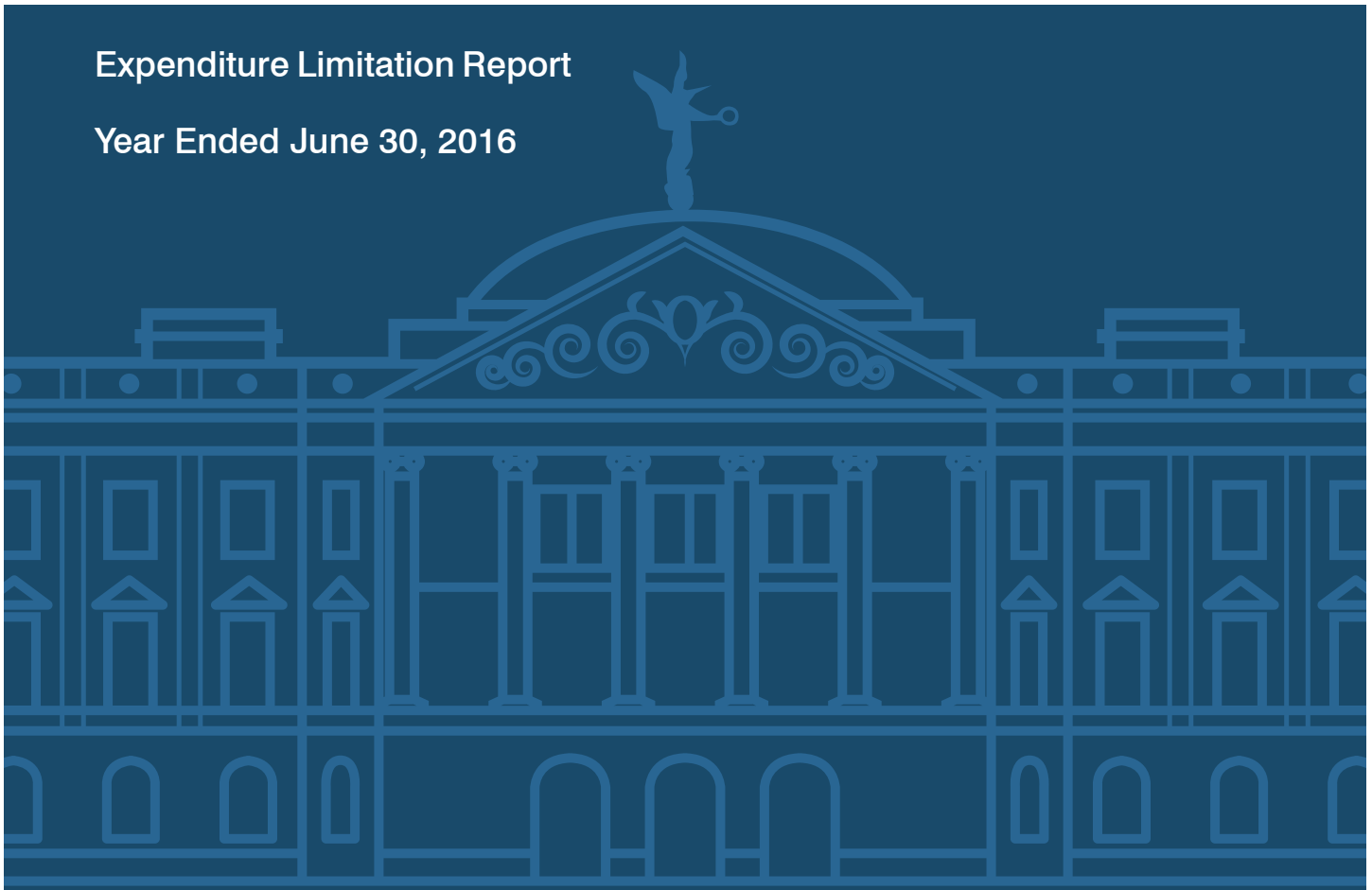


Navajo County

Expenditure Limitation Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

Senator **Bob Worsley**, Chair

Senator **Sean Bowie**

Senator **Judy Burges**

Senator **Lupe Contreras**

Senator **John Kavanagh**

Senator **Steve Yarbrough** (ex officio)

Representative **Anthony Kern**, Vice Chair

Representative **John Allen**

Representative **Rusty Bowers**

Representative **Rebecca Rios**

Representative **Athena Salman**

Representative **J.D. Mesnard** (ex officio)

Audit Staff

Jay Zsorey, Director

Kathleen Wood, Manager and Contact Person

Contact Information

Arizona Office of the Auditor General

2910 N. 44th St.

Ste. 410

Phoenix, AZ 85018

(602) 553-0333

www.azauditor.gov



TABLE OF CONTENTS

Independent accountants' report	1
Annual expenditure limitation report—part I	3
Annual expenditure limitation report—part II	4
Annual expenditure limitation report—reconciliation	5
Notes to annual expenditure limitation report	6



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

We have examined the accompanying annual expenditure limitation report of Navajo County for the year ended June 30, 2016. The County's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Jay Zsorey, CPA
Financial Audit Director

July 24, 2017



Navajo County
Annual expenditure limitation report—part I
Year ended June 30, 2016

1. Economic Estimates Commission expenditure limitation	\$45,821,766
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>33,239,338</u>
3. Amount under the expenditure limitation	<u>\$12,582,428</u>

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

Signature of chief fiscal officer: _____

Name and title: Paige Peterson

Telephone number: (928) 524-4066 Date: July 24, 2017

See accompanying notes to report.

Navajo County
Annual expenditure limitation report—part II
Year ended June 30, 2016

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 65,441,386	\$ 208,065,138	\$ 273,506,524
B. Less exclusions claimed:			
Debt service requirements on other long-term obligations (Note 2)	1,741,870		1,741,870
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	779,376		779,376
Trustee or custodian (Note 4)	595,207	208,065,138	208,660,345
Grants and aid from the federal government (Note 5)	6,381,531		6,381,531
Amounts received from the State of Arizona (Note 5)	7,693,940		7,693,940
Quasi-external interfund transactions (Note 5)	6,635,521		6,635,521
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	6,842,417		6,842,417
Contracts with other political subdivisions (Note 5)	<u>1,532,186</u>	<u> </u>	<u>1,532,186</u>
Total exclusions claimed	<u>32,202,048</u>	<u>208,065,138</u>	<u>240,267,186</u>
C. Amounts subject to the expenditure limitation	<u>\$ 33,239,338</u>	<u>\$ -</u>	<u>\$ 33,239,338</u>

See accompanying notes to report.

Navajo County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2016

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 74,767,043	\$ 208,065,138	\$ 282,832,181
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 6)	6,661,537		6,661,537
Long-term care contributions withheld by the State Treasurer (Note 7)	2,562,200		2,562,200
Payments made to reimburse the Arizona Department of Health Services (Note 8)	<u>101,920</u>		<u>101,920</u>
Total subtractions	<u>9,325,657</u>		<u>9,325,657</u>
C. Amounts reported on Part II, Line A	<u>\$ 65,441,386</u>	<u>\$ 208,065,138</u>	<u>\$ 273,506,524</u>

See accompanying notes to report.

Navajo County

Notes to annual expenditure limitation report

Year ended June 30, 2016

Note 1 - Summary of significant accounting policies

The annual expenditure limitation report (AELR) is presented as prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds, and the statement of changes in fiduciary net position for the fiduciary funds.

Note 2

The exclusion claimed for debt service requirements on other long-term obligations in the governmental funds of \$1,741,870 consists of debt service expenditures for principal and interest and other charges of \$1,278,692 and \$463,178, respectively.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$779,376 in the governmental funds includes investment earnings expended of \$159,487 and interest on delinquent taxes expended of \$619,889, which was recorded as tax revenue.

Note 4

The exclusion claimed for trustee or custodian in the governmental funds consists of \$595,207 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care and administrative costs; and in the fiduciary funds, the exclusion consists of \$208,065,138 in distributions to investment pool participants.

Note 5

The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, quasi-external interfund transactions for the self-funded employee health insurance pool, and contracts with other political subdivisions in the governmental funds:

Navajo County
Notes to annual expenditure limitation report
Year ended June 30, 2016

Description	Intergovernmental revenues	Charges for services	Total
Grants and aid from the federal government	\$ 6,381,531		\$ 6,381,531
Amounts received from the State of Arizona	7,693,940		7,693,940
Highway user revenues in excess of those received in fiscal year 1979-80	6,842,417		6,842,417
Quasi-external interfund transactions		\$ 6,635,521	6,635,521
Contracts with other political subdivisions	647,178	885,008	1,532,186
Other revenues (nonexcludable)	<u>20,763,042</u>	<u>2,848,757</u>	<u>23,611,799</u>
Total revenues as reported in the fund financial statements	<u>\$42,328,108</u>	<u>\$10,369,286</u>	<u>\$52,697,394</u>

Note 6

The subtraction of \$6,661,537 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds category in the fund financial statements. Health and welfare expenditures of \$5,651,942 were reduced by \$211,175 for required maintenance of effort.

Special assessment districts	
Health and welfare	\$5,440,767
Culture and recreation	812,461
Highways and streets	117,162
Debt service:	
Principal	250,641
Interest and other charges	<u>40,506</u>
Total	<u>\$6,661,537</u>

Note 7

The subtraction of long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.

Note 8

The subtraction of \$101,920 for payments made to reimburse the Arizona Department of Health Services pursuant to Laws 2015, Chapter 14, Sections 8 and 9, for inpatient competency restoration treatment and committing an individual the court determined to be sexually violent, which were recorded as health and welfare expenditures.

