or property received from the issuance or incurrence of bonds, or other lawful long-term obligations issued or incurred for a specific purpose, or any amounts or property collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations. For the purpose of this subdivision long-term obligations shall not include warrants issued in the ordinary course of operation or registered for payment by a political subdivision.
- (ii) Any amounts or property received as payment of dividends and interest, or any gain on the sale or redemption of investment securities, the purchase of which is authorized by law.
- (iii) Any amounts or property received by a school district or community college district in the capacity of trustee, custodian or agent.
- (iv) Any amounts received as grants and aid of any type received from the federal government or any of its agencies except school assistance in federally affected areas.
- (v) Any amounts or property received as grants, gifts, aid or contributions of any type except amounts received directly or indirectly in lieu of taxes received directly or indirectly from any private agency or organization, or any individual.
- (vi) Any amounts received from the state for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements.
- (vii) Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same community college district or school district which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this subsection.
- (viii) Any amounts or property accumulated by a community college district for the purpose of purchasing land, buildings or improvements or constructing buildings or improvements.
- (ix) Any amounts received in return for goods or services pursuant to a contract with another political subdivision, school district, community college district or the state and expended by the other political subdivision, school district, community college district or the state pursuant to the expenditure limitation in effect when the amounts are expended by the other political subdivision, school district, community college district or the state.
- (x) Any amounts received as tuition or fees directly or indirectly from any public or private agency or organization or any individual.

**§21—Expenditure limitations for school districts and community college districts  
(Cont'd)**

- (xi) Any ad valorem taxes received pursuant to an election to exceed the limitation prescribed by §19 of this Article or for the purposes of funding expenditures in excess of the expenditure limitations prescribed by subsection (7) of this section.
  - (xii) Any amounts received during a fiscal year as refunds, reimbursements or other recoveries of amounts expended which were applied against the expenditure limitation for such fiscal year or which were excluded from local revenues under other provisions of this subsection.
- (d) For the purpose of subsection (2) of this section, the following items are also excluded from local revenues of school districts:
- (i) Any amounts received as the proceeds from the sale, lease or rental of school property as authorized by law.
  - (ii) Any amounts received from the capital levy as authorized by law.
  - (iii) Any amounts received from the acquisition, operation, or maintenance of school services of a commercial nature which are entirely or predominantly self-supporting.
  - (iv) Any amounts received for the purpose of funding expenditures authorized in the event of destruction of or damage to the facilities of a school district as authorized by law.
  - (v) Any revenues derived from an additional state transaction privilege tax rate increment for educational purposes that was authorized by the voters before January 1, 2001.
  - (vi) Any amounts received pursuant to article XI, section 8, Constitution of Arizona, that are approved by the majority of qualified voters at a statewide general election held after November 1, 2002, and before January 1, 2003.
- (e) “Student population” means the number of actual, full-time or the equivalent of actual full-time students enrolled in the school district or community college district determined in a manner prescribed by law.
- (5) The Economic Estimates Commission shall adjust the amount of expenditures of local revenues in fiscal year 1979-1980, as used to determine the expenditure limitation pursuant to subsection (1) or (2) of this section, to reflect subsequent transfers of all or any part of the cost of providing a governmental function, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) or (2) of this section beginning with the fiscal year immediately following the transfer.

**§21—Expenditure limitations for school districts and community college districts  
(Concl'd)**

- (6) The Economic Estimates Commission shall adjust the amount of expenditures of local revenues in fiscal year 1979-1980, as used to determine the expenditure limitation of a community college district pursuant to subsection (1) of this section, to reflect any subsequent annexation, creation of a new district, consolidation or change in the boundaries of a district, in a manner prescribed by law. The adjustment provided for in this subsection shall be used in determining the expenditure limitation pursuant to subsection (1) of this section beginning with the fiscal year immediately following the annexation, creation of a new district, consolidation or change in the boundaries of a district.
- (7) The Legislature shall establish by law expenditure limitations for each school district beginning with the fiscal year beginning July 1, 1980. Expenditures by a school district in excess of such an expenditure limitation must be approved by a majority of the electors voting on the excess expenditures.
- (8) The Legislature shall establish by law a uniform reporting system for school districts and community college districts to ensure compliance with this section. The Legislature shall establish by law sanctions and penalties for failure to comply with this section.

**ARIZONA REVISED STATUTES (A.R.S.)**

**A.R.S. §9-101.02(F)—Alternate method of incorporation for certain areas;  
definition**

- F. Prior to the beginning of the first full fiscal year in which a city that is incorporated under this section assumes the financial responsibility for a dissolved special taxing district or districts formerly within the city's boundaries, the Economic Estimates Commission, pursuant to §41-563, shall add to the city's 1979-80 base limit, for purposes of determining its expenditure limitation pursuant to Article IX, Constitution of Arizona, the actual expenditures of the district or districts for fiscal year 1979-80 as set forth in an audit by a certified public accountant done for fiscal year 1979-80. For purposes of making the adjustment to the city's expenditure limitation pursuant to this subsection, notice shall be provided by a city to the Economic Estimates Commission no later than January 1 prior to the beginning of the fiscal year in which a city proposes to assume the responsibility for a dissolved district.

**A.R.S. §9-481—Audits of cities and towns**

- A. The governing body of each incorporated city or town shall cause an audit to be made by a certified public accountant or public accountant who is currently licensed by the Arizona State Board of Accountancy and who is not an employee of the city or town. Audits shall be made for each fiscal year for all incorporated cities. Audits shall be made at least once for every two fiscal years for all incorporated towns, and the audit shall include financial transactions during both fiscal years.

**A.R.S. §9-481—Audits of cities and towns (Concl'd)**

- B. The audit and the audit report shall include all the accounts and funds of the city or town, including operating, special, utility, debt, trust, pension, and all other money or property for which the city or town, or any department or officer of the city or town, is responsible either directly or indirectly. The audits shall be made in accordance with generally accepted auditing standards. The consequent audit report shall contain financial statements that are in conformity with generally accepted municipal accounting principles and shall set forth the financial position and results of the operations for each fund and account of the city or town. The audit report shall also include the following:
1. The professional opinion of the accountant or accountants with respect to the financial statements or, if an opinion cannot be expressed, a declaration of the reasons an opinion cannot be expressed.
  2. Beginning with fiscal year 2003-2004, a determination as to whether highway user revenue fund monies received by the city or town pursuant to Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the city or town are being used solely for the authorized transportation purposes.
- C. The audit shall begin as soon as possible after the close of the fiscal year although interim auditing may be performed during the year or years under audit. The audit shall be completed and the final audit report shall be submitted within six months after the close of the fiscal year or years audited.
- D. Not less than three copies of the audit report shall be signed by the auditor and filed with the city or town. The city or town shall immediately make one copy of the report a public record which shall be open to the public for inspection and one copy shall be deposited with the Arizona State Library, Archives and Public Records.

**A.R.S. §15-1471—Expenditure limitations; overrides**

- A. A district board, on the approval of a majority of the qualified electors in the district voting at a regularly scheduled election on the first Tuesday after the first Monday in November, may authorize expenditures in excess of the district expenditure limitation prescribed pursuant to **Article IX, §21, Constitution of Arizona**. The excess expenditures authorized shall be a specified percentage of the expenditure limitation. The impact of the authorization shall appear on the ballot and in publicity pamphlets in the same manner as prescribed in **§41-563.03**.
- B. In the resolution requesting the voters to approve expenditures in excess of the district expenditure limitation prescribed pursuant to **Article IX, §21, Constitution of Arizona**, the district board shall state the number of years in which the authority to expend in excess of the limitation otherwise prescribed is to be in effect. The district board shall not request authority from the voters for a period of less than two years nor more than seven years.

**A.R.S. §15-1471—Expenditure limitations; overrides (Concl'd)**

- C. Any authorization of expenditures made pursuant to this section shall be used in determining a modified expenditure limitation which is equal to the expenditure limitation prescribed pursuant to **Article IX, §21, Constitution of Arizona**, increased by the specified percentage, beginning with the fiscal year immediately following the approval of the qualified electors of the district. The district board shall not authorize expenditures in excess of the modified expenditure limitation in subsequent fiscal years unless subsequent approval for additional excess expenditures is received as provided in subsection A of this section.

**A.R.S. §41-563.01—Notification of vote by governing board**

In the event of a vote by the governing board of any political subdivision pursuant to **Article IX, §20, Constitution of Arizona**, for the purpose of authorizing expenditures in excess of the prescribed limitations or for proposing an alternative spending limitation, the governing board shall:

1. Prior to the vote hold two public hearings on the proposed action. Notice of such hearings shall be published once a week for at least two consecutive weeks in a newspaper of general circulation in the applicable political subdivision. Immediately following the second public hearing, the governing board shall convene a special meeting and vote on the proposed excess expenditure.
2. Following the vote, a notice shall be published in a newspaper of general circulation within the political subdivision. The notice shall contain the following:
  - (a) A record of the vote.
  - (b) If approved, the amount of the expenditures which exceed the amount allowed pursuant to **Article IX, §20, subsection (1), Constitution of Arizona**.
  - (c) If approved a statement of the purpose or purposes for which the excess expenditures will be expended and the source of revenues to be used to finance the excess expenditures.

**A.R.S. §41-563.02—Elections for expenditures in excess of expenditure limitation**

- A. For any election called pursuant to **Article IX, §20, subsection (2), Constitution of Arizona**, the governing board calling such election shall, in addition to any other election requirements prescribed by law, prepare and print a publicity pamphlet concerning the excess expenditure that is subject to a vote of the people. The governing board calling the election shall cause to be distributed not less than ten days nor more than thirty days prior to the election one copy of such publicity pamphlet to each household containing a registered voter within the applicable political subdivision. Except as otherwise noted in this section, the cost of printing, delivering and distributing such publicity pamphlets is a public expense of the applicable political subdivision.

**A.R.S. §41-563.02—Elections for expenditures in excess of expenditure limitation  
(Cont'd)**

- B. The publicity pamphlet required by this section shall contain the following:
1. The date of the election.
  2. Polling places and the times such polling places are open.
  3. A true copy of the title and text of the measure to be voted upon, in the form in which the measure will appear on the ballot. Such text shall indicate material deleted, if any, by printing such material with a line drawn through the center of the letters of such material, and shall indicate material added or new material by printing the letters of such material in capital letters.
  4. The form in which the measure to be voted upon will appear on the ballot, the official title, the descriptive title prepared by the clerk of the board of supervisors in the case of counties or the city or town clerk in the case of cities and towns, and the number by which the measure will be designated.
  5. The amount of the expenditures which exceed the amount allowed pursuant to **Article IX, §20, subsection (1), Constitution of Arizona**.
  6. A statement of the purpose or purposes for which the excess expenditures were or will be expended and the source of revenues used or to be used to finance the excess expenditures.
  7. For elections called pursuant to **Article IX, §20, subsection (2), paragraph (b), Constitution of Arizona**, a statement that if the excess expenditure is not approved by a majority of the qualified electors voting at such election, the governing board shall for the following fiscal year reduce expenditures below the expenditure limitation allowed pursuant to **Article IX, §20, subsection (1), Constitution of Arizona**, by the excess amount.
  8. For elections called pursuant to **Article IX, §20, subsection (2), paragraph (c), Constitution of Arizona**, arguments for and against the proposed excess expenditures, not to exceed two hundred words. Arguments for the proposed excess expenditures shall be prepared by the governing board. Arguments against the proposed excess expenditures shall be provided by those in opposition. Arguments for or against the excess expenditures shall be submitted to the governing board of the political subdivision at least thirty days prior to the scheduled election. The person, group or organization filing an argument shall not be required to pay any cost of the paper nor any cost of printing the argument.
- C. For any election called pursuant to **Article IX, §20, subsection (2), Constitution of Arizona**, in addition to any other ballot requirements prescribed by law, the clerk of the board of supervisors in the case of counties or the city or town clerk in the case of cities and towns shall cause to be printed on the official ballot the following:

**A.R.S. §41-563.02—Elections for expenditures in excess of expenditure limitation (Concl'd)**

1. The official title and number of the measure to be voted upon at the ensuing election.
  2. A statement that the excess expenditure to be voted upon is being referred by the governing board of the applicable political subdivision.
  3. A descriptive title containing a summary of the principal provisions of the measure to be voted upon, not to exceed fifty words, which shall be prepared by the clerk of the board of supervisors in the case of counties or the city or town clerk in the case of cities and towns.
- D. Except as otherwise provided in this section, any special election called for the purposes of **Article IX, §20, subsection (2), Constitution of Arizona**, shall be conducted as nearly as practicable in the manner prescribed for general elections in Title 16, except that a special election shall be held on the third Tuesday in May.
- E. For the purposes of **Article IX, §20, subsection (2), paragraph (b), Constitution of Arizona**, if a disaster resulting in excess expenditures occurs within ninety days prior to a regular or special election, such excess expenditures shall not be put to a vote of the people until the next subsequent regular or special election.
- F. The governing body shall separately budget for the expenditures approved pursuant to this section and may not expend any amounts of money subject to the expenditure limitation in excess of the expenditure limitation calculated without regard to the approved override amount unless such expenditures are made for the purposes stated in the publicity pamphlet.

**A.R.S. §41-563.03—Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by Auditor General; form of ballot**

- A. Except as otherwise provided in this section, any use of the initiative process for the purpose of permanently adjusting the expenditure limitation of any political subdivision pursuant to **Article IX, §20, subsection (6), Constitution of Arizona**, or for the purpose of proposing an alternative expenditure limitation pursuant to **Article IX, §20, subsection (9), Constitution of Arizona**, shall as nearly as practicable conform to the requirements of Title 19, Chapter 1, Article 4.
- B. In addition to the provisions for publicity pamphlets prescribed in §19-123, for the purposes of **Article IX, §20, subsection (6), Constitution of Arizona**, such pamphlets shall also contain the following:
1. The date of the election.
  2. Polling places and the time such polling places are open.
  3. A summary of the amount of the adjustment to the expenditure limitation determined pursuant to **Article IX, §20, Constitution of Arizona**, as reviewed by the Auditor General.

**A.R.S. §41-563.03—Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by Auditor General; form of ballot (Cont'd)**

4. A summary of the source or sources of estimated revenues that are to be used for financing the adjustment to the expenditure limitation or the source or sources of estimated revenues to be reduced as a result of a downward adjustment of the expenditure limitation, as reviewed by the Auditor General.
  5. A statement of the purpose or purposes for which the adjustment to the expenditure limitation is to be made.
- C. In addition to the provisions for publicity pamphlets prescribed in §19-123, for the purpose of **Article IX, §20, subsection (9), Constitution of Arizona**, such pamphlets shall also contain the following:
1. The date of the election.
  2. Polling places and the time such polling places are open.
  3. A summary of the estimated total expenditures under any proposed expenditure limitation, including the expenditure limitation proposed by the state pursuant to **Article IX, §20, Constitution of Arizona**, for a period of four consecutive fiscal years, as reviewed by the Auditor General.
  4. A summary of the estimated amount of revenues from all sources from which any proposed expenditure limitation, including the expenditure limitation proposed by the state pursuant to **Article IX, §20, Constitution of Arizona**, shall be funded, for a period of four consecutive fiscal years, as reviewed by the Auditor General.
  5. A statement that if no alternative expenditure limitation is approved by a majority of the qualified electors voting at such election, the expenditure limitation prescribed by **Article IX, §20, Constitution of Arizona**, shall apply to the political subdivision.
- D. For the purposes of **subsection B of this section**, the person, group or organization filing an initiative petition shall submit to the Auditor General prior to printing the publicity pamphlet and at least sixty days prior to the election a detailed analysis of the proposed adjustment to the expenditure limitation, showing the specific area or areas in which expenditures are to be adjusted. The analysis shall contain specific amounts of estimated revenue from each source, and any assumptions used in estimating such revenue. A summary of the analysis shall also be prepared to be included in the publicity pamphlet prescribed in **subsection B of this section**. The Auditor General may request additional information necessary to clarify or correct the submitted materials. The Auditor General shall review the submitted materials, correcting any error or deficiency, and resubmit the analysis and summary to the governing board of the applicable political subdivision **within fifteen working days**. The person, group or organization submitting the analysis and summary shall also be notified by the Auditor General within fifteen working days of any revision to the originally submitted analysis and summary. No revision may be made to the analysis or summary after review by the Auditor General. The summary shall be printed as resubmitted by

**A.R.S. §41-563.03—Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by Auditor General; form of ballot (Cont'd)**

the Auditor General in the publicity pamphlet as prescribed by **subsection B of this section**. The governing board shall transmit a copy of the printed publicity pamphlet to the Auditor General before the election. The analysis as reviewed by the Auditor General shall be held by the clerk of the board of supervisors in the case of counties or the city or town clerk in the case of cities and towns, copies of which may be obtained by any registered voter in the applicable political subdivision. For adjustments to the expenditure limitation proposed by the governing board of the applicable political subdivision, such governing board shall cause to be submitted to the Auditor General an analysis as is described in this section.

- E. For the purposes of **subsection C of this section**, the person, group or organization filing an initiative petition shall submit to the Auditor General prior to printing the publicity pamphlet and at least sixty days prior to the election a detailed analysis of the alternative expenditure limitation proposed in the petition, showing specific amounts estimated to be expended in specific areas, for a period of four consecutive fiscal years. The analysis shall contain specific amounts of estimated revenue from each source, and any assumptions used in estimating such revenue, for a period of four consecutive fiscal years. A summary of the analysis shall also be prepared to be included in the publicity pamphlet prescribed in **subsection C of this section**. The Auditor General may request additional information necessary to clarify or correct the submitted materials. The Auditor General shall review the submitted materials, correcting any error or deficiency, and resubmit the analysis and summary to the governing board of the applicable political subdivision **within fifteen working days**. The person, group or organization submitting the analysis and summary shall also be notified by the Auditor General within fifteen working days of any revision to the originally submitted analysis and summary. No revision may be made to the analysis or summary after review by the Auditor General. The summary shall be printed as resubmitted by the Auditor General in the publicity pamphlet as prescribed in **subsection C of this section**. The governing board shall transmit a copy of the printed publicity pamphlet to the Auditor General before the election. The analysis as reviewed by the Auditor General shall be held by the clerk of the board of supervisors in the case of counties or by the city or town clerk in the case of cities and towns, copies of which may be obtained by any registered voter in the applicable political subdivision. For any alternative expenditure limitations proposed by the governing board of the applicable political subdivision, such governing board shall submit the information required by this section to the Auditor General. An analysis and summary of the expenditure limitation prescribed in **Article IX, §20, Constitution of Arizona**, as it applies to the applicable political subdivision, shall be submitted to the governing board of such political subdivision by the Auditor General.
- F. After the election the clerk of the board of supervisors or the city or town clerk shall immediately notify the Auditor General and the Economic Estimates Commission of the results of the election.

**A.R.S. §41-563.03—Proposals for permanent adjustment of expenditure limitation and alternative expenditure limitations; review by Auditor General; form of ballot (Concl'd)**

- G. For any election called pursuant to **Article IX, §20, subsection (6) or (9), Constitution of Arizona**, the ballot shall be in the form prescribed by §19-125, except that if more than one adjustment to the expenditure limitation or more than one alternative expenditure limitation is to be voted upon, the ballot shall be in a form so that the electors may vote on each adjustment to the expenditure limitation or each alternative expenditure limitation separately.

**A.R.S. §41-1279.07—Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by Auditor General; violation; classification**

- A. The Auditor General shall prescribe a uniform expenditure reporting system for all political subdivisions subject to the constitutional expenditure limitations prescribed by **Article IX, §§20 and 21, Constitution of Arizona**. The system shall include:
1. For counties:
    - (a) An annual expenditure limitation report that includes at least the following information:
      - (i) The expenditure limitation established for the reporting fiscal year by the Economic Estimates Commission.
      - (ii) Total expenditures, by fund, for the reporting fiscal year.
      - (iii) Total exclusions from local revenues, as defined by **Article IX, §20, Constitution of Arizona**, by fund, for the reporting fiscal year.
      - (iv) Total amounts, by fund, of expenditures subject to the expenditure limitation for the reporting fiscal year.
    - (b) Annual financial statements prepared in accordance with generally accepted accounting principles.
    - (c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures stated within the expenditure limitation report.
  2. For community college districts:
    - (a) An annual budgeted expenditure limitation report that includes at least the following information:
      - (i) The expenditure limitation established for the reporting fiscal year by the Economic Estimates Commission.
      - (ii) Total budgeted expenditures, by fund, for the reporting fiscal year.
      - (iii) Total exclusions from local revenues, as defined by **Article IX, §21, Constitution of Arizona**, by fund, for the reporting fiscal year.

**A.R.S. §41-1279.07—Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by Auditor General; violation; classification (Cont'd)**

- (iv) Total amounts, by fund, of budgeted expenditures subject to the expenditure limitation for the reporting fiscal year.
  - (b) Annual financial statements prepared in accordance with generally accepted accounting principles.
  - (c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures reported within the expenditure limitation report.
- 3. For cities and towns:
  - (a) An annual expenditure limitation report that includes at least the following information:
    - (i) The expenditure limitation established for the reporting fiscal year by the Economic Estimates Commission and, if applicable, the voter approved alternative expenditure limitation.
    - (ii) Total expenditures, by fund, for the reporting fiscal year.
    - (iii) Total exclusions from local revenues, as defined by **Article IX, §20, Constitution of Arizona**, by fund, for the reporting fiscal year or, if applicable, the total exclusions from the voter approved alternative expenditure limitation.
    - (iv) Total amounts, by fund, of expenditures subject to the expenditure limitation for the reporting fiscal year.
  - (b) Financial statements prepared in accordance with generally accepted accounting principles.
  - (c) A reconciliation of the total expenditures reported within the financial statements to the total expenditures reported within the expenditure limitation report.
- B. The Auditor General shall provide detailed instructions for completion and submission of the reports described in **subsection A of this section**. The Auditor General shall prescribe definitions for terms utilized in and the form of the reports described in **subsection A of this section**. The reports described in **subsection A of this section** are required of counties and community college districts beginning with fiscal year 1981-1982. The reports described in **subsection A of this section** are required of cities and towns beginning with the fiscal year the political subdivision is subject to the expenditure limitation. The annual reporting requirements also apply to political subdivisions subject to an alternative expenditure limitation enacted pursuant to **Article IX, §20, subsection (9), Constitution of Arizona**.

**A.R.S. §41-1279.07—Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by Auditor General; violation; classification (Cont'd)**

- C. The reports described in **subsection A of this section** must be filed with the Auditor General **within four months after the close of each fiscal year**. Upon written request, the Auditor General may grant up to a **one hundred twenty day extension**, if extenuating circumstances exist that prevent submission of the reports within the required four month period.
- D. The Auditor General or a certified public accountant or public accountant performing the annual audit required pursuant to §§41-1279.21 and **9-481** shall attest to the expenditure limitation reports and financial statements for counties, community college districts and cities. The certified public accountant or public accountant performing the annual or biennial audit required pursuant to **§9-481** shall attest to the expenditure limitation reports and financial statements for towns.
- E. Each political subdivision shall provide to the Auditor General **by July 31 each year** the name of the chief fiscal officer designated by the governing board of the political subdivision to submit the current fiscal year's expenditure limitation report. The political subdivision shall notify the Auditor General of any changes of individuals designated to file the required reports. The designated chief fiscal officer shall certify to the accuracy of the annual expenditure limitation report.
- F. The Auditor General shall prescribe forms for the uniform reporting system and may provide assistance to individuals, certified public accountants or public accountants responsible for attesting to the expenditure limitation reports and financial statements.
- G. A chief fiscal officer, designated pursuant to subsection E of this section, who subsequent to July 1, 1983, refuses to file the reports required by this section within the prescribed time periods or who intentionally files erroneous reports is guilty of a class 1 misdemeanor. A city or town exceeding the expenditure limitation prescribed or authorized pursuant to **Article IX, §20, Constitution of Arizona**, for any fiscal year, without authorization pursuant to such section, shall have the amount specified in **subsection H of this section** of its allocations of the state income tax, distributed pursuant to §43-206, withheld and redistributed to other cities and towns in the same manner as determined pursuant to that section, except that the population of the city or town exceeding the expenditure limitation shall not be included in the computation, and the city or town exceeding the expenditure limitation shall not be entitled to share in the redistribution. A community college district exceeding the expenditure limitation prescribed pursuant to **Article IX, §21, Constitution of Arizona**, for any fiscal year, without authorization pursuant to such section or **§15-1471**, shall have the amount specified in subsection H of this section of its allocations of state aid, distributed pursuant to §15-1466, withheld.
- H. The Auditor General shall hold a hearing to determine if any political subdivision has exceeded the expenditure limitations prescribed pursuant to **Article IX, §§20 and 21, Constitution of Arizona**. If a county has exceeded the expenditure limitations prescribed pursuant to **Article IX, §20, Constitution of Arizona**, without authorization pursuant to that section, the Auditor General

**A.R.S. §41-1279.07—Uniform expenditure reporting system; reports by counties, community college districts, cities and towns; certification and attestation; assistance by Auditor General; violation; classification (Concl'd)**

shall notify the board of supervisors of the county to reduce the allowable levy of primary property taxes of the county pursuant to [§42-17051, subsection C](#). If any political subdivision other than a county has exceeded the expenditure limitations prescribed pursuant to [Article IX, §§20 and 21, Constitution of Arizona](#), without authorization, the Auditor General shall notify the State Treasurer to withhold a portion of the political subdivision's allocations of the revenues described in [subsection G of this section](#) for the fiscal year subsequent to the Auditor General's hearing as follows:

1. If the excess expenditures are less than five percent of the limitation, an amount equal to the excess expenditures.
2. If the excess expenditures are equal to or greater than five percent but less than ten percent of the limitation, or are less than five percent of the limitation but it is at least the second consecutive instance of excess expenditures, an amount equal to triple the excess expenditures.
3. If the excess expenditures are equal to or greater than ten percent of the limitation, an amount equal to five times the excess expenditures or one-third of the allocation of the revenues described in [subsection G of this section](#), whichever is less.

**A.R.S. §42-17051(C)—Limit on county, municipal and community college primary property tax levy**

- C. If, pursuant to [§41-1279.07](#), the Auditor General determines that in any fiscal year a county has exceeded its expenditure limitation, the allowable levy of primary property taxes of the county determined under subsection A of this section shall be reduced in the fiscal year following the Auditor General's hearing by the amount of the expenditures that exceeded the county's expenditure limitation.