



# NAVAJO COUNTY

Arizona



## COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2018

Since 1895

# Board of Supervisors



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Jesse Thompson**  
District II

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# Navajo County, Arizona

## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2018



Prepared by Navajo County Finance Department

**County Manager**

Glenn Kephart

**Assistant County Manager**

Bryan Layton

**Finance Team**

Paige M. Peterson, Finance Director

Jackie Walker, Accountant

Rebecca Robertson, Finance Operations Supervisor

Julye Barton-Todacheenie, Senior Accountant





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# INTRODUCTORY SECTION

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Navajo County  
 Comprehensive annual financial report  
 Year ended June 30, 2018

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# NAVAJO COUNTY

## Administration

**Bryan Layton**  
Assistant County Manager

**Glenn Kephart**  
County Manager

**Paige M. Peterson**  
Finance Director

## We are Navajo County

January 24, 2019

To the Honorable Board of Supervisors and Citizens of Navajo County, Arizona:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) for fiscal year 2018. The CAFR provides in-depth information regarding the County's financial position. Navajo County presents the CAFR prepared in compliance with generally accepted accounting principles (GAAP) and audited by the Arizona Office of the Auditor General using generally accepted auditing standards and *Government Auditing Standards*.

This report consists of management's representations concerning the finances of Navajo County. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, County management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the County's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed the anticipated benefits, the objective of this framework is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Arizona Office of the Auditor General has audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for fiscal year 2018 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented at the beginning of the Financial Section of this report.

This report is prepared in accordance with generally accepted accounting principles, in conformity with standards of financial reporting established by the Governmental Accounting Standards Board (GASB), and using the guidelines established by the Government Finance Officers Association (GFOA) of the United States and Canada. GAAP requires that management provide an overview and analysis to accompany the basic financial statements called the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A immediately follows the Independent Auditors' Report in the Financial Section of this report.

## **NAVAJO COUNTY PROFILE**

Navajo County was formed on March 21, 1895, and encompasses 9,953 square miles. Navajo County's diversity is evident not only in its population, but also in its landscape. Northern Navajo County is home to the Navajo and Hopi Tribes, and is known for scenic attractions such as Monument Valley. Historic Route 66 runs through central Navajo County which is now one of the most significant transportation corridors in the United States. Holbrook, in central Navajo County, became the county seat in 1871. Southern Navajo County is home to the White Mountain Apache Tribe and resort communities with many picturesque lakes and forests.

The 2018 population of the County was estimated to be 111,681. The principal industries are tourism, coal mining, manufacturing, timber production, and ranching.

Navajo County's government consists of an elected Board of Supervisors. There are five districts with one supervisor representing each district. As required by statute, the Board of Supervisors is responsible for the overall management and approval of the departmental budgets and county tax rates. The Board appoints a County Manager and each department is managed by an elected official, appointed official, or a department director. Elected offices are statutorily mandated and include the assessor, clerk of the superior court, constables, county attorney, sheriff, recorder, superintendent of schools, treasurer, and the judiciary.

Navajo County provides a full range of services, including law enforcement and public safety, judicial and detention services, health services, highway construction and maintenance, education, and library services.

The financial reporting entity includes all the funds of the primary government and its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Additional information on Navajo County's blended component units can be found in the notes to the financial statements Note 1.

The Board of Supervisors and the County Manager use the financial policies and budget management policies to guide the overall development of the budget. On an annual basis, beginning in January, the finance department, under the County Manager's direction, meets with each elected official and department director to outline the Board's adopted budget priorities.

Each department must provide revenue and expenditure estimates for the remainder of the current fiscal year and planned revenues and expenditures for the following year. The budget team uses these estimates to help update the 5-year financial plan.

The Board of Supervisors must adopt the final budget on or before the third Monday in August. The tax rate and levy must also be set on or before the third Monday in August.

## **FACTORS AFFECTING NAVAJO COUNTY’S FINANCIAL CONDITION**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the County operates.

*Local Economy* – Navajo County has experienced a 10.2 percent growth in population from 2000 through 2010. The incorporated cities and towns in the southern portion of Navajo County accounted for the largest portion of the overall increase.

<u>Communities</u>	<u>2000</u>	<u>2010</u>	<u>% Change</u>
Navajo County	97,470	107,398	10.2%
Heber/Overgaard	2,722	2,822	3.7%
Holbrook	4,917	5,053	2.8%
Joseph City	N/A	1,386	N/A
Pinetop-Lakeside	3,582	4,282	19.5%
Show Low	7,695	10,660	38.5%
Snowflake	4,460	5,590	25.3%
Taylor	3,176	4,112	29.5%
Winslow	9,520	9,655	1.4%
Navajo Nation (Chilchinbito, Dilkon, Greasewood, Jeddito, Kayenta, Oljato, Pinon, and Shonto)	8,394	9,368	11.6%
Hopi Tribe (First Mesa, Hotevilla, Kykotsmovi, Second Mesa, and Shongopovi)	4,113	5,051	22.8%
White Mountain Apache Tribe (Cibecue, East Fork, Whiteriver)	7,431	6,516	(12.3%)

(source: The 2000 and 2010 U.S. Census—2010 is the latest census data available)

Some of the major employers in Navajo County include Arizona Public Service (utilities), Joseph City, Burlington Northern Santa Fe (railway), Winslow, Summit Healthcare (medical facility), Show Low, and Northland Pioneer College (post-secondary education), Holbrook, pork production, alternative energy, Snowflake, Fort Apache Timber Company (timber processing), White River, and tourism related business, Kayenta (Monument Valley), Hondah, Pinetop/Lakeside, and Heber/Overgaard.

Over the past decade, Navajo County has redefined and restructured itself as an organization to meet the financial challenges of the Great Recession and lagging recovery in rural Arizona. At the same time the County struggled to adjust for declines in sales taxes, the State shifted nearly \$5 million in costs to Navajo County. Restructuring included many efficiencies and reductions in administrative overhead costs, cost savings in healthcare, as well as new innovations such as leveraging drone technology. Despite these achievements, though, overall staffing needed to be reduced by 16% and wages have remained stagnant which has encouraged employee turnover rates to exceed 25% annually. Prolonged deference of capital replacement has resulted in an aging fleet with unsustainable maintenance costs and information technology (IT) infrastructure that is unable to consistently meet the demands of constituents and the minimal daily needs of staff.

As the national and state economies have improved recently, Navajo County has benefited from increased sales tax and some reductions in cost shifts from the State. In fiscal year 2018, these financial improvements allowed the County to make a larger than typical investment in IT to address some of our deficiencies. If not for the pending elimination of revenues from coal power generation, the County was in a position to achieve budget sustainability and continue to tackle other imbalances from the recession.

The elimination of coal power generation in Navajo County will cause a \$2.5 million reduction in sales tax and property tax beginning in fiscal year 2020. The Navajo Generating Station and Kayenta Mine will close by December 2019 and per lawsuit settlement with the Environment Protection Agency, the Cholla Power Plant will completely close by 2025—if not sooner. After a decade of restructuring and capital deference, revenue loss of this magnitude will necessitate service reductions and a projected loss of 20 to 25% of remaining staff. The loss of private sector jobs from the closure of these facilities is also expected to have significant primary and secondary impacts to the County's economy, and further increase the County's unemployment rate.

*Financial Outlook* - The County proposed the formation of a Jail District Tax to increase revenues as an alternative to service reductions, but residents narrowly voted the proposition down by 163 votes in November 2018. As a result, the County must move forward with service reductions that will directly impact residents, reduce or eliminate regional partnerships in public safety, and ask local cities and towns to pay more for jail fees and court services. The County will also need to intensify efforts to educate legislators and secure accelerated reversal of remaining State cost shifts.

Increasing costs from State-controlled Pension systems are another concern for Navajo County's long-term financial outlook. Like other counties in Arizona, Navajo County has struggled to pay for required increases to the Public Safety Personnel Retirement System (PSPRS), Elected Officials Retirement Plan (EORP), and Corrections Officer Retirement Plan (CORP). The lack of sustainable solutions for these and other State-controlled Pension systems could further jeopardize the County's ability to meet even minimum service level requirements mandated by the State.

## **SIGNIFICANT FINANCIAL POLICIES**

Navajo County has developed a set of fiscal management policies that guide the budget process. These policies consist of an Operating Budget Policy, Capital Budget Policy, Revenue Policy, Reserve Policy, Debt Policy, and the Budget Management Policy.

## **AWARDS**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Navajo County, Arizona for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighth consecutive year that Navajo County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement Award is valid for one year. We believe our current comprehensive annual financial report will meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine our eligibility for another certificate.

## **ACKNOWLEDGMENTS**

Preparation of this report was accomplished through the coordinated efforts of the finance department, assistance from elected officials and department directors and their staff, and the services provided by the Arizona Office of the Auditor General. We express appreciation to all who have contributed to this report.

We wish to thank the Navajo County Board of Supervisors for their leadership and commitment to Navajo County and our citizens.

Respectfully submitted,

Glenn Kephart  
County Manager

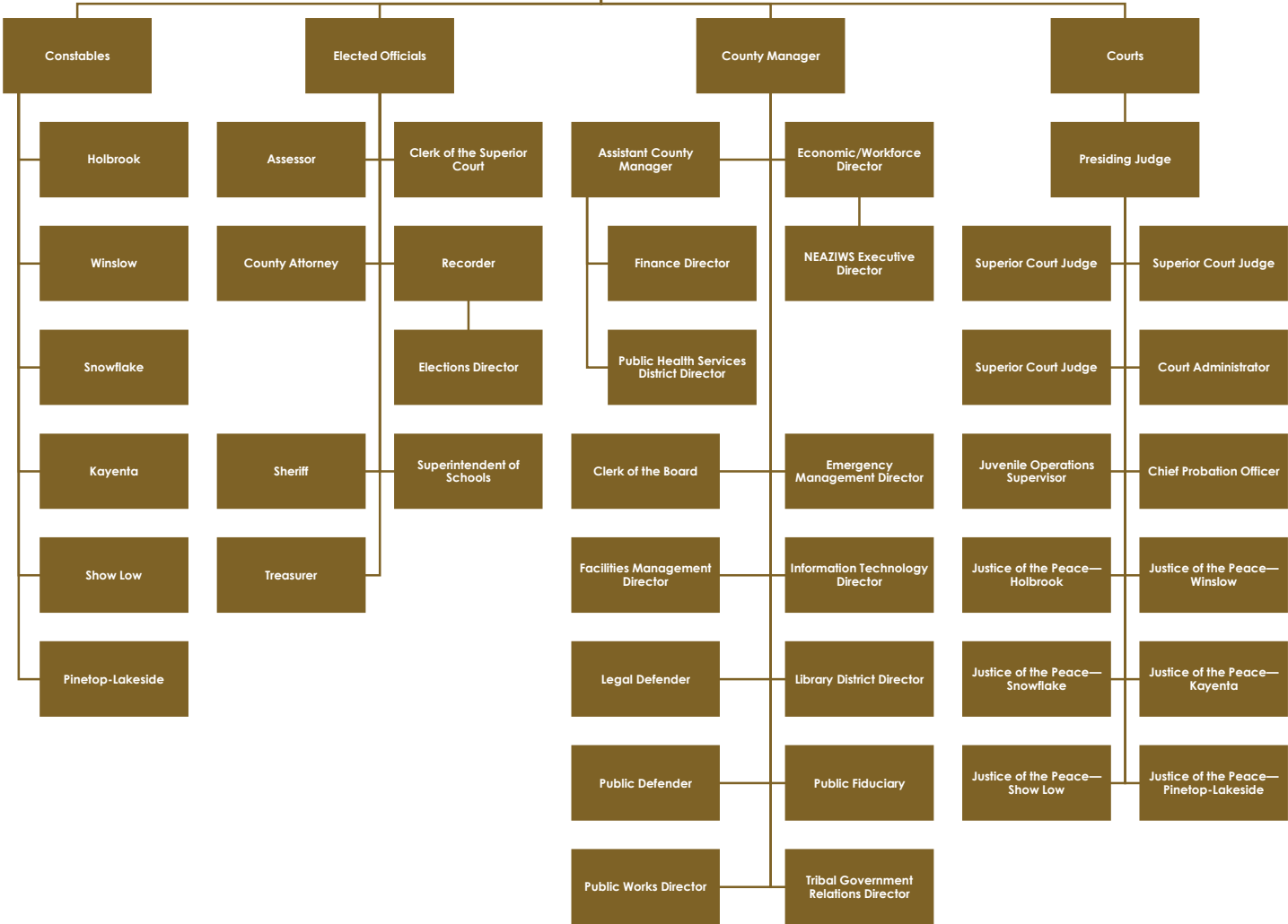
Bryan Layton  
Assistant County Manager

Paige M. Peterson  
Finance Director



Voters

Navajo County Board of Supervisors





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Navajo County**  
**Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO





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# FINANCIAL SECTION

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MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL  
LINDSEY A. PERRY

JOSEPH D. MOORE  
DEPUTY AUDITOR GENERAL

## Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of  
Navajo County, Arizona

### Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other matters**

### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 62 through 66, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 69, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 70 through 72, and schedule of County pension contributions on pages 73 and 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies*

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE  
Auditor General

January 24, 2019



Navajo County  
 Management's discussion and analysis  
 June 30, 2018

As management of Navajo County, we offer readers of Navajo County's financial statements this narrative overview and analysis of the financial activities of Navajo County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements.

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. Accordingly, the County has restated and increased its net position as of July 1, 2017, by \$520,647 for reporting the prior period adjustments as follows:

Net OPEB asset (measurement date as of June 30, 2016)	\$ 686,003
Net OPEB liability (measurement date as of June 30, 2016)	(318,060)
Deferred outflows—county contributions made during fiscal year 2017	<u>152,704</u>
Increased beginning net position	<u>\$ 520,647</u>

*Additional information on the OPEB implementation and other restated balances for fiscal year 2017 can be found in Note 2 on pages 30 through 31.*

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$25.7 million (net position). Of this amount, \$58.9 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$29.2 million is restricted for specific purposes (restricted net position); and \$(62.4) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2018, total assets were \$117.1 million, an increase of \$4.3 million or 3.8 percent in comparison with the prior fiscal year's balance of \$112.8 million.
- At June 30, 2018, total liabilities were \$94.8 million, an increase of \$3.9 million or 4.3 percent in comparison with the prior fiscal year's balance of \$90.9 million.
- At June 30, 2018, the County reported total deferred outflows of resources related to pensions/OPEB of \$10.3 million and deferred inflows of resources related to pensions/OPEB of \$6.9 million.
- At June 30, 2018, the governmental funds reported combined fund balances of \$40.1 million, an increase of \$5.5 million or 15.9 percent in comparison with the prior year's combined restated fund balances of \$34.6 million.
- At June 30, 2018, \$27 million, or 67.4 percent, of governmental fund balances were restricted, \$4 million, or 9.9 percent were assigned, \$7.4 million, or 18.4 percent, were unassigned, and \$1.7 million, or 4.3 percent, were nonspendable. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional provisions or enabling legislation. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available

Navajo County  
Management's discussion and analysis  
June 30, 2018

for spending at the County's discretion. However, the assigned fund balances are designated by management. The nonspendable fund balances include amounts that cannot be spent because they are not in spendable form, such as inventory.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other required supplementary information in addition to the basic financial statements.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business.

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all nonfiduciary assets and liabilities using the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows and inflows of resources, and liabilities, with the difference between assets and deferred outflows and liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. In addition to this change, other nonfinancial factors will need to be considered.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

All of the County's basic services are considered to be governmental activities, including general government, public safety, highways and streets, health and welfare, culture and recreation, education, environmental and conservation, and urban redevelopment and housing. Sales taxes, property taxes, intergovernmental revenues, and user fees finance most of these activities. *The government-wide financial statements can be found on pages 16 and 17 of this report.*



Navajo County  
Management's discussion and analysis  
June 30, 2018

**Fund financial statements**

The fund financial statements provide detailed information about the most significant county funds—not the County as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by federal or state law, contractual provisions, or by bond covenants. However, the Board of Supervisors established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. All of the County's funds can be divided into two categories: *governmental and fiduciary*.

*Governmental funds*—Most of the County's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources and the balances of spendable resources available at year-end. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. Reconciliations between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and the governmental funds, as reported in the fund financial statements, are provided to facilitate this comparison.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Works/HURF Fund, and Flood Control District Fund, which are considered major funds. Data from the other governmental funds is combined into a single aggregated presentation. *The governmental fund financial statements can be found on pages 18 through 21 of this report.*

*Fiduciary funds*—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. *The fiduciary funds financial statements can be found on pages 22 and 23 of this report.*

*Notes to the financial statements*—The notes to the financial statements provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. *The notes to the financial statements can be found on pages 24 through 60 of this report.*

*Required supplementary information*—In addition to the basic financial statements and accompanying notes, the report presents required supplementary information on the County's budgeting and budgetary control and the County's progress in funding its obligation to provide pension benefits to its employees. *Required supplementary information can be found on pages 62 through 76 of this report.*

Navajo County  
Management's discussion and analysis  
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position**

Net position may serve over time as a useful indicator of a County's financial position. The following table reflects the condensed Statement of Net Position of the County as of June 30, 2018, compared to the prior year. Current and other assets and unrestricted net position (deficit) was restated for fiscal year 2017, and as a result, this amount will not agree to the prior-year audited CAFR. *Additional information on restated balances for fiscal year 2017 can be found in Note 2 on pages 30 through 31.*

	Governmental Activities	
	2018	2017 (as restated)
Current and other assets	\$ 43,920,138	\$ 38,052,340
Net OPEB asset	916,807	
Capital assets	<u>72,237,076</u>	<u>74,746,244</u>
Total assets	<u>117,074,021</u>	<u>112,798,584</u>
Deferred outflows of resources		
Total deferred outflows of resources	<u>10,323,026</u>	<u>14,741,687</u>
Other liabilities	2,854,012	2,609,663
Long-term liabilities outstanding	<u>92,008,788</u>	<u>88,330,213</u>
Total liabilities	<u>94,862,800</u>	<u>90,939,876</u>
Deferred inflows of resources		
Total deferred inflows of resources	<u>\$ 6,850,947</u>	<u>\$ 6,905,432</u>
Net Position:		
Net investment in capital assets	58,887,125	60,217,341
Restricted	29,179,272	26,973,194
Unrestricted (deficit)	<u>(62,383,097)</u>	<u>(57,495,572)</u>
Total net position	<u>\$ 25,683,300</u>	<u>\$ 29,694,963</u>

Overall, total assets and deferred outflows of resources increased by \$350 thousand or 0.28 percent and total liabilities and deferred inflows of resources increased by \$3.9 million or 4 percent in the current fiscal year. The following summarizes the significant changes in assets, deferred outflows/inflows of resources and liabilities compared to the prior year.

- Current and other assets increased by \$6.4 million or 16.9 percent in the current year largely due to increases in cash and investments of \$5.8 million and due from other governments of \$638 thousand. These increases were primarily due to additional revenues collected in property taxes, county sales tax, state shared revenues and operating grants and contributions.
- As a result of the County's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*, the County reported the net OPEB asset of \$916,807, net OPEB liability of \$216,040 and deferred outflows and inflows of resources related to OPEB of \$139,367 and \$292,188, respectively.

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- As a result of an actuarial valuation of the total pension liability performed as of June 30, 2017, and a measurement date of June 30, 2017, deferred outflows and inflows of resources related to pensions decreased by \$4.6 million and \$347 thousand, respectively.

A large portion of the County's net position, \$58.9 million, reflects its investment in capital assets net of accumulated depreciation and related debt. The County uses these assets to provide services to citizens and, therefore, they are not available for future spending.

The County's restricted net position of \$29.2 million is subject to external restrictions on how they may be used. The County's deficit of \$62.4 million was a net increase of \$4.9 million from the prior year's unrestricted deficit in net position due to primarily an increase of net pension/OPEB liability of \$5.6 million and a reduction of pledged revenue obligations payable of \$1.2 million.

**Changes in Net Position**

The Statement of Activities presents information on how the County's net position changed during the most current fiscal year. The following table reflects the condensed Statement of Activities of the County for fiscal year 2018 compared to the prior year. Sales taxes and state shared revenues for fiscal year 2017 were restated, and as a result, these amounts will not agree to the prior-year audited CAFR. Further, beginning net position for fiscal year 2018 was restated due to these revenue restatements and the provisions of GASB 75. *Additional information on restated balances for fiscal year 2017 can be found in Note 2 on pages 30 through 31.*

	Governmental Activities	
	2018	2017 (as restated)
Program revenues:		
Charges for services	\$ 6,696,329	\$ 6,867,117
Operating grants and contributions	17,237,506	15,562,327
Capital grants and contributions	<u>11,987,205</u>	<u>12,240,772</u>
Total program revenues	<u>35,921,040</u>	<u>34,670,216</u>
General revenues:		
Property taxes	13,004,998	12,131,695
Sales taxes	7,381,671	6,534,686
State shared revenues	15,105,931	14,223,329
Payments in lieu of taxes	1,644,973	1,532,361
Investment earnings	264,616	164,425
Gain on disposal of capital assets	127,321	9,600
Miscellaneous	<u>1,668,273</u>	<u>1,666,058</u>
Total general revenues	<u>39,197,783</u>	<u>36,262,154</u>
Total revenues	<u>75,118,823</u>	<u>70,932,370</u>

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	Governmental Activities	
	2018	2017 (as restated)
Program expenses:		
General government	\$33,836,072	\$32,717,374
Public safety	19,294,895	17,730,173
Highways and streets	11,773,357	10,710,700
Health and welfare	8,079,274	8,362,293
Culture and recreation	781,287	790,379
Education and economic opportunity	5,042,013	4,297,521
Environmental and conservation	417,465	303,270
Urban redevelopment and housing		165,114
Interest on long-term debt	<u>426,770</u>	<u>461,083</u>
Total program expenses	<u>79,651,133</u>	<u>75,537,907</u>
Change in net position	<u>(4,532,310)</u>	<u>(4,605,537)</u>
Net position, beginning as restated	<u>30,215,610</u>	<u>34,300,500</u>
Net position, ending as restated	<u>\$25,683,300</u>	<u>\$29,694,963</u>

Overall revenues increased by \$4.2 million, or 5.9 percent, and program expenses increased by \$4.1 million, or 5.4 percent, in the current fiscal year. The following summarizes the significant changes in revenues and expenses compared to the prior year.

- Operating grants and contributions increased by a net of \$1.7 million, or 10.8 percent, primarily due to the following:
  - An increase of \$437 thousand for the general government function largely due to additional subsidy received from the state for the elected officials' retirement plan.
  - An increase of \$862 thousand for the public safety function primarily due to additional funding received from the federal contract for housing inmates.
  - An increase of \$811 thousand in the education and economic opportunity function mainly due to an increase in national forest fees from the prior year.
  - A decrease of \$459 thousand for the redevelopment and housing function is solely because the Community Development Block Grant is only received once in every four years. The County did not receive any in fiscal year 2018.
- Property taxes levied for general purpose increased \$767 thousand, or 10.2 percent, primarily due to an increase in assessed property value.
- General county sales tax increased \$847 thousand, or 13 percent, primarily due to an improved economy.
- Highways and streets expenses increased by \$1.1 million, or 10 percent, largely due to more streets and roads were maintained and repaired than the prior year.

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 Management's discussion and analysis  
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FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported three major funds for this fiscal year: the General Fund, Public Works/HURF Fund, and Flood Control District Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$40.1 million, which is an increase of \$5.5 million, or 15.8 percent, in comparison with the prior year's combined restated fund balances of \$34.6 million. Of the total, \$11.4 million constitutes unrestricted fund balances.

For governmental funds, overall revenues increased \$5.9 million, or 7.9 percent, and expenditures increased \$1.3 million, or 1.8 percent. Governmental fund revenues exceeded expenditures by \$5.4 million in the current fiscal year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, fund balances of the General Fund totaled \$13.2 million. Fund balances represent 31.2 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The General Fund includes the operation of the County's self-insured trust fund as presented below since its inception in fiscal year 2015.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<b>Revenues:</b>				
Employer and employee premiums	\$6,194,828	\$6,467,366	\$5,941,050	\$8,088,571
Miscellaneous refunds	195,896	498,732	104,167	394,432
Investment earnings	<u>14,447</u>	<u>13,787</u>	<u>10,319</u>	<u>6,665</u>
Total revenues	<u>6,405,171</u>	<u>6,979,885</u>	<u>6,055,536</u>	<u>8,489,668</u>
<b>Expenditures:</b>				
General government (healthcare costs)	<u>5,562,982</u>	<u>6,635,521</u>	<u>8,332,148</u>	<u>6,893,826</u>
Excess (deficiency) of revenues over expenditures	842,189	344,364	(2,276,612)	1,595,842
<b>Beginning fund balances</b>	<u>1,462,455</u>	<u>2,304,644</u>	<u>2,649,008</u>	<u>372,396</u>
<b>Ending fund balances</b>	<u>\$2,304,644</u>	<u>\$2,649,008</u>	<u>\$ 372,396</u>	<u>\$1,968,238</u>

Navajo County has been self-insured since fiscal year 2015, and has successfully achieved a lower than average trend on insurance premiums. Employees have not seen an increase in their premiums since January 2017, and the County has only seen moderate increases. Through implementing and refining our wellness program, claims analysis, provider partnerships and employee education and resources, Navajo County has been able to stay below national averages.

The following provides an explanation for activities that changed significantly over the prior year within the major funds, as applicable:

General Fund

- Cash and investments increased by \$4.7 million, or 105 percent, in the current year largely due to excess of total revenues collected over total expenditures spent in the current year.

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- County sales taxes increased by \$847 thousand, or 13 percent, in the current year primarily due to an improved economy.
- Intergovernmental revenues increased by \$1.9 million, or 10.4 percent, due to additional \$1.1 million received from federal contract for housing inmates, \$692 thousand from state shared sales tax, and \$191 thousand from state shared vehicle license tax.
- Charges for services increased by \$2.9 million, or 38.5 percent, in the current year largely due to an increase in employee healthcare insurance premiums collected for the County's self-insured health benefits program.

Public Works/HURF Fund

- Highways and streets expenditures increased by \$972 thousand, or 10.6 percent, largely due to more streets and roads were maintained and repaired than the prior year.
- Capital outlay expenditures increased by \$1.2 million, or 231.5 percent, primarily because five heavy construction equipment items were purchased in the current year and none for the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund, actual revenues were more than the original and final budget amounts by \$3.5 million, while the actual expenditures were \$6.8 million less than the amount budgeted. The budget variance for revenues was largely due to the receipt of more revenues than anticipated in every category except for fines and forfeits. The budget variance for expenditures was primarily due to conservative budgeting practices and minimal spending.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2018, totaled \$72.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, and machinery and equipment. The following provides the major changes in capital assets during the current fiscal year:

- Construction in progress increased \$363 thousand on the Winslow Levee Rehabilitation flood control project.
- Machinery and equipment increased \$2.3 million for new purchases.

*Additional information on capital assets can be found in Note 5 on pages 34 through 35 of this report.*

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$92 million and consists of the following liabilities that are over \$1 million:

- \$75.1 million is net pension/OPEB liability which increased by \$5.4 million in the current fiscal year.

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- \$13.5 million is pledged revenue obligations that financed the acquisition, construction, and improvements of county buildings and facilities and financed the construction of new facilities and the remodel of existing facilities at the Navajo County jail.
- \$1.7 million is for the future payment of compensated absences for unused employee vacation and sick leave.
- \$1.2 million is incurred but not reported healthcare claims payable for the County's self-insured employee health benefits program.

There were no significant changes to the County's credit ratings or debt limitations during the current fiscal year. *Additional information on long-term debt can be found in Note 6 on pages 35 through 37 of this report.*

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State and local revenues are increasing; however, they cannot keep up with ongoing increases in medical insurance, retirement pensions, and unfunded state mandates. Environmental and economic changes directly related to the coal industry will have a negative impact on county revenues. The uncertainty of the coal industry and the state budget requires continual monitoring, evaluation, and planning for Navajo County. We will continue to address these challenges through the strategic budget planning process in coordination with our elected officials and department directors. The County continues to budget conservatively for revenue estimates and other factors affecting the County.

#### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Navajo County Finance Department, P.O. Box 668, 100 Code Talker Drive, Holbrook, AZ 86025.







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# BASIC FINANCIAL STATEMENTS

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Navajo County  
Statement of net position  
June 30, 2018

	<u>Governmental activities</u>
<b>Assets</b>	
Cash and investments	\$ 34,755,147
Receivables (net of allowance for uncollectibles):	
Property taxes	496,218
Accounts receivable	183,610
Special assessments	115,182
Due from other governments	6,656,785
Prepaid items	896,025
Inventories	817,171
Net other postemployment benefits asset	916,807
Capital assets, not being depreciated	9,689,906
Capital assets, being depreciated, net	62,547,170
Total assets	<u>\$ 117,074,021</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions and other postemployment benefits	\$ 10,323,026
Total deferred outflows of resources	<u>\$ 10,323,026</u>
<b>Liabilities</b>	
Accounts payable	\$ 1,863,603
Accrued payroll and employee benefits	625,528
Due to other governments	236,901
Interest payable	127,980
Noncurrent liabilities	
Due within 1 year	3,875,287
Due in more than 1 year	88,133,501
Total liabilities	<u>\$ 94,862,800</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions and other postemployment benefits	\$ 6,850,947
Total deferred inflows of resources	<u>\$ 6,850,947</u>
<b>Net position</b>	
Net investment in capital assets	\$ 58,887,125
Restricted for:	
Highways and streets	11,606,295
Public safety	1,006,448
Judicial activities	3,223,210
Education and economic opportunity	1,286,465
Law enforcement	1,241,755
Environment, library, and community services	1,253,307
Health and welfare	1,506,482
Flood control projects	6,487,595
Health insurance trust	917,206
Road and other capital projects	433,260
Debt service	103,811
Other purposes	113,438
Unrestricted (deficit)	<u>(62,383,097)</u>
Total net position	<u><u>\$ 25,683,300</u></u>

See accompanying notes to financial statements.

Navajo County  
Statement of activities  
Year ended June 30, 2018

Functions/programs	Expenses	Program Revenues		Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions		Capital grants and contributions
Primary government:					
Governmental activities:					
General government	\$ 33,836,072	\$ 4,848,807	\$ 4,230,956	\$ 5,000	\$ (24,751,309)
Public safety	19,294,895	1,261,016	5,433,481	34,303	(12,566,095)
Highways and streets	11,773,357	206,020	8,867,130	3,080,772	380,565
Health and welfare	8,079,274	224,395	2,857,321		(4,997,558)
Culture and recreation	781,287	156,091	22,532		(602,664)
Education and economic opportunity	5,042,013		4,262,294		(779,719)
Environmental and conservation	417,465		430,922		13,457
Interest on long-term debt	426,770				(426,770)
Total governmental activities	<u>\$ 79,651,133</u>	<u>\$ 6,696,329</u>	<u>\$ 26,104,636</u>	<u>\$ 3,120,075</u>	<u>\$ (43,730,093)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					\$ 8,307,173
Property taxes, levied for flood control					1,836,327
Property taxes, levied for public health district					2,044,472
Property taxes, levied for library district					817,026
General county sales tax					7,381,671
Shared revenues - state sales tax					12,547,093
Shared revenues - state vehicle license tax					2,558,838
Payments in lieu of taxes					1,644,973
Investment earnings					264,616
Gain on sale of capital assets					127,321
Miscellaneous					1,668,273
Total general revenues					<u>39,197,783</u>
Change in net position					(4,532,310)
Net position as restated, July 1, 2017					<u>30,215,610</u>
Net position, June 30, 2018					<u><u>\$ 25,683,300</u></u>

See accompanying notes to financial statements.

Navajo County  
Balance sheet  
Governmental funds  
June 30, 2018

	General fund	Public works/ HURF fund	Flood control district fund	Other governmental funds	Total governmental funds
<b>Assets</b>					
Cash and investments	\$ 9,151,429	\$ 10,217,922	\$ 6,427,917	\$ 8,957,879	\$ 34,755,147
Receivables (net of allowance for uncollectibles):					
Property taxes	295,682		84,264	116,272	496,218
Accounts receivable	79,668			103,942	183,610
Special assessments				115,182	115,182
Due from:					
Other funds	152,261			151,941	304,202
Other governments	4,077,289	927,728		1,651,768	6,656,785
Prepaid items	896,025				896,025
Inventories		817,171			817,171
Total assets	<u>\$ 14,652,354</u>	<u>\$ 11,962,821</u>	<u>\$ 6,512,181</u>	<u>\$ 11,096,984</u>	<u>\$ 44,224,340</u>
<b>Liabilities</b>					
Accounts payable	\$ 658,702	\$ 905,673	\$ 7,019	\$ 292,209	\$ 1,863,603
Accrued payroll and employee benefits	517,882	49,997	2,105	55,544	625,528
Due to:					
Other funds	9,452	24,625	425	269,700	304,202
Other governments	5,992		15,037	215,872	236,901
Pledged revenue obligations payable				170,000	170,000
Interest payable				127,980	127,980
Total liabilities	<u>1,192,028</u>	<u>980,295</u>	<u>24,586</u>	<u>1,131,305</u>	<u>3,328,214</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue—property taxes	224,796		62,067	88,525	375,388
Unavailable revenue—special assessments				110,548	110,548
Unavailable revenue—intergovernmental	531			296,225	296,756
Total deferred inflows of resources	<u>225,327</u>		<u>62,067</u>	<u>495,298</u>	<u>782,692</u>
<b>Fund balances:</b>					
Nonspendable	896,025	817,171			1,713,196
Restricted	926,206	10,165,355	6,425,528	9,532,414	27,049,503
Assigned	3,057,549			898,747	3,956,296
Unassigned	8,355,219			(960,780)	7,394,439
Total fund balances	<u>13,234,999</u>	<u>10,982,526</u>	<u>6,425,528</u>	<u>9,470,381</u>	<u>40,113,434</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,652,354</u>	<u>\$ 11,962,821</u>	<u>\$ 6,512,181</u>	<u>\$ 11,096,984</u>	<u>\$ 44,224,340</u>

See accompanying notes to financial statements.

Navajo County  
 Reconciliation of the governmental funds balance sheet  
 to the government-wide statement of net position  
 June 30, 2018

Fund balances—total governmental funds	\$ 40,113,434
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,237,076
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	782,692
Net OPEB assets held in trust for future benefits are not available for County operations and, therefore, are not reported in the funds.	916,807
Long-term liabilities, such as net pension/OPEB liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(91,838,788)
Deferred outflows and inflows of resources related to net pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>3,472,079</u>
Net position of governmental activities	<u><u>\$ 25,683,300</u></u>

See accompanying notes to financial statements.

Navajo County  
Statement of revenues, expenditures, and changes in fund balances  
Governmental funds  
Year ended June 30, 2018

	General fund	Public works/ HURF fund	Flood control district fund	Other governmental funds	Total governmental funds
<b>Revenues:</b>					
Property taxes	\$ 8,281,138		\$ 1,835,505	\$ 2,842,847	\$ 12,959,490
County sales taxes	7,381,671				7,381,671
Special assessments				379,350	379,350
Licenses and permits	521,002			132,064	653,066
Fines and forfeits	616,556			294,165	910,721
Intergovernmental	20,474,240	\$ 11,947,902	1,259	11,700,523	44,123,924
Charges for services	10,298,017	22,563		1,755,797	12,076,377
Investment earnings	59,455	86,325	60,029	58,807	264,616
Contributions				50,624	50,624
Miscellaneous	756,465	51,193	51,436	809,179	1,668,273
Total revenues	<u>48,388,544</u>	<u>12,107,983</u>	<u>1,948,229</u>	<u>18,023,356</u>	<u>80,468,112</u>
<b>Expenditures:</b>					
Current:					
General government	25,913,850			2,604,707	28,518,557
Public safety	12,554,249		829,562	3,505,693	16,889,504
Highways and streets		10,109,692		51,236	10,160,928
Health and welfare	3,152,296			5,636,069	8,788,365
Culture and recreation				839,205	839,205
Education and economic opportunity	306,575			4,751,793	5,058,368
Environmental and conservation				441,264	441,264
Debt service:					
Principal	1,743			1,312,519	1,314,262
Interest and other charges	427			426,343	426,770
Capital outlay	449,760	1,710,959	375,854	114,586	2,651,159
Total expenditures	<u>42,378,900</u>	<u>11,820,651</u>	<u>1,205,416</u>	<u>19,683,415</u>	<u>75,088,382</u>
Excess (deficiency) of revenues over expenditures	<u>6,009,644</u>	<u>287,332</u>	<u>742,813</u>	<u>(1,660,059)</u>	<u>5,379,730</u>
<b>Other financing sources (uses):</b>					
Capital lease agreements				6,343	6,343
Installment purchase contracts				54,372	54,372
Sale of capital assets	86,821	40,500			127,321
Transfers in	1,917,447			3,964,904	5,882,351
Transfers out	(3,790,821)	(23,040)	(1,050,000)	(1,018,490)	(5,882,351)
Total other financing sources and uses	<u>(1,786,553)</u>	<u>17,460</u>	<u>(1,050,000)</u>	<u>3,007,129</u>	<u>188,036</u>
Net change in fund balances	<u>4,223,091</u>	<u>304,792</u>	<u>(307,187)</u>	<u>1,347,070</u>	<u>5,567,766</u>
Fund balances as restated, July 1, 2017	9,011,908	10,779,727	6,732,715	8,123,311	34,647,661
Changes in nonspendable resources:					
Decrease in reserve for inventories		(101,993)			(101,993)
Fund balances, June 30, 2018	<u>\$ 13,234,999</u>	<u>\$ 10,982,526</u>	<u>\$ 6,425,528</u>	<u>\$ 9,470,381</u>	<u>\$ 40,113,434</u>

See accompanying notes to financial statements.

Navajo County  
Reconciliation of the governmental funds statement of revenues, expenditures,  
and changes in fund balances to the government-wide statement of activities  
Year ended June 30, 2018

Net change in fund balances—total governmental funds		\$ 5,567,766
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 2,651,159	
Depreciation expense	<u>(5,199,632)</u>	(2,548,473)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Capital contributions	39,303	
Property taxes	45,508	
Intergovernmental revenues	<u>1,761,764</u>	1,846,575
Collection of revenues in the governmental funds exceeded revenues reported in the statement of activities.		
Special assessments		(39,802)
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County pension/OPEB contributions	3,450,328	
Pension/OPEB expense	<u>(14,673,475)</u>	(11,223,147)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.		
Debts issued	(60,715)	
Principal repaid	<u>1,314,262</u>	1,253,547
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Decrease in incurred but not reported healthcare claim costs	49,848	
Increase in compensated absences	(27,604)	
Decrease in claims and judgments	689,823	
Decrease in landfill closure and post-closure care costs	<u>1,150</u>	713,217
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Decrease in inventories		<u>(101,993)</u>
Change in net position of governmental activities		<u>\$ (4,532,310)</u>

See accompanying notes to financial statements.

Navajo County  
Statement of fiduciary net position  
Fiduciary funds  
June 30, 2018

	Investment trust funds	Agency funds
<b>Assets</b>		
Cash and investments	\$ 180,133,515	\$ 2,667,684
Total assets	\$ 180,133,515	\$ 2,667,684
<b>Liabilities</b>		
Due to other governments		\$ 703,299
Deposits held for others		1,964,385
Total liabilities		\$ 2,667,684
<b>Net position</b>		
Held in trust for investment trust participants	\$ 180,133,515	

See accompanying notes to financial statements.



Navajo County  
Statement of changes in fiduciary net position  
Fiduciary funds  
Year ended June 30, 2018

	Investment trust funds
Additions:	
Contributions from participants	\$ 245,050,979
Net investment income	1,528,009
Total additions	246,578,988
Deductions:	
Distributions to participants	253,432,177
Change in net position	(6,853,189)
Net position, July 1, 2017	186,986,704
Net position, June 30, 2018	\$ 180,133,515

See accompanying notes to financial statements.

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Notes to financial statements  
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Note 1 - Summary of significant accounting policies

Navajo County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

A. Reporting entity

The County is a general purpose local government that a separately elected board of supervisors governs. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end and the County has no discretely presented component units.

The following table describes the County's component units:

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Navajo County Flood Control District	A tax-levying district that provides flood control systems; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	Blended	Not available

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Navajo County Library District	A tax-levying district that provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	Blended	Not available
Navajo County Health District	A tax-levying district that provides and maintains health services for the County's residents; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	Blended	Not available
White Mountain Lake Recreation District	A tax-levying district that provides and improves recreational services for the White Mountain Lake Community; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	Blended	Not available
Navajo County Special Assessment Districts	Legally separate entities that provide improvements to various properties within the County; the County's Board of Supervisors serves as the board of directors and there is either a financial benefit or burden relationship between the County and the component unit	Blended	Not available

**B. Basis of presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

**Government-wide statements**—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary funds of the primary government and component units that are fiduciary in nature. Governmental activities generally are financed through taxes and intergovernmental revenues.

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A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements**—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *public works/HURF fund* is used to account for road construction and maintenance of major and nonmajor regional roads, and is funded by highway user revenues and vehicle license taxes.

The *flood control district fund* is used to provide flood control facilities and regulates floodplains and drainage to prevent flooding of property in Navajo County and is funded by secondary property taxes.

The County also reports the following fund types:

The *investment trust funds* account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, various local governments, individuals, and other parties.

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### C. Basis of accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

### D. Cash and investments

Money market investments with a remaining maturity of 1 year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

### E. Inventories

Inventories in the government-wide financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand

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at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute “available spendable resources.” These inventories are stated at cost using the first-in, first-out method.

**F. Prepaid items**

The County reports prepaid items as an asset in the period in which they are purchased and defers the recognition of the expenditure until the period in which the prepaid items are consumed. Prepaid items of the governmental funds primarily consist of prepaid rental expenditures and amounts at year-end are shown on the balance sheet as nonspendable fund balance to indicate that they do not constitute “available spendable resources.”

**G. Property tax calendar**

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

**H. Capital assets**

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are valued at their acquisition value at date of acquisition.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<b>Capitalization threshold</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Land	\$10,000	N/A	N/A
Buildings and improvements	10,000	Straight-line	15-40 years
Machinery and equipment	5,000	Straight-line	3-15 years
Infrastructure	10,000	Straight-line	35 years

**I. Deferred outflows and inflows of resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be

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recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

#### J. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### K. Fund balance classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors approved, which is the highest level of decision-making authority within the County. Only the Board can remove or change the constraints placed on committed fund balances. The County did not commit any fund balances at June 30, 2018.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The Board of Supervisors has authorized the county's manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the County will use restricted fund balance first. The County will use

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committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

#### L. Investment earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

#### M. Compensated absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits up to a maximum of 240 hours. Upon retirement, the County pays up to a maximum of 240 hours plus 75 percent of vacation hours earned in the employee's final year of employment. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but employees forfeit them upon terminating employment. However, upon retirement or death, employees who have accumulated at least 500 hours of sick leave and at least 5 continuous service years receive some benefit payments. Benefit payments vary based on the number of continuous service years but cannot exceed \$5,000. Accordingly, sick leave benefits do vest and, therefore, are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee retirements and deaths by fiscal year-end.

#### Note 2 - Change in accounting principle and corrections of misstatement—prior period adjustments

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, net position as of July 1, 2017, on the Statement of Activities and fund balance of the General Fund as of July 1, 2017, on the Statement of Revenues, Expenditures, and Changes in Fund Balance have been restated as follows for the correction of an accounting error.



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**Government-wide statements**

	<b>Governmental activities</b>
Net position as previously reported at June 30, 2017	\$29,201,948
Prior period adjustments:	
Implementation of GASB 75:	
Net OPEB asset (measurement date as of June 30, 2016)	686,003
Net OPEB liability (measurement date as of June 30, 2016)	(318,060)
Deferred outflows—county contributions made during fiscal year 2017	152,704
Correction of misstatement:	
Correction of state shared sales tax revenue recognition	<u>493,015</u>
Total prior period adjustments	<u>1,013,662</u>
Net position as restated, July 1, 2017	<u>\$30,215,610</u>

**Fund based financial statements**

	<b>General fund</b>
Fund balance as of June 30, 2017, as previously reported	\$8,518,893
Correction of state shared sales tax revenue recognition	<u>493,015</u>
Fund balance as of July 1, 2017, as restated	<u>\$9,011,908</u>

**Note 3 - Deposits and investments**

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

**Credit risk**

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.

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2. Special bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

**Custodial credit risk**

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

**Concentration of credit risk**

Statutes do not include any requirements for concentration of credit risk.

**Interest rate risk**

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

**Foreign currency risk**

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

**Deposits**—At June 30, 2018, the carrying amount of the County's deposits was \$15,522,341, and the bank balance was \$16,955,869. The County's formal policy is to follow collateralization requirements set forth in A.R.S. §35-323 as described above.

**Investments**—The County's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		<u>Fair value measurement using</u>	
		<u>Quoted prices</u>	
		<u>in active</u>	<u>Significant</u>
		<u>markets for</u>	<u>other</u>
		<u>identical</u>	<u>observable</u>
		<u>assets</u>	<u>inputs</u>
	<u>Amount</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
<b>Investments by fair value level</b>			
U.S. Treasury securities	\$ 61,096,662	\$61,096,662	
U.S. agency securities	105,591,244		\$105,591,244
Government money market mutual funds	<u>35,335,930</u>	<u>35,335,930</u>	
	<u>\$202,023,836</u>	<u>\$96,432,592</u>	<u>\$105,591,244</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using an automated method – IDC institutional bond pricing model.

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**Credit risk**—The County’s formal policy is to limit its portfolio to investments with the top rating issued by nationally recognized statistical rating organizations. As of June 30, 2018, credit risk for the County’s investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody’s	\$105,591,244
Government money market mutual funds	Unrated	Moody’s	<u>35,335,930</u>
Total			<u>\$140,927,174</u>

**Custodial credit risk**—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the outside party’s possession. The County’s formal policy stipulates that securities that are held in a custody or safekeeping account must be held under the name of Navajo County or Navajo County Treasurer. At June 30, 2018, the County did not have investments exposed to custodial credit risk.

**Concentration of credit risk**—The County’s formal policy stipulates that the County will diversify the investment portfolio by limiting investments to avoid over-concentration in securities from a specific issuer, excluding obligations issued or guaranteed by the United States or any of the senior debt of its agencies or sponsored agencies. The County had investments at June 30, 2018, of 5 percent or more in Federal National Mortgage Association, Federal Farm Credit Banks, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation securities. These investments were 17.67 percent, 16.45 percent, 12.24 percent, and 5.90 percent, respectively, of the County’s total investments.

**Interest rate risk**—The County’s formal policy is to purchase a combination of short-, medium-, and long-term investments such that maturities occur evenly over time as necessary to provide the cash flow needed for operations. At June 30, 2018, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	\$105,591,244	1.212
U.S. Treasury securities	61,096,662	1.185
Government money market mutual funds	<u>35,335,930</u>	0.082
	<u>\$202,023,836</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

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Cash, deposits, and investments:

Cash on hand	\$ 10,169
Amount of deposits	15,522,341
Amount of investments	<u>202,023,836</u>
Total	<u>\$217,556,346</u>

	<b>Governmental activities</b>	<b>Investment trust funds</b>	<b>Agency funds</b>	<b>Total</b>
Statement of net position:				
Cash and investments	<u>\$34,755,147</u>	<u>\$180,133,515</u>	<u>\$2,667,684</u>	<u>\$217,556,346</u>

**Note 4 - Due from other governments**

Amounts due from other governments at June 30, 2018, are shown as follows:

	<b>General fund</b>	<b>Public works/ HURF fund</b>	<b>Other governmental funds</b>	<b>Total</b>
State-shared sales tax	\$1,974,479			\$1,974,479
County sales tax	1,368,065			1,368,065
State-shared vehicle license tax	98,667	\$112,959		211,626
Highway user revenue		810,534		810,534
Grants and contributions from local, state and federal governments	632,191	3,870	\$1,332,307	1,968,368
Reimbursements for services provided for governmental units		365	319,461	319,826
Miscellaneous reimbursements	<u>3,887</u>			<u>3,887</u>
	<u>\$4,077,289</u>	<u>\$927,728</u>	<u>\$1,651,768</u>	<u>\$6,656,785</u>

**Note 5 - Capital assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<b>Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,701,286	\$ 4,500		\$ 5,705,786
Construction in progress	<u>3,621,177</u>	<u>362,943</u>		<u>3,984,120</u>
Total capital assets not being depreciated	<u>9,322,463</u>	<u>367,443</u>		<u>9,689,906</u>

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	<b>Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
Capital assets being depreciated:				
Buildings and improvements	\$ 50,163,460	\$ 36,466		\$ 50,199,926
Infrastructure	77,665,203	8,411		77,673,614
Machinery and equipment	<u>32,460,347</u>	<u>2,278,144</u>	<u>\$672,357</u>	<u>34,066,134</u>
Total	<u>160,289,010</u>	<u>2,323,021</u>	<u>672,357</u>	<u>161,939,674</u>
Less accumulated depreciation for:				
Buildings and improvements	21,964,643	1,367,276		23,331,919
Infrastructure	44,522,696	2,154,389		46,677,085
Machinery and equipment	<u>28,377,890</u>	<u>1,677,967</u>	<u>672,357</u>	<u>29,383,500</u>
Total	<u>94,865,229</u>	<u>5,199,632</u>	<u>672,357</u>	<u>99,392,504</u>
Total capital assets being depreciated, net	<u>65,423,781</u>	<u>(2,876,611)</u>		<u>62,547,170</u>
Governmental activities capital assets, net	<u>\$ 74,746,244</u>	<u>\$(2,509,168)</u>		<u>\$ 72,237,076</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$1,020,913
Public safety	1,223,521
Highways and streets	2,674,202
Health and welfare	165,520
Education and economic opportunity	<u>115,476</u>
Total governmental activities depreciation expense	<u>\$5,199,632</u>

## Note 6 - Long-Term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2018:

<b>Governmental activities</b>	<b>As Restated Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Due within 1 year</b>
Pledged revenue obligations payable	\$14,660,000		\$ 1,200,000	\$13,460,000	\$1,230,000
Special assessment debt with governmental commitment	130,000		63,000	67,000	67,000
Capital leases payable	15,349	\$ 6,343	15,349	6,343	1,122
Installment purchase contracts payable	94,472	54,372	20,913	127,931	20,372
Net pension and other postemployment benefits liability	69,655,351	7,592,765	2,178,692	75,069,424	37,238
Landfill closure and post-closure care costs payable	245,651		1,150	244,501	1,150
Compensated absences payable	1,628,359	1,236,021	1,208,417	1,655,963	1,216,519
Incurred but not reported healthcare claims payable	1,233,536	5,323,369	5,373,217	1,183,688	1,183,688
Claims and judgments payable	<u>883,761</u>	<u>204,265</u>	<u>894,088</u>	<u>193,938</u>	<u>118,198</u>
Total	<u>\$88,546,479</u>	<u>\$14,417,135</u>	<u>\$10,954,826</u>	<u>\$92,008,788</u>	<u>\$3,875,287</u>

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**Pledged revenue and pledged revenue refunding obligations**—The County has issued pledged revenue obligations that are generally callable with interest payable semiannually. The Series 2013 pledged revenue and pledged revenue refunding obligations were originally issued for an amount of \$10,625,000 to be used for construction projects and refunding the Series 2008 Navajo County pledged revenue obligations. These obligations were allocated as follows: \$1,215,000 to complete the detention facilities, \$4,550,000 to construct a public works complex in Holbrook and \$4,860,000 to refund the outstanding principal balance of \$4,780,000 relating to the Series 2008 Navajo County pledged revenue obligations. The Series 2012A pledged revenue refunding obligations were originally issued for an amount of \$4,100,000 to refund the outstanding principal balance of \$4,345,000 relating to the Series 2000 Jail Facility certificate of participation. The Series 2012B pledged revenue obligations, originally issued in the amount of \$4,400,000, were issued to construct and remodel jail facilities.

Pledged revenue and pledged revenue refunding obligations outstanding at June 30, 2018, were as follows:

Description	Original amount issued	Maturity ranges	Interest rates	Outstanding principal
Navajo County Pledged Revenue and Pledged Revenue Refunding Obligations, Series 2013	\$10,625,000	2019 – 2024	2.17%	\$ 5,560,000
Navajo County Pledged Revenue Refunding Obligations, Series 2012A	4,100,000	2019 – 2027	3.24%	3,500,000
Navajo County Pledged Revenue Obligations, Series 2012B	4,400,000	2019 – 2032	3.24%	4,400,000
		Total		<u>\$13,460,000</u>

The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2018:

	<b>Governmental activities</b>	
	Principal	Interest
Year ending June 30		
2019	\$ 1,230,000	\$ 373,858
2020	1,255,000	345,348
2021	1,290,000	316,133
2022	1,320,000	286,214
2023	1,355,000	255,482
2024-2028	3,435,000	899,829
2029-2032	<u>3,575,000</u>	<u>236,277</u>
Total	<u>\$13,460,000</u>	<u>\$2,713,141</u>

The County has pledged a portion of its general county and state sales tax revenues toward the payment of debt related to revenue obligations outstanding at June 30, 2018. At June 30, 2018, future pledged revenues through final maturity at July 1, 2031 totaled \$16,173,141, consisting of \$13,460,000 for principal and \$2,713,141 for interest. Future principal and interest payments are expected to require approximately 6 percent of

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pledged sales tax revenues. Total principal and interest paid for the current year and total current-year pledged revenues were \$1,601,800 and \$19,928,764, respectively.

**Special assessment debt with governmental commitment**—Special assessment debt is payable from assessments collected from property owners benefited by the respective improvements. The special assessment districts pledged these assessments to repay the principal amount of \$524,000 in special assessment debt. The proceeds were used to finance the construction or improvement of Bucking Horse Road. At June 30, 2018, future pledged revenues through final maturity at July 1, 2019, totaled \$70,853 consisting of \$67,000 for principal and \$3,853 for interest. Future principal and interest payments are expected to require 100 percent of pledged special assessment revenues. Total principal and interest paid for the current year and total current year special assessment revenues were \$70,475 and \$118,940, respectively. While there is no legal obligation for the County to further secure the special assessment debt of the districts below, the County has made a moral commitment to take steps necessary to prevent default.

Special assessment debt currently outstanding for governmental activities is as follows:

Description	Original amount issued	Maturity ranges	Interest rates	Outstanding principal
Bucking Horse Road	\$524,000	2019	5.75%	\$67,000

Annual debt service requirements to maturity for the special assessment debt with governmental commitment are as follows:

	Governmental activities	
	Principal	Interest
Year ending June 30 2019	<u>\$67,000</u>	<u>\$3,853</u>

**Compensated absences**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2018, the County paid for compensated absences as follows: 64 percent from the General Fund, 12 percent from the Public Works/HURF Fund, and 24 percent from the Other Governmental Funds.

**Incurred but not reported healthcare claims payable**—On July 1, 2014, Navajo County implemented a self-insured health benefits program as described in Note 7. The liability for medical, dental and pharmacy claims is based on fiscal year 2018 actuarial report. Changes in incurred but not reported (IBNR) healthcare claims payable for the years ended June 30, 2017 and 2018 were as follows:

	2017	2018
IBNR healthcare claims payable beginning of year	\$1,166,750	\$1,233,536
Current-year claims and changes in estimates	6,646,200	5,323,369
Claim payments	<u>6,579,414</u>	<u>5,373,217</u>
IBNR healthcare claims payable, end of year	<u>\$1,233,536</u>	<u>\$1,183,688</u>

**Net pension and OPEB liability**—During fiscal year 2018, the County paid for pension and OPEB contributions from various funds as described in Note 10.

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Note 7 - Risk management

**Public entity risk pools**—The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by two public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants and a deductible of \$10,000 per occurrence for property claims and \$50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

**Self-insured employee benefits program**—On July 1, 2014, Navajo County implemented a self-insured health benefits program and offers one comprehensive medical plan. The uninsured risk of loss per individual is \$250,000 per plan year. Under the program, the County contracts directly with healthcare providers to deliver healthcare services to its eligible employees and their dependents. The County pays for the services using premiums it receives from employees and county contributions. Health benefits program expenditures are recorded in the General Fund and employee premiums and county contributions are recorded in the applicable governmental funds through payroll deductions and transferred to the General Fund. However, the county contributions are considered as internal activities, and therefore, are eliminated at the government-wide level of the financial statements. The liability for incurred but not reported healthcare claims payable at June 30, 2018, is actuarial valued and disclosed in Note 6.



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Note 8 - Operating lease

The County leases 25 percent of a purchased and renovated public safety building from City of Show Low under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. The lease allows for more efficient use of space and resources for jail, inmate holding facilities, regional dispatch, locker rooms, conference rooms and break rooms to save money for Navajo County and City of Show Low.

The noncancelable lease term is 20 years and may be extended for additional 5 years with any additions to the monthly rental rate to be negotiated between the parties at that time. The lease required the County to prepay four \$225,000 rental payments, totaling \$900,000, on or before June 30, 2017. The County moved into the leased property on August 16, 2017, and incurred \$39,375 of rental expenditures in fiscal year 2018. The remaining \$860,625 is reported in the General Fund as prepaid items at June 30, 2018. In addition, the lease requires the County to pay its proportionate share of 25 percent of the operational costs for the leased property including its parking lot. Operational costs include all utility and maintenance costs such as cleaning, insurance, snow removal and landscaping.

Note 9 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2018, were as follows:

	General fund	Public works/ HURF fund	Flood control district fund	Other governmental funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 896,025				\$ 896,025
Inventories		\$ 817,171			817,171
Total nonspendable	<u>896,025</u>	<u>817,171</u>	<u>          </u>	<u>          </u>	<u>1,713,196</u>
<b>Restricted for:</b>					
Highways and streets		10,165,355		\$ 616,001	10,781,356
Flood control projects			\$6,425,528		6,425,528
Health				1,291,061	1,291,061
Judicial activities	9,000			3,197,670	3,206,670
Law enforcement				1,241,755	1,241,755
Education				1,286,465	1,286,465
Environmental and conservation				616,592	616,592
Social services				257,835	257,835
Library				198,506	198,506
Public safety				169,629	169,629
Recreation				119,829	119,829
Debt service				103,811	103,811
Road projects				165,409	165,409
Capital projects				267,851	267,851
Health insurance trust	917,206				917,206
Total restricted	<u>926,206</u>	<u>10,165,355</u>	<u>6,425,528</u>	<u>9,532,414</u>	<u>27,049,503</u>

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	General fund	Public works/ HURF fund	Flood control district fund	Other governmental funds	Total
<b>Assigned to:</b>					
Health insurance reserve	1,051,032				1,051,032
Economic stabilization and development	10,524			13,373	23,897
Law enforcement	1,342,618				1,342,618
Education				646,158	646,158
Debt service				239,216	239,216
Other capital projects	93				93
Other purposes	<u>653,282</u>				<u>653,282</u>
Total assigned	<u>3,057,549</u>			<u>898,747</u>	<u>3,956,296</u>
<b>Unassigned</b>	<u>8,355,219</u>			<u>(960,780)</u>	<u>7,394,439</u>
Total fund balances	<u>\$13,234,999</u>	<u>\$10,982,526</u>	<u>\$6,425,528</u>	<u>\$9,470,381</u>	<u>\$40,113,434</u>

## Note 10 - Pensions and other postemployment benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona. The County also contributes to various OPEB plans for which a net OPEB asset and liability are included on the statement of net position; however, the OPEB plans are not further disclosed because of their relative insignificance to the County's financial statements.

At June 30, 2018, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

<b>Statement of net position and statement of activities</b>	<b>Governmental activities</b>
Net pension liabilities	\$74,853,384
Deferred outflows of resources	10,185,951
Deferred inflows of resources	6,561,051
Pension expense	14,577,404

The County's accrued payroll and employee benefits includes \$45,476 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2018. Also, the County reported \$3,326,956 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

### A. Arizona State Retirement System

**Plan description**—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that

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includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided**—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

<b>ASRS</b>	<b>Retirement initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions**—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, were \$2,028,064.

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During fiscal year 2018, the County paid for ASRS pension contributions as follows: 53 percent from the General Fund, 16 percent from the Public Works/HURF Fund, and 31 percent from other governmental funds.

**Pension liability**—At June 30, 2018, the County reported a net pension liability of \$31,575,151 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 0.202690 percent, which was a decrease of 0.00614 from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net liability as a result of these changes is not known.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2018, the County recognized pension expense for ASRS of \$707,721. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>ASRS</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience		\$ 946,798
Changes of assumptions or other inputs	\$1,371,381	944,154
Net difference between projected and actual earnings on pension plan investments	226,688	
Changes in proportion and differences between county contributions and proportionate share of contributions	1,525,485	2,328,510
County contributions subsequent to the measurement date	<u>2,028,064</u>	
Total	<u>\$5,151,618</u>	<u>\$4,219,462</u>

The \$2,028,064 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	\$(1,672,685)
2020	978,799
2021	324,302
2022	(726,324)

**Actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

**ASRS**

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ASRS</b>		<b>Long-term</b>
<b>Asset class</b>	<b>Target</b>	<b>expected arithmetic</b>
	<b>allocation</b>	<b>real rate of return</b>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

**Discount rate**—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions

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from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County’s proportionate share of the ASRS net pension liability to changes in the discount rate**—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

<b>ASRS</b>	<b>1% Decrease (7%)</b>	<b>Current discount rate (8%)</b>	<b>1% Increase (9%)</b>
County’s proportionate share of the net pension liability	\$40,527,255	\$31,575,151	\$24,094,901

**Pension plan fiduciary net position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan**

**Plan descriptions**—County sheriff employees and county attorney investigators who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers (agent plan), and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost-sharing plan). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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**Benefits provided**—The PSPRS and CORP provide retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

**PSPRS**

**Initial membership date:**

	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012 and before July 1, 2017</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credit service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
<b>Benefit percent</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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<b>CORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<b>Retirement and disability</b>		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
<b>Benefit percent</b>		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service	
<b>Survivor Benefit</b>		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms**—At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:



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	PSPRS Sheriff	PSPRS Attorney Investigators	CORP
Inactive employees or beneficiaries currently receiving benefits	31	1	11
Inactive employees entitled to but not yet receiving benefits	24		35
Active employees	<u>46</u>	-	<u>49</u>
Total	<u>101</u>	<u>1</u>	<u>95</u>

**Contributions**—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member— pension	County— pension
PSPRS Sheriff	7.65-11.65%	44.42%
PSPRS Tier 3 Risk Pool	9.94	9.68
CORP	8.41	9.57
CORP AOC	8.41	22.51

Also, statute required the County to contribute at the actuarially determined rate of 29.78 percent for pension of the annual covered payroll of county sheriff employees who were PSPRS Tier 3 Risk Pool members, in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool for these county sheriff employees.

The County was required to contribute \$33,307 for the PSPRS Attorney Investigators pension plan based on the estimated actuarially required contribution for an inactive member.

In addition, statute required the County to contribute at the actuarially determined rate of 29.78 percent for the PSPRS of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS would typically fill.

The County's contributions to the pension plans for the year ended June 30, 2018, were:

	Pension
PSPRS Sheriff	\$780,780
PSPRS Tier 3 Risk Pool	4,464
CORP	151,162
CORP AOC	294,854

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During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 80 percent from the General Fund and 20 percent from the other governmental funds.

**Pension liability**—At June 30, 2018, the County reported the following net pension liabilities:

	<b>Net pension liability</b>
PSPRS Sheriff	\$11,911,839
PSPRS Attorney Investigators	501,641
CORP	1,585,538
CORP AOC (County's proportionate share)	6,507,694

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

**Pension actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

**PSPRS and CORP—Pension**

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>PSPRS and CORP</b>		<b>Long-term expected geometric real rate of return</b>
<b>Asset class</b>	<b>Target allocation</b>	
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

**Pension discount rates**—At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 percent from the discount rate used as of June 30, 2016.

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability

**PSPRS Sheriff**

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2017	\$17,137,245	\$ 5,489,432	\$11,647,813
Changes for the year:			
Service cost	499,570		499,570
Interest on the total pension liability	1,260,137		1,260,137
Changes of benefit terms	304,021		304,021
Differences between expected and actual experience in the measurement of the pension liability	(794,648)		(794,648)
Changes of assumptions or other inputs	607,986		607,986
Contributions—employer		1,047,332	(1,047,332)
Contributions—employee		262,773	(262,773)
Net investment income		633,913	(633,913)
Benefit payments, including refunds of employee contributions	(1,170,410)	(1,170,410)	
Administrative expense		(6,009)	6,009
Other changes		(324,969)	324,969
Net changes	<u>706,656</u>	<u>442,630</u>	<u>264,026</u>
Balances at June 30, 2018	<u>\$17,843,901</u>	<u>\$ 5,932,062</u>	<u>\$11,911,839</u>

**PSPRS Attorney Investigators**

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2017	\$533,366	\$51,201	\$482,165
Changes for the year:			
Interest on the total pension liability	38,673		38,673
Changes of benefit terms	10,560		10,560
Differences between expected and actual experience in the measurement of the pension liability	325		325
Changes of assumptions or other inputs	16,836		16,836
Contributions—employer		38,721	(38,721)
Contributions—employee			
Net investment income		8,673	(8,673)
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	
Administrative expense		(477)	477
Other changes		1	(1)
Net changes	<u>30,943</u>	<u>11,467</u>	<u>19,476</u>
Balances at June 30, 2018	<u>\$564,309</u>	<u>\$62,668</u>	<u>\$501,641</u>

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<b>CORP</b>	<b>Increase (decrease)</b>		
	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (a) – (b)</b>
Balances at June 30, 2017	<u>\$4,326,471</u>	<u>\$3,286,431</u>	<u>\$1,040,040</u>
Changes for the year:			
Service cost	243,603		243,603
Interest on the total pension liability	321,690		321,690
Changes of benefit terms	693,192		693,192
Differences between expected and actual experience in the measurement of the pension liability	(89,958)		(89,958)
Changes of assumptions or other inputs	107,452		107,452
Contributions—employer		139,477	(139,477)
Contributions—employee		139,124	(139,124)
Net investment income		392,801	(392,801)
Benefit payments, including refunds of employee contributions	(318,158)	(318,158)	
Administrative expense		(3,836)	3,836
Other changes		62,915	(62,915)
Net changes	<u>957,821</u>	<u>412,323</u>	<u>545,498</u>
Balances at June 30, 2018	<u>\$5,284,292</u>	<u>\$3,698,754</u>	<u>\$1,585,538</u>

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 1.62198 percent, which was a decrease of 0.113419 from its proportion measured as of June 30, 2016.

**Sensitivity of the County's net pension liability to changes in the discount rate—**  
The following table presents the County's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<b>1% Decrease (6.4%)</b>	<b>Current discount rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PSPRS Sheriff			
Net pension liability	\$14,159,580	\$11,911,839	\$10,070,876
PSPRS Attorney Investigators			
Net pension liability	\$577,429	\$501,641	\$440,135
CORP			
Net pension liability	\$2,400,754	\$1,585,538	\$935,616
CORP AOC			
County's proportionate share of the net pension liability	\$8,411,971	\$6,507,694	\$4,967,694

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**Pension plan fiduciary net position**—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

**Pension expense**—For the year ended June 30, 2018, the County recognized the following pension expense:

	<b>Pension expense</b>
PSPRS Sheriff	\$2,002,578
PSPRS Attorney Investigators	62,199
CORP	808,205
CORP AOC (County's proportionate share)	2,547,833

**Pension deferred outflows/inflows of resources**—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>PSPRS Sheriff</b>		
Differences between expected and actual experience		\$1,432,308
Changes of assumptions or other inputs	\$1,463,340	
Net difference between projected and actual earnings on pension plan investments	83,563	
County contributions subsequent to the measurement date	<u>780,780</u>	
Total	<u>\$2,327,683</u>	<u>\$1,432,308</u>
<b>PSPRS Attorney Investigators</b>		
Net difference between projected and actual earnings on pension plan investments		\$2,292
County contributions subsequent to the measurement date	<u>\$33,307</u>	
Total	<u>\$33,307</u>	<u>\$2,292</u>

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<b>CORP</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience		\$229,630
Changes of assumptions or other inputs	\$237,685	
Net difference between projected and actual earnings on pension plan investments	45,984	
County contributions subsequent to the measurement date	<u>151,162</u>	
Total	<u>\$434,831</u>	<u>\$229,630</u>
<b>CORP AOC</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 59,589	\$223,506
Changes of assumptions or other inputs	631,855	
Net difference between projected and actual earnings on pension plan investments	76,631	
Changes in proportion and differences between county contributions and proportionate share of contributions	58,360	251,431
County contributions subsequent to the measurement date	<u>294,854</u>	
Total	<u>\$1,121,289</u>	<u>\$474,937</u>

The County also reported deferred outflows of resources for the PSPRS Tier 3 Risk Pool pension plan for county contributions subsequent to the measurement date of \$4,464.

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>PSPRS Sheriff</b>	<b>PSPRS Attorney Investigators</b>	<b>CORP</b>	<b>CORP AOC</b>
Year ending June 30				
2019	\$231,364	\$(727)	\$(10,122)	\$184,726
2020	18,976	(162)	47,626	170,153
2021	(37,826)	(459)	42,196	51,802
2022	(81,087)	(944)	(25,661)	(55,183)
2023	(16,832)	-	-	-

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**C. Elected Officials Retirement Plan**

**Plan description**—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The EORP provides retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

<b>EORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<b>Retirement and disability</b>		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age*	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	any years and age if disabled Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
<b>Benefit percent</b>		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefit</b>		
Retired Members	75% of retired member’s benefit	50% of retired member’s benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member’s normal retirement age, with a maximum reduction of 30%.



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Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

**Contributions**—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension plan for the year ended June 30, 2018, were \$34,325.

During fiscal year 2018, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

**Pension liability**—At June 30, 2018, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$22,771,521
State's proportionate share of the EORP net pension liability associated with the County	<u>4,726,116</u>
Total	<u>\$27,497,637</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

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The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, was 1.86872 percent, which was a decrease of 0.0011152 from its proportion measured as of June 30, 2016.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2018, the County recognized pension expense for EORP of \$8,448,868 and revenue of \$1,624,794 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>EORP</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience		\$197,378
Changes of assumptions or other inputs	\$ 888,817	
Net difference between projected and actual earnings on pension plan investments	139,571	
Changes in proportion and differences between county contributions and proportionate share of contributions	50,046	5,044
County contributions subsequent to the measurement date	<u>34,325</u>	
Total	<u>\$1,112,759</u>	<u>\$202,422</u>

The \$34,325 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2019	\$728,114
2020	156,065
2021	36,878
2022	(45,045)

**Actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

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**EORP**

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>EORP</b>	<b>Target</b>	<b>Long-term</b>
<b>Asset class</b>	<b>allocation</b>	<b>expected</b>
		<b>geometric real</b>
		<b>rate of return</b>
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

**Discount rate**—At June 30 2017, the discount rate used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan

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investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

**Sensitivity of the County’s proportionate share of the EORP net pension liability to changes in the discount rate**—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 3.91 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.91 percent) or 1 percentage point higher (4.91 percent) than the current rate:

EORP	1% Decrease (2.91%)	Current discount rate (3.91%)	1% Increase (4.91%)
County’s proportionate share of the net pension liability	\$26,899,180	\$22,771,521	\$19,405,140

**Pension plan fiduciary net position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

**EODCRS plan**—Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS. The EODCRS is a defined contribution pension plan. The PSPRS Board of Trustees governs the EODCRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.1. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2018, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the County was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County’s contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2018, the County recognized pension expense of \$14,555.

**Note 11 - Interfund balances and activity**

**Interfund receivables and payables**—Interfund balances at June 30, 2018, were as follows:

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	<b>Payable to</b>		
	<b>General fund</b>	<b>Governmental funds</b>	<b>Total</b>
<b>Payable from</b>			
General fund		\$ 9,452	\$ 9,452
Public works/HURF fund	\$ 24,625		24,625
Flood control district fund	425		425
Other governmental funds	<u>127,211</u>	<u>142,489</u>	<u>269,700</u>
Total	<u>\$152,261</u>	<u>\$151,941</u>	<u>\$304,202</u>

The interfund balances resulted from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be paid in one year.

**Interfund transfers**—Interfund transfers for the year ended June 30, 2018, were as follows:

	<b>Transfers to</b>		
	<b>General fund</b>	<b>Other governmental funds</b>	<b>Total</b>
<b>Transfers from</b>			
General fund		\$3,790,821	\$3,790,821
Public works/HURF fund	\$ 23,040		23,040
Flood control district fund	1,050,000		1,050,000
Other governmental funds	<u>844,407</u>	<u>174,083</u>	<u>1,018,490</u>
Total	<u>\$1,917,447</u>	<u>\$3,964,904</u>	<u>\$5,882,351</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Note 12 - County Treasurer's investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of

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its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for \$797,142 in deposits. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
U.S. agency securities	\$106,300,000	1.00% - 2.375%	07/18 – 12/20	\$105,591,244
U.S. Treasury securities	61,300,000	0.875% - 2.125%	07/18 – 08/20	61,096,662
Government money market funds	35,306,348	N/A	N/A	35,335,930

A condensed statement of the investment pool's net position and changes in net position follows:

**Statement of net position**

Assets	\$216,749,035
Liabilities	<u>1,917,885</u>
Net position	<u>\$214,831,150</u>

Net position held in trust for:

Internal participants	\$ 34,697,635
External participants	<u>180,133,515</u>
Total net position held in trust	<u>\$214,831,150</u>

**Statement of changes in net position**

Total additions	\$319,584,044
Total deductions	<u>320,659,226</u>
Net decrease	<u>(1,075,182)</u>
Net position held in trust:	
July 1, 2017	<u>215,906,332</u>
June 30, 2018	<u>\$214,831,150</u>



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# OTHER REQUIRED SUPPLEMENTARY INFORMATION

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	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Property taxes	\$8,130,322	\$8,281,138	\$ 150,816
County sales taxes	6,489,110	7,381,671	892,561
Licenses and permits	455,500	521,002	65,502
Fines and forfeits	737,500	616,556	(120,944)
Intergovernmental	19,043,708	20,474,240	1,430,532
Charges for services	9,527,814	10,298,017	770,203
Investment earnings	39,922	59,455	19,533
Miscellaneous	444,911	756,465	311,554
Total revenues	<u>44,868,787</u>	<u>48,388,544</u>	<u>3,519,757</u>
Expenditures:			
General government			
Board of Supervisors/Administration	3,187,000	2,041,850	1,145,150
Facilities Management	1,911,007	1,722,221	188,786
Elections	617,929	324,054	293,875
Contract	1,481,817	2,077,919	(596,102)
State Cost Shifts	502,735	491,574	11,161
Planning and Zoning	430,191	370,050	60,141
Recorder	274,754	259,817	14,937
Voter Registration	185,940	139,461	46,479
Assessor	1,346,413	1,261,230	85,183
Information Technology	943,275	964,584	(21,309)
Treasurer	492,610	471,821	20,789
Personnel Commission	10,450	3,371	7,079
Fleet Management	50,000	8,145	41,855
County-wide	9,619,295	8,584,645	1,034,650
Carry-Forward Through Tax Cycles	2,529,694		2,529,694
Legal Defender	269,612	273,129	(3,517)
County Attorney	2,542,581	2,610,027	(67,446)
Superior Court	1,626,253	1,850,519	(224,266)
Public Defender	653,550	674,123	(20,573)
Clerk of Court	1,339,735	1,345,286	(5,551)
Holbrook Justice Court	350,360	354,689	(4,329)
Winslow Justice Court	314,499	313,503	996
Snowflake Justice Court	383,393	391,935	(8,542)
Show Low Justice Court	261,699	257,156	4,543

(continued)

See accompanying note to budgetary comparison schedules.



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(Continued)

	Original and Final budgeted amounts	Actual amounts	Variance with final budget
Pinetop Justice Court	\$ 354,056	\$ 359,135	\$ (5,079)
Kayenta Justice Court	99,912	115,951	(16,039)
Kayenta Constable	33,970	34,026	(56)
Pinetop Constable	64,919	64,758	161
Snowflake Constable	54,930	54,680	250
Holbrook Constable	48,559	47,483	1,076
Winslow Constable	46,621	48,158	(1,537)
Show Low Constable	65,002	65,334	(332)
Total general government	<u>32,092,761</u>	<u>27,580,634</u>	<u>4,512,127</u>
Public safety			
Juvenile Detention	333,047	318,269	14,778
Juvenile Probation	357,355	300,627	56,728
Adult Probation	608,699	569,142	39,557
Jail Operations	6,614,182	5,134,651	1,479,531
Sheriff	6,679,229	6,232,172	447,057
Total public safety	<u>14,592,512</u>	<u>12,554,861</u>	<u>2,037,651</u>
Health and welfare			
Public Fiduciary	437,510	430,796	6,714
Indigent Health	2,721,500	2,721,500	-
Total health and welfare	<u>3,159,010</u>	<u>3,152,296</u>	<u>6,714</u>
Education			
School Superintendent	<u>330,478</u>	<u>306,575</u>	<u>23,903</u>
Capital outlay	<u>583,764</u>	<u>644,679</u>	<u>(60,915)</u>
Contingency	<u>241,088</u>	<u>241,088</u>	<u>241,088</u>
Total expenditures	<u>50,999,613</u>	<u>44,239,045</u>	<u>6,760,568</u>

(continued)

See accompanying note to budgetary comparison schedules.

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 (Continued)

	<u>Original and Final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (6,130,826)</u>	<u>\$ 4,149,499</u>	<u>\$ 10,280,325</u>
Other financing sources (uses):			
Sale of capital assets		86,821	86,821
Transfers in	3,583,185	3,777,592	194,407
Transfers out	<u>(3,483,491)</u>	<u>(3,790,821)</u>	<u>(307,330)</u>
Total other financing sources and uses	<u>99,694</u>	<u>73,592</u>	<u>(26,102)</u>
Net change in fund balances	(6,031,132)	4,223,091	10,254,223
Fund balances as restated, July 1, 2017	<u>6,031,132</u>	<u>9,011,908</u>	<u>2,980,776</u>
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 13,234,999</u>	<u>\$ 13,234,999</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required supplementary information  
 Budgetary comparison schedule  
 Public works/HURF fund  
 Year ended June 30, 2018

	Original and Final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$11,913,758	\$11,947,902	\$ 34,144
Charges for services	39,007	22,563	(16,444)
Investment earnings	40,320	86,325	46,005
Miscellaneous	65,439	51,193	(14,246)
Total revenues	12,058,524	12,107,983	49,459
Expenditures:			
Highways and streets	19,486,311	10,989,956	8,496,355
Total expenditures	19,486,311	10,989,956	8,496,355
Excess (deficiency) of revenues over expenditures	(7,427,787)	1,118,027	8,545,814
Other financing sources (uses):			
Sale of capital assets		40,500	40,500
Transfers out	(1,365,255)	(853,735)	511,520
Total other financing sources and uses	(1,365,255)	(813,235)	552,020
Net change in fund balances	(8,793,042)	304,792	9,097,834
Fund balances, July 1, 2017	8,793,042	10,779,727	1,986,685
Decrease in reserve for inventories		(101,993)	(101,993)
Fund balances, June 30, 2018	\$ -	\$ 10,982,526	\$ 10,982,526

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required supplementary information  
 Budgetary comparison schedule  
 Flood control district fund  
 Year ended June 30, 2018

	Original and Final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Property taxes	\$1,840,611	\$1,835,505	\$ (5,106)
Intergovernmental		1,259	1,259
Investment earnings	39,407	60,029	20,622
Miscellaneous		51,436	51,436
Total revenues	<u>1,880,018</u>	<u>1,948,229</u>	<u>68,211</u>
Expenditures:			
Public safety	6,739,202	864,416	5,874,786
Total expenditures	<u>6,739,202</u>	<u>864,416</u>	<u>5,874,786</u>
Excess (deficiency) of revenues over expenditures	<u>(4,859,184)</u>	<u>1,083,813</u>	<u>5,942,997</u>
Other financing uses:			
Transfers out	(1,391,000)	(1,391,000)	
Total other financing uses	<u>(1,391,000)</u>	<u>(1,391,000)</u>	
Net change in fund balances	(6,250,184)	(307,187)	5,942,997
Fund balances, July 1, 2017	6,250,184	6,732,715	482,531
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 6,425,528</u>	<u>\$ 6,425,528</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required supplementary information  
 Notes to budgetary comparison schedules  
 June 30, 2018

Note 1 - Budgeting and budgetary control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Essentially, the County prepares its budget on the same modified accrual basis of accounting used to record actual revenues and expenditures. In addition, the County budgets its expenditures by function.

The County has adopted budgets in accordance with A.R.S. requirements for the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds, with the exception of the County School Superintendent's (CSS) Special Revenue Fund. In accordance with A.R.S. § 15-301(C), the CSS is designated as a local education agency (LEA). Expenditures for the LEA for an accommodation school, juvenile detention education, special education services, and unorganized territory transportation are not included in the adopted budget of the County's Board of Supervisors.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the general fund, each fund includes only one department.

Note 2 - Budgetary basis of accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the indirect costs were budgeted in transfers in and out and the present value of net minimum installment purchase contract payments were not budgeted.

The following schedule reconciles the excess of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances to the budgetary comparison schedules:

	<b>General Fund</b>	<b>Public Works/HURF Fund</b>	<b>Flood Control District Fund</b>
Excess of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	\$ 6,009,644	\$ 287,332	\$ 742,813
Indirect costs budgeted in transfers in/(out)	<u>(1,860,145)</u>	<u>830,695</u>	<u>341,000</u>
Excess of revenues over expenditures from the budgetary comparison schedules	<u>\$ 4,149,499</u>	<u>\$1,118,027</u>	<u>\$1,083,813</u>

Navajo County  
 Required supplementary information  
 Notes to budgetary comparison schedules  
 June 30, 2018

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2018, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/fund	Excess
Contracts – General fund	\$596,102
Information Technology – General fund	21,309
Legal Defender – General fund	3,517
County Attorney – General fund	67,446
Superior Court – General fund	224,266
Public Defender – General fund	20,573
Clerk of Court – General fund	5,551
Holbrook Justice Court – General fund	4,329
Snowflake Justice Court – General fund	8,542
Pinetop Justice Court – General fund	5,079
Kayenta Justice Court – General fund	16,039
Kayenta Constable – General fund	56
Winslow Constable – General fund	1,537
Show Low Constable – General fund	332
Capital Outlay – General fund	60,915

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County closely monitors departmental spending and discusses the overage with the departments in subsequent budget meetings with the County Manager and Finance.

Specifically, the County experienced higher than anticipated costs in the Contracts Department and Superior Court. Beginning with fiscal year 2018, the County began contracting with Pinal County to house juvenile offenders after the closure of our juvenile detention facility on June 30, 2017. The number of juvenile offenders held in Pinal County was higher than our prior years' averages which increased the overall housing, transportation and overtime costs. Unfortunately, Navajo County experienced six high profile felony cases during fiscal year 2018 including murder trials. As a result, the cost of contracted public defense attorneys was higher than our average costs and exceeded our expectations.

**Navajo County**  
**Required supplementary information**  
**Schedule of the County's proportionate share of the net pension liability**  
**Cost-sharing pension plans**  
**June 30, 2018**

**Arizona State Retirement System**

	Reporting fiscal year (measurement date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.20%	0.21%	0.21%	0.21%	Information not available
County's proportionate share of the net pension liability	\$31,575,151	\$33,707,260	\$32,861,924	\$30,957,928	
County's covered payroll	\$20,130,088	\$19,429,032	\$19,400,464	\$18,778,977	
County's proportionate share of the net pension liability as a percentage of its covered payroll	156.86%	173.49%	169.39%	164.85%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

**Corrections Officer Retirement Plan—Administrative Office of the Courts**

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.62%	1.74%	1.69%	1.74%	Information not available
County's proportionate share of the net pension liability	\$ 6,507,694	\$ 4,896,487	\$ 4,108,278	\$ 3,902,859	
County's covered payroll	\$ 1,941,447	\$ 1,891,207	\$ 1,879,552	\$ 1,854,011	
County's proportionate share of the net pension liability as a percentage of its covered payroll	335.20%	258.91%	218.58%	210.51%	
Plan fiduciary net position as a percentage of the total pension liability	49.21%	54.81%	57.89%	58.59%	

**Elected Officials Retirement Plan**

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.87%	1.87%	1.82%	1.84%	Information not available
County's proportionate share of the net pension liability	\$22,771,521	\$17,665,320	\$14,226,251	\$12,307,206	
State's proportionate share of the net pension liability associated with the County	4,726,116	3,647,430	4,435,153	3,773,504	
Total	<u>\$27,497,637</u>	<u>\$21,312,750</u>	<u>\$18,661,404</u>	<u>\$16,080,710</u>	
County's covered payroll	\$ 1,668,147	\$ 1,532,182	\$ 1,551,376	\$ 1,704,339	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1365.08%	1152.95%	917.01%	722.11%	
Plan fiduciary net position as a percentage of the total pension liability	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

**Navajo County**  
**Required supplementary information**  
**Schedule of changes in the County's**  
**net pension liability and related ratios**  
**Agent pension plans**  
**June 30, 2018**

**PSPRS Sheriff**

	Reporting fiscal year (measurement date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 499,570	\$ 468,580	\$ 397,350	\$ 426,843	
Interest on the total pension liability	1,260,137	1,327,262	1,309,258	1,092,844	
Changes of benefit terms	304,021	(615,741)		586,447	
Differences between expected and actual experience in the measurement of the pension liability	(794,648)	(777,000)	(377,151)	(668,752)	
Changes of assumptions or other inputs	607,986	641,504		2,472,745	
Benefit payments, including refunds of employee contributions	(1,170,410)	(1,161,727)	(1,109,711)	(1,167,336)	
Net change in total pension liability	706,656	(117,122)	219,746	2,742,791	
Total pension liability—beginning	17,137,245	17,254,367	17,034,621	14,291,830	
Total pension liability—ending (a)	<u>\$ 17,843,901</u>	<u>\$ 17,137,245</u>	<u>\$ 17,254,367</u>	<u>\$ 17,034,621</u>	
Plan fiduciary net position					
Contributions—employer	\$ 1,047,332	\$ 1,205,254	\$ 790,385	\$ 691,037	
Contributions—employee	262,773	295,080	261,993	233,105	
Net investment income	633,913	31,020	191,904	675,189	
Benefit payments, including refunds of employee contributions	(1,170,410)	(1,161,727)	(1,109,711)	(1,167,336)	
Administrative expense	(6,009)	(4,864)	(5,044)	(5,438)	
Other changes	(324,969)	(215,557)	(114,224)	(8,622)	
Net change in plan fiduciary net position	442,630	149,206	15,303	417,935	
Plan fiduciary net position—beginning	5,489,432	5,340,226	5,324,923	4,906,988	
Plan fiduciary net position—ending (b)	<u>\$ 5,932,062</u>	<u>\$ 5,489,432</u>	<u>\$ 5,340,226</u>	<u>\$ 5,324,923</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 11,911,839</u>	<u>\$ 11,647,813</u>	<u>\$ 11,914,141</u>	<u>\$ 11,709,698</u>	
Plan fiduciary net position as a percentage of the total pension liability	33.24%	32.03%	30.95%	31.26%	
Covered payroll	\$ 2,475,549	\$ 2,464,986	\$ 2,365,037	\$ 2,242,753	
County's net pension liability as a percentage of covered payroll	481.18%	472.53%	503.76%	522.11%	

See accompanying notes to pension plan schedules.



**Navajo County**  
**Required supplementary information**  
**Schedule of changes in the County's**  
**net pension liability and related ratios**  
**Agent pension plans**  
**June 30, 2018**

**PSPRS Attorney Investigators**

	Reporting fiscal year (measurement date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ -	\$ -	\$ -	\$ -	
Interest on the total pension liability	38,673	44,961	40,906	30,804	
Changes of benefit terms	10,560	(78,488)		28,416	
Differences between expected and actual experience in the measurement of the pension liability	325	(13,833)	6,616	1,839	
Changes of assumptions or other inputs	16,836	25,702	(392,840)	535,143	
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	(35,451)	(34,741)	
Net change in total pension liability	30,943	(57,109)	(380,769)	561,461	
Total pension liability—beginning	533,366	590,475	971,244	409,783	
Total pension liability—ending (a)	<u>\$ 564,309</u>	<u>\$ 533,366</u>	<u>\$ 590,475</u>	<u>\$ 971,244</u>	
Plan fiduciary net position					
Contributions—employer	\$ 38,721	\$ 65,456	\$ 20,181		
Net investment income	8,673	390	744	\$ 6,765	
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	(35,451)	(34,741)	
Administrative expense	(477)	(456)	(308)	(54)	
Other changes	1	(1)	(37)	-	
Net change in plan fiduciary net position	11,467	29,938	(14,871)	(28,030)	
Plan fiduciary net position—beginning	51,201	21,263	36,134	64,164	
Plan fiduciary net position—ending (b)	<u>\$ 62,668</u>	<u>\$ 51,201</u>	<u>\$ 21,263</u>	<u>\$ 36,134</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 501,641</u>	<u>\$ 482,165</u>	<u>\$ 569,212</u>	<u>\$ 935,110</u>	
Plan fiduciary net position as a percentage of the total pension liability	11.11%	9.60%	3.60%	3.72%	
Covered payroll	\$ -	\$ -	\$ -	\$ -	
County's net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

See accompanying notes to pension plan schedules.

**Navajo County**  
**Required supplementary information**  
**Schedule of changes in the County's**  
**net pension liability and related ratios**  
**Agent pension plans**  
**June 30, 2018**

**CORP**

	Reporting fiscal year (measurement date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 243,603	\$ 226,516	\$ 229,853	\$ 262,381	
Interest on the total pension liability	321,690	307,215	301,883	298,329	
Changes of benefit terms	693,192	9,571		35,245	
Differences between expected and actual experience in the measurement of the pension liability	(89,958)	(31,895)	(93,870)	(414,141)	
Changes of assumptions or other inputs	107,452	160,139		240,204	
Benefit payments, including refunds of employee contributions	(318,158)	(290,765)	(445,789)	(275,163)	
Net change in total pension liability	957,821	380,781	(7,923)	146,855	
Total pension liability—beginning	4,326,471	3,945,690	3,953,613	3,806,758	
Total pension liability—ending (a)	<u>\$ 5,284,292</u>	<u>\$ 4,326,471</u>	<u>\$ 3,945,690</u>	<u>\$ 3,953,613</u>	
Plan fiduciary net position					
Contributions—employer	\$ 139,477	\$ 137,367	\$ 123,062	\$ 142,344	
Contributions—employee	139,124	130,513	137,233	141,818	
Net investment income	392,801	19,994	120,952	417,329	
Benefit payments, including refunds of employee contributions	(318,158)	(290,765)	(445,789)	(275,163)	
Administrative expense	(3,836)	(3,227)	(3,354)	(3,281)	
Other changes	62,915	(10,869)	9,359	(82,179)	
Net change in plan fiduciary net position	412,323	(16,987)	(58,537)	340,868	
Plan fiduciary net position—beginning	3,286,431	3,303,418	3,361,955	3,021,087	
Plan fiduciary net position—ending (b)	<u>\$ 3,698,754</u>	<u>\$ 3,286,431</u>	<u>\$ 3,303,418</u>	<u>\$ 3,361,955</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 1,585,538</u>	<u>\$ 1,040,040</u>	<u>\$ 642,272</u>	<u>\$ 591,658</u>	
Plan fiduciary net position as a percentage of the total pension liability	70.00%	75.96%	83.72%	85.04%	
Covered payroll	\$ 1,668,947	\$ 1,572,955	\$ 1,632,100	\$ 1,726,328	
County's net pension liability as a percentage of covered payroll	95.00%	66.12%	39.35%	34.27%	

See accompanying notes to pension plan schedules.

**Navajo County**  
**Required supplementary information**  
**Schedule of county pension contributions**  
**June 30, 2018**

**Arizona State Retirement System**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 2,028,064	\$ 2,171,922	\$ 2,128,972	\$ 2,098,505	\$ 2,009,012	Information not available
County's contributions in relation to the statutorily required contribution	2,028,064	2,171,922	2,128,972	2,098,505	2,009,012	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$18,654,163	\$ 20,130,088	\$ 19,429,032	\$ 19,400,464	\$ 18,778,977	
County's contributions as a percentage of covered payroll	10.87%	10.79%	10.96%	10.82%	10.70%	

**Corrections Officer Retirement Plan—Administrative**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 294,854	\$ 379,356	\$ 367,198	\$ 279,677	\$ 267,905	Information not available
County's contributions in relation to the statutorily required contribution	294,854	379,356	367,198	279,677	267,905	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,378,621	\$ 1,941,447	\$ 1,891,207	\$ 1,879,552	\$ 1,854,011	
County's contributions as a percentage of covered payroll	21.39%	19.54%	19.42%	14.88%	14.45%	

**Elected Officials Retirement Plan**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 370,491	\$ 363,340	\$ 355,627	\$ 364,573	\$ 394,725	Information not available
County's contributions in relation to the statutorily required contribution	34,325	363,340	355,627	364,573	394,725	
County's contribution deficiency (excess)	\$ 336,166	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,840,513	\$ 1,668,147	\$ 1,532,182	\$ 1,551,376	\$ 1,704,339	
County's contributions as a percentage of covered payroll	1.86%	21.78%	23.21%	23.50%	23.16%	

See accompanying notes to pension plan schedules.

**Navajo County**  
**Required supplementary information**  
**Schedule of county pension contributions**  
**June 30, 2018**

**PSPRS Sheriff**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,039,891	\$ 1,091,146	\$ 1,214,475	\$ 784,719	\$ 692,113	Information not available
County's contributions in relation to the actuarially determined contribution	780,780	1,091,146	1,214,475	784,719	692,113	
County's contribution deficiency (excess)	\$ 259,111	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 2,402,346	\$ 2,475,549	\$ 2,464,986	\$ 2,365,037	\$ 2,242,753	
County's contributions as a percentage of covered payroll	32.50%	44.08%	49.27%	33.18%	30.86%	

**PSPRS Attorney Investigators**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 33,307	\$ 38,721	\$ 35,878	\$ 49,759	\$ -	Information not available
County's contributions in relation to the actuarially contribution	33,307	38,721	35,878	49,759	-	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	
County's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	

**CORP**

	Reporting fiscal year					2013-2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 151,162	\$ 144,735	\$ 138,748	\$ 123,060	\$ 146,738	Information not available
County's contributions in relation to the actuarially contribution	151,162	144,735	138,748	123,060	146,738	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,508,678	\$ 1,668,947	\$ 1,572,955	\$ 1,632,100	\$ 1,726,328	
County's contributions as a percentage of covered payroll	10.02%	8.67%	8.82%	7.54%	8.50%	

See accompanying notes to pension plan schedules.

Navajo County  
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 Notes to pension plan schedules  
 June 30, 2018

Note 1 - Actuarially determined contribution rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 - Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were

Navajo County  
Required supplementary information  
Notes to pension plan schedules  
June 30, 2018

retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-, CORP-, and CORP-AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-, CORP-, and CORP-AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.



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## SUPPLEMENTARY INFORMATION

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Navajo County  
Nonmajor governmental funds  
June 30, 2018

**Special Revenue Funds**

<b>Administration</b>	Accounts for administration of a variety of programs including the Assessor, Recorder and Treasurer surcharges, election services and certain emergency service functions. Funding sources include service related surcharges, federal and state grant funds, fees and local government contributions.
<b>County Attorney</b>	Accounts for various programs administered by the County Attorney including Victim's Rights, Assistance and Restitution, Child Support Enforcement, Anti-Racketeering, High-Intensity Drug Trafficking Area and Bad Check Enforcement. Funding sources include statutory fees and other surcharges related to criminal prosecution, federal and state grants and other user fees.
<b>Courts</b>	Accounts for the processing of criminal cases as well as court enhancement and record retention improvement funds. Funding sources include statutory fees and other surcharges related to the courts.
<b>Environmental and Conservation</b>	Accounts for forest health and energy conservation programs. Funding is provided by federal grants.
<b>Housing</b>	Accounts for housing and community development programs. Funding is provided by federal Community Development Block Grants.
<b>Library District</b>	Accounts for support services and materials provided to the County's community libraries. Funding sources include federal and state grants and a secondary property tax levy.
<b>Probation</b>	Accounts for Adult and Juvenile Probation programs and services provided in coordination with the State's Superior Court System. Funding sources include state grants and fees paid by probationers.
<b>Public Defense</b>	Accounts for the public defense of criminal cases including public defense enhancement funds. Funding sources include statutory fees and other surcharges related to public defense.
<b>Public Health</b>	Accounts for a variety of health service and education programs including Bio-Terrorism, Women, Infants and Children (WIC), Nutrition, Tobacco, Dental and infectious and contagious diseases. Funding sources include a secondary property tax levy, federal and state grants, appropriations, fees and private party contributions.
<b>Recreation District</b>	Accounts for operating costs of the White Mountain Lake Recreation District. Funding sources are fees and secondary property taxes assessed the benefiting property owners within the district boundaries.
<b>Sheriff's Office</b>	Accounts for various jail and law enforcement programs including Jail Enhancement, Drug Enforcement, Anti-Racketeering, High-Intensity Drug Trafficking Area and Boating Safety. Funding sources include federal and state grants.



Navajo County  
Nonmajor governmental funds  
June 30, 2018

**Special Districts** Accounts for operating costs for the Silver Creek, Bucking Horse, Victory Heights, Hilltop Drive, Mountain View and North Whistle Stop Loop County Road Improvement Districts. Funding sources are secondary property taxes assessed the benefiting property owners within the district boundaries.

**Superintendent of Schools** Accounts for educational services and programs including the Navajo County Accommodation District, juvenile detention Hope School, Special Services Consortium and unorganized school district territory. Funding sources include federal and state grants and charges for services from local school districts.

**Workforce Innovation and Opportunity Act (WIOA)** Accounts for administration of the federal Workforce Investment Act (WIA) program. Funding is from federal grants.

**Capital Projects Funds**

**Other** Accounts for miscellaneous construction projects and funding sources include county revenues and investment earnings.

**Debt Service Funds**

**General Government** Accounts for the accumulation of resources for payment of principal and interest on the 2012 and 2013 Series Pledged Revenue Obligations for construction of the Public Works Complex in Holbrook and construction and remodel of jail facilities.

**Special Districts** Accounts for the accumulation of resources for the payment of principal and interest on bonds and other debt instruments of the Sutter Drive, Scott's Pine Tract A, Shumway Road and Bucking Horse Improvement Districts. Funding sources are secondary property taxes assessed the benefiting property owners within the district boundaries.

Navajo County  
Combining balance sheet  
Nonmajor governmental funds  
June 30, 2018

	Special revenue			
	Administration	County attorney	Courts	Environmental and conservation
<b>Assets</b>				
Cash and investments	\$ 578,057	\$ 1,066,294	\$ 1,243,403	\$ 606,571
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	444	35,059	1,269	
Special assessments				
Due from:				
Other funds		69,556	71,187	3,402
Other governments	165,976	148,548	38	12,500
Total assets	<u>\$ 744,477</u>	<u>\$ 1,319,457</u>	<u>\$ 1,315,897</u>	<u>\$ 622,473</u>
<b>Liabilities</b>				
Accounts payable		\$ 11,067	\$ 1,031	\$ 2,655
Accrued payroll and employee benefits	\$ 3,497			2,498
Due to:				
Other funds	11,035	47,128	73,227	676
Other governments	245	6,158	192	52
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>14,777</u>	<u>64,353</u>	<u>74,450</u>	<u>5,881</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue—property taxes				
Unavailable revenue—special assessments				
Unavailable revenue—intergovernmental	113,438	16,540		
Total deferred inflows of resources	<u>113,438</u>	<u>16,540</u>		
<b>Fund balances</b>				
Nonspendable				
Restricted	602,889	1,564,699	1,407,633	616,592
Assigned	13,373			
Unassigned		(326,135)	(166,186)	
Total fund balances(deficits)	<u>616,262</u>	<u>1,238,564</u>	<u>1,241,447</u>	<u>616,592</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 744,477</u>	<u>\$ 1,319,457</u>	<u>\$ 1,315,897</u>	<u>\$ 622,473</u>

(continued)

Navajo County  
Combining balance sheet  
Nonmajor governmental funds  
June 30, 2018

	Special revenue			
	Housing	Library district	Probation	Public defense
<b>Assets</b>				
Cash and investments		\$ 197,315	\$ 701,880	\$ 265,587
Receivables (net of allowance for uncollectibles):				
Property taxes		32,676		
Accounts receivable		792		7
Special assessments				
Due from:				
Other funds		36		
Other governments				
Total assets		\$ 230,819	\$ 701,880	\$ 265,594
<b>Liabilities</b>				
Accounts payable		\$ 7,303	\$ 21,381	\$ 7,955
Accrued payroll and employee benefits		3,885	4,541	2,247
Due to:				
Other funds		1,347	8,980	30,047
Other governments		291	37,025	7
Pledged revenue obligations payable				
Interest payable				
Total liabilities	-	12,826	71,927	40,256
<b>Deferred Inflows of Resources</b>				
Unavailable revenue–property taxes		24,765		
Unavailable revenue–special assessments				
Unavailable revenue–intergovernmental				
Total deferred inflows of resources		24,765		
<b>Fund balances</b>				
Nonspendable				
Restricted		198,506	658,210	225,338
Assigned				
Unassigned		(5,278)	(28,257)	
Total fund balances(deficits)	-	193,228	629,953	225,338
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 230,819	\$ 701,880	\$ 265,594

(continued)

Navajo County  
Combining balance sheet  
Nonmajor governmental funds  
June 30, 2018

	Special revenue			
	Public health	Recreation district	Sheriff's office	Special districts
<b>Assets</b>				
Cash and investments	\$ 705,154	\$ 116,402	\$ 337,234	\$ 629,067
Receivables (net of allowance for uncollectibles):				
Property taxes	83,596			
Accounts receivable	57,280	170	8,435	
Special assessments		39,217		4,535
Due from:				
Other funds			7,760	
Other governments	692,318		176,898	
Total assets	<u>\$ 1,538,348</u>	<u>\$ 155,789</u>	<u>\$ 530,327</u>	<u>\$ 633,602</u>
<b>Liabilities</b>				
Accounts payable	\$ 22,287		\$ 5,050	\$ 14,227
Accrued payroll and employee benefits	6,083	\$ 155	7,969	
Due to:				
Other funds	14,167	22	1,371	
Other governments	106,897	3	61,171	
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>149,434</u>	<u>180</u>	<u>75,561</u>	<u>14,227</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue—property taxes	63,760			
Unavailable revenue—special assessments		35,780		3,374
Unavailable revenue—intergovernmental	151,661		14,586	
Total deferred inflows of resources	<u>215,421</u>	<u>35,780</u>	<u>14,586</u>	<u>3,374</u>
<b>Fund balances</b>				
Nonspendable				
Restricted	1,291,061	119,829	583,545	616,001
Assigned				
Unassigned	(117,568)		(143,365)	
Total fund balances(deficits)	<u>1,173,493</u>	<u>119,829</u>	<u>440,180</u>	<u>616,001</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,538,348</u>	<u>\$ 155,789</u>	<u>\$ 530,327</u>	<u>\$ 633,602</u>

(continued)

Navajo County  
Combining balance sheet  
Nonmajor governmental funds  
June 30, 2018

	Special revenue		Capital projects
	Superintendent of schools	Workforce innovation & opportunity act	Other
<b>Assets</b>			
Cash and investments	\$ 1,869,944		
Receivables (net of allowance for uncollectibles):			
Property taxes			
Accounts receivable	486		
Special assessments			
Due from:			
Other funds			
Other governments	280,546	\$ 174,944	
Total assets	<u>\$ 2,150,976</u>	<u>\$ 174,944</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ 194,603	\$ 4,650	
Accrued payroll and employee benefits	23,750	919	
Due to:			
Other funds		81,696	\$ 4
Other governments		3,831	
Pledged revenue obligations payable			
Interest payable			
Total liabilities	<u>218,353</u>	<u>91,096</u>	<u>4</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue–property taxes			
Unavailable revenue–special assessments			
Unavailable revenue–intergovernmental			
Total deferred inflows of resources			
<b>Fund balances</b>			
Nonspendable			
Restricted	1,286,465	257,835	
Assigned	646,158		
Unassigned		(173,987)	(4)
Total fund balances(deficits)	<u>1,932,623</u>	<u>83,848</u>	<u>(4)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,150,976</u>	<u>\$ 174,944</u>	<u>\$ -</u>

(continued)

Navajo County  
Combining balance sheet  
Nonmajor governmental funds  
June 30, 2018

	Debt service		Total nonmajor governmental funds
	General government	Special districts	
<b>Assets</b>			
Cash and investments	\$ 537,196	\$ 103,775	\$ 8,957,879
Receivables (net of allowance for uncollectibles):			
Property taxes			116,272
Accounts receivable			103,942
Special assessments		71,430	115,182
Due from:			
Other funds			151,941
Other governments			1,651,768
Total assets	<u>\$ 537,196</u>	<u>\$ 175,205</u>	<u>\$ 11,096,984</u>
<b>Liabilities</b>			
Accounts payable			\$ 292,209
Accrued payroll and employee benefits			55,544
Due to:			
Other funds			269,700
Other governments			215,872
Pledged revenue obligations payable	\$ 170,000		170,000
Interest payable	127,980		127,980
Total liabilities	<u>297,980</u>		<u>1,131,305</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue–property taxes			88,525
Unavailable revenue–special assessments		\$ 71,394	110,548
Unavailable revenue–intergovernmental			296,225
Total deferred inflows of resources		<u>71,394</u>	<u>495,298</u>
<b>Fund balances</b>			
Nonspendable			
Restricted		103,811	9,532,414
Assigned	239,216		898,747
Unassigned			(960,780)
Total fund balances(deficits)	<u>239,216</u>	<u>103,811</u>	<u>9,470,381</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 537,196</u>	<u>\$ 175,205</u>	<u>\$ 11,096,984</u>

Navajo County  
Combining statement of revenues, expenditures,  
and changes in fund balances  
Nonmajor governmental funds  
Year ended June 30, 2018

	Special revenue			
	Administration	County attorney	Courts	Environmental and conservation
Revenues:				
Property taxes				
Special assessments				
Licenses and permits				
Fines and forfeits		\$ 210,387	\$ 49,253	
Intergovernmental	\$ 499,907	978,179	345,804	\$ 349,681
Charges for services	125,092	99,719	624,019	
Investment earnings (loss)	5,249	5,103	10,070	5,343
Contributions		70		
Miscellaneous	88,672	37,072	3,283	3,402
Total revenues	<u>718,920</u>	<u>1,330,530</u>	<u>1,032,429</u>	<u>358,426</u>
Expenditures:				
Current:				
General government	153,009	1,366,697	929,236	
Public safety	372,594			
Highways and streets				
Health and welfare	175,083			
Culture and recreation				
Education and economic opportunity	137,715			
Environmental and conservation				441,264
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay	25,084	2,291	5,659	
Total expenditures	<u>863,485</u>	<u>1,368,988</u>	<u>934,895</u>	<u>441,264</u>
Excess (deficiency) of revenues over expenditures	<u>(144,565)</u>	<u>(38,458)</u>	<u>97,534</u>	<u>(82,838)</u>
Other financing sources (uses):				
Capital lease agreements				
Installment purchase contracts				
Transfers in	242,724	230,210	134,464	13,642
Transfers out	(158,607)	(6,620)	(135,080)	
Total other financing sources and uses	<u>84,117</u>	<u>223,590</u>	<u>(616)</u>	<u>13,642</u>
Net change in fund balances	(60,448)	185,132	96,918	(69,196)
Fund balances, July 1, 2017	<u>676,710</u>	<u>1,053,432</u>	<u>1,144,529</u>	<u>685,788</u>
Fund balances, June 30, 2018	<u>\$ 616,262</u>	<u>\$ 1,238,564</u>	<u>\$ 1,241,447</u>	<u>\$ 616,592</u>

(continued)

Navajo County  
Combining statement of revenues, expenditures,  
and changes in fund balances  
Nonmajor governmental funds  
Year ended June 30, 2018

	Special revenue			
	Housing	Library district	Probation	Public defense
Revenues:				
Property taxes		\$ 811,910		
Special assessments				
Licenses and permits				
Fines and forfeits				
Intergovernmental		24,270	\$ 2,048,046	\$ 12,589
Charges for services			317,480	
Investment earnings (loss)		3,151	5,348	2,026
Contributions				
Miscellaneous		117,161	47	23
Total revenues	-	956,492	2,370,921	14,638
Expenditures:				
Current:				
General government				155,765
Public safety			2,310,378	
Highways and streets				
Health and welfare				
Culture and recreation		670,916		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay				6,343
Total expenditures	-	670,916	2,310,378	162,108
Excess (deficiency) of revenues over expenditures	-	285,576	60,543	(147,470)
Other financing sources (uses):				
Capital lease agreements				6,343
Installment purchase contracts				
Transfers in	\$ 18,371		2,982	92,651
Transfers out		(200,000)	(14)	(93)
Total other financing sources and uses	18,371	(200,000)	2,968	98,901
Net change in fund balances	18,371	85,576	63,511	(48,569)
Fund balances (deficits), July 1, 2017	(18,371)	107,652	566,442	273,907
Fund balances, June 30, 2018	\$ -	\$ 193,228	\$ 629,953	\$ 225,338

(continued)



Navajo County  
Combining statement of revenues, expenditures,  
and changes in fund balances  
Nonmajor governmental funds  
Year ended June 30, 2018

	Special revenue			
	Public health	Recreation district	Sheriff's office	Special districts
Revenues:				
Property taxes	\$ 2,030,937			
Special assessments		\$ 155,443		\$ 104,967
Licenses and permits	132,064			
Fines and forfeits	260		\$ 34,265	
Intergovernmental	2,569,527		646,151	
Charges for services	92,072		497,415	
Investment earnings (loss)		1,250	4,675	2,459
Contributions	50,554			
Miscellaneous	154,832	3,885	21,849	770
Total revenues	<u>5,030,246</u>	<u>160,578</u>	<u>1,204,355</u>	<u>108,196</u>
Expenditures:				
Current:				
General government				
Public safety			822,721	
Highways and streets				51,236
Health and welfare	5,460,986			
Culture and recreation		168,289		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal	22,924		11,595	
Interest and other charges	1,662		4,681	
Capital outlay	64,509		10,700	
Total expenditures	<u>5,550,081</u>	<u>168,289</u>	<u>849,697</u>	<u>51,236</u>
Excess (deficiency) of revenues over expenditures	<u>(519,835)</u>	<u>(7,711)</u>	<u>354,658</u>	<u>56,960</u>
Other financing sources (uses):				
Capital lease agreements				
Installment purchase contracts	54,372			
Transfers in	1,835,047		359,758	221
Transfers out			(450,000)	(65,509)
Total other financing sources and uses	<u>1,889,419</u>		<u>(90,242)</u>	<u>(65,288)</u>
Net change in fund balances	1,369,584	(7,711)	264,416	(8,328)
Fund balances (deficits), July 1, 2017	<u>(196,091)</u>	<u>127,540</u>	<u>175,764</u>	<u>624,329</u>
Fund balances, June 30, 2018	<u>\$ 1,173,493</u>	<u>\$ 119,829</u>	<u>\$ 440,180</u>	<u>\$ 616,001</u>

(continued)

Navajo County  
Combining statement of revenues, expenditures,  
and changes in fund balances  
Nonmajor governmental funds  
Year ended June 30, 2018

	Special revenue		Capital projects
	Superintendent of schools	Workforce innovation & opportunity act	Other
Revenues:			
Property taxes			
Special assessments			
Licenses and permits			
Fines and forfeits			
Intergovernmental	\$ 3,338,051	\$ 888,318	
Charges for services			
Investment earnings (loss)	11,304		\$ (22)
Contributions			
Miscellaneous	364,346	13,831	
Total revenues	<u>3,713,701</u>	<u>902,149</u>	<u>(22)</u>
Expenditures:			
Current:			
General government			
Public safety			
Highways and streets			
Health and welfare			
Culture and recreation			
Education and economic opportunity	3,684,083	929,995	
Environmental and conservation			
Urban redevelopment and housing			
Debt Service:			
Principal			
Interest and other charges			
Capital outlay			
Total expenditures	<u>3,684,083</u>	<u>929,995</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>29,618</u>	<u>(27,846)</u>	<u>(22)</u>
Other financing sources (uses):			
Capital lease agreements			
Installment purchase contracts			
Transfers in		9,220	2,713
Transfers out			(117)
Total other financing sources and uses		<u>9,220</u>	<u>2,596</u>
Net change in fund balances	29,618	(18,626)	2,574
Fund balances (deficits), July 1, 2017	<u>1,903,005</u>	<u>102,474</u>	<u>(2,578)</u>
Fund balances (deficits), June 30, 2018	<u>\$ 1,932,623</u>	<u>\$ 83,848</u>	<u>\$ (4)</u>

(continued)

Navajo County  
Combining statement of revenues, expenditures,  
and changes in fund balances  
Nonmajor governmental funds  
Year ended June 30, 2018

	Debt service		Total nonmajor governmental funds
	General government	Special districts	
Revenues:			
Property taxes			\$ 2,842,847
Special assessments		\$ 118,940	379,350
Licenses and permits			132,064
Fines and forfeits			294,165
Intergovernmental			11,700,523
Charges for services			1,755,797
Investment earnings (loss)	\$ 1,680	1,171	58,807
Contributions			50,624
Miscellaneous		6	809,179
Total revenues	<u>1,680</u>	<u>120,117</u>	<u>18,023,356</u>
Expenditures:			
Current:			
General government			2,604,707
Public safety			3,505,693
Highways and streets			51,236
Health and welfare			5,636,069
Culture and recreation			839,205
Education and economic opportunity			4,751,793
Environmental and conservation			441,264
Urban redevelopment and housing			
Debt Service:			
Principal	1,215,000	63,000	1,312,519
Interest and other charges	401,876	18,124	426,343
Capital outlay			114,586
Total expenditures	<u>1,616,876</u>	<u>81,124</u>	<u>19,683,415</u>
Excess (deficiency) of revenues over expenditures	<u>(1,615,196)</u>	<u>38,993</u>	<u>(1,660,059)</u>
Other financing sources (uses):			
Capital lease agreements			6,343
Installment purchase contracts			54,372
Transfers in	1,022,901		3,964,904
Transfers out	(8)	(2,442)	(1,018,490)
Total other financing sources and uses	<u>1,022,893</u>	<u>(2,442)</u>	<u>3,007,129</u>
Net change in fund balances	(592,303)	36,551	1,347,070
Fund balances (deficits), July 1, 2017	<u>831,519</u>	<u>67,260</u>	<u>8,123,311</u>
Fund balances (deficits), June 30, 2018	<u>\$ 239,216</u>	<u>\$ 103,811</u>	<u>\$ 9,470,381</u>

(continued)

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Administration  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 2,597,288	\$ 499,907	\$ (2,097,381)
Charges for services	159,800	125,092	(34,708)
Investment earnings	2,250	5,249	2,999
Miscellaneous	600,000	88,672	(511,328)
Total revenues	<u>3,359,338</u>	<u>718,920</u>	<u>(2,640,418)</u>
Expenditures:			
General government	440,396	153,009	287,387
Public safety	3,951,674	397,678	3,553,996
Health and welfare	225,959	175,083	50,876
Education and economic opportunity	401,600	137,715	263,885
Total expenditures	<u>5,019,629</u>	<u>863,485</u>	<u>4,156,144</u>
Deficiency of revenues over expenditures	<u>(1,660,291)</u>	<u>(144,565)</u>	<u>1,515,726</u>
Other financing sources (uses):			
Transfers in	289,543	242,724	(46,819)
Transfers out		(158,607)	(158,607)
Total other financing sources and uses	<u>289,543</u>	<u>84,117</u>	<u>(205,426)</u>
Net change in fund balances	(1,370,748)	(60,448)	1,310,300
Fund balances, July 1, 2017	1,370,748	676,710	(694,038)
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 616,262</u>	<u>\$ 616,262</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - County attorney  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Fines and forfeits	\$ 192,575	\$ 210,387	\$ 17,812
Intergovernmental	1,695,104	978,179	(716,925)
Charges for services	35,225	99,719	64,494
Investment earnings	5,645	5,103	(542)
Contributions	27,088	70	(27,018)
Miscellaneous	491,282	37,072	(454,210)
Total revenues	<u>2,446,919</u>	<u>1,330,530</u>	<u>(1,116,389)</u>
Expenditures:			
General government	3,263,779	1,368,988	1,894,791
Total expenditures	<u>3,263,779</u>	<u>1,368,988</u>	<u>1,894,791</u>
Deficiency of revenues over expenditures	<u>(816,860)</u>	<u>(38,458)</u>	<u>778,402</u>
Other financing sources (uses):			
Transfers in	77,260	230,210	152,950
Transfers out		(6,620)	(6,620)
Total other financing sources and uses	<u>77,260</u>	<u>223,590</u>	<u>146,330</u>
Net change in fund balances	(739,600)	185,132	924,732
Fund balances, July 1, 2017	739,600	1,053,432	313,832
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 1,238,564</u>	<u>\$ 1,238,564</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Courts  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Fines and forfeits	\$ 53,875	\$ 49,253	\$ (4,622)
Intergovernmental	412,404	345,804	(66,600)
Charges for services	837,888	624,019	(213,869)
Investment earnings	1,150	10,070	8,920
Miscellaneous		3,283	3,283
Total revenues	<u>1,305,317</u>	<u>1,032,429</u>	<u>(272,888)</u>
Expenditures:			
General government	<u>2,508,829</u>	<u>934,895</u>	<u>1,573,934</u>
Total expenditures	<u>2,508,829</u>	<u>934,895</u>	<u>1,573,934</u>
Excess (deficiency) of revenues over expenditures	<u>(1,203,512)</u>	<u>97,534</u>	<u>1,301,046</u>
Other financing sources (uses):			
Transfers in		134,464	134,464
Transfers out	(98,514)	(135,080)	(36,566)
Total other financing sources and uses	<u>(98,514)</u>	<u>(616)</u>	<u>97,898</u>
Net change in fund balances	(1,302,026)	96,918	1,398,944
Fund balances, July 1, 2017	<u>1,302,026</u>	<u>1,144,529</u>	<u>(157,497)</u>
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 1,241,447</u>	<u>\$ 1,241,447</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Environmental and conservation  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 359,000	\$ 349,681	\$ (9,319)
Investment earnings	9,042	5,343	(3,699)
Miscellaneous		3,402	3,402
Total revenues	<u>368,042</u>	<u>358,426</u>	<u>(9,616)</u>
Expenditures:			
Environmental and conservation	1,035,120	441,264	593,856
Total expenditures	<u>1,035,120</u>	<u>441,264</u>	<u>593,856</u>
Deficiency of revenues over expenditures	<u>(667,078)</u>	<u>(82,838)</u>	<u>584,240</u>
Other financing sources:			
Transfers in		13,642	13,642
Total other financing sources		<u>13,642</u>	<u>13,642</u>
Net change in fund balances	(667,078)	(69,196)	597,882
Fund balances, July 1, 2017	667,078	685,788	18,710
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 616,592</u>	<u>\$ 616,592</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Housing  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 122,371	\$ -	\$ (122,371)
Total revenues	<u>122,371</u>	<u>-</u>	<u>(122,371)</u>
Expenditures:			
Urban redevelopment and housing	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>122,371</u>	<u>-</u>	<u>(122,371)</u>
Other financing sources:			
Transfers in	-	18,371	-
Total other financing sources	<u>-</u>	<u>18,371</u>	<u>-</u>
Net change in fund balances	122,371	18,371	(104,000)
Fund balances (deficits), July 1, 2017	(122,371)	(18,371)	104,000
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Navajo County  
 Budgetary comparison schedule  
 Special revenue - Library district  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Property taxes	\$ 812,897	\$ 811,910	\$ (987)
Intergovernmental	49,798	24,270	(25,528)
Investment earnings	1,100	3,151	2,051
Miscellaneous	1,000	117,161	116,161
Total revenues	<u>864,795</u>	<u>956,492</u>	<u>(26,515)</u>
Expenditures:			
Culture and recreation	<u>551,758</u>	<u>440,043</u>	<u>111,715</u>
Total expenditures	<u>551,758</u>	<u>440,043</u>	<u>111,715</u>
Excess of revenues over expenditures	<u>313,037</u>	<u>516,449</u>	<u>203,412</u>
Other financing uses:			
Transfers out	<u>(430,873)</u>	<u>(430,873)</u>	<u>-</u>
Total other financing uses	<u>(430,873)</u>	<u>(430,873)</u>	<u>-</u>
Net change in fund balances	(117,836)	85,576	203,412
Fund balances, July 1, 2017	117,836	107,652	(10,184)
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 193,228</u>	<u>\$ 193,228</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Probation  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 2,147,732	\$ 2,048,046	\$ (99,686)
Charges for services	319,000	317,480	(1,520)
Investment earnings	2,852	5,348	2,496
Miscellaneous	8	47	39
Total revenues	<u>2,469,592</u>	<u>2,370,921</u>	<u>(98,671)</u>
Expenditures:			
Public safety	<u>3,009,389</u>	<u>2,310,378</u>	<u>699,011</u>
Total expenditures	<u>3,009,389</u>	<u>2,310,378</u>	<u>699,011</u>
Excess (deficiency) of revenues over expenditures	<u>(539,797)</u>	<u>60,543</u>	<u>600,340</u>
Other financing sources (uses):			
Transfers in	2,996	2,982	(14)
Transfers out	<u>          </u>	<u>(14)</u>	<u>(14)</u>
Total other financing sources and uses	<u>2,996</u>	<u>2,968</u>	<u>(28)</u>
Net change in fund balances	(536,801)	63,511	600,312
Fund balances, July 1, 2017	536,801	566,442	29,641
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 629,953</u>	<u>\$ 629,953</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Public defense  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 21,000	\$ 12,589	\$ (8,411)
Investment earnings	658	2,026	1,368
Miscellaneous		23	23
Total revenues	<u>\$21,658</u>	<u>\$14,638</u>	<u>(7,020)</u>
Expenditures:			
General government	358,154	155,765	202,389
Total expenditures	<u>358,154</u>	<u>155,765</u>	<u>202,389</u>
Deficiency of revenues over expenditures	<u>(336,496)</u>	<u>(141,127)</u>	<u>195,369</u>
Other financing sources (uses):			
Transfers in	60,696	92,651	31,955
Transfers out		(93)	(93)
Total other financing sources and uses	<u>60,696</u>	<u>92,558</u>	<u>31,862</u>
Net change in fund balances	(275,800)	(48,569)	227,231
Fund balances, July 1, 2017	275,800	273,907	(1,893)
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 225,338</u>	<u>\$ 225,338</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Public health  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Property taxes	\$ 2,033,063	\$ 2,030,937	\$ (2,126)
Licenses and permits	120,000	132,064	12,064
Fines and forfeits		260	260
Intergovernmental	3,161,796	2,569,527	(592,269)
Charges for services	221,638	92,072	(129,566)
Investment earnings	54,176		(54,176)
Contributions	53,100	50,554	(2,546)
Miscellaneous	29,449	154,832	125,383
Total revenues	<u>5,673,222</u>	<u>5,030,246</u>	<u>(642,976)</u>
Expenditures:			
Health and welfare	<u>6,332,368</u>	<u>5,038,132</u>	<u>1,294,236</u>
Total expenditures	<u>6,332,368</u>	<u>5,038,132</u>	<u>1,294,236</u>
Deficiency of revenues over expenditures	<u>(659,146)</u>	<u>(7,886)</u>	<u>(1,937,212)</u>
Other financing sources (uses):			
Transfers in	1,802,844	1,835,047	32,203
Transfers out	(457,577)	(457,577)	-
Total other financing sources and uses	<u>1,345,267</u>	<u>1,377,470</u>	<u>32,203</u>
Net change in fund balances	686,121	1,369,584	683,463
Fund balances (deficits), July 1, 2017	(686,121)	(196,091)	490,030
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 1,173,493</u>	<u>\$ 1,173,493</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Recreation district  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Special assessments	\$174,049	\$155,443	\$ (18,606)
Investment earnings		1,250	1,250
Miscellaneous		3,885	3,885
Total revenues	<u>174,049</u>	<u>160,578</u>	<u>(13,471)</u>
Expenditures:			
Culture and recreation	309,049	168,289	140,760
Total expenditures	<u>309,049</u>	<u>168,289</u>	<u>140,760</u>
Deficiency of revenues over expenditures	(135,000)	(7,711)	127,289
Fund balances, July 1, 2017	135,000	127,540	(7,460)
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 119,829</u>	<u>\$ 119,829</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Sheriff's office  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Fines and forfeits	\$ 50,000	\$ 34,265	\$ (15,735)
Intergovernmental	643,785	646,151	2,366
Charges for services	577,610	497,415	(80,195)
Investment earnings	1,643	4,675	3,032
Miscellaneous	87,134	21,849	(65,285)
Total revenues	<u>1,360,172</u>	<u>1,204,355</u>	<u>(155,817)</u>
Expenditures:			
Public safety	1,362,930	849,697	513,233
Total expenditures	<u>1,362,930</u>	<u>849,697</u>	<u>513,233</u>
Excess (deficiency) of revenues over expenditures	<u>(2,758)</u>	<u>354,658</u>	<u>357,416</u>
Other financing sources (uses):			
Transfers in	330,051	359,758	29,707
Transfers out	(450,000)	(450,000)	-
Total other financing sources and uses	<u>(119,949)</u>	<u>(90,242)</u>	<u>29,707</u>
Net change in fund balances	(122,707)	264,416	387,123
Fund balances, July 1, 2017	122,707	175,764	53,057
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 440,180</u>	<u>\$ 440,180</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Special districts  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Special assessments	\$ 79,587	\$ 104,967	\$ 25,380
Investment earnings	139	2,459	2,320
Miscellaneous		770	770
Total revenues	<u>79,726</u>	<u>108,196</u>	<u>28,470</u>
Expenditures:			
Highways and streets	609,774	51,236	558,538
Total expenditures	<u>609,774</u>	<u>51,236</u>	<u>558,538</u>
Excess (deficiency) of revenues over expenditures	<u>(530,048)</u>	<u>\$56,960</u>	<u>587,008</u>
Other financing sources (uses):			
Transfers in		221	221
Transfers out		(65,509)	(65,509)
Total financing sources and uses	<u>-</u>	<u>(65,288)</u>	<u>(65,288)</u>
Net change in fund balances	(530,048)	(8,328)	521,720
Fund balances, July 1, 2017	530,048	624,329	94,281
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 616,001</u>	<u>\$ 616,001</u>

Navajo County  
 Budgetary comparison schedule  
 Special revenue - Workforce innovation and opportunity act (WIOA)  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Intergovernmental	\$ 1,920,789	\$ 888,318	\$ (1,032,471)
Investment earnings		13,831	13,831
Total revenues	<u>1,920,789</u>	<u>902,149</u>	<u>(1,018,640)</u>
Expenditures:			
Education and economic opportunity	1,889,201	929,995	959,206
Total expenditures	<u>1,889,201</u>	<u>929,995</u>	<u>959,206</u>
Excess (deficiency) of revenues over expenditures	<u>31,588</u>	<u>(27,846)</u>	<u>(59,434)</u>
Other financing sources:			
Transfers in		9,220	9,220
Total other financing sources	<u>-</u>	<u>9,220</u>	<u>9,220</u>
Net change in fund balances	31,588	(18,626)	(50,214)
Fund balances (deficits), July 1, 2017	(31,588)	102,474	134,062
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 83,848</u>	<u>\$ 83,848</u>



Navajo County  
 Budgetary comparison schedule  
 Capital projects - Other  
 Year ended June 30, 2018

	<u>Original and final budgeted amounts</u>	<u>Actual amounts</u>	<u>Variance with final budget</u>
Revenues:			
Investment earnings (loss)	\$ -	\$ (22)	\$ (22)
Total revenues	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Expenditures:			
Capital outlay	1,827,311		1,827,311
Total expenditures	<u>1,827,311</u>	<u>-</u>	<u>1,827,311</u>
Deficiency of revenues over expenditures	<u>(1,827,311)</u>	<u>(22)</u>	<u>1,827,289</u>
Other financing sources (uses):			
Transfers in		2,713	2,713
Transfers out		(117)	(117)
Total other financing sources and uses	<u>-</u>	<u>2,596</u>	<u>2,596</u>
Net change in fund balances	(1,827,311)	2,574	1,829,885
Fund balances (deficits), July 1, 2017	1,827,311	(2,578)	(1,829,889)
Fund balances (deficits), June 30, 2018	<u>\$ -</u>	<u>\$ (4)</u>	<u>\$ (4)</u>

Navajo County  
 Budgetary comparison schedule  
 Debt service - General government  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Investment earnings		1,680	1,680
Total revenues	<u>1,680</u>	<u>1,680</u>	<u>1,680</u>
Expenditures:			
Debt Service			
General government	1,532,943	1,616,876	(83,933)
Total expenditures	<u>1,532,943</u>	<u>1,616,876</u>	<u>(83,933)</u>
Deficiency of revenues over expenditures	<u>(1,532,943)</u>	<u>(1,615,196)</u>	<u>(82,253)</u>
Other financing sources (uses):			
Transfers in	1,530,135	1,022,901	(507,234)
Transfers out		(8)	(8)
Total other financing sources (uses)	<u>1,530,135</u>	<u>1,022,893</u>	<u>(507,242)</u>
Net change in fund balances	(2,808)	(592,303)	(589,495)
Fund balances, July 1, 2017	2,808	831,519	828,711
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 239,216</u>	<u>\$ 239,216</u>

Navajo County  
 Budgetary comparison schedule  
 Debt service - Special districts  
 Year ended June 30, 2018

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Special assessments	\$ 105,096	\$ 118,940	\$ 13,844
Investments earnings		1,171	1,171
Miscellaneous		6	6
Total revenues	<u>105,096</u>	<u>120,117</u>	<u>15,021</u>
Expenditures:			
Debt Service			
Highways and streets	215,457	81,124	134,333
Total expenditures	<u>215,457</u>	<u>81,124</u>	<u>134,333</u>
Excess (deficiency) of revenues over expenditures	<u>(110,361)</u>	<u>38,993</u>	<u>149,354</u>
Other financing uses:			
Transfers out		(2,442)	(2,442)
Total other financing uses		<u>(2,442)</u>	<u>(2,442)</u>
Net change in fund balances	(110,361)	36,551	146,912
Fund balances, July 1, 2017	110,361	67,260	(43,101)
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ 103,811</u>	<u>\$ 103,811</u>





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**AGENCY FUND  
STATEMENT OF CHANGES IN  
ASSETS AND LIABILITIES**

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Navajo County  
Statement of changes in assets and liabilities  
Agency funds  
Year ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets				
Cash and investments	\$ 2,657,877	\$ 6,402,765	\$ 6,392,958	\$ 2,667,684
Total Assets	<u>\$2,657,877</u>	<u>\$ 6,402,765</u>	<u>\$ 6,392,958</u>	<u>\$ 2,667,684</u>
Liabilities				
Due to other governments	\$ 658,241	\$ 5,017,330	\$ 4,972,272	\$ 703,299
Deposits held for other parties	1,999,636	1,385,435	1,420,686	1,964,385
Total Liabilities	<u>\$2,657,877</u>	<u>\$ 6,402,765</u>	<u>\$ 6,392,958</u>	<u>\$ 2,667,684</u>



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# STATISTICAL SECTION

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Navajo County  
Listing of Statistical Information

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Navajo County  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
Net investment in capital assets	\$ 73,728,006	\$ 66,038,408	\$ 70,264,651	\$ 64,205,881	\$ 58,803,447
Restricted	19,040,878	23,034,928	27,364,617	25,830,803	25,924,806
Unrestricted	15,007,820	16,207,016	6,481,167	7,151,635	8,028,698
Total governmental activities net position	<u>\$ 107,776,704</u>	<u>\$ 105,280,352</u>	<u>\$ 104,110,435</u>	<u>\$ 97,188,319</u>	<u>\$ 92,756,951</u>
	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in capital assets	\$ 65,059,354	\$ 63,750,745	\$ 62,361,145	\$ 60,217,341	\$ 58,887,125
Restricted	24,056,612	23,521,625	24,226,548	27,519,091	29,179,272
Unrestricted (deficit)	4,454,331	(51,230,312)	(53,540,230)	(57,988,587)	(62,383,097)
Total governmental activities net position	<u>\$ 93,570,297</u>	<u>\$ 36,042,058</u>	<u>\$ 33,047,463</u>	<u>\$ 29,747,845</u>	<u>\$ 25,683,300</u>

\* Capital assets were restated for fiscal year 2012 due to certain road projects such as chip seals, slurry seals, and overlays being reclassified from capitalized road improvements to road maintenance projects expensed in the year completed.

Navajo County  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<b>Expenses:</b>				
General government	\$ 19,392,043	\$ 22,647,297	\$ 22,396,786	\$ 21,607,586
Public safety	19,182,119	17,566,896	16,191,164	18,238,891
Highways and streets	14,058,305	13,057,318	14,480,464	8,023,409
Health and welfare	7,219,915	9,366,578	7,129,008	5,909,936
Culture and recreation	510,035	747,065	814,786	966,000
Education and economic opportunity	5,723,104	6,307,885	5,710,417	6,164,792
Environmental and conservation	231,225	237,032	196,504	16,352
Urban redevelopment and housing		307,208	35,558	784
Interest on long-term debt	594,260	677,253	625,962	721,020
Total governmental activities expenses	<u>66,911,006</u>	<u>70,914,532</u>	<u>67,580,649</u>	<u>61,648,770</u>
<b>Program Revenues:</b>				
<b>Charges for services:</b>				
General government	3,473,303	3,531,064	3,465,053	3,326,109
Public Safety	765,083	517,702	672,441	982,588
Highway and streets		39,249	98,695	334,513
Health and welfare	122,462	215,494	194,090	163,957
Culture and recreation				155,895
<b>Operating grants and contributions:</b>				
General government	3,719,202	1,735,327	2,584,222	2,215,242
Public Safety	3,599,091	3,290,457	2,916,270	3,252,479
Highway and streets				
Health and welfare	2,199,624	1,803,890	2,280,437	1,819,214
Culture and recreation	64,885	122,207	137,643	152,083
Education and economic opportunity	5,512,115	6,086,494	3,665,344	4,654,668
Environmental and conservation	205,884	195,574	429,653	59,097
Urban redevelopment and housing		305,647	63,162	
<b>Capital grants and contributions:</b>				
General government				220,229
Public Safety				5,000
Highway and streets	12,393,158	15,637,667	13,170,789	9,578,324
Total governmental activities program revenues	<u>32,054,807</u>	<u>33,480,772</u>	<u>29,677,799</u>	<u>26,919,398</u>
Net (Expense) Revenue	<u>\$ (34,856,199)</u>	<u>\$ (37,433,760)</u>	<u>\$ (37,902,850)</u>	<u>\$ (34,729,372)</u>
<b>General Revenues:</b>				
Property taxes	\$ 10,933,578	\$ 12,494,737	\$ 12,866,253	\$ 12,087,700
Special assessments (see Note)				
General county sales tax	6,330,588	5,480,598	5,889,027	6,246,077
State shared revenues	12,017,517	10,728,725	11,405,376	11,475,113
Payment in lieu of taxes				
Grants and contributions not restricted to specific programs	6,444,858	4,902,289	4,489,096	3,175,428
Investment earnings	750,742	322,748	254,483	202,500
Capital contributions				
Gain on disposal of capital assets	23,895	115,237	5,957	13,116
Miscellaneous	1,466,751	1,273,310	1,822,741	1,170,658
Transfers		(380,236)	-	-
Total general revenues and transfers	<u>37,967,929</u>	<u>34,937,408</u>	<u>36,732,933</u>	<u>34,370,592</u>
Change in net position - governmental activities	<u>\$ 3,111,730</u>	<u>\$ (2,496,352)</u>	<u>\$ (1,169,917)</u>	<u>\$ (358,780)</u>

Note: The County reclassified special assessments revenue from general revenue to program revenue beginning in FY 2016.

(continued)

Navajo County  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	20,944,578	\$	22,213,348	\$	31,968,411	\$	29,716,664	\$	32,717,374	\$	33,836,072
	19,123,378		16,995,243		16,655,632		17,512,220		17,730,173		19,294,895
	10,935,566		9,534,493		11,190,411		12,008,267		10,710,700		11,773,357
	7,734,191		8,039,343		7,956,284		8,350,410		8,362,293		8,079,274
	788,127		694,108		665,292		798,683		790,379		781,287
	5,498,285		6,190,399		5,669,487		5,479,786		4,297,521		5,042,013
	303,402		329,829		211,478		247,622		303,270		417,465
	42,701		365,994		73,852		16,887		165,114		
	527,044		487,808		802,936		503,684		461,083		426,770
	<u>65,897,272</u>		<u>64,850,565</u>		<u>75,193,783</u>		<u>74,634,223</u>		<u>75,537,907</u>		<u>79,651,133</u>
	3,649,106		3,537,721		5,079,224		5,400,182		4,780,321		4,848,807
	1,146,080		919,746		1,390,048		1,549,821		1,285,569		1,261,016
	12,171		252,982		100,758		432,421		330,585		206,020
	243,393		329,602		274,262		333,306		319,505		224,395
							166,881		151,137		156,091
	1,966,176		2,700,852		3,613,033		3,945,966		3,794,242		4,230,956
	4,500,832		3,976,671		3,715,424		4,911,950		4,571,216		5,433,481
	2,500,943		2,820,717		2,898,998		2,770,719		2,901,048		2,857,321
	129,282		149,666		128,945		61,754		68,388		22,532
	4,327,485		5,266,695		4,488,394		5,034,340		3,450,856		4,262,294
	301,660		534,722		411,987		364,692		317,752		430,922
	40,823		376,628		62,860		10,000		458,825		
											5,000
									67,306		34,303
	<u>9,690,517</u>		<u>9,565,055</u>		<u>11,431,446</u>		<u>11,571,167</u>		<u>12,173,466</u>		<u>11,947,902</u>
	<u>28,508,468</u>		<u>30,431,057</u>		<u>33,595,379</u>		<u>36,553,199</u>		<u>34,670,216</u>		<u>35,921,040</u>
\$	(37,388,804)	\$	(34,419,508)	\$	(41,598,404)	\$	(38,081,024)	\$	(40,867,691)	\$	(43,730,093)
\$	11,924,765	\$	11,704,948	\$	12,536,351	\$	12,531,782	\$	12,131,695	\$	13,004,998
	502,434		542,526		507,456						
	6,239,089		6,667,433		6,674,867		6,365,510		6,534,686		7,381,671
	12,024,496		12,773,729		12,964,950		13,125,229		13,730,314		15,105,931
	1,430,914		1,538,954		1,406,936		1,547,382		1,532,361		1,644,973
	(109,711)		453,017		195,437		165,384		164,425		264,616
							6,980				
	52,473		96,640		35,974		2,995		9,600		127,321
	892,976		1,455,607		1,072,052		1,341,167		1,666,058		1,668,273
	<u>32,957,436</u>		<u>35,232,854</u>		<u>35,394,023</u>		<u>35,086,429</u>		<u>35,769,139</u>		<u>39,197,783</u>
\$	<u>(4,431,368)</u>	\$	<u>813,346</u>	\$	<u>(6,204,381)</u>	\$	<u>(2,994,595)</u>	\$	<u>(5,098,552)</u>	\$	<u>(4,532,310)</u>

Navajo County  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Reserved	\$ 2,883,159	\$ 325,096		
Unreserved	7,550,215	7,416,990		
Nonspendable*				
Assigned*			\$ 3,182,499	\$ 2,533,698
Unassigned			3,349,495	3,939,417
Total general fund	<u>\$ 10,433,374</u>	<u>\$ 7,742,086</u>	<u>\$ 6,531,994</u>	<u>\$ 6,473,115</u>
All other governmental funds				
Reserved	\$ 679,641	\$ 528,878		
Unreserved, reported in:				
Special revenue funds	25,962,952	31,118,113		
Debt service funds	1,824,003	1,924,862		
Capital projects funds		76,332		
Nonspendable*			\$ 543,055	\$ 920,545
Restricted			28,973,243	25,792,646
Assigned			1,231,112	1,529,453
Unassigned			(270,933)	(39,006)
Total all other governmental funds	<u>\$ 28,466,596</u>	<u>\$ 33,648,185</u>	<u>\$ 30,476,477</u>	<u>\$ 28,203,638</u>

(continued)

\* Due to the implementation of GASB Statement no. 54 in FY 2011, categories regarding fund balance have been redefined. See Notes for Financial Statements Note 8 for details.

Navajo County  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Fiscal Year					
2013	2014	2015	2016	2017	2018
	\$ 437,220	\$ 1,273,833	\$ 1,612,513		\$ 926,206
				\$ 900,000	896,025
\$ 2,021,131	2,331,597	2,836,408	2,535,860	2,734,436	3,057,549
3,849,238	3,482,808	3,544,712	3,523,261	4,884,457	8,355,219
<u>\$ 5,870,369</u>	<u>\$ 6,251,625</u>	<u>\$ 7,654,953</u>	<u>\$ 7,671,634</u>	<u>\$ 8,518,893</u>	<u>\$ 13,234,999</u>
\$ 1,034,772	\$ 1,114,772	\$ 991,663	\$ 619,596	\$ 919,164	\$ 817,171
26,621,136	26,720,572	22,055,581	23,119,737	24,928,694	26,123,297
2,064,946	3,288,638	2,552,485	966,610	2,182,636	898,747
(13)	(1,048,472)	(1,686,672)	(210,456)	(2,394,741)	(960,780)
<u>\$ 29,720,841</u>	<u>\$ 30,075,510</u>	<u>\$ 23,913,057</u>	<u>\$ 24,495,487</u>	<u>\$ 25,635,753</u>	<u>\$ 26,878,435</u>

Navajo County  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<b>Revenues:</b>				
Property taxes	\$ 10,780,692	\$ 12,294,308	\$ 12,612,528	\$ 12,092,878
County sales taxes				
Licenses and permits	513,081	619,663	529,657	397,490
Fines and forfeits	1,563,382	1,336,602	1,317,038	1,228,579
Intergovernmental	52,104,688	49,652,453	46,350,655	42,113,926
Charges for services	2,284,384	2,347,245	2,583,583	2,934,743
Investment earnings	750,741	322,747	254,483	202,499
Special assessments	356,318	133,181	198,817	642,688
Contributions	25,916	31,141	30,333	50,540
Miscellaneous	1,466,751	1,273,311	1,822,741	1,170,659
<b>Total revenues</b>	<b>69,845,953</b>	<b>68,010,651</b>	<b>65,699,835</b>	<b>60,834,002</b>
<b>Expenditures:</b>				
General government	22,160,207	21,661,752	21,894,300	20,650,249
Public safety	18,403,733	16,838,127	17,020,246	17,394,177
Highways and streets	17,778,854	10,087,829	15,462,752	9,452,610
Health and welfare	7,074,321	9,306,800	7,138,323	7,507,775
Culture and recreation	501,738	740,591	808,312	962,712
Education and economic opportunity	5,515,147	6,139,063	5,674,996	6,019,533
Environmental and conservation	231,225	237,032	196,504	16,352
Urban redevelopment and housing		307,208	35,558	784
<b>Debt service:</b>				
Principal	487,701	858,416	919,249	946,316
Interest and other charges	594,260	677,253	625,962	721,020
Bond Issuance Costs				
Capital outlay	3,030,157	81,675	274,573	327,361
<b>Total expenditures</b>	<b>75,777,343</b>	<b>66,935,746</b>	<b>70,050,775</b>	<b>63,998,889</b>
Excess(deficiency) of revenues over expenditures	(5,931,390)	1,074,905	(4,350,940)	(3,164,887)
<b>Other financing sources (uses):</b>				
Revenue bonds issued				
Payment to bond refunding escrow agent				
Capital lease/installment purchase agreements	6,846		18,913	354,826
Special assessment bonds issued				
Sale of capital assets	23,895	115,237	5,957	68,446
Transfers in	2,304,012	8,048,481	6,600,855	10,017,167
Transfers out	(2,304,012)	(6,789,602)	(6,600,855)	(10,017,167)
<b>Total other financing sources and uses</b>	<b>30,741</b>	<b>1,374,116</b>	<b>24,870</b>	<b>423,272</b>
<b>Net change in fund balances</b>	<b>\$ (5,900,649)</b>	<b>\$ 2,449,021</b>	<b>\$ (4,326,070)</b>	<b>\$ (2,741,615)</b>
Ratio of total debt service expenditures to non-capital expenditures	1.49%	2.30%	2.21%	2.62%

(continued)

Navajo County  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 12,058,648	\$ 11,699,519	\$ 12,565,289	\$ 12,542,649	\$ 12,133,955	\$12,959,490
	6,667,433	6,674,867	6,365,510	6,534,686	7,381,671
469,651	606,269	522,919	604,525	567,951	379,350
1,539,663	1,247,497	1,789,993	1,492,927	1,339,324	653,066
43,050,561	39,645,165	40,045,748	42,328,108	41,900,493	910,721
3,041,435	3,241,520	9,698,659	10,369,286	9,280,867	44,123,924
(109,710)	453,017	195,437	165,384	164,425	12,076,377
502,434	518,762	491,734	485,708	488,962	264,616
64,512	42,650	43,061	39,962	38,784	50,624
892,976	1,455,607	1,072,052	1,341,167	1,666,057	1,668,273
<u>61,510,170</u>	<u>65,577,439</u>	<u>73,099,759</u>	<u>75,735,226</u>	<u>74,115,504</u>	<u>80,468,112</u>
20,746,489	21,296,099	27,228,792	27,475,209	29,089,321	28,518,557
17,515,389	17,165,782	16,762,711	18,013,055	17,667,900	16,889,504
9,583,999	8,446,932	10,245,789	9,949,660	9,187,604	10,160,928
7,987,610	7,909,342	8,323,596	8,698,408	8,676,682	8,788,365
785,901	691,882	702,563	812,461	803,616	839,205
5,326,169	6,146,055	5,491,323	5,408,227	4,241,865	5,058,368
303,402	347,079	223,528	266,428	322,770	441,264
42,701	365,994	73,852	16,887	165,114	
676,779	821,698	2,737,814	1,529,333	1,571,917	1,314,262
527,044	461,413	802,936	503,684	461,083	426,770
115,290	75,464				
1,469,268	7,613,324	5,207,816	2,093,691	1,608,272	2,651,159
<u>65,080,041</u>	<u>71,341,064</u>	<u>77,800,720</u>	<u>74,767,043</u>	<u>73,796,144</u>	<u>75,088,382</u>
(3,569,871)	(5,763,625)	(4,700,961)	968,183	319,360	5,379,730
8,500,000	10,625,000				
(4,345,000)	(4,806,395)				
146,994	488,368			101,341	60,715
78,863	98,822	64,945	2,995	14,218	127,321
10,157,899	7,753,432	5,625,009	4,218,192	4,699,294	5,882,351
(10,157,899)	(7,753,432)	(5,625,009)	(4,218,192)	(4,699,294)	(5,882,351)
<u>4,380,857</u>	<u>6,405,795</u>	<u>64,945</u>	<u>2,995</u>	<u>115,559</u>	<u>188,036</u>
<u>\$ 810,986</u>	<u>\$ 642,170</u>	<u>\$ (4,636,016)</u>	<u>\$ 971,178</u>	<u>\$ 434,919</u>	<u>\$ 5,567,766</u>
1.89%	2.13%	4.88%	2.80%	2.82%	2.40%

Navajo County  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

**PRIMARY ASSESSED VALUE**

<u>Fiscal Year</u>	<u>Residential and Vacant Property</u>	<u>Commercial Property</u>	<u>Unattached Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>*Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2009	563,228,216	328,530,388	16,599,092	908,357,696	1.2238	8,083,048,537	11.24%
2010	631,550,018	345,011,622	22,964,880	999,526,520	1.2057	8,941,980,626	11.18%
**2011	683,204,674	365,730,626	20,353,287	1,069,288,587	1.2035	9,625,529,702	11.11%
2012	634,214,647	371,913,522	19,936,077	1,026,064,246	1.2447	9,350,503,687	10.97%
2013	575,074,783	380,102,301	19,084,628	974,261,712	1.2864	8,838,891,218	11.02%
2014	513,683,811	371,638,224	18,023,142	903,345,177	1.3850	8,029,406,641	11.25%
2015	468,337,874	359,094,468	17,584,375	845,016,717	1.5615	7,573,933,720	11.16%
2016	473,702,904	344,422,319	14,676,214	832,801,437	1.5917	7,591,032,171	10.97%
2017	483,652,421	305,141,610	14,268,450	803,062,481	1.5849	7,599,284,336	10.57%
2018	523,091,303	292,051,730	13,705,100	828,848,133	1.7203	7,391,612,457	11.21%

Source: Navajo County Assessor's office

\* Total Direct Tax Rate contains both primary and secondary tax rates.

\*\* Revised abstract resulting from centrally assessed Transwestern lawsuit.



**Navajo County**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

**County Direct Rates**

Fiscal Year	Primary	Fire District Assistance Tax	Library District	Flood Control District	Public Health District	Total Direct
2009	0.5775	0.1000	0.0500	0.3000	0.1963	1.2238
2010	0.5594	0.1000	0.0500	0.3000	0.1963	1.2057
2011	0.5572	0.1000	0.0500	0.3000	0.1963	1.2035
2012	0.5984	0.1000	0.0500	0.3000	0.1963	1.2447
2013	0.6401	0.1000	0.0500	0.3000	0.1963	1.2864
2014	0.6995	0.1000	0.0704	0.3000	0.2151	1.3850
2015	0.8185	0.1000	0.1000	0.3000	0.2430	1.5615
2016	0.8417	0.1000	0.1000	0.3000	0.2500	1.5917
2017	0.8471	0.1000	0.1000	0.2878	0.2500	1.5849
2018	0.8903	0.1000	0.0990	0.2834	0.2476	1.6203

**Overlapping rates**

Fiscal Year	School Equalization	School Districts	Cities	Other Special Districts	Community College District
2009	0.0000	3.6519-7.7773	0.2845-0.8685	0.0785-2.7512	1.3382
2010	0.3306	3.6624-8.3747	0.2789-0.8550	0.0706-2.7326	1.1352
2011	0.3564	3.0839-8.0000	0.2789-0.8567	0.0707-3.5500	1.1308
2012	0.4259	3.1634-7.3012	0.2789-0.9815	0.0835-3.5500	1.2387
2013	0.4717	2.9606-8.000	0.2789-0.9880	0.0910-3.5500	1.3515
2014	0.5123	2.8322-8.000	0.2789-1.1934	0.1131-3.550	1.4769
2015	0.5089	2.6662-8.000	1.2831-1.2831	0.1291-3.550	1.6610
2016	0.5054	2.8027-7.3012	1.3646-1.3646	0.1401-3.550	1.7423
2017	0.5010	3.5669-7.3012	1.4021-1.4021	0.1401-3.550	1.7884
2018	0.4875	3.6681-8.0000	1.4231-1.4231	0.1401-3.550	1.8067

Source: Navajo County Assessor's Office and Navajo County Finance Department.

- 1) All tax rates are per \$100 assessed valuation.
- 2) Includes both primary and secondary tax rates.

Navajo County  
Principal Property Taxpayers  
Current Year and Eight Years Ago

Taxpayer	2018			2010		
	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value
Arizona Public Service Company	\$ 100,926,321	1	12.18%	\$ 107,346,606	1	10.75%
PacifiCorp Electric Operations	38,700,000	2	4.67%	31,068,621	2	3.11%
Transwestern Pipeline Co	10,868,762	3	1.31%	11,923,788	4	1.19%
Burlington Northern/Santa Fe Railway	10,790,504	4	1.30%	4,483,725	8	0.45%
Peabody Western Coal Co.	7,841,880	5	0.95%	16,669,389	3	1.67%
Kinder Morgan	7,350,978	6	0.89%	9,163,477	5	0.92%
Navopache Electric Co-Op Inc.	6,482,570	7	0.78%	3,328,331	9	0.33%
Unisource Energy Corporation	5,954,933	8	0.72%	2,821,246	10	0.28%
Citizens Telecom of White Mountains	4,869,961	9	0.59%	6,231,982	7	0.62%
Wal-Mart Stores, Inc.	4,837,483	10	0.58%	N/A	N/A	N/A
<b>Total Principal Property Taxpayers</b>	<b>\$ 198,623,392</b>		<b>23.97%</b>	<b>\$ 193,037,165</b>		<b>19.33%</b>
<b>Total 2018 Navajo County Assessed Value</b>	<b>\$828,848,133</b>			<b>\$ 998,764,550</b>		

Source: Navajo County Assessor's office

Note: Information for principal property taxpayers was not available prior to fiscal year 2010; consequently the comparison is for a 8 year period.

Navajo County  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (1)	Collected within Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 5,246,500	\$ 5,003,706	95.37%	\$ 113,842	\$5,117,548	97.54%
2010	\$ 5,579,624	\$ 5,306,931	95.11%	\$ 149,020	\$5,455,951	97.78%
2011	\$ 5,857,939	\$ 5,569,913	95.08%	\$ 176,635	\$5,746,548	98.10%
2012	\$ 6,104,482	\$ 5,887,544	96.45%	\$ 99,380	\$5,986,924	98.07%
2013	\$ 6,178,444	\$ 6,001,505	97.14%	\$ 57,562	\$6,059,067	98.07%
2014	\$ 6,265,198	\$ 6,070,355	96.89%	\$ 77,665	\$6,148,019	98.13%
2015	\$ 6,863,137	\$ 6,652,088	96.92%	\$ 91,242	\$6,743,330	98.25%
2016	\$ 6,986,971	\$ 6,748,980	96.59%	\$ 115,343	\$6,864,323	98.24%
2017	\$ 6,793,141	\$ 6,579,938	96.86%	\$ (95,792)	\$ 6,484,146	95.45%
2018	\$ 7,310,322	\$ 7,073,899	96.77%	\$ 70,886	\$ 7,144,785	97.74%

Source: Taxes levied obtained by Navajo County Board of Supervisors Adopted Budget net of Assessor's corrections. Collections obtained from the Navajo County Treasurer.

Note: General Fund Levies and Collections Only.

(1) Changes to prior year Taxes Levied due to Board orders in the current fiscal year.

Navajo County  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Governmental Activities							
Fiscal Year	Revenue Bonds	Certificates of Participation	Special Assessment Bonds	Capital Leases & Installment Purchase Contracts	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2009	6,600,000	5,340,000	1,702,213	53,687	13,695,900	0.52	121.23
2010	6,265,000	5,030,000	1,517,107	25,377	12,837,484	0.47	119.48
2011	5,915,000	4,700,000	1,309,455	12,693	11,937,148	0.43	111.38
2012	5,545,000	4,345,000	1,172,771	282,887	11,345,658	0.4	105.94
2013	13,665,000	-	985,235	320,638	14,970,873	0.52	137.73
2014	19,125,000	-	786,508	571,035	20,482,543	0.69	187.59
2015	16,845,000	-	573,542	326,188	17,744,730	0.56	163.88
2016	15,840,000	-	352,575	172,822	16,365,397	0.51	148.22
2017	14,660,000	-	130,000	109,821	14,899,821	N/A (2)	133.91
2018	13,460,000	-	67,000	134,274	13,661,274	N/A (2)	N/A (3)

Source: Details regarding the County's outstanding debt can be found in the notes to the financial statements

- (1) Personal income and population information can be found in the Demographic and Economic Statistics schedule.
- (2) Personal income was not available for 2017 and 2018.
- (3) Population was not available for 2016 and 2018.

**Navajo County  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

**2013 Series Pledged Revenue Obligations**

Fiscal Year	County Excise Tax	State Shared Sales Tax	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$ 6,667,433	\$ 10,763,214	\$ 17,430,647	\$ -	\$ 83,899	207.76
2015	6,674,867	10,891,962	17,566,829	1,985,000	324,035	7.61
2016	6,365,510	10,874,837	17,240,347	1,005,000	187,488	14.46
2017	6,534,686	11,362,457	17,897,143	1,030,000	165,680	14.97
2018	7,381,671	12,547,093	19,928,764	1,045,000	143,329	16.77

**2012 Series Pledged Revenue Obligations**

Fiscal Year	County Excise Tax	State Shared Sales Tax	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ 6,239,089	\$ 10,087,589	\$ 16,326,678	\$ -	\$ 50,368	324.15
2014	6,667,433	10,763,214	17,430,647	-	186,604	93.41
2015	6,674,867	10,891,962	17,566,829	295,000	408,402	24.97
2016	6,365,510	10,874,837	17,240,347	150,000	265,842	41.46
2017	6,534,686	11,362,457	17,897,143	150,000	260,982	43.55
2018	7,381,671	12,547,093	19,928,764	155,000	258,471	48.20

**2008 Series Pledged Revenue Obligations (Refunded in August 2013)**

Fiscal Year	County Excise Tax	State Shared Sales Tax	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2009	\$ 6,330,588	\$ 9,844,858	\$ 16,175,446		\$ 131,432	123.07
2010	5,480,598	8,732,190	14,212,788	\$ 335,000	240,573	24.69
2011	5,846,576	9,285,088	15,131,664	350,000	228,585	26.15
2012	6,200,729	9,553,213	15,753,942	370,000	215,985	26.88
2013	6,239,089	10,087,589	16,326,678	380,000	202,860	28.01
2014	6,667,433	10,763,214	17,430,647	385,000	124,500	34.21

**Special Assessment Debt**

Fiscal Year	Debt Service			Coverage Ratio
	Revenues	Principal	Interest	
2009	\$ 300,706	\$ 166,022	\$ 105,882	1.11
2010	273,885	185,106	94,237	0.98
2011	241,567	207,652	83,934	0.83
2012	241,374	136,684	75,045	1.14
2013	248,745	187,536	74,568	0.95
2014	251,299	198,727	54,482	0.99
2015	231,966	212,967	43,352	0.90
2016	224,359	220,967	39,763	0.86
2017	226,853	222,575	19,690	0.94
2018	120,065	63,000	7,475	1.70

Source: Navajo County Finance Department

## Navajo County Legal Debt Margin Information Last Ten Fiscal Years

### Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 828,848,133
Debt limit (15% of assessed value)	124,327,220
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	124,327,220
Legal debt margin	\$ 124,327,220

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 136,253,654	\$ 149,814,683	\$ 158,850,728	\$ 153,920,569	\$ 146,139,257
Total net debt applicable to limit					
Legal debt margin	136,253,654	149,814,683	158,850,728	153,920,569	146,139,257
Total net debt applicable to the limit as a percentage of the debt	0%	0%	0%	0%	0%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 135,502,778	\$ 126,937,062	\$ 126,455,560	\$ 126,213,556	\$ 124,327,220
Total net debt applicable to limit					
Legal debt margin	135,502,778	126,937,062	126,455,560	126,213,556	124,327,220
Total net debt applicable to the limit as a percentage of the debt	0%	0%	0%	0%	0%

Source: The legal debt limit of Navajo County is equal to 15% of the County's net secondary assessed valuation, per the Arizona Constitution, Article 9, Section 8. Assessed valuations are provided by the Navajo County Assessor.

Navajo County  
Demographic and Economic Statistics  
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u> (thousands of dollars)	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Unemployment</u> <u>Rate</u>
2009	112,975	2,634,137	\$ 23,316	14.9
2010	107,449	2,742,716	\$ 25,526	16.0
2011	107,174	2,780,847	\$ 25,947	15.8
2012	107,094	2,826,523	\$ 26,393	15.2
2013	108,694	2,869,655	\$ 26,401	13.1
2014	109,185	2,965,679	\$ 27,162	11.2
2015	108,277	3,154,284	\$ 29,132	9.6
2016	110,413	3,235,693	\$ 29,305	9.4
2017	111,266	(1)	(1)	7.6
2018	(1)	(1)	(1)	7.6

Source: Population and Personal Income from U.S. Bureau of Economic Analysis. Workforce Informer Arizona at [www.laborstats.az.gov](http://www.laborstats.az.gov) for unemployment rate.

(1) Information is not yet available for 2017 and 2018.

Navajo County  
Employment by Sector  
Current Year and Ten Years Ago

Employment Sector (1)	2018			2008		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Government	9,725	1	33.48%	10,400	1	35.08%
Trade, Transportation, Utilities	5,100	2	17.56%	5,650	2	19.06%
Education & Health Servs	4,550	3	15.66%	3,300	4	11.13%
Leisure & Hospitality	3,925	4	13.51%	3,475	3	11.72%
Mining & Construction	1,725	5	5.94%	2,375	5	8.01%
Professional & Business Services	1,500	6	5.16%	1,275	6	4.30%
Information	950	7	3.27%	1,000	7	3.37%
Other Services	650	8	2.24%	850	8	2.87%
Financial Activities	625	9	2.15%	525	10	1.77%
Manufacturing	300	10	1.03%	800	9	2.70%
Total for Employment Sector	<u>29,050</u>		<u>100.00%</u>	<u>29,650</u>		<u>100.00%</u>

Source: Economic & Business Research Center UofA, AZ Commerce /resources, U.S. Department of Labor, Bureau of Labor Statistics.

(1) The number of employees for the ten (10) largest employes in the County is not available due to State of Arizona non-disclosure restrictions.



Navajo County  
Full-Time Equivalent Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year					
	2009	2010	2011	2012	2013	2014
General government	284	284	294	295	278	277
Public safety	256	248	239	243	238	236
Highways and streets	90	81	81	82	78	83
Health and welfare	66	63	65	66	73	80
Culture and recreation	4	5	6	5	8	4
Other	-	-	-	-	-	-
Total	<u>700</u>	<u>681</u>	<u>685</u>	<u>691</u>	<u>675</u>	<u>680</u>

Function	2015	2016	2017	2018
General government	278	288	266	142
Public safety	238	235	229	229
Highways and streets	91	96	72	80
Health and welfare	81	81	80	54
Culture and recreation	5	4	4	-
Other	-	-	-	104
Total	<u>692</u>	<u>704</u>	<u>651</u>	<u>609</u>

Source: Navajo County Budget 2009 - 2018

Navajo County  
Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	Fiscal Year			
	2009	2010	2011	2012
<b>General Government</b>				
Assessor				
Number of parcels assessed	85,536	85,858	86,304	88,148
Elections				
Elections	4	4	4	5
Number voting	51,626	21,379	50,969	17,330
Planning & Zoning				
Building permits issued	1,837	1,285	926	994
Public Fiduciary				
Guardianships/conservatorships	103	110	99	108
<b>Public Safety</b>				
Adult Probation				
Community service hours	51,910	49,198	40,687	39,135
Pre-sentence reports written for courts	594	504	637	641
Probationers actively supervised	1,009	1,008	1,349	1,270
Juvenile Probation				
Average length of detention (days)	8	10	12	11
Juveniles in detention	457	441	408	449
Probationers	199	171	182	148
Community restitution hours	8,740	8,939	5,173	7,346
Sheriff				
Inmate population	363	361	319	274
<b>Highways &amp; Streets</b>				
Public Works				
Crack sealing (miles)	-	47	49	82
Street resurfacing (miles)	42	25	42	32
Waste Tire Program				
Waste tires collected	51,481	48,743	60,117	47,962
<b>Health &amp; Welfare</b>				
Public Health District				
Certified copies of birth or death certificates	6,811	6,913	4,949	4,678
Childhood immunization visits	7,343	10,299	5,154	4,592
Restaurant inspections and re-inspections	608	336	709	423
<b>Culture &amp; Recreation</b>				
Library District				
Number of items circulated	456,579	480,959	441,232	438,916
Number of library cards issued (by member libraries)	5,985	6,206	6,170	5,406
Number of prints, media and electronic items	287,552	310,602	333,901	343,659
Number of items owned by Library District	19,607	21,774	24,199	25,837
<b>Education</b>				
School Superintendent				
Charter schools	6	7	7	7
Charter students	839	471	352	399
District students	20,497	19,913	19,071	18,606
School districts	14	14	14	14

(continued)

Source: Navajo County departments monthly and annual performance reports

Navajo County  
Operating Indicators by Function  
Last Ten Fiscal Years

Fiscal Year					
2013	2014	2015	2016	2017	2018
85,773	85,752	88,306	88,527	88,363	85,853
4	3	1	3	3	2
57,960	8,569	685	32,969	57,699	6,783
1,023	970	981	1,009	1,061	1,137
109	163	160	131	116	73
40,306	36,388	33,793	30,408	32,460	33,018
566	571	828	572	453	329
1,313	1,181	1,101	1,086	1,098	1,014
12	10	9	10	14	49
336	355	339	353	276	28
122	307	297	151	210	154
6,401	5,252	5,093	5,061	4,715	-
283	382	364	301	268	305
59	88	102	444	264	193
13	12	30	14	20	32
57,742	52,623	47,184	56,331	51,038	67,067
5,031	5,353	5,341	5,595	6,525	7,137
2,165	1,096	1,250	1,068	4,076	3,918
621	483	503	696	632	648
425,272	378,584	368,114	361,865	370,800	376,295
5,054	14,303	13,957	33,223	33,883	11,687
333,193	334,866	336,617	346,632	330,600	437,610
28,827	34,214	32,149	33,577	41,422	44,877
7	6	6	9	4	4
630	742	829	789	664	624
18,495	17,090	17,575	17,803	16,360	18,014
13	11	13	14	14	14

Navajo County  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Elections										
Voting Machines	158	158	173	173	173	173	173	60	60	60
Superior Courts										
Divisions	4	4	4	4	4	4	4	4	4	4
Division - Satellite			1	1	1	1	1	1	1	1
Justice Courts	6	6	6	6	6	6	6	6	6	6
Public Safety										
Sheriff										
Inmate beds available	433	425	426	442	442	441	438	438	438	438
Jail Facilities	1	1	1	2	2	2	2	2	2	2
Stations	0	0	0	0	0	0	0	0	0	0
Improvement Districts										
Flood Warning Sites	31	30	31	31	31	31	26	31	43	43
Flood Control District Properties	8	9	12	12	12	13	13	14	13	13
Road Improvement Districts	1	1	1	0	0	0	0	0	0	0
Highways and Streets										
Public Works										
Miles of maintained roads	737.65	734.9	733.28	733.65	733.95	733.95	734.66	734.32	731.67	731.67
Bridges	14	14	14	15	15	15	15	15	15	15
Sanitation										
Landfill/Environment										
Transfer Stations	0	0	0	0	0	0	0	0	0	0
Health										
Health Care										
Public health facilities										
Heber - Owned	1	1	1	1	1	1	1	1	1	1
Show Low - Owned	1	1	1	1	1	1	1	1	1	1
Snowflake - Operated	1	1	1	1	1	1	1	1	1	1
Holbrook - Owned	1	1	1	1	1	1	1	1	1	1
Winslow - Owned	1	1	1	1	1	1	1	1	1	1
Pinetop - Owned	1	1	1	1	1	1	1	1	0	0
Culture and Recreation										
Parks & Recreation										
County Parks (Tall Timber, Heber)	1	1	1	1	1	1	1	1	1	1
Library District										
Number of facilities owned	0	0	0	0	0	0	0	0	0	0
Facilities operated	1	1	1	1	1	1	1	1	1	1
Bookmobiles	0	0	0	0	0	0	0	0	0	0
Education										
Schools	1	1	1	1	1	1	1	1	1	1

Source: Navajo County capital asset reports.