

Expenditure Limitation Reports

For Community College Districts

Got Questions?

Submit
questions
through the
message
system



Other Resources



The screenshot displays the website for the State of Arizona Office of the Auditor General. The header features the state seal and the text "State of Arizona Office of the Auditor General". A navigation menu on the left includes "Home", "About Us", "Reports & Publications", "Careers", "Links", "Contact Us", and "JLAC". The main content area is titled "Community Colleges - Reports & Publications" and contains four icons with links: "Manuals/Memorandums", "Forms", "Webinars", and "FAQs". A red oval highlights these four icons. Below them is a link for "Multiple Community College or System-Wide Reports" accompanied by a small image of a building.

State of Arizona
Office of the Auditor General

Home

Community Colleges - Reports & Publications

-  [Manuals/Memorandums](#)
-  [Forms](#)
-  [Webinars](#)
-  [FAQs](#)

 [Multiple Community College or System-Wide Reports](#)

Arizona Constitution



Article IX, Section 21

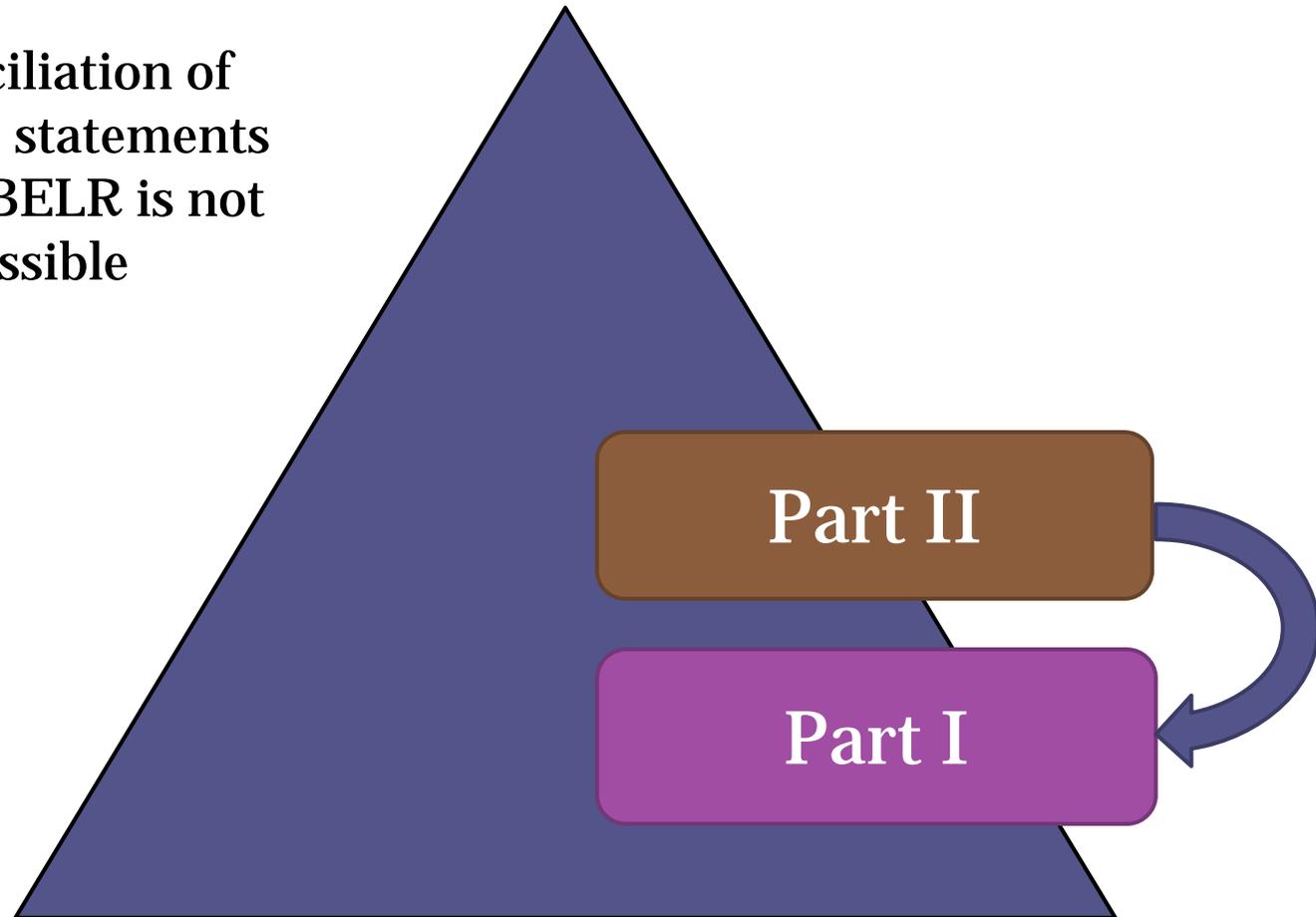
Limits the allowable spending of local revenues only

Excludes certain revenues from the definition of local revenues

College limits are based on budgeted expenditures

The ELR Format

Reconciliation of
financial statements
to the ABELR is not
possible



Part II

Current Funds

Unrestricted

Restricted

General

Auxiliary
Enterprises

Plant Funds

Unexpended

Retirement
of
Indebtedness

Line A: Total Budget Expenditures and applicable other deductions from final adopted budget for all funds.

What is a Local Revenue?

**The
Constitution
says:**

All revenues are local except:
Those listed in Article IX, §21
(Lines B1 – B12 of Part II)

Which revenue is local?

- Investment Income
- State Aid for Operations
- Tuition
- None of the above

What is a Local Revenue?

**The
Constitution
says:**

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

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

Exclusions

Trace directly from ELR

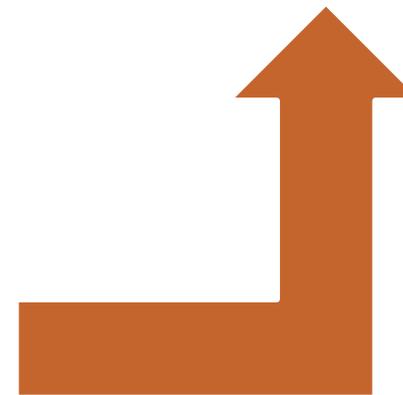
- total for each exclusion category

**FINANCIAL
STATEMENTS**

OR

From ELR

Note to
ELR



Revenue-driven exclusions

Excludability is
determined by revenue
source

Non-local revenues only
excludable once spent

Unspent non-local
revenues are carried
forward

Interfund transfers:

- Not expenditures
- Excludable when spent

Expenditure- driven exclusions

Revenue-driven exclusions

VS

Expenditure- driven exclusions

Excludability is determined
by revenue source

Excludability is determined
by actual expenditure

Non-local revenues only
excludable once spent

Can't exclude expenditure
and non-local revenue used

Unspent non-local
revenues are carried
forward

Expenditures only
excludable once

- Interfund transfers:
- Not expenditures
 - Excludable when spent

Cannot be carried forward

Long-term debt incurred for a specific purpose

Expenditure of proceeds

Debt service requirements

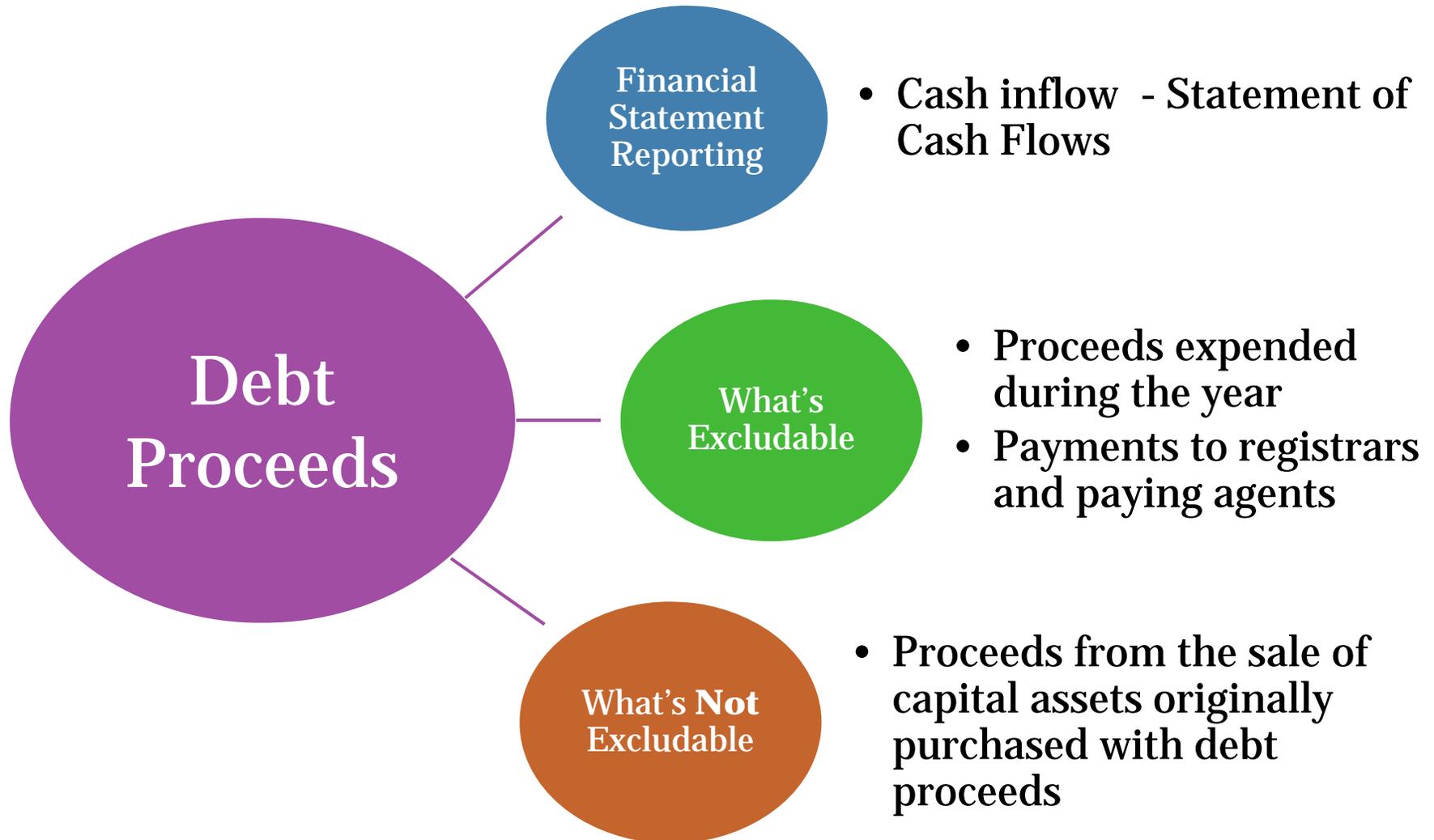
Bond proceeds

Proceeds from other long-term obligations

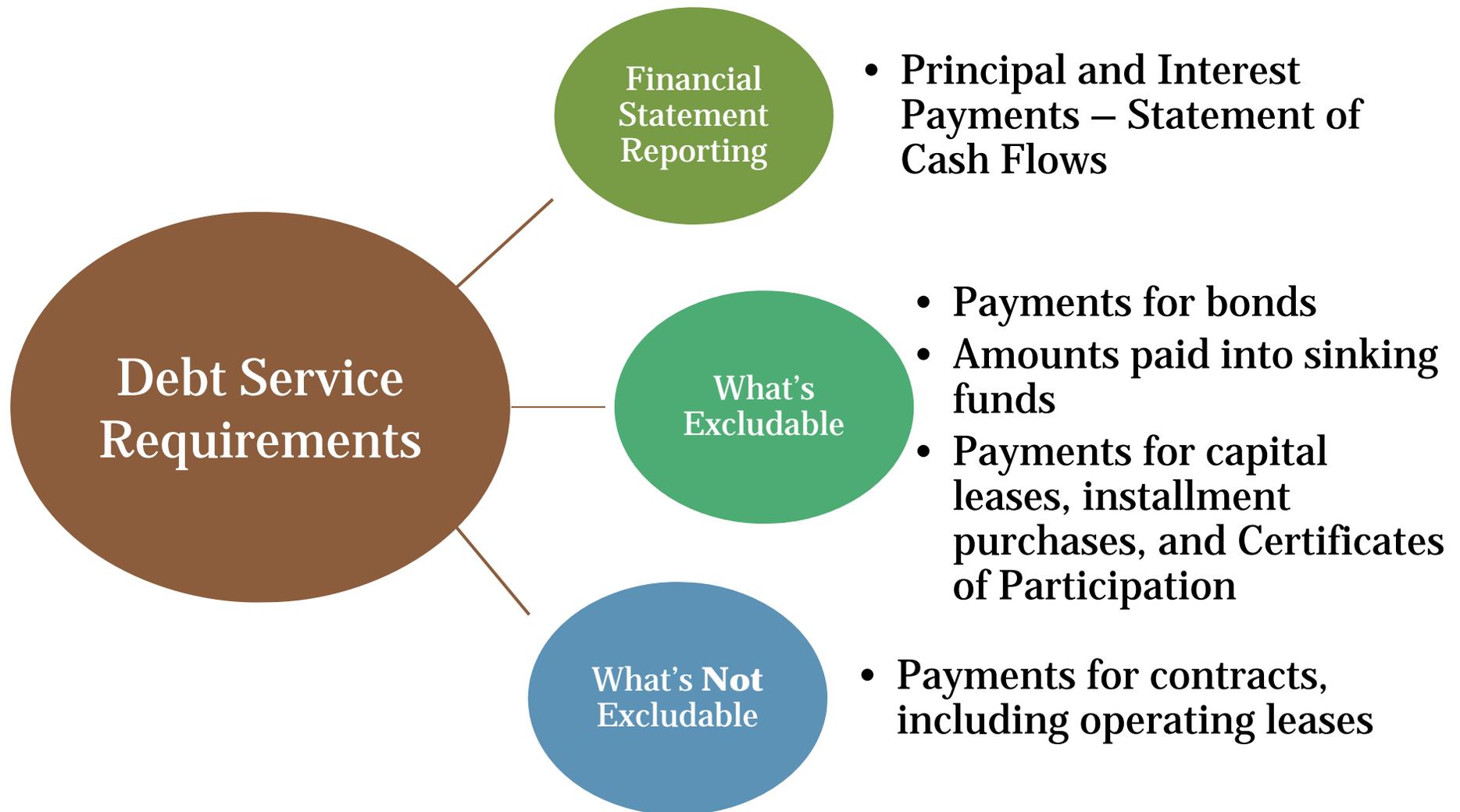
Debt service requirements on bonded indebtedness

Debt service requirements on other long-term obligations

Exclusions of Debt Proceeds



Exclusions for Debt Service Requirements



Budget vs. Financial Statements

FY 2012

- Revenues collected for July 1 payment
- Budget for July 1 payment
- Exclude July 1 payment on ELR

FY 2013

- Bond payment due July 1, 2012
- Cash payment reported on financial statements

A **Note** to the ELR should describe the difference between the exclusion amount and financial statement amount.

Dividends, Interest, & Gains on Investment Securities

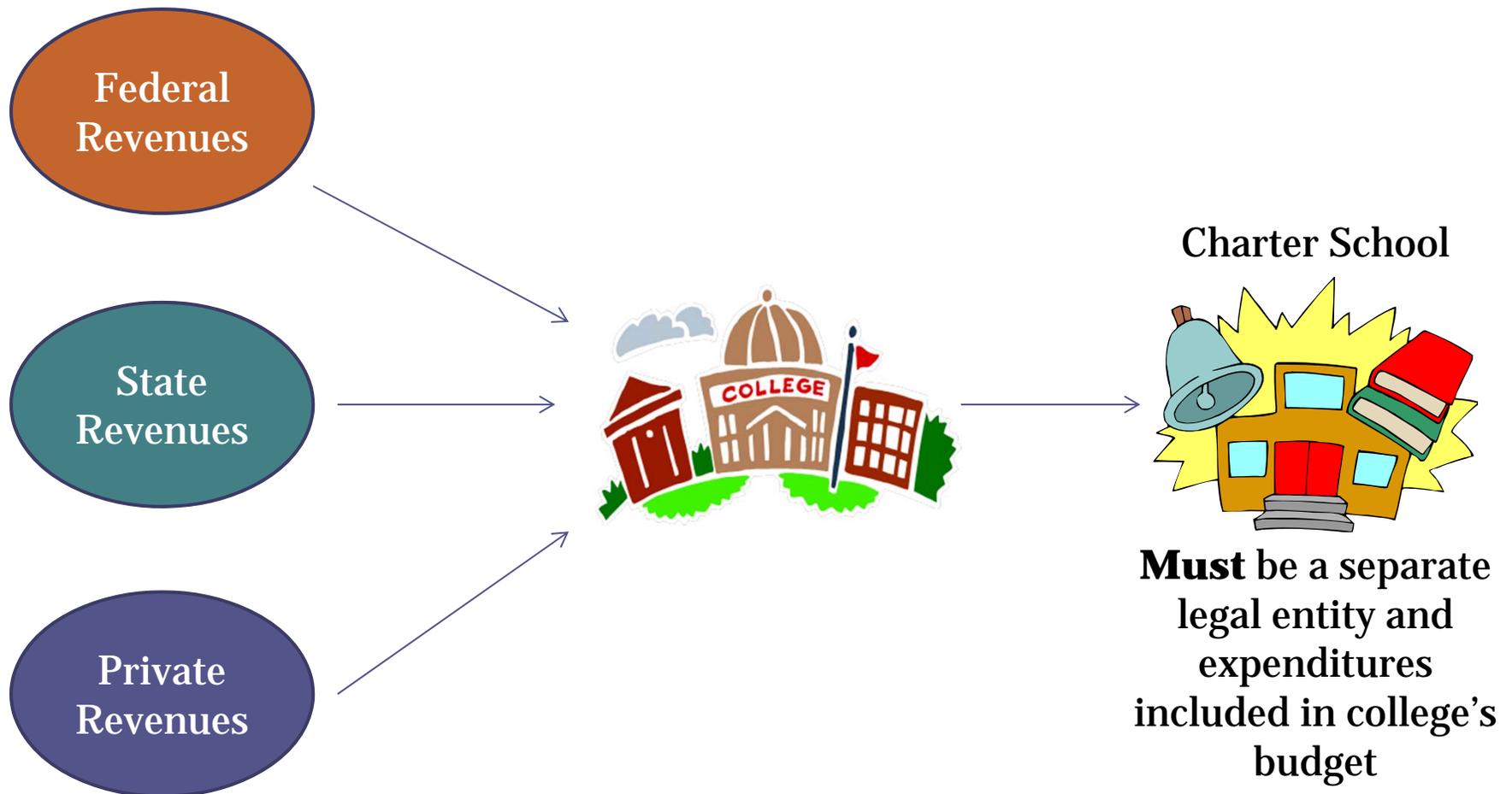
Does *not* include gains from sale of capital assets

Note to the ELR

The District report \$15,000 of investment income on the Statement of Revenues, Expenses, and Changes in Net Assets. However, only \$7,000 was claimed as an exclusion on the ABELR. The difference is described below

Exclusions claimed:	\$7,000
Interest earned but not expended (carried forward)	
General Fund:	\$2,000
Retirement of Indebtedness Fund:	\$2,500
Investment income not reported on ABELR	
Endowment Fund	<u>\$3,500</u>
Total:	\$15,000

Trustee or Custodian



**Grants and Aid from
the Federal
Government**



**Expenditures should
be consistent with...**

**Audited Financial
Statements**

**Schedule of
Expenditures of
Federal Awards**

```
graph TD; A[Contracts with Other Political Subdivisions] --> C((Governmental Revenue)); B[Government Grants] --> C; D[Nonexcludable Governmental Revenue] --> C;
```

Contracts with
Other Political
Subdivisions

Government
Grants

Governmental
Revenue

Nonexcludable
Governmental
Revenue

Private Grants, Aid, Contributions, or Gifts



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

Purchase of Land/Purchase or Construction of Buildings & Improvements



Line B.6

- Capital revenues received from the State is excludable when used for this purpose
- Capital revenue used for other purposes are **not** excludable
- Operating state aid is **not** excludable

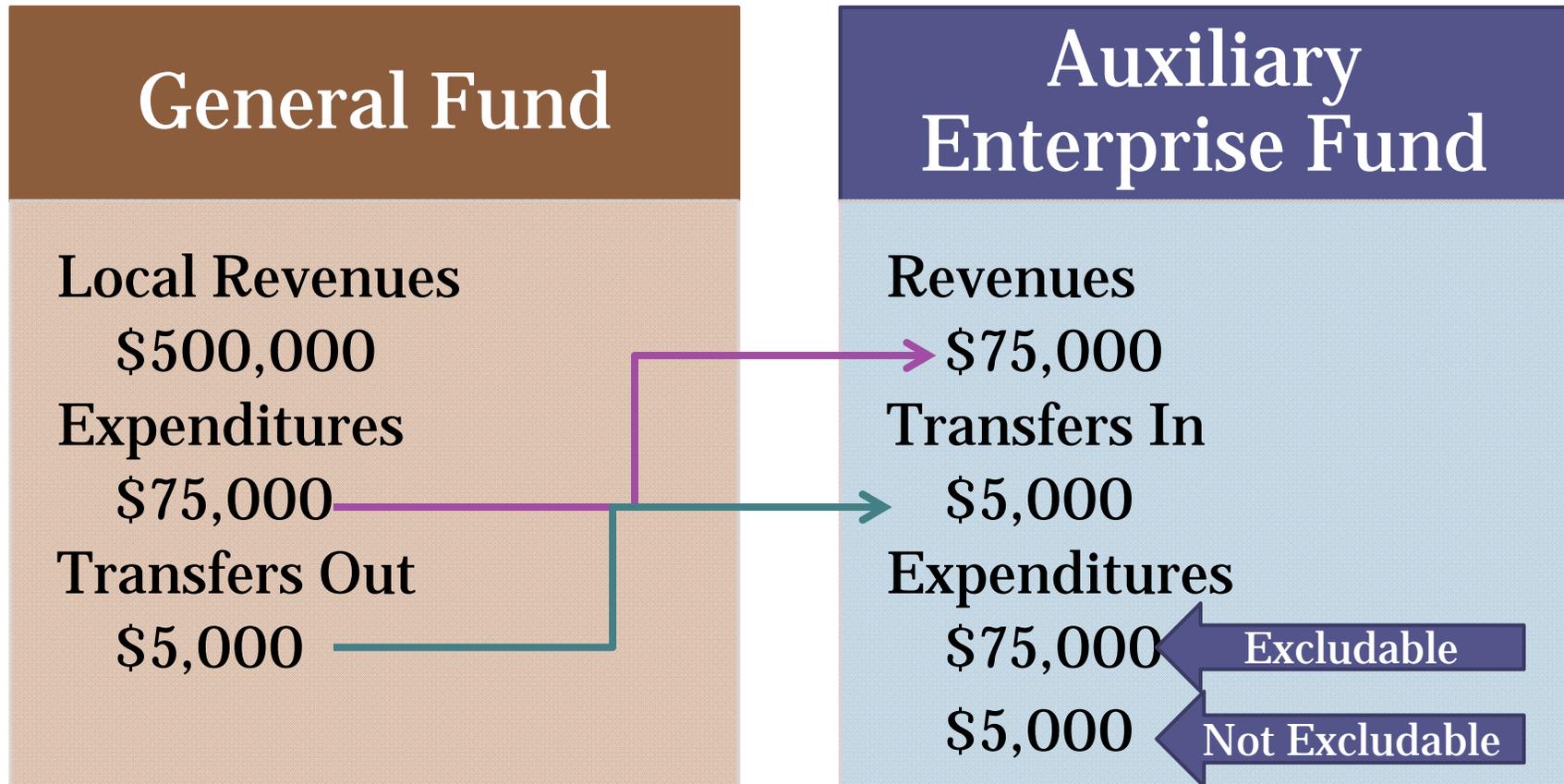


Line B.8

- Revenues accumulated for these purposes with governing board approval
- Revenues accumulated with governing board approval for other purposes are **not** excludable

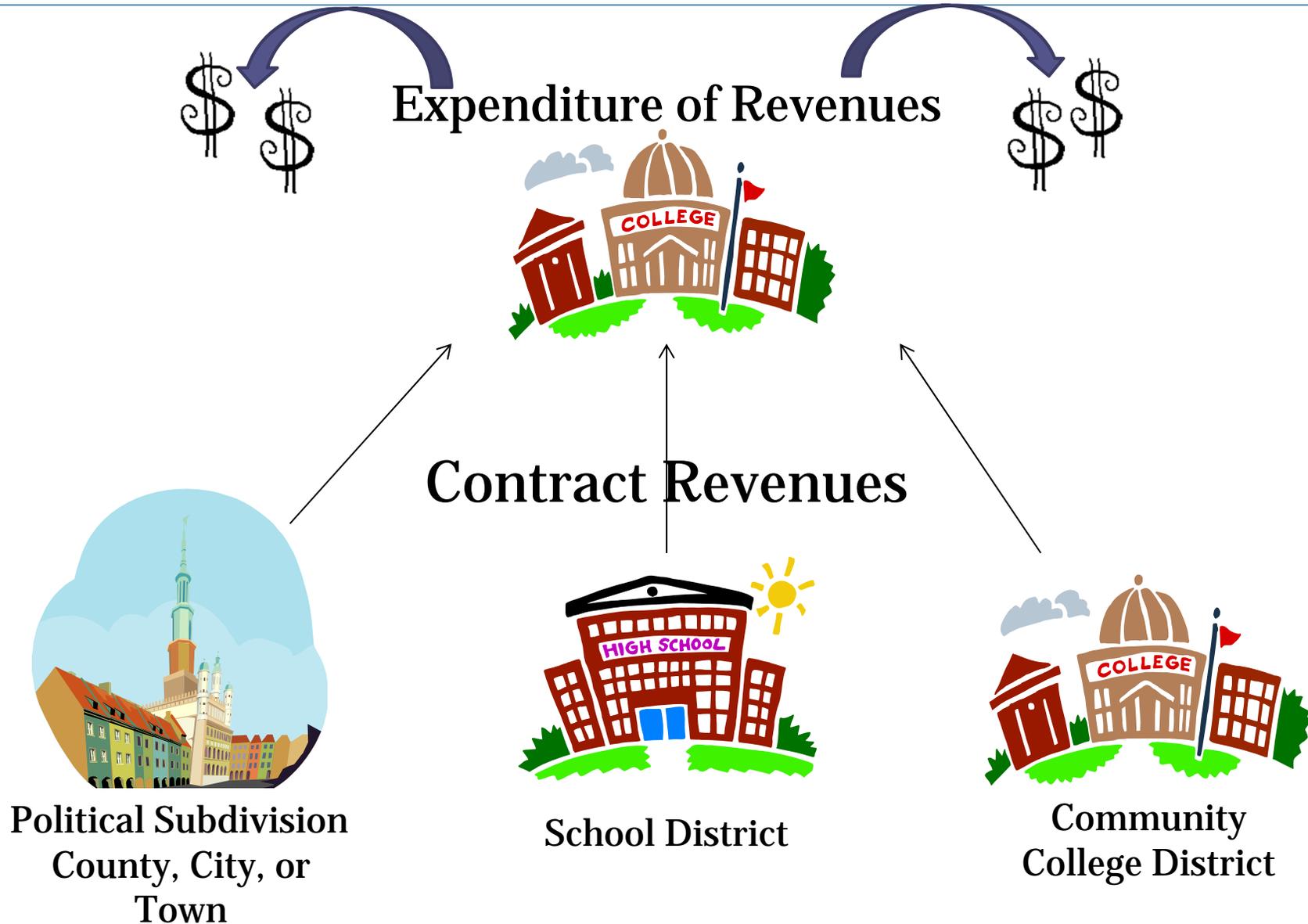
Revenues from the sale of capital assets originally purchased with either revenue source are **not** excludable.

Interfund Transactions





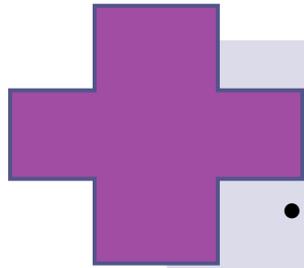
Contracts with Other Political Subdivisions



Note X: The following schedule presents governmental revenues from which exclusions have been claimed for federal grants and aid and contracts with other political subdivisions in the Governmental Funds:

Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government		ABELR	
Government contracts	\$3,000,000	Grants and aid from the federal government	\$1,250,000
Government grants	\$2,000,000	Contracts with Other Political Subdivisions	\$2,750,000
Capital grants and gifts	\$1,500,000	Total exclusions claimed	\$4,000,000
		Amount carried forward	\$2,000,000
		Other Revenues (non-excludable)	\$500,000
Total	\$6,500,000	Total	\$6,500,000

Tuition and Fees Exclusion



INCLUDES

- Received directly or indirectly
- Tuition and fees revenues received from:
 - Public agency
 - Private agency
 - Organization
 - Individuals
- Also includes:
 - Registration fees
 - Course fees
 - Library fees

DOES NOT INCLUDE

- Auxiliary Enterprise revenues:
 - Bookstore revenue
 - Cafeteria revenue
 - Dorm fees
 - Student Union revenue
 - Athletic revenue

The amount excluded depends on how the district budgets for tuition and fees; net of scholarship allowances or not.

Property taxes received from voter approved overrides



A.R.S. §42-17202

- Allows community college districts to conduct an election to levy a secondary property tax in excess of the primary property tax limit

Arizona Constitution, Article IX, §19

- Provides primary property taxes may not exceed 2% greater than the amount levied in the previous year

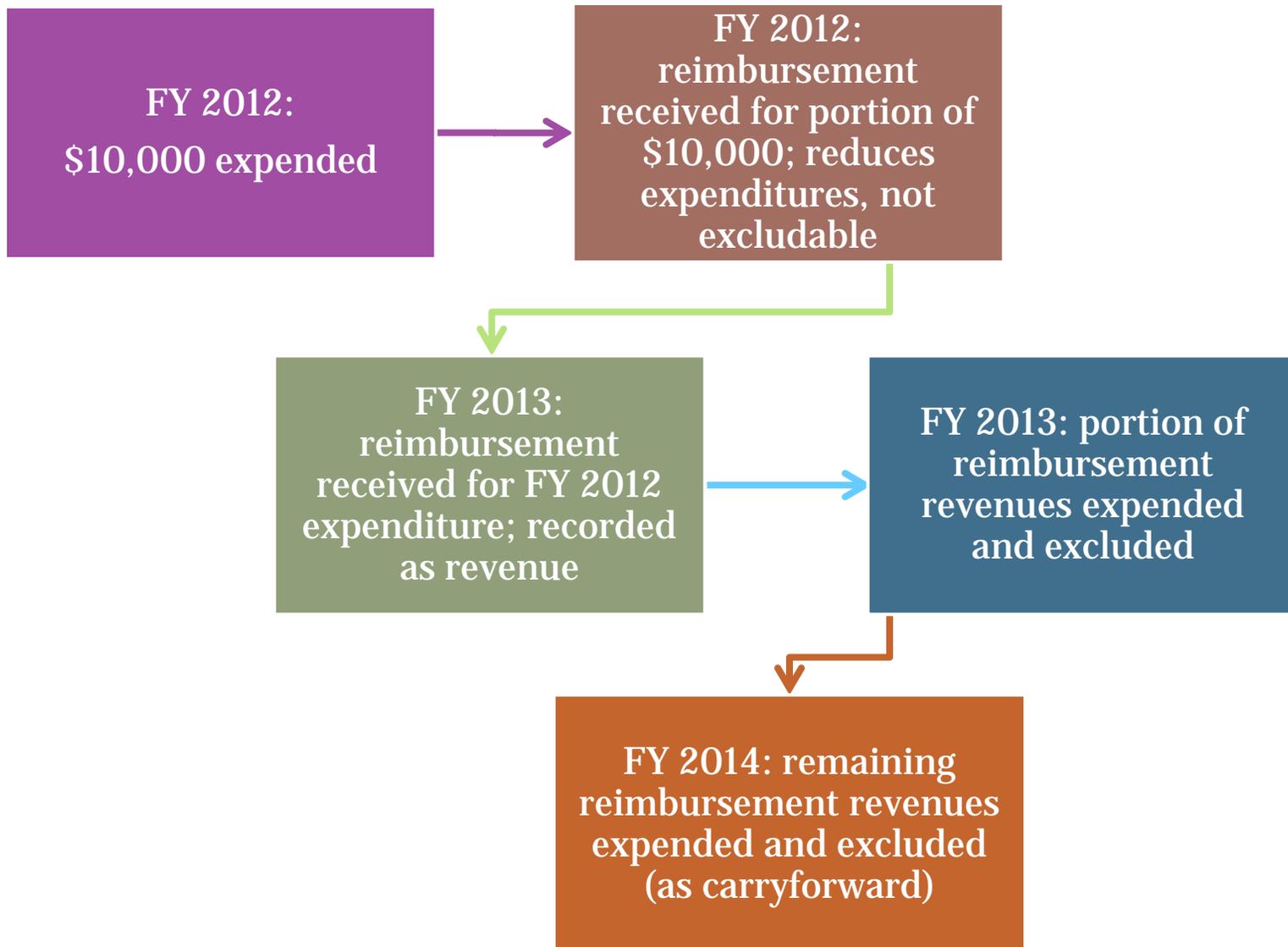
What's excludable

- Only expenditures of secondary property taxes levied to fund an override
- Primary property taxes are **not** excludable

Who's eligible

- Currently, no Arizona districts have approved overrides

Refunds, Reimbursements, or Recoveries



Prior Years Carryforward

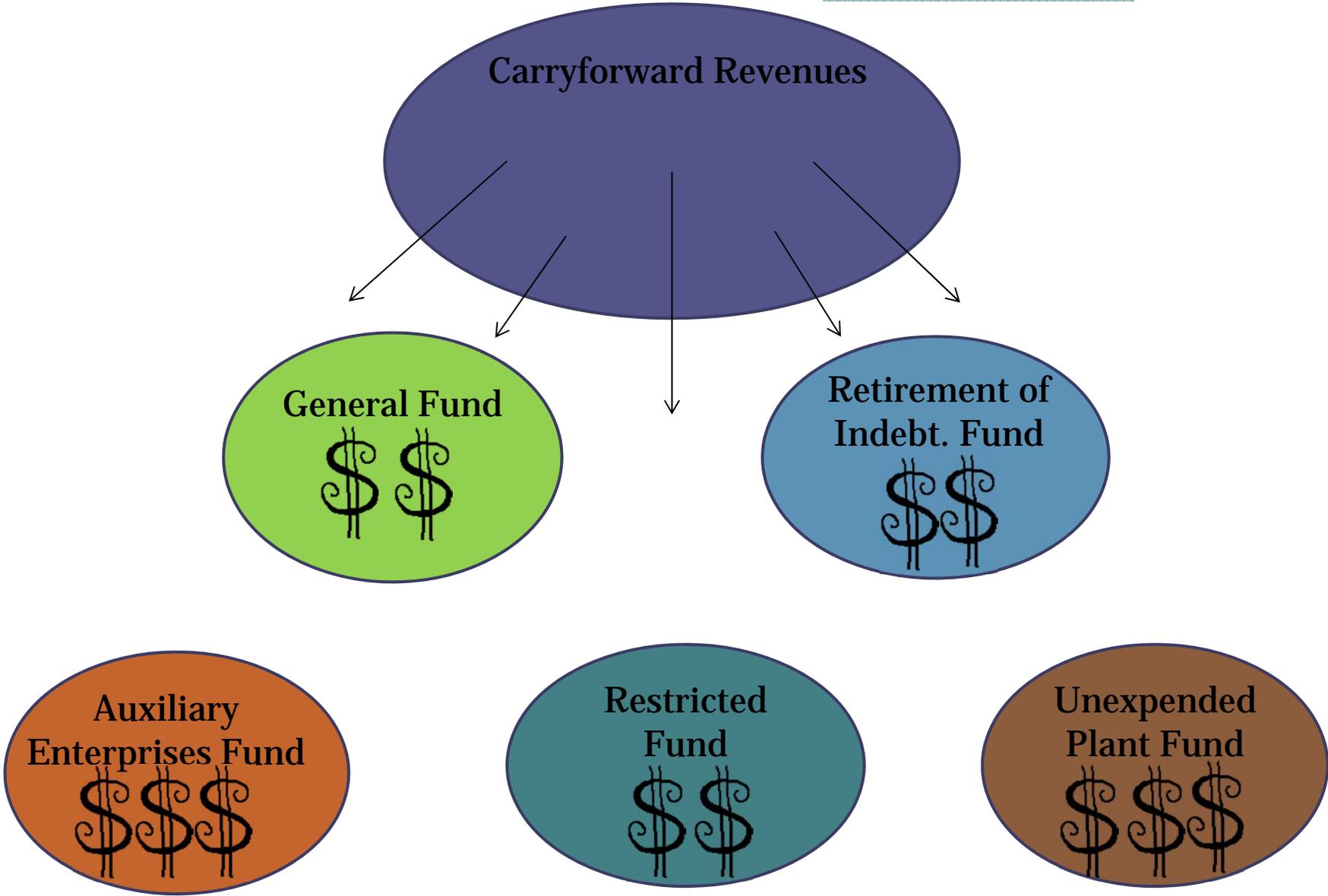
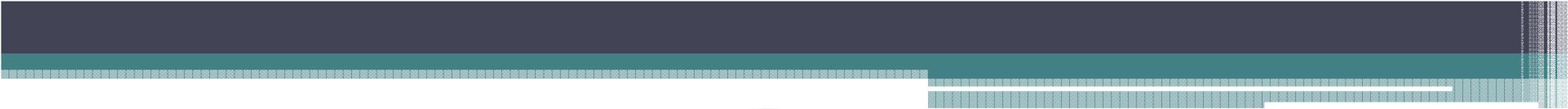
FY 2012		FY 2013	
Beginning Fund Balance	\$0	Beginning Fund Balance	\$3,000
Excludable Revenues	\$10,000	Excludable Revenues	\$0
Expenditures	<u>\$7,000</u>	Expenditures	<u>\$3,000</u>
Fund Balance	\$3,000	Fund Balance	\$0

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

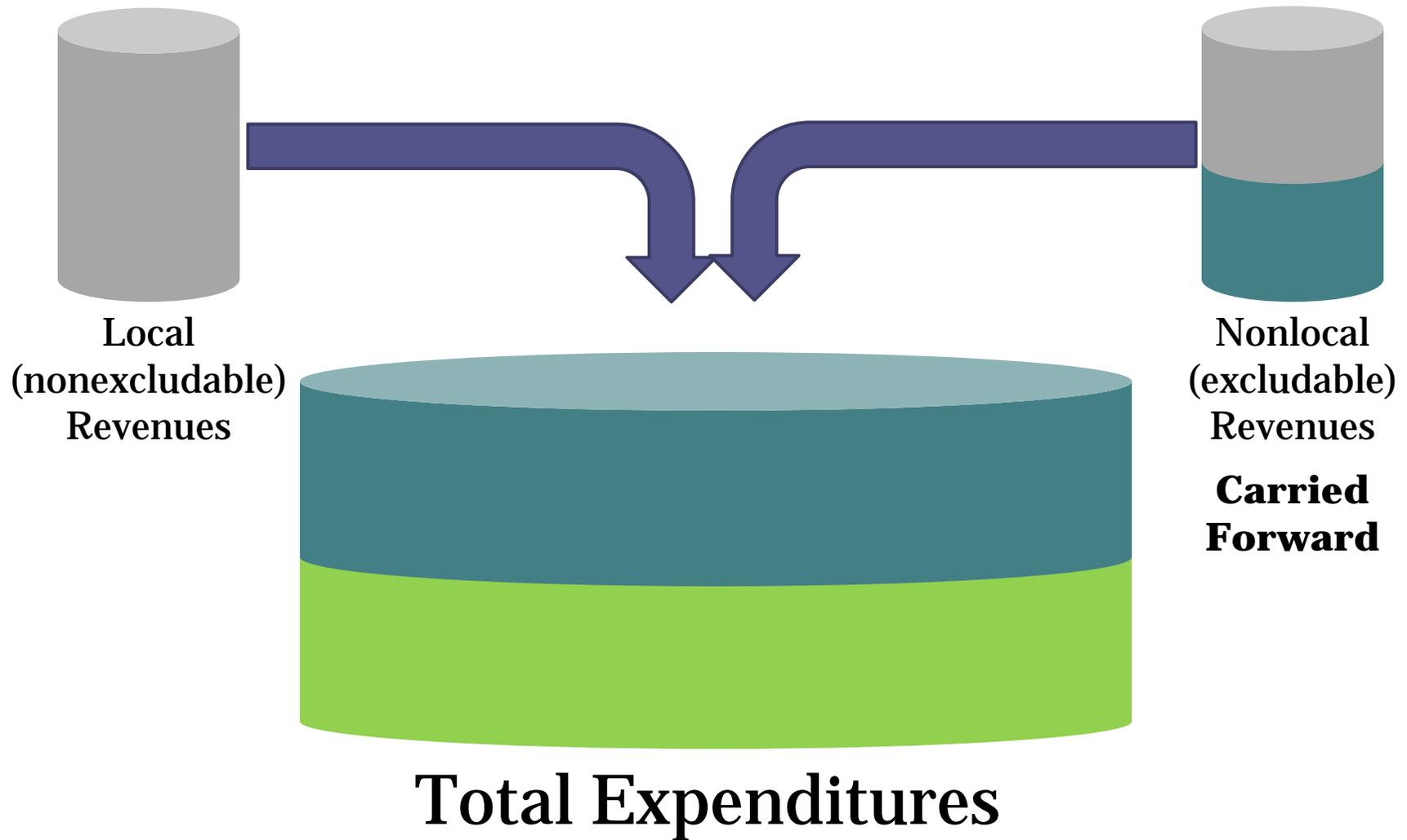
Expenditures Excluded on line B.13

Carryforward Note

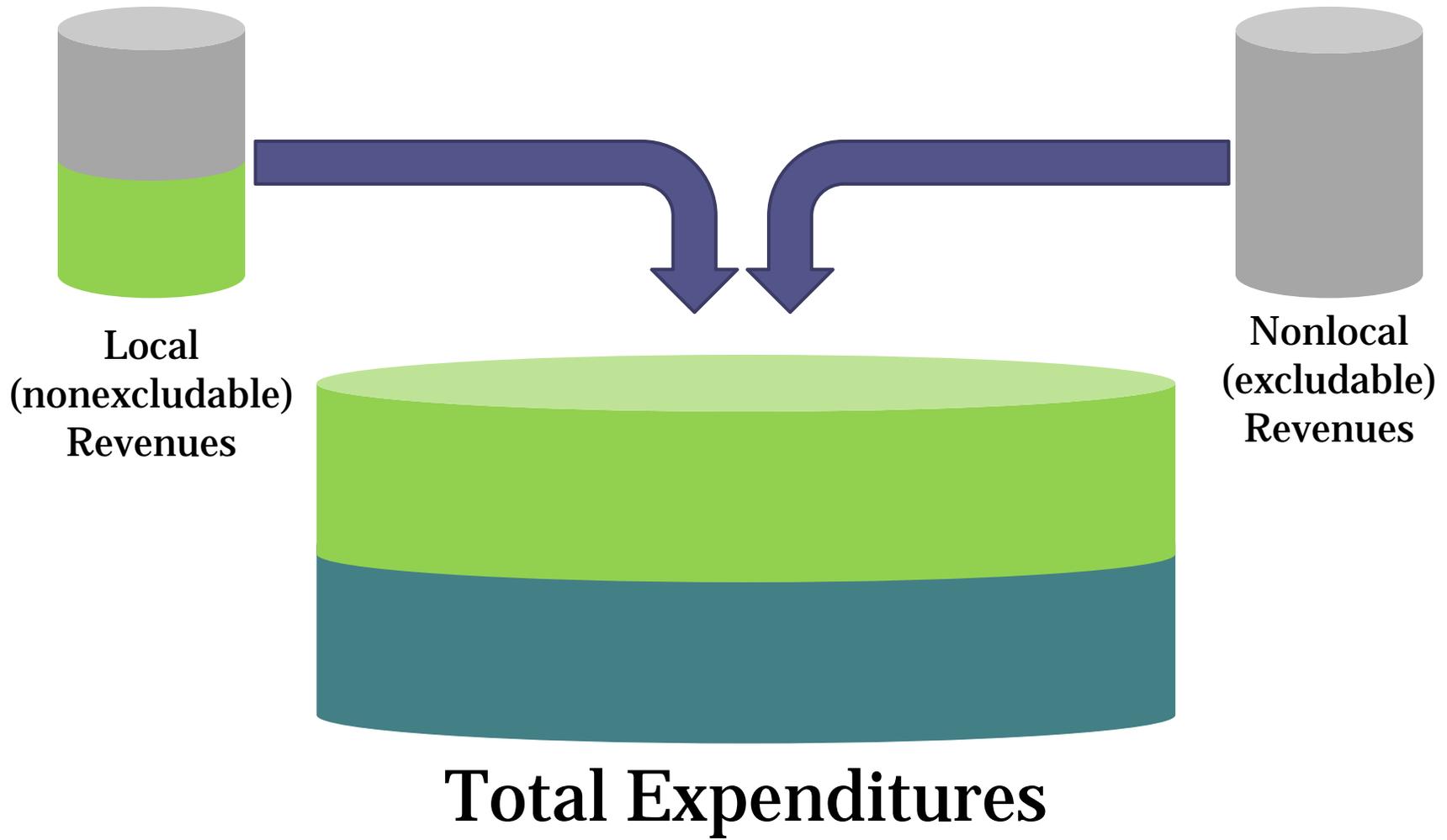
Description	Restricted Funds
Dividends, interest, and gains on investment securities	\$500,000
Grants and aid from the federal government	\$500,000
Total prior years carryforward expended	\$1,000,000



Flow Assumption - Maximizing Carryforward



Flow Assumption - Maximizing Exclusions



Flow Assumption - Fund Balance

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

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

<u>Carryforward</u>	
Accumulated	\$3,000
Used	\$ -0-

Flow Assumption - Fund Balance

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

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

<u>Carryforward</u>	
Accumulated	\$-0-
Used	\$2,000

Carryforward Revenues



Some revenues must
be spent within a
certain time period



Some revenues may
be carried forward in
fund balance
indefinitely

All excludable revenues received should be tracked in a
carryforward schedule

Carryforward Schedule - Maximizing Carryforward

Restricted Fund

- All expenditures are allowable from each revenue source
- Current year revenues are spent before prior year fund balance

	Investment Income	Federal Grants	Contracts w/Political Subdivisions	Private Gifts & Donations	Other (Local Revenues)	Total
FY12 Beginning Balance	\$2,000,000	\$12,000,000	\$9,000,000	\$1,500,000	15,000,000	\$39,500,000
Revenues	\$10,000,000	\$45,000,000	\$4,000,000	\$2,000,000	\$25,000,000	\$86,000,000
Expended	\$2,250,000	\$36,000,000	\$4,000,000	\$1,250,000	\$25,000,000	\$70,500,000
Excluded	\$2,250,000	\$25,000,000	\$4,000,000	\$750,000	\$0	\$32,000,000
Carried Forward	\$7,750,000	\$9,000,000	\$0	\$750,000	\$0	\$17,500,000
FY12 Ending Balance	\$9,750,000	\$21,000,000	\$9,000,000	\$2,250,000	\$15,000,000	\$55,000,000

Total excludable revenue carried forward = \$42,000,000

Carryforward Schedule- Maximizing Exclusions

Restricted Fund

- All expenditures are allowable from each revenue source
- Current year revenues are spent before prior year fund balance

	Investment Income	Federal Grants	Contracts w/ Political Subdivisions	Private Gifts & Donations	Other (Local Revenues)	Total
FY12 Beginning Balance	\$2,000,000	\$12,000,000	\$9,000,000	\$1,500,000	15,000,000	\$39,500,000
Revenues	\$10,000,000	\$45,000,000	\$4,000,000	\$2,000,000	\$25,000,000	\$86,000,000
Expended	\$10,000,000	\$45,000,000	\$4,000,000	\$2,000,000	\$9,500,000	\$70,500,000
Excluded	\$10,000,000	\$35,000,000	\$4,000,000	\$1,250,000	\$0	\$50,250,000
Carried Forward	\$0	\$0	\$0	\$0	\$0	\$0
FY12 Ending Balance	\$2,000,000	\$12,000,000	\$9,000,000	\$1,500,000	\$32,250,000	\$55,000,000

Total excludable revenue carried forward = \$24,500,000

	General Fund	Auxiliary Enterprises Fund	Restricted Fund	Unexpended Plant Fund	Retirement of Indebtedness	Total
Line A:	\$10,000	\$5,000	\$7,000	\$3,000	\$4,500	\$25,000
Line B:						
B.1.	↓	↓	↓	↓	↓	
B.2.						
B.3.						
B.4.						
B.5.						
B.6.						
B.7.						
B.8.						
B.9.						
B.10.						
B.11.						
B.12.						
B.13.	↓	↓	↓	↓	↓	
B.14. Total	\$3,000	\$1,000	\$2,000	\$3,000	\$2,500	\$9,000
Line C:	\$7,000	\$4,000	\$5,000	\$0	\$2,000	\$16,000

Part I

Expenditure Limitation

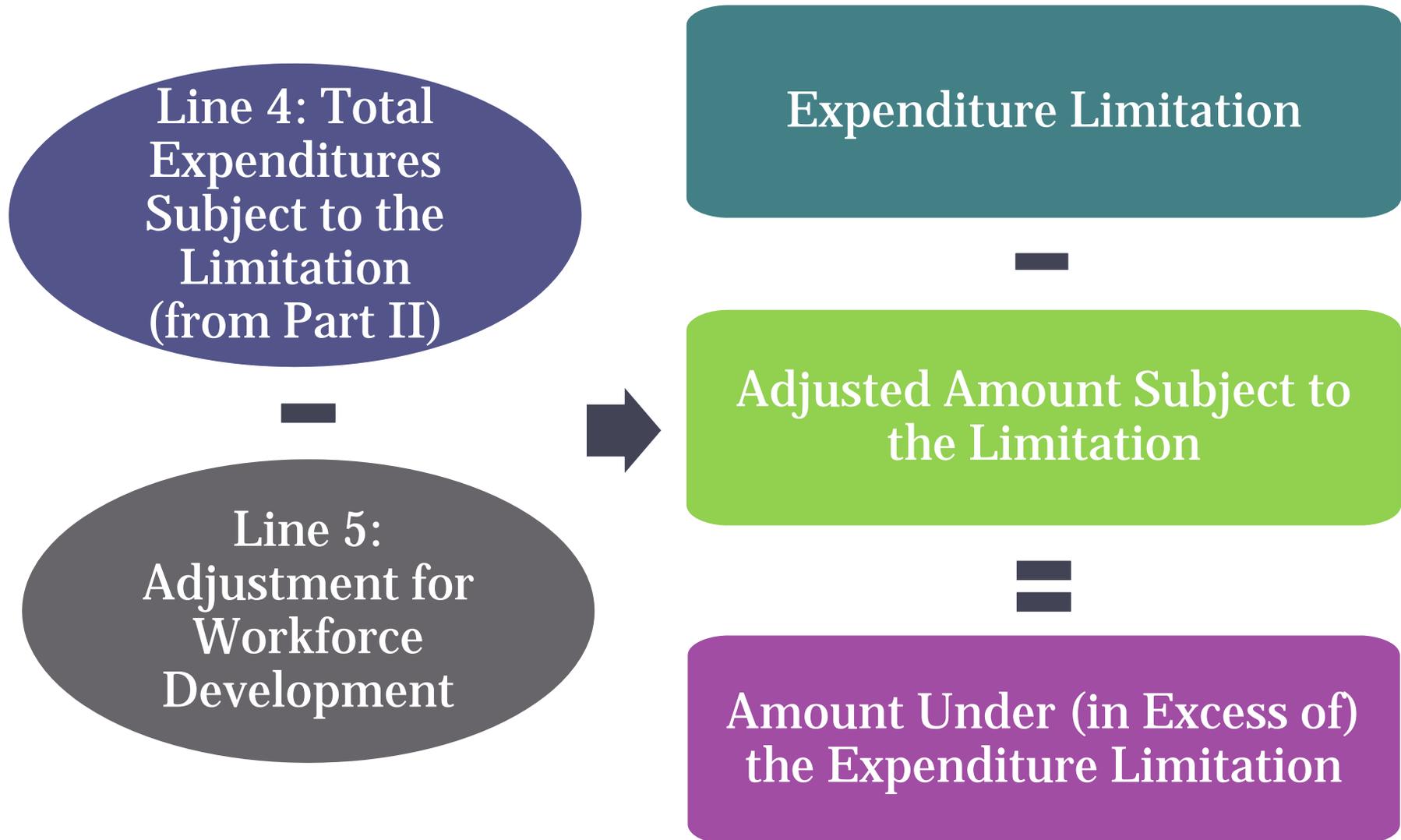
Line 1: State Imposed
Expenditure Limitation

- Preliminary limitations issued by February 1st
- Final limitations issued by April 1st

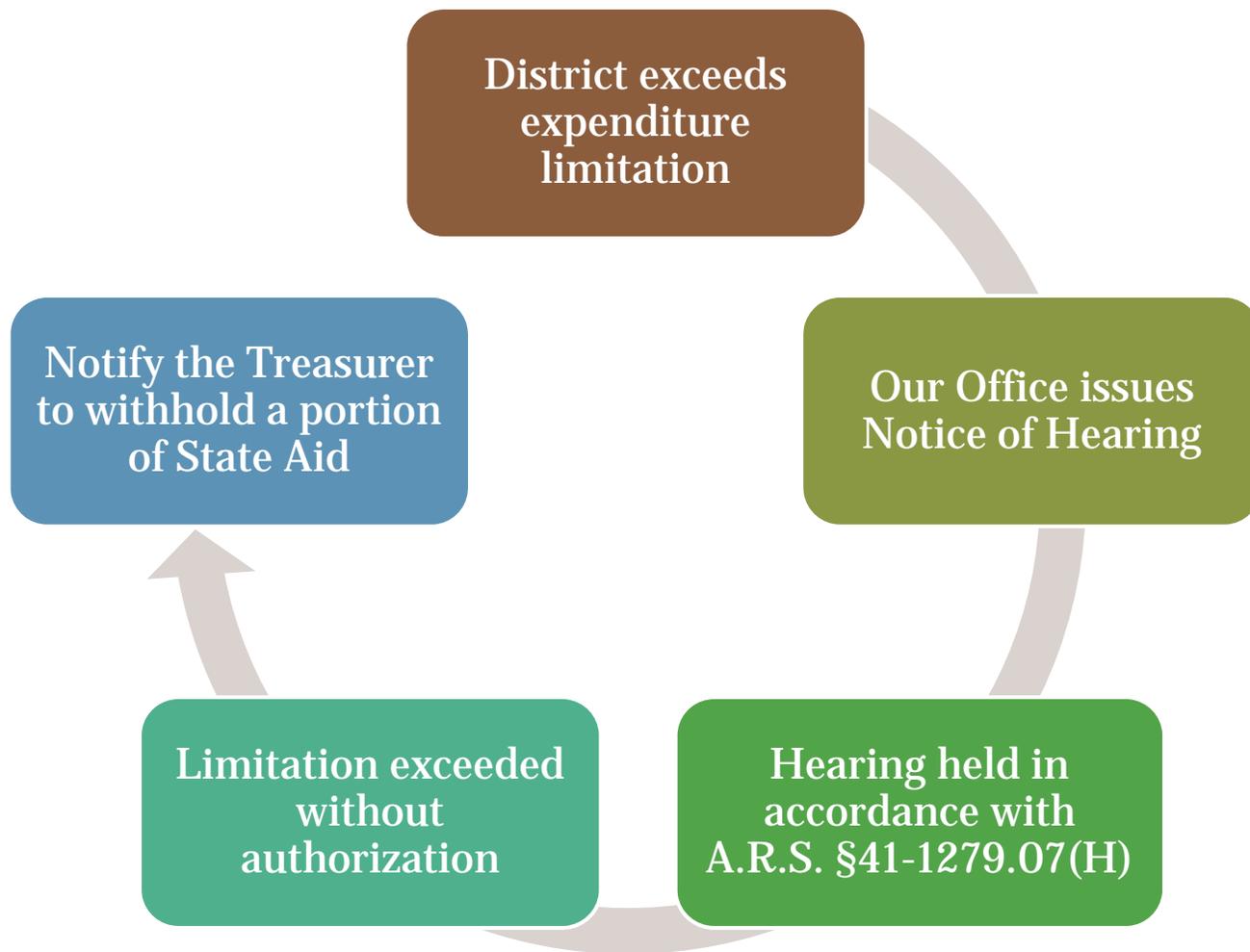
Line 2: Modified
Expenditure Limitation

- A.R.S. §15-1471
- Voter approval required
- Increases limitation by a specified percentage

Part I



Overexpenditures



CFO

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



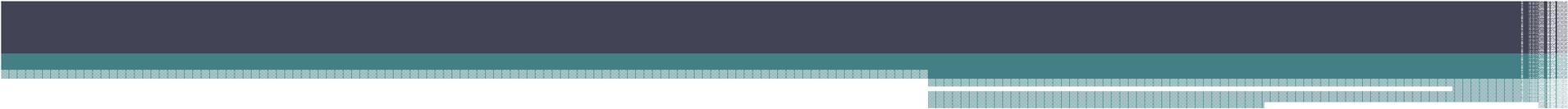
Upcoming Guidance

Legislative Changes

- A.R.S. §15-792.03 – Grand Canyon Diploma
 - A.R.S. §15-795.01 – Competency Based College-Ready Education Pathways
-
- Allow high school students to graduate early and enroll in community college courses
 - Students not included in college's full-time student equivalent count
 - Expenditure of revenues received from school district/charter school for operating and capital outlay equivalency monies are excludable
-
- Guidance on how to report these exclusions will be included in revised UERS Manual coming later this year.
-

Questions





Contact Us!

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asd@azauditor.gov**

FAQs: www.azauditor.gov