



# NAVAJO COUNTY

Arizona

## COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2016



We Are Navajo County

# Board of Supervisors



**Robert K. Black, Jr.**  
District I

**Steve Williams**  
District IV

**Chairman**  
**Jason E. Whiting**  
District III

**Dawnafe Whitesinger**  
District V

**Vice-Chairman**  
**Jesse Thompson**  
District II

---

# Navajo County, Arizona

## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2016



Prepared by Navajo County Finance Department

#### **County Manager**

James G. Jayne

#### **Assistant County Managers**

Bryan Layton

Paul Watson

#### **Finance Team**

James Menlove, Finance Director

Paige M. Peterson, Accounting Manager

Scott Flake, Accountant

Olivia M. Todd, Grants Coordinator





---

# INTRODUCTORY SECTION

---

Navajo County  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2016

<u>Table of Contents</u>	<u>Page</u>
<b>Introductory Section</b>	
Table of Contents	i
Letter of Transmittal	iv
Organizational Chart	x
Certificate of Achievement for Excellence in Financial Reporting	xi
<b>Financial Section</b>	
Independent Auditors' Report	1
Required Supplementary Information—Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	
Note 1 – Summary of Significant Accounting Policies	22
Note 2 – Deposits and Investments	28
Note 3 – Due From Other Governments	31
Note 4 – Capital Assets	32
Note 5 – Construction and Other Significant Commitments	32
Note 6 – Long-Term Liabilities	33
Note 7 – Risk Management	35
Note 8 – Fund Balance Classifications of the Governmental Funds	37
Note 9 – Pensions and Other Postemployment Benefits	38
Note 10 – Interfund Balances and Activity	59
Note 11 – County Treasurer's Investment Pool	59

Navajo County  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2016

<u>Table of Contents</u>	<u>Page</u>
<b>Other Required Supplementary Information</b>	
Budgetary Comparison Schedules	
General Fund	62
Public Works/HURF Fund	65
Flood Control District Fund	66
Public Health District Fund	67
Notes to Budgetary Comparison Schedules	68
Pension Plan Schedules	
Schedule of the County's Proportionate Share of the Net Pension Liability– Cost-Sharing Pension Plans	69
Schedule of Changes in the County's Net Pension Liability and Related Ratios–Agent Pension Plans	70
Schedule of County Pension Contributions	73
Notes to Pension Plan Schedules	75
Schedule of Agent OPEB Plans' Funding Progress	76
 <b>Supplementary Information</b>	
List of Nonmajor Governmental Funds	78
 <b>Combining and Individual Fund Statements and Schedules</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	85
Budgetary Comparison Schedules – Nonmajor Governmental Funds	
Special Revenue – Administration	90
Special Revenue – County Attorney	91
Special Revenue – Courts	92
Special Revenue – Environmental and Conservation	93
Special Revenue – Library District	94
Special Revenue – Probation	95
Special Revenue – Public Defense	96
Special Revenue – Recreation District	97
Special Revenue – Sheriff's Office	98
Special Revenue – Special Districts	99
Special Revenue – Workforce Innovation and Opportunity Act	100
Capital Projects – Public Works Construction	101
Debt Service – General Government	102
Debt Service – Special Districts	103
 Statement of Changes in Assets and Liabilities – Agency Funds	 106

Navajo County  
Comprehensive Annual Financial Report  
Year Ended June 30, 2016

<u>Table of Contents</u>	<u>Page</u>
<b>Statistical Section</b>	
Financial Trends	
Changes in Net Position	108
Fund Balances of Governmental Funds	110
Changes in Fund Balances of Governmental Funds	112
Net Position by Component	114
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	115
Direct and Overlapping Property Tax Rates	116
Principal Property Taxpayers	117
Property Tax Levies and Collections	118
Debt Capacity	
Ratios of Outstanding Debt by Type	119
Pledged Revenue Coverage	120
Legal Debt Margin Information	121
Demographic and Economic Information	
Demographic and Economic Statistics	122
Employment by Sector and Major Employers	123
Operating Information	
Full-Time Equivalent Employees by Function	125
Operating Indicators by Function	126
Capital Asset Statistics by Function	128





## NAVAJO COUNTY ADMINISTRATION

James G. Jayne  
County Manager

Bryan Layton  
Assistant County Manager

December 16, 2016

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 2016. 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 2016 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 2016 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 2014 population of the County was estimated to be 109,185. 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, budget management policies and strategic plan 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, Show Low, Pinetop/Lakeside, and Heber/Overgaard.

Because of the rural nature of Navajo County, the local economy continues to be impacted by the stagnant, slowly recovering state and national economies. The County's unemployment rate (9.6 percent for July 2016) has been significantly higher than the State's ( 5.8 percent for July 2016). To address the economic challenges, Navajo County has reduced expenses through reductions in workforce, position vacancies from attrition, decreased benefits, and reductions in operating expenses while maintaining excellent customer service.

*Expenditure Limitation* – In November 2006, Navajo County voters approved Proposition 400, which restated the base year expenditure limitation. The expenditure limit is a constraint on the County's annual spending that was added to the Arizona Constitution in 1980. The limit is based on the County's actual 1980 expenditures and is adjusted each year for population growth and inflation. Basically, the service levels provided in 1980, the base year, is the benchmark for spending on today's essential services. Navajo County elected officials agreed that the expenditure limit, based on 1980 service levels, was not sufficient to meet the current demand for basic public services.

Proposition 400 allowed the County to restate the base year expenditure limit, which allowed for the allocation of resources to:

- Public Safety–Increased law enforcement coverage and availability.
- Transportation–Additional investment in transportation infrastructure.
- Access to Services–Improvement of facilities and satellite office to provide more accessible government services.
- Quality Work Force–Focus on retention of staff, which reduced training and operating costs as employee turnover was reduced.

The Board of Supervisors' proactive decision making has allowed Navajo County to better plan for the County's long-term financial sustainability. Sound fiscal and budget management policies allow the County to better respond to the economic challenges that we face currently and in the future.

The recession of 2008-2009 continues to have a significant negative impact on the County. At the worst point of the recession, the County saw monthly revenues from state-shared sales tax, county sales tax, and vehicle license tax drop by as much as 27 percent, 38 percent, and 26 percent, respectively. As a rural county, the negative effects of the recession have been severe and long-lasting. Beginning in February 2011, nearly two years after the recession officially ended, the county began to see a modest economic recovery through nominal increases in sales tax revenues. In addition, assessed property values continue to decline with a corresponding negative impact on property tax revenues. It is anticipated that property values will continue to drop through fiscal year 2017.

*Impact of State Economic Conditions* – The downturn in the local economy corresponded to economic declines at the state and national levels. As the State of Arizona struggled to balance its budget and reduce expenses counties have been significantly impacted by the shifting of revenues away from counties while mandating that counties pay for state programs. The uncertainty of these impacts from year to year requires Navajo County to budget conservatively to allow for these cost shifts, reductions in program funding, and reduced revenue allocations.

Navajo County continues to work with state legislators, the County Supervisors Association, and the Arizona City/County Managers Association to find solutions to the state budget crisis with the least impact to counties.

Additionally, Navajo County continues to seek alternate funding sources to increase revenues. Cost analysis is ongoing, and the County is seeking to find additional ways to further reduce spending while continuing to provide for mandated functions with excellent customer service.

*Economic Outlook* – Though the recession formally ended on a national level in June 2009, state and local revenues continue to be repressed. Economists continue to predict that the economic recovery will be modest for years to come. Arizona was among the states hardest hit by the economic downturn. The weakness in the economy and the uncertainty of 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.

## **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.

The policies have been developed to:

- Provide accountability to the citizens and the Board of Supervisors.
- Provide guidelines for long-term financial stability, enhancing the County's ability to withstand fiscal fluctuations at the national, state, and local levels.
- Provide an overall financial picture of the County as a whole.
- Provide a basis for incorporating long-term policies into day-to-day operations.

## **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, 2015. This was the sixth 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.

The GFOA presented the Distinguished Budget Presentation Award to Navajo County for its annual budget for the fiscal year beginning July 1, 2015. This was the seventh consecutive year that Navajo County has received this prestigious award. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as a financial plan, an operations guide, and as a communications device.

A Certificate of Achievement and the Distinguished Budget Presentation Awards are valid for a period of one year only. We believe that our current comprehensive annual financial report and budget book continue to meet the Certificate of Achievement Program and Budget Presentation Award requirements and we are submitting them to the GFOA to determine their eligibility for another certificate and award, respectively.

## **ACKNOWLEDGMENTS**

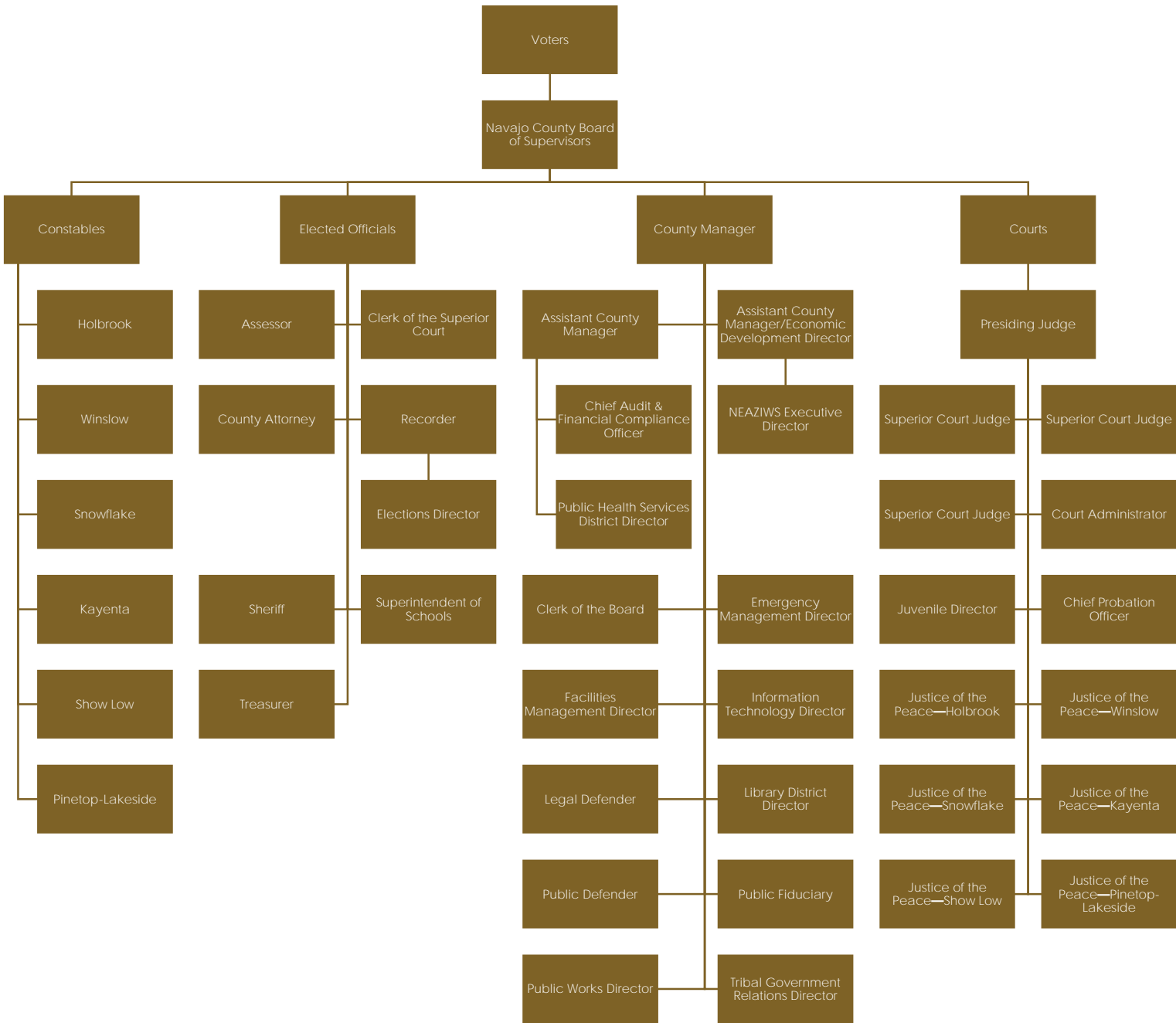
Preparation of this report could be accomplished only through the coordinated efforts of the finance department, the cooperative and willing assistance provided by our elected officials and department directors and their staff, and the services provided by the Arizona Office of the Auditor General. We 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,

James G. Jayne  
County Manager

Bryan Layton  
Assistant County Manager



Voters

Navajo County Board of Supervisors

Constables

Elected Officials

County Manager

Courts

- Holbrook
- Winslow
- Snowflake
- Kayenta
- Show Low
- Pinetop-Lakeside

- Assessor
- County Attorney
- Sheriff
- Treasurer
- Clerk of the Superior Court
- Recorder
- Elections Director
- Superintendent of Schools

- Assistant County Manager
- Assistant County Manager/Economic Development Director
- Chief Audit & Financial Compliance Officer
- Public Health Services District Director
- Clerk of the Board
- Facilities Management Director
- Legal Defender
- Public Defender
- Public Works Director
- NEAZIWS Executive Director
- Emergency Management Director
- Information Technology Director
- Library District Director
- Public Fiduciary
- Tribal Government Relations Director

- Presiding Judge
- Superior Court Judge
- Superior Court Judge
- Superior Court Judge
- Juvenile Director
- Justice of the Peace—Holbrook
- Justice of the Peace—Snowflake
- Justice of the Peace—Show Low
- Superior Court Judge
- Chief Probation Officer
- Justice of the Peace—Kayenta
- Justice of the Peace—Pinetop-Lakeside



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, 2015**

Executive Director/CEO





---

# FINANCIAL SECTION

---





**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of matter***

As discussed in Note 1 to the financial statements, for the year ended June 30, 2016, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

### ***Other matters***

#### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedules on pages 62 through 68, 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, schedule of county pension contributions on pages 73 through 74, schedule of agent OPEB plans' funding progress on page 76 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 use highway user revenue fund monies the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. 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 use of highway user revenue fund monies and other dedicated state transportation revenues, 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 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 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.

Debbie Davenport  
Auditor General

December 19, 2016



# Navajo County Management's Discussion and Analysis June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements.

## 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 \$33 million (net position). Of this amount, \$62.4 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$24.2 million is restricted for specific purposes (restricted net position); and \$(53.5) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2016, total assets were \$114.9 million, a decrease of \$1.9 million or 1.7 percent in comparison with the prior fiscal year's balance of \$116.8 million.
- At June 30, 2016, total liabilities were \$87.6 million, an increase of \$2.7 million or 3.2 percent in comparison with the prior fiscal year's balance of \$84.9 million.
- At June 30, 2016, the County reported total deferred outflows of resources related to pensions of \$10.7 million and deferred inflows of resources related to pensions of \$4.9 million.
- At June 30, 2016, the governmental funds reported combined fund balances of \$32.2 million, an increase of \$599 thousand or 1.9 percent in comparison with the prior year's combined fund balances of \$31.6 million.
- At June 30, 2016, \$24.7 million or 76.9 percent of governmental fund balances were restricted, \$3.5 million or 10.9 percent were assigned, \$3.3 million or 10.3 percent were unassigned, and \$620 thousand or 1.9 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 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.

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

**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 14 and 15 of this report.*

**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.



Navajo County  
Management's Discussion and Analysis  
June 30, 2016

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, Flood Control District Fund, and Public Health 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 16 through 19 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 20 and 21 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 22 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 77 of this report.*

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, 2016, compared to the prior year.

	Governmental Activities	
	2016	2015
Current and other assets	\$ 36,635,516	\$ 35,819,587
Capital assets	<u>78,223,967</u>	<u>80,975,142</u>
Total assets	<u>114,859,483</u>	<u>116,794,729</u>
Deferred outflows of resources		
Total deferred outflows of resources	<u>10,664,977</u>	<u>11,664,841</u>
Other liabilities	3,879,451	3,453,978
Long-term liabilities outstanding	<u>83,705,985</u>	<u>81,431,785</u>
Total liabilities	<u>87,585,436</u>	<u>84,885,763</u>

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

	Governmental Activities	
	2016	2015
Deferred inflows of resources		
Total deferred inflows of resources	<u>\$ 4,891,561</u>	<u>\$ 7,531,749</u>
Net Position:		
Net investment in capital assets	62,361,145	63,750,745
Restricted	24,226,548	23,521,625
Unrestricted (deficit)	<u>(53,540,230)</u>	<u>(51,230,312)</u>
Total net position	<u>\$ 33,047,463</u>	<u>\$ 36,042,058</u>

Overall, total assets and deferred outflows of resources decreased by \$2.9 million or 2.3 percent and total liabilities and deferred inflows of resources increased by \$59 thousand or 0.06 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—the net increase of \$816 thousand was primarily due to an increase in receivables of charges for services and federal and state grants.
- Capital assets—the net decrease of \$2.8 million was due to the additions of \$2 million in capital assets and \$4.9 million in accumulated depreciation in the current fiscal year.
- As a result of an actuarial valuation of the total pension liability performed as of June 30, 2015 and a measurement date of June 30, 2015, deferred outflows and inflows of resources related to pensions decreased by \$1 million and \$2.6 million, respectively.
- Other liabilities—the net increase of \$425 thousand was primarily due to payroll and employee benefits accrued at the end of the fiscal year.
- Long-term liabilities—the net increase of \$2.3 million was mainly due to a net increase of \$3.9 million in net pension liability and a reduction of \$1.5 million in regularly scheduled debt service payments.

A large portion of the County's net position, \$62.4 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 \$24.2 million is subject to external restrictions on how they may be used. The County's deficit of \$53.5 million was an increase of \$2.3 million from the prior year's unrestricted deficit in net position due to the above-mentioned changes in assets and liabilities.

### 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 the fiscal year 2016 compared to the prior year.

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

	Governmental Activities	
	2016	2015
Program revenues:		
Charges for services	\$ 7,882,611	\$ 6,844,292
Operating grants and contributions	17,099,421	15,319,641
Capital grants and contributions	11,571,167	11,431,446
Total program revenues	<u>36,553,199</u>	<u>33,595,379</u>
General revenues:		
Property taxes	12,531,782	12,536,351
Special assessments		507,456
Sales taxes	6,365,510	6,674,867
State shared revenues	13,125,229	12,964,950
Payments in lieu of taxes	1,547,382	1,406,936
Investment earnings	165,384	195,437
Capital contributions	6,980	
Gain on disposal of capital assets	2,995	35,974
Miscellaneous	1,341,167	1,072,052
Total general revenues	<u>35,086,429</u>	<u>35,394,023</u>
Total revenues	<u>71,639,628</u>	<u>68,989,402</u>
Program expenses:		
General government	\$29,716,664	\$31,968,411
Public safety	17,512,220	16,655,632
Highways and streets	12,008,267	11,190,411
Health and welfare	8,350,410	7,956,284
Culture and recreation	798,683	665,292
Education and economic opportunity	5,479,786	5,669,487
Environmental and conservation	247,622	211,478
Urban redevelopment and housing	16,887	73,852
Interest on long-term debt	503,684	802,936
Total program expenses	<u>74,634,223</u>	<u>75,193,783</u>
Change in net position	<u>(2,994,595)</u>	<u>(6,204,381)</u>
Net position, beginning	<u>36,042,058</u>	<u>42,246,439</u>
Net position, ending	<u>\$33,047,463</u>	<u>\$36,042,058</u>

Overall revenues increased by \$2.7 million or 3.8 percent and program expenses decreased by \$560 thousand or 0.7 percent in the current fiscal year. The following summarizes the significant changes in revenues compared to the prior year.

- Charges for services increased by \$1 million or 15.2 percent in the current year largely due to \$317 thousand of special assessments tax was reclassified from general revenue to program revenue and an increase of \$652 thousand of employee healthcare insurance premiums collected for the County's self-insured health benefits program.
- Operating grants and contributions increased by \$1.8 million or 11.6 percent in the current year mainly due to \$1.4 million of additional funding received from federal and state governments for housing inmates and \$543 thousand of additional grants from federal, state and local governments for the Navajo County School Superintendent's Office's educational programs.

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported four major funds for this fiscal year: the General Fund, Public Works/HURF Fund, Flood Control District Fund, and Public Health District Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$32.2 million, which is an increase of \$599 thousand or 1.9 percent. Of the total, \$6.8 million constitutes unrestricted fund balances.

For governmental funds, overall revenues increased \$2.6 million or 3.6 percent and expenditures decreased \$3 million or 3.9 percent. Governmental fund revenues exceeded expenditures by \$968 thousand 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 \$7.7 million. Fund balances represent 18.3 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following provides an explanation of major fund's activities that changed significantly over the prior year:

General Fund

- Accounts payable increased by \$209 thousand or 50.7% in the current year largely due to an increase of purchases near fiscal year-end.
- Accrued payroll and employee benefits increased by \$436 thousand or 46.8% in the current year largely due to additional payroll days accrued at fiscal year-end.
- Charges for services increased by \$735 thousand or 9.6 percent in the current year primarily due to an increase in employee healthcare insurance premiums collected for the County's self-insured health benefits program.
- Intergovernmental revenues increased by \$1.9 million or 11.7 percent in the current year largely due to additional funding of \$1.4 million received from federal and state governments for housing inmates and slight increases in state shared sales and vehicle license taxes and payments in lieu of taxes.
- Public safety expenditures increased by \$1.9 million or 17.1% in the current year largely due to the increase in jail costs to house federal and state inmates.

Public Works/HURF Fund

- Inventories decreased by \$362 thousand or 36.9% in the current year largely due to the use of materials in the current fiscal year that had previously been stockpiled for road projects.
- Accounts payable decreased by \$78 thousand or 22.3% in the current year largely due to a general reduction of purchases near fiscal year-end.
- Accrued payroll and employee benefits increased by \$55 thousand or 29.7% in the current year largely due to additional payroll days accrued at fiscal year-end.

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

Flood Control District Fund

- Accounts payable increased by \$19 thousand in the current year largely due to an increase of purchases near fiscal year-end.

Public Health District Fund

- Due from other governments decreased by \$116 thousand or 15.3 percent in the current year because additional federal grant reimbursements were received before fiscal year-end.
- Accrued payroll and employee benefits increased by \$14 thousand or 11.9% in the current year largely due to additional payroll days accrued at fiscal year-end.
- Due to other funds increased by \$143 thousand or 207.2% in the current year largely due to a negative cash balance at fiscal year-end.
- Health expenditures increased by \$1.1 million or 23.1 percent due to two reporting changes in the current year. The reclassifications of \$434 thousand indirect cost expenditures that were previously presented as transfers out and \$595 thousand of contributions for the Arizona Health Care Cost Containment System program that were previously reported in the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund, actual revenues were less than the original and final budget amounts by \$1.9 million, while the actual expenditures were \$12.4 million less than the amount budgeted. The budget variance for revenues was due to the receipt of less intergovernmental revenue than anticipated. The budget variance for expenditures was primarily due to conservative budgeting practices and minimal spending due to continued poor economic conditions. The County held approximately 70 General Fund positions vacant during fiscal year 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2016, totaled \$78.2 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:

- Machinery and equipment increased \$1.8 million of new additions.
- Accumulated depreciation increased \$4.9 million of annual depreciation expense.

*Additional information on capital assets can be found in Notes 4 and 5 on page 32 of this report.*

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$83.9 million and consists of the following:

Navajo County  
Management's Discussion and Analysis  
June 30, 2016

- \$64.3 million is net pension liability which increased by \$3.9 million in the current fiscal year.
- \$15.8 million in 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 for the future payment of compensated absences for unused employee vacation and sick leave.
- \$1.2 million of incurred but not reported healthcare claims payable for the County's self-insured employee health benefits program.
- \$353 thousand of special assessment debt with governmental commitment.
- The remaining balance included \$173 thousand of capital leases payable, \$247 thousand of estimated landfill closure and post-closure care costs payable and \$70 thousand of claims and judgments payable.

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 33 through 35 of this report.*

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

The significant downturn in the national and state economies that began the latter part of 2008 continued to affect the County in fiscal year 2016. The U.S. and State economies continued to experience a moderate recovery during 2016 and continued minimal improvement is expected in fiscal year 2017. The local economy in the County remains mainly flat. The County closely monitors revenues, expenditures and applicable economic indicators to ensure that the County remains fiscally strong. 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.



---

# BASIC FINANCIAL STATEMENTS

---

Navajo County  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 30,278,371
Receivables (net of allowance for uncollectibles):	
Property taxes	502,134
Accounts receivable	616,885
Special assessments	209,716
Due from other governments	4,408,815
Inventories	619,595
Capital assets, not being depreciated	8,949,961
Capital assets, being depreciated, net	69,274,006
Total assets	\$ 114,859,483
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	\$ 10,664,977
Total deferred outflows of resources	\$ 10,664,977
<b>Liabilities</b>	
Accounts payable	\$ 1,177,459
Accrued payroll and employee benefits	2,116,302
Due to other governments	302,769
Interest payable	132,921
Noncurrent liabilities	
Due within 1 year	4,175,945
Due in more than 1 year	79,680,040
Total liabilities	\$ 87,585,436
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	\$ 4,891,561
Total deferred inflows of resources	\$ 4,891,561
<b>Net Position</b>	
Net investment in capital assets	\$ 62,361,145
Restricted for:	
General government	1,671,905
Highways and streets	8,540,131
Public safety	7,320,593
Judicial activities	2,946,428
Education and economic opportunity	979,501
Law enforcement	1,238,408
Environment, library, and community services	339,909
Health and welfare	954,021
Debt service	235,652
Unrestricted	
(Deficit)	(53,540,230)
Total net position	\$ 33,047,463

See accompanying notes to financial statements.



Navajo County  
Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 29,716,664	\$ 5,400,182	\$ 3,945,966	\$ (20,370,516)
Public safety	17,512,220	1,549,821	4,911,950	(11,050,449)
Highways and streets	12,008,267	432,421		(4,679)
Health and welfare	8,350,410	333,306	2,770,719	(5,246,385)
Culture and recreation	798,683	166,881	61,754	(570,048)
Education and economic opportunity	5,479,786		5,034,340	(445,446)
Environmental and conservation	247,622		364,692	117,070
Urban redevelopment and housing	16,887		10,000	(6,887)
Interest on long-term debt	503,684			(503,684)
Total governmental activities	<u>\$ 74,634,223</u>	<u>\$ 7,882,611</u>	<u>\$ 17,099,421</u>	<u>\$ (38,081,024)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				\$ 7,811,116
Property taxes, levied for flood control				1,837,233
Property taxes, levied for public health district				2,056,438
Property taxes, levied for library district				826,995
General county sales tax				6,365,510
Shared revenues - state sales tax				10,874,837
Shared revenues - state vehicle license tax				2,250,392
Payments in lieu of taxes				1,547,382
Investment earnings				165,384
Capital contributions				6,980
Gain on sale of capital assets				2,995
Miscellaneous				1,341,167
Total general revenues				<u>35,086,429</u>
Change in net position				<u>(2,994,595)</u>
Net position, July 1, 2015				<u>36,042,058</u>
Net position, June 30, 2016				<u>\$ 33,047,463</u>

See accompanying notes to financial statements.

Navajo County  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 6,960,402	\$ 7,311,741	\$ 7,152,081		\$ 8,854,147	\$ 30,278,371
Receivables (net of allowance for uncollectibles):						
Property taxes	290,723		99,245	\$ 78,517	33,649	502,134
Accounts receivable	559,423	1,723		3,380	52,359	616,885
Special assessments					209,716	209,716
Due from:						
Other funds	441,447				129,179	570,626
Other governments	1,756,270	953,560		642,657	1,056,328	4,408,815
Inventories		619,595				619,595
Total assets	<u>\$ 10,008,265</u>	<u>\$ 8,886,619</u>	<u>\$ 7,251,326</u>	<u>\$ 724,554</u>	<u>\$ 10,335,378</u>	<u>\$ 37,206,142</u>
<b>Liabilities</b>						
Accounts payable	\$ 621,281	\$ 272,479	\$ 19,187	\$ 54,044	\$ 210,468	\$ 1,177,459
Accrued payroll and employee benefits	1,368,311	239,768	5,145	130,313	372,765	2,116,302
Due to:						
Other funds	3,821			211,270	355,535	570,626
Other governments	148,301	31,434	2,992	45,880	74,162	302,769
Pledged revenue obligations payable					150,000	150,000
Interest payable					132,921	132,921
Total liabilities	<u>2,141,714</u>	<u>543,681</u>	<u>27,324</u>	<u>441,507</u>	<u>1,295,851</u>	<u>4,450,077</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue—property taxes	194,917		64,922	50,018	22,282	332,139
Unavailable revenue—special assessments					182,894	182,894
Unavailable revenue—intergovernmental				43,106	30,805	73,911
Total deferred inflows of resources	<u>194,917</u>		<u>64,922</u>	<u>93,124</u>	<u>235,981</u>	<u>588,944</u>
<b>Fund balances:</b>						
Nonspendable		619,596				619,596
Restricted	1,612,513	7,723,342	7,159,080	860,897	7,376,418	24,732,250
Assigned	2,535,860				966,610	3,502,470
Unassigned	3,523,261			(670,974)	460,518	3,312,805
Total fund balances	<u>7,671,634</u>	<u>8,342,938</u>	<u>7,159,080</u>	<u>189,923</u>	<u>8,803,546</u>	<u>32,167,121</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,008,265</u>	<u>\$ 8,886,619</u>	<u>\$ 7,251,326</u>	<u>\$ 724,554</u>	<u>\$ 10,335,378</u>	<u>\$ 37,206,142</u>

See accompanying notes to financial statements.

Navajo County  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 Governmental Funds  
 June 30, 2016

Fund balances—total governmental funds	\$ 32,167,121
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.	78,223,967
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	588,944
Long-term liabilities, such as net pension liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(83,705,985)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>5,773,416</u>
Net position of governmental activities	<u><u>\$ 33,047,463</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, 2016

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 7,810,483		\$ 1,839,674	\$ 2,065,544	\$ 826,948	\$ 12,542,649
County sales taxes	6,365,510					6,365,510
Special assessments					485,708	485,708
Licenses and permits	426,678			177,847		604,525
Fines and forfeits	744,156				748,771	1,492,927
Intergovernmental	17,990,140	\$ 11,571,167	1,424	2,918,603	9,846,774	42,328,108
Charges for services	8,407,378	93,174		155,459	1,713,275	10,369,286
Investment earnings	41,835	36,457	43,461	906	42,725	165,384
Contributions				39,962		39,962
Miscellaneous	585,647	73,054	972	41,120	640,374	1,341,167
<b>Total revenues</b>	<b>42,371,827</b>	<b>11,773,852</b>	<b>1,885,531</b>	<b>5,399,441</b>	<b>14,304,575</b>	<b>75,735,226</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	24,362,439				3,112,770	27,475,209
Public safety	12,995,336		1,314,617		3,703,102	18,013,055
Highways and streets		9,832,498			117,162	9,949,660
Health and welfare	3,046,466			5,651,942		8,698,408
Culture and recreation					812,461	812,461
Education and economic opportunity	320,205				5,088,022	5,408,227
Environmental and conservation					266,428	266,428
Urban redevelopment and housing					16,887	16,887
<b>Debt service:</b>						
Principal	123,692			29,674	1,375,967	1,529,333
Interest and other charges	7,151			743	495,790	503,684
Capital outlay	1,049,060	708,736	129,579		206,316	2,093,691
<b>Total expenditures</b>	<b>41,904,349</b>	<b>10,541,234</b>	<b>1,444,196</b>	<b>5,682,359</b>	<b>15,194,905</b>	<b>74,767,043</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>467,478</b>	<b>1,232,618</b>	<b>441,335</b>	<b>(282,918)</b>	<b>(890,330)</b>	<b>968,183</b>
<b>Other financing sources (uses):</b>						
Sale of capital assets	2,995					2,995
Transfers in	1,429,982	67,612		211,175	2,509,423	4,218,192
Transfers out	(1,883,774)	(533,438)	(1,000,000)	(25,440)	(775,540)	(4,218,192)
<b>Total other financing sources and uses</b>	<b>(450,797)</b>	<b>(465,826)</b>	<b>(1,000,000)</b>	<b>185,735</b>	<b>1,733,883</b>	<b>2,995</b>
<b>Net change in fund balances</b>	<b>16,681</b>	<b>766,792</b>	<b>(558,665)</b>	<b>(97,183)</b>	<b>843,553</b>	<b>971,178</b>
Fund balances, July 1, 2015	7,654,953	7,937,713	7,717,745	287,106	7,970,493	31,568,010
<b>Changes in nonspendable resources:</b>						
Decrease in reserve for inventories		(361,567)				(361,567)
Decrease in prepaid items					(10,500)	(10,500)
<b>Fund balances, June 30, 2016</b>	<b>\$ 7,671,634</b>	<b>\$ 8,342,938</b>	<b>\$ 7,159,080</b>	<b>\$ 189,923</b>	<b>\$ 8,803,546</b>	<b>\$ 32,167,121</b>

See accompanying notes to financial statements.

Navajo County  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2016

Net change in fund balances—total governmental funds		\$ 971,178
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	\$ 2,093,691	
Depreciation expense	<u>(4,851,846)</u>	(2,758,155)
Some revenues reported in the Statement of Activities do not represent the collection of current financial resources and, therefore, are not reported as revenues on the governmental funds		
Capital contributions	6,980	
Special assessments	20,420	
Intergovernmental revenues	<u>1,193,337</u>	1,220,737
Collection of revenues in the governmental funds exceeded revenues reported in the Statement of Activities		
Property taxes	(10,867)	
Intergovernmental revenues	<u>(218,208)</u>	(229,075)
County pension 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 expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
County pension contributions	4,240,898	
Pension expense	<u>(7,711,531)</u>	(3,470,633)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repaid		1,529,333
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.		
Increase in IBNR healthcare claim costs	(406,941)	
Decrease in compensated absences	467,615	
Decrease in claims and judgments	52,263	
Decrease in landfill closure and post-closure care costs	<u>1,150</u>	114,087
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	(361,567)	
Decrease in prepaid items	<u>(10,500)</u>	<u>(372,067)</u>
Change in net position of governmental activities		<u>\$ (2,994,595)</u>

See accompanying notes to financial statements.

Navajo County  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Investment Trust Funds	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 166,563,114	\$ 2,939,392
Total assets	\$ 166,563,114	\$ 2,939,392
<b>Liabilities</b>		
Due to other governments		\$ 737,492
Deposits held for others		2,201,900
Total liabilities		\$ 2,939,392
<b>Net Position</b>		
Held in trust for investment trust participants	\$ 166,563,114	

See accompanying notes to financial statements.

Navajo County  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2016

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 223,921,107
Net investment income	1,224,409
Total additions	225,145,516
Deductions:	
Distributions to participants	208,065,138
Change in net position	17,080,378
Net position, July 1, 2015	149,482,736
Net position, June 30, 2016	\$ 166,563,114

See accompanying notes to financial statements.

Navajo County  
Notes to Financial Statements  
June 30, 2016

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, 2016, the County implemented the provisions of GASB Statement No. 72, Fair Value Measurement and Application; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

**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. The County has no discretely presented component units.

The following table describes the County's component units:

<b>Component Unit</b>	<b>Description; Criteria for Inclusion</b>	<b>Reporting Method</b>	<b>For Separate Financial Statements</b>
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



Navajo County  
Notes to Financial Statements  
June 30, 2016

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 activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

Navajo County  
Notes to Financial Statements  
June 30, 2016

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.

- 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 Public Health District Fund is used to account for a variety of health service and education programs including Bioterrorism; 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.

Navajo County  
Notes to Financial Statements  
June 30, 2016

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.

### 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.

Navajo County  
Notes to Financial Statements  
June 30, 2016

**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 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. 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.

**G. 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 fair market 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	3-7 years
Infrastructure	10,000	Straight-line	35 years

Navajo County  
Notes to Financial Statements  
June 30, 2016

## H. Deferred Outflows/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 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.

## I. Pensions

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

## J. 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, 2016.

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.

Navajo County  
Notes to Financial Statements  
June 30, 2016

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

### K. Investment Earnings

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

### L. 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 - 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

Navajo County  
Notes to Financial Statements  
June 30, 2016

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.
2. 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, 2016, the carrying amount of the County's deposits was \$88,803,998, and the bank balance was \$90,589,478. 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, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

Navajo County  
Notes to Financial Statements  
June 30, 2016

	Amount	Fair value measurement using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
<b>Investments by fair value level</b>			
U.S. Treasury securities	\$ 41,616,251	\$41,616,251	
U.S. Treasury money market funds	10,000	10,000	
U.S. agency securities	<u>69,340,359</u>	<u>-</u>	<u>\$69,340,359</u>
	<u>\$110,966,610</u>	<u>\$41,626,251</u>	<u>\$69,340,359</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.

**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, 2016, credit risk for the County’s investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AAA	Moody’s	\$69,340,359
U.S. Treasury money market funds	Unrated	N/A	10,000
Total			<u>\$69,350,359</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, 2016, the County had \$10,000 of U.S. Treasury money market funds that were uninsured, not registered in the County’s name and held by the counterparty’s trust department or agent but not in the County’s name.

**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, 2016, of 5 percent or more in U.S. Treasury, Federal National Mortgage Association, Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank securities. These investments were 37.55 percent, 24.46 percent, 18.10 percent, 13.55 percent, and 6.34 percent, respectively, of the County’s total investments.



Navajo County  
Notes to Financial Statements  
June 30, 2016

**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, 2016, the County had the following investments in debt securities:

<b>Investment Type</b>	<b>Amount</b>	<b>Weighted Average Maturity (In Years)</b>
U.S. agency securities	\$ 69,340,359	1.038
U.S. Treasury securities	41,616,251	0.513
U.S. Treasury money market funds	<u>10,000</u>	0.003
	<u>\$110,966,610</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

Cash, deposits, and investments:

Cash on hand	\$ 10,269
Amount of deposits	88,803,998
Amount of investments	<u>110,966,610</u>
Total	<u>\$199,780,877</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>\$30,278,371</u>	<u>\$166,563,114</u>	<u>\$2,939,392</u>	<u>\$199,780,877</u>

### Note 3 - Due From Other Governments

Amounts due from other governments at June 30, 2016, are shown as follows:

	<b>General Fund</b>	<b>Public Works/ HURF Fund</b>	<b>Public Health District Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
State-shared sales tax	\$ 681,265				\$ 681,265
County sales tax	558,461				558,461
State-shared vehicle license tax	103,125	\$125,541			228,666
Highway user revenue		764,003			764,003
Grants and contributions from state and federal governments	373,639	49,016	\$642,657	\$ 736,312	1,801,624
Reimbursements for services provided for governmental units	39,780	15,000		299,477	289,573
Timberland Acres Domestic Water Improvement District loan				<u>20,539</u>	<u>289,573</u>
	<u>\$1,756,270</u>	<u>\$953,560</u>	<u>\$642,657</u>	<u>\$1,056,328</u>	<u>\$4,408,815</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,661,286	\$ 40,000		\$ 5,701,286
Construction in progress	<u>3,168,157</u>	<u>80,518</u>		<u>3,248,675</u>
Total capital assets not being depreciated	<u>8,829,443</u>	<u>120,518</u>		8,949,961
Capital assets being depreciated:				
Buildings and improvements	50,046,033	117,427		50,163,460
Infrastructure	77,576,025	39,580		77,615,605
Machinery and equipment	<u>29,843,364</u>	<u>1,823,146</u>	<u>\$144,379</u>	<u>31,522,131</u>
Total	<u>157,465,422</u>	<u>1,980,153</u>	<u>144,379</u>	<u>159,301,196</u>
Less accumulated depreciation for:				
Buildings and improvements	19,230,384	1,377,206		20,607,590
Infrastructure	40,216,440	2,153,284		42,369,724
Machinery and equipment	<u>25,872,899</u>	<u>1,321,356</u>	<u>144,379</u>	<u>27,049,876</u>
Total	<u>85,319,723</u>	<u>4,851,846</u>	<u>144,379</u>	<u>90,027,190</u>
Total capital assets being depreciated, net	<u>72,145,699</u>	<u>(2,871,693)</u>		<u>69,274,006</u>
Governmental activities capital assets, net	<u>\$ 80,975,142</u>	<u>\$(2,751,175)</u>	<u>\$</u>	<u>\$ 78,223,967</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 931,090
Public safety	1,149,378
Highways and streets	2,443,069
Health and welfare	197,054
Culture and recreation	185
Education	<u>131,070</u>
Total governmental activities depreciation expense	<u>\$4,851,846</u>

Note 5 - Construction and Other Significant Commitments

The County had major commitments at June 30, 2016, for the rehabilitation of Woodruff/Snowflake Bridge. As of June 30, 2016, the County had spent \$97,776 on the rehabilitation of Woodruff/Snowflake Bridge and had an estimated \$1.2 million remaining to complete. This project is primarily being financed through a contractual agreement with the Arizona Department of Transportation and the remaining share of cost for the Public Works/HURF Fund is \$66,490.

Navajo County  
Notes to Financial Statements  
June 30, 2016

Note 6 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2016:

Governmental activities	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Pledged revenue obligations payable	\$16,845,000		\$1,005,000	\$15,840,000	\$1,180,000
Special assessment debt with governmental commitment	573,542		220,967	352,575	222,575
Capital leases payable	326,188		153,366	172,822	157,473
Net pension liability	60,404,458	\$4,283,518	365,898	64,322,078	35,878
Landfill closure and post-closure care costs payable	247,951		1,150	246,801	1,150
Compensated absences payable	2,152,212	1,187,724	1,655,339	1,684,597	1,341,757
Incurred but not reported healthcare claims payable	759,809	406,941		1,166,750	1,166,750
Claims and judgments payable	122,625	50,000	102,263	70,362	70,362
Total	<u>\$81,431,785</u>	<u>\$5,928,183</u>	<u>\$3,503,983</u>	<u>\$83,855,985</u>	<u>\$4,175,945</u>

**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 of \$10,625,000 were issued for construction projects and refunding the Series 2008 Navajo County pledged revenue obligations. The obligations of \$10,625,000 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 of \$4,100,000 were issued 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 of \$4,400,000 were issued to construct and remodel jail facilities.

Pledged revenue and pledged revenue refunding obligations outstanding at June 30, 2016, 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	2017 – 2024	2.17%	\$ 7,635,000
Navajo County Pledged Revenue Refunding Obligations, Series 2012A	4,100,000	2017 – 2027	3.24%	3,805,000
Navajo County Pledged Revenue Obligations, Series 2012B	4,400,000	2017 – 2031	3.24%	<u>4,400,000</u>
Total				<u>\$15,840,000</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2016:

Year ending June 30	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$ 1,180,000	\$ 429,092
2018	1,200,000	401,800
2019	1,230,000	373,858
2020	1,255,000	345,348
2021	1,290,000	316,133
2022-2026	5,285,000	1,169,771
2027-2031	<u>4,400,000</u>	<u>508,031</u>
Total	<u>\$15,840,000</u>	<u>\$3,544,033</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, 2016. At June 30, 2016, future pledged revenues through final maturity at July 1, 2031 totaled \$19,384,033, consisting of \$15,840,000 for principal and \$3,544,033 for interest. Future principal and interest payments are expected to require approximately 7 percent of pledged sales tax revenues. Principal and interest paid for the current year and total current-year pledged revenues were \$1,461,027 and \$17,240,347, 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 \$1,858,124 in special assessment debt. The proceeds were used to finance the construction or improvement of roads, water and wastewater systems, and community facilities. At June 30, 2016, future pledged revenues through final maturity at July 1, 2019, totaled \$383,502 consisting of \$352,575 for principal and \$30,927 for interest. Future principal and interest payments are expected to require 100 percent of pledged special assessment revenues. Principal and interest paid for the current year and total current year special assessment revenues were \$260,730 and \$224,359, 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:

<b>Description</b>	<b>Original Amount Issued</b>	<b>Maturity Ranges</b>	<b>Interest Rates</b>	<b>Outstanding Principal</b>
Shumway Road	\$1,150,000	2017	5.40%	\$150,000
Bucking Horse	524,000	2017-2019	5.75%	189,000
Scott's Pine Tract A	<u>184,124</u>	2017	6.17%	<u>13,575</u>
Total	<u>\$1,858,124</u>			<u>\$352,575</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

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

Year ending June 30	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2017	\$222,575	\$19,600
2018	63,000	7,475
2019	<u>67,000</u>	<u>3,852</u>
Total	<u>\$352,575</u>	<u>\$30,927</u>

**Compensated absences**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2016, the County paid for compensated absences as follows: 63 percent from the General Fund, 12 percent from the Public Works/HURF Fund, 8 percent from the Public Health District Fund, and 17 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 2016 actuarial report. Changes in incurred but not reported (IBNR) healthcare claims payable for the years ended June 30, 2015 and 2016, were as follows:

	<b>2015</b>	<b>2016</b>
IBNR healthcare claims payable beginning of year		\$ 759,809
Current-year claims and changes in estimates	\$4,758,282	5,605,979
Claim payments	<u>3,998,473</u>	<u>5,199,038</u>
IBNR healthcare claims payable, end of year	<u>\$ 759,809</u>	<u>\$1,166,750</u>

**Claims and judgments payable**—Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. At June 30, 2016, the claims and judgments payable the total amount of \$70,362 represents the deductible reserves on reported claims.

**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

Navajo County  
Notes to Financial Statements  
June 30, 2016

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 in partnership with Summit Healthcare and the Aetna Network. The program offers one comprehensive medical plan. The uninsured risk of loss per individual is \$250,000 per plan year. In addition, the County established an onsite health care facility named High Desert Health Care clinic in the County's Holbrook complex. 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, 2016, is actuarial valued and disclosed in Note 6.

Navajo County  
Notes to Financial Statements  
June 30, 2016

**Note 8 - Fund Balance Classifications of the Governmental Funds**

The fund balance classifications of the governmental funds as of June 30, 2016, were as follows:

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Inventories		\$ 619,596				\$ 619,596
Total nonspendable		<u>619,596</u>				<u>619,596</u>
<b>Restricted for:</b>						
Health insurance trust	\$1,612,513					1,612,513
Highways and streets		7,723,342			\$ 543,500	8,266,842
Flood control projects			\$7,159,080			7,159,080
Health				\$860,897		860,897
Judicial activities					2,946,428	2,946,428
Law enforcement					1,238,408	1,238,408
Education					979,501	979,501
Environmental and conservation					695,292	695,292
Economic stabilization and development					103,869	103,869
Social services					99,266	99,266
Library					50,465	50,465
Public safety transportation					65,786	65,786
Recreation					126,221	126,221
Road projects					100,701	100,701
Debt service					183,152	183,152
Capital projects					218,513	218,513
Other purposes					<u>25,316</u>	<u>25,316</u>
Total restricted	<u>1,612,513</u>	<u>7,723,342</u>	<u>7,159,080</u>	<u>860,897</u>	<u>7,376,418</u>	<u>24,732,250</u>
<b>Assigned to:</b>						
Health insurance reserve	1,036,496					1,036,496
Economic stabilization and development	400,000					400,000
Judicial activities	9,000					9,000
Law enforcement	395,151					395,151
Education					148,937	148,937
Debt service					817,673	817,673
Other capital projects	250,000					250,000
Other purposes	<u>445,213</u>					<u>445,213</u>
Total assigned	<u>2,535,860</u>				<u>966,610</u>	<u>3,502,470</u>
<b>Unassigned</b>	<u>3,523,261</u>			<u>(670,974)</u>	<u>460,518</u>	<u>3,312,805</u>
Total fund balances	<u>\$7,671,634</u>	<u>\$8,342,938</u>	<u>\$7,159,080</u>	<u>\$ 189,923</u>	<u>\$8,803,546</u>	<u>\$32,167,121</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

Note 9 - Pensions and Other Postemployment Benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2016, 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	\$64,322,078
Deferred outflows of resources	10,664,977
Deferred inflows of resources	4,891,561
Pension expense	7,711,531

The County's accrued payroll and employee benefits includes \$153,910 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported \$4,240,898 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, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that 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, health insurance premium supplement, long-term disability, 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>	
	Before July 1, 2011	On or after July 1, 2011
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.



Navajo County  
Notes to Financial Statements  
June 30, 2016

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 earning. 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, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit and 0.06 percent for long-term disability) 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, 2016, were \$2,128,972. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30		
2016	\$ 96,268	\$23,334
2015	113,693	23,124
2014	100,058	40,023

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 50 percent from the General Fund, 15 percent from the Public Works/HURF Fund, 11 percent from the Public Health District Fund, and 24 percent from other governmental funds.

**Pension liability**—At June 30, 2016, the County reported a liability of \$32,861,924 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the

Navajo County  
Notes to Financial Statements  
June 30, 2016

County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 0.21098 percent, which was an increase of 0.001756 from its proportion measured as of June 30, 2014.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for ASRS of \$1,681,323. At June 30, 2016, 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	\$ 896,731	\$1,721,998
Net difference between projected and actual earnings on pension plan investments		1,053,152
Changes in proportion and differences between county contributions and proportionate share of contributions	749,364	762,367
County contributions subsequent to the measurement date	<u>2,128,972</u>	
Total	<u>\$3,775,067</u>	<u>\$3,537,517</u>

The \$2,128,972 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, 2017. 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	
2017	\$ (769,543)
2018	(1,139,063)
2019	(743,059)
2020	760,243

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

<b>ASRS</b>	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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

Navajo County  
Notes to Financial Statements  
June 30, 2016

Actuarial assumptions used in the June 30, 2014, 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 8.79 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:

ASRS Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.93%
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 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions 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:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County’s proportionate share of the net pension liability	\$43,060,350	\$32,861,924	\$25,872,659

Navajo County  
Notes to Financial Statements  
June 30, 2016

**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 an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-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.

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 and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). 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).

**Benefits provided**—The PSPRS and CORP provide retirement, health insurance premium supplement, 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:

<b>PSPRS</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 15 years, age 62	25 years, 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

Navajo County  
Notes to Financial Statements  
June 30, 2016

<b>PSPRS</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<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%	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	
<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

Navajo County  
Notes to Financial Statements  
June 30, 2016

<b>CORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
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 based on excess investment earning. In addition, from and after December 31, 2015, 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, 2016, the following employees were covered by the agent pension plans' benefit terms:

	<b>PSPRS Sheriff</b>	<b>PSPRS Attorney Investigators</b>	<b>CORP</b>
Inactive employees or beneficiaries currently receiving benefits	29	1	10
Inactive employees entitled to but not yet receiving benefits	23		28
Active employees	<u>46</u>	-	<u>45</u>
Total	<u>98</u>	<u>1</u>	<u>83</u>

**Contributions and annual OPEB cost**—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 and health insurance premium benefits. 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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

Navajo County  
Notes to Financial Statements  
June 30, 2016

	<b>PSPRS Sheriff</b>	<b>CORP</b>	<b>CORP AOC</b>
Active members—Pension County	11.65%	8.41%	8.41%
Pension	47.62%	8.84%	19.10%
Health insurance premium benefit	0%	0%	0.85%

The County was required to contribute \$35,878 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 28.62 percent for the PSPRS of annual covered payroll of a retired member who worked for the County in a position that an employee who contributes to the PSPRS would typically fill.

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	<b>PSPRS Sheriff</b>	<b>PSPRS Attorney Investigators</b>	<b>CORP Detention</b>
<b>Pension</b>			
Contributions made	\$1,214,475	\$35,878	\$138,748
<b>Health Insurance Premium Benefit</b>			
Annual OPEB cost	\$0	\$0	\$0
Contributions made	\$0	\$0	\$0

Contributions to the CORP AOC pension plan for the year ended June 30, 2016, were \$367,198. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

**CORP AOC**

	<b>Health Insurance Fund</b>
Year ended June 30	
2016	\$16,341
2015	23,306
2014	20,950

During fiscal year 2016, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 83 percent from the General Fund and 17 percent from the other governmental funds.

**Pension liability**—At June 30, 2016, the County reported the following net pension liabilities:

Navajo County  
Notes to Financial Statements  
June 30, 2016

	<b>Net Pension Liability</b>
PSPRS Sheriff	\$11,914,141
PSPRS Attorney Investigators	569,212
CORP	642,272
CORP AOC (County's proportionate share)	4,108,278

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustments 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, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 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:



Navajo County  
Notes to Financial Statements  
June 30, 2016

<b>PSPRS and CORP</b>	<b>Target</b>	<b>Long-Term Expected Geometric Real</b>
<b>Asset Class</b>	<b>Allocation</b>	<b>Rate of Return</b>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Pension discount rates**—The discount rate used to measure the PSPRS and CORP total pension liabilities was 7.85 percent, which was an increase of 3.56 percent for the PSPRS Attorney Investigators plan from the discount rate used as of June 30, 2014. The discount rate for the PSPRS Sheriff, CORP, and CORP AOC plans did not change from the prior year. The projection of cash flows used to determine the 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.

Navajo County  
Notes to Financial Statements  
June 30, 2016

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, 2015	<u>\$17,034,621</u>	<u>\$5,324,923</u>	<u>\$11,709,698</u>
Changes for the year:			
Service cost	397,350		397,350
Interest on the total pension liability	1,309,258		1,309,258
Differences between expected and actual experience in the measurement of the pension liability	(377,151)		(377,151)
Changes of assumptions or other inputs			
Contributions—employer		790,385	(790,385)
Contributions—employee		261,993	(261,993)
Net investment income		191,904	(191,904)
Benefit payments, including refunds of employee contributions	(1,109,711)	(1,109,711)	
Administrative expense		(5,044)	5,044
Other changes		(114,224)	114,224
Net changes	<u>219,746</u>	<u>15,303</u>	<u>204,443</u>
Balances at June 30, 2016	<u>\$17,254,367</u>	<u>\$5,340,226</u>	<u>\$11,914,141</u>

**PSPRS Attorney Investigators**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	<u>\$ 971,244</u>	<u>\$ 36,134</u>	<u>\$ 935,110</u>
Changes for the year:			
Interest on the total pension liability	40,906		40,906
Differences between expected and actual experience in the measurement of the pension liability	6,616		6,616
Changes of assumptions or other inputs	(392,840)		(392,840)
Contributions—employer		20,181	(20,181)
Contributions—employee			
Net investment income		744	(744)
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	
Administrative expense		(308)	308
Other changes		(37)	37
Net changes	<u>(380,769)</u>	<u>(14,871)</u>	<u>(365,898)</u>
Balances at June 30, 2016	<u>\$ 590,475</u>	<u>\$ 21,263</u>	<u>\$ 569,212</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

<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>
	<u>\$3,953,613</u>	<u>\$3,361,955</u>	<u>\$591,658</u>
Balances at June 30, 2015	<u>\$3,953,613</u>	<u>\$3,361,955</u>	<u>\$591,658</u>
Changes for the year:			
Service cost	229,853		229,853
Interest on the total pension liability	301,883		301,883
Differences between expected and actual experience in the measurement of the pension liability	(93,870)		(93,870)
Changes of assumptions or other inputs			
Contributions—employer		123,062	(123,062)
Contributions—employee		137,233	(137,233)
Net investment income		120,952	(120,952)
Benefit payments, including refunds of employee contributions	(445,789)	(445,789)	
Administrative expense		(3,354)	3,354
Other changes		9,359	(9,359)
Net changes	<u>(7,923)</u>	<u>(58,537)</u>	<u>50,614</u>
Balances at June 30, 2016	<u>\$3,945,690</u>	<u>\$3,303,418</u>	<u>\$642,272</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, 2015. The County's proportion measured as of June 30, 2015, was 1.689882 percent, which was a decrease of 0.049414 from its proportion measured as of June 30, 2014.

**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 rates noted above, 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 or 1 percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
PSPRS Sheriff			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$13,908,285	\$11,914,141	\$10,252,088
PSPRS Attorney Investigators			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$649,770	\$569,212	\$503,740
CORP			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$1,132,846	\$642,272	\$236,334
CORP AOC			
Rate	6.85%	7.85%	8.85%
County's proportionate share of the net pension liability	\$5,371,595	\$4,108,278	\$3,056,875

Navajo County  
Notes to Financial Statements  
June 30, 2016

**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, 2016, the County recognized the following pension expense:

	<b>Pension Expense</b>
PSPRS Sheriff	\$1,406,634
PSPRS Attorney Investigators	(317,886)
CORP	72,652
CORP AOC (County's proportionate share)	529,831

**Pension deferred outflows/inflows of resources**—At June 30, 2016, 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		\$716,295
Changes of assumptions or other inputs	\$1,525,733	
Net difference between projected and actual earnings on pension plan investments	6,438	
County contributions subsequent to the measurement date	<u>1,214,475</u>	
Total	<u>\$2,746,646</u>	<u>\$716,295</u>
<b>PSPRS Attorney Investigators</b>		
Net difference between projected and actual earnings on pension plan investments		\$509
County contributions subsequent to the measurement date	<u>\$35,878</u>	
Total	<u>\$35,878</u>	<u>\$509</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

<b>CORP Detention</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$332,944
Changes of assumptions or other inputs	\$149,500	
Net difference between projected and actual earnings on pension plan investments	4,824	
County contributions subsequent to the measurement date	<u>138,748</u>	
Total	<u>\$293,072</u>	<u>\$332,944</u>

<b>CORP AOC</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$140,691	\$ 23,188
Changes of assumptions or other inputs	435,454	
Net difference between projected and actual earnings on pension plan investments	22,588	
Changes in proportion and differences between county contributions and proportionate share of contributions		77,691
County contributions subsequent to the measurement date	<u>367,198</u>	
Total	<u>\$965,931</u>	<u>\$100,879</u>

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, 2017. 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 Detention</b>	<b>CORP AOC</b>
Year ending June 30				
2017	\$259,491	\$(268)	\$(58,975)	\$130,399
2018	259,491	(268)	(58,975)	130,399
2019	259,492	(269)	(58,977)	130,399
2020	47,103	296	(1,228)	115,215
2021	(9,701)	-	(465)	(8,558)

**Agent plan OPEB actuarial assumptions**—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the

Navajo County  
Notes to Financial Statements  
June 30, 2016

June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

**PSPRS and CORP—OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4 %–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

**Agent plan OPEB trend information**—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Sheriff			
2016	\$ 0	0%	\$0
2015	31,455	100	0
2014	24,895	100	0

Navajo County  
Notes to Financial Statements  
June 30, 2016

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Attorney Investigators			
2016	\$ 0	0%	\$0
2015	0	0	0
2014	0	0	0
CORP			
2016	\$ 0	0%	\$0
2015	14,526	100	0
2014	14,501	100	0

**Agent plan OPEB funded status**—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP Detention
Actuarial value of assets (a)	\$ 628,925	\$ 6,059	\$ 348,466
Actuarial accrued liability (b)	338,940	34,136	125,473
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(289,985)	28,077	(222,993)
Funded ratio (a)/(b)	185.56%	17.80%	277.72%
Annual covered payroll (c)	2,452,015	0	1,576,314
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(11.8)%	0%	(14.1)%

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

**PSPRS and CORP—OPEB Funded Status**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

Navajo County  
Notes to Financial Statements  
June 30, 2016

**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 and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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, health insurance premium supplement, 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* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
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	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%.



Navajo County  
Notes to Financial Statements  
June 30, 2016

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, 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, 2016, statute required active EORP members to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of active EORP members' annual covered payroll. Also, statute required the County to contribute 12.15 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, 2016, were \$355,627. No OPEB contributions were required or made for the years ended June 30, 2015 and 2016. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	<b>EORP Health Insurance Fund</b>
Year ended June 30	
2016	\$ 0
2015	0
2014	26,588

During fiscal year 2016, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

**Pension liability**—At June 30, 2016, 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	\$14,226,251
State's proportionate share of the EORP net pension liability associated with the County	<u>4,435,153</u>
Total	<u>\$18,661,404</u>

Navajo County  
Notes to Financial Statements  
June 30, 2016

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2015. The County's proportion measured as of June 30, 2015, was 1.8204910 percent, which was a decrease of 0.0148386 from its proportion measured as of June 30, 2014.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for EORP of \$4,338,977 and revenue of \$1,193,337 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2016, 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	\$ 22,749	\$158,389
Changes of assumptions or other inputs	2,383,725	
Net difference between projected and actual earnings on pension plan investments	86,282	
Changes in proportion and differences between county contributions and proportionate share of contributions		45,028
County contributions subsequent to the measurement date	<u>355,627</u>	
Total	<u>\$2,848,383</u>	<u>\$203,417</u>

The \$355,627 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, 2017. 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	
2017	\$1,932,722
2018	284,543
2019	7,105
2020	64,969

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

Navajo County  
Notes to Financial Statements  
June 30, 2016

**EORP**

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 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%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Discount rate**—At June 30 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. 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

Navajo County  
Notes to Financial Statements  
June 30, 2016

investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2028. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2015, was applied to periods of projected benefit payments after June 30, 2028.

**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 4.86 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 (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

EORP	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
County’s proportionate share of the net pension liability	\$16,561,150	\$14,226,251	\$12,262,722

**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 that are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2016, 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. In addition, statute required active EODCRS members and the County to each contribute at the actuarially determined rate of 0.125 percent of the members’ annual covered payroll to the EODCDP plan. For the year ended June 30, 2016, the County recognized pension expense of \$17,721. The County’s OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30	EODCDP Disability Fund
2016	\$367
2015	88
2014	0

Navajo County  
Notes to Financial Statements  
June 30, 2016

Note 10 - Interfund Balances and Activity

**Interfund receivables and payables**—Interfund balances at June 30, 2016, were as follows:

<b>Payable from</b>	<b>Payable To</b>		
	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
General Fund		\$ 3,821	\$ 3,821
Public Health District Fund	\$211,270		211,270
Other Governmental Funds	<u>230,177</u>	<u>125,358</u>	<u>355,535</u>
Total	<u>\$441,447</u>	<u>\$129,179</u>	<u>\$570,626</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, 2016, were as follows:

<b>Transfer from</b>	<b>Transfers to</b>				<b>Total</b>
	<b>General Fund</b>	<b>Public Works/HURF Funds</b>	<b>Public Health District Fund</b>	<b>Other Governmental Funds</b>	
General Fund		\$28,733	\$211,175	\$1,643,866	\$1,883,774
Public Works/HURF Fund	\$ 23,040			510,398	553,438
Flood Control District Fund	1,000,000				1,000,000
Public Health District Fund	25,440				25,440
Other Governmental Funds	<u>381,502</u>	<u>38,879</u>	<u>—</u>	<u>355,159</u>	<u>775,540</u>
Total	<u>\$1,429,982</u>	<u>\$67,612</u>	<u>\$211,175</u>	<u>\$2,509,423</u>	<u>\$4,218,192</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 11 - 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 his stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically

Navajo County  
Notes to Financial Statements  
June 30, 2016

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 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 \$905,381 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 2 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	\$69,000,000	.5 % - 1.50%	01/17 – 08/19	\$69,340,359
U.S. Treasury securities	41,500,000	.50% - .88%	08/16 – 10/18	41,616,251
U.S. Treasury money market funds	10,000	.02%	N/A	10,000

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

<b>Statement of Net Position</b>	
Assets	\$198,865,227
Liabilities	<u>2,071,035</u>
Net position	<u>\$196,794,192</u>
Net position held in trust for:	
Internal participants	\$ 30,231,078
External participants	<u>166,563,114</u>
Total net position held in trust	<u>\$196,794,192</u>
<b>Statement of Changes in Net Position</b>	
Total additions	\$292,868,443
Total deductions	<u>275,440,654</u>
Net increase	<u>17,427,789</u>
Net position held in trust:	
July 1, 2015	<u>179,366,403</u>
June 30, 2016	<u>\$196,794,192</u>



---

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

---

Navajo County  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 7,759,427	\$ 7,810,483	\$ 51,056
County sales taxes	6,800,000	6,365,510	(434,490)
Licenses and permits	425,543	426,678	1,135
Fines and forfeits	782,000	744,156	(37,844)
Intergovernmental	20,243,643	17,990,140	(2,253,503)
Charges for services	7,781,486	8,407,378	625,892
Investment earnings	65,375	41,835	(23,540)
Miscellaneous	400,930	585,647	184,717
Total revenues	<u>44,258,404</u>	<u>42,371,827</u>	<u>(1,886,577)</u>
Expenditures:			
General government			
Board of Supervisors/Administration	4,125,765	1,101,410	3,024,355
Facilities Management	2,081,489	1,859,795	221,694
Elections	687,308	426,555	260,753
Planning and Zoning	446,267	379,835	66,432
Recorder	289,937	209,783	80,154
Voter Registration	349,586	151,521	198,065
Assessor	1,460,988	1,230,986	230,002
Information Technology	1,051,527	995,436	56,091
Treasurer	482,071	479,251	2,820
Personnel Commission	12,200	4,092	8,108
Fleet Management	50,000	7,647	42,353
County-wide	8,349,458	8,328,249	21,209
Legal Defender	317,195	308,197	8,998
County Attorney	2,393,319	2,186,406	206,913
Superior Court	2,859,155	2,941,650	(82,495)
Public Defender	996,552	549,721	446,831
Clerk of Court	1,469,358	1,203,868	265,490
Holbrook Justice Court	348,193	351,849	(3,656)
Winslow Justice Court	347,912	341,666	6,246
Snowflake Justice Court	400,943	388,119	12,824
Show Low Justice Court	276,436	280,632	(4,196)
Pinetop Justice Court	357,837	357,027	810

(Continued)

See accompanying note to budgetary comparison schedules.



Navajo County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2016  
 (Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Kayenta Justice Court	\$ 122,658	\$ 106,067	\$ 16,591
Kayenta Constable	22,802	20,814	1,988
Pinetop Constable	73,454	70,390	3,064
Snowflake Constable	59,692	57,019	2,673
Holbrook Constable	42,226	40,790	1,436
Winslow Constable	40,741	36,628	4,113
Show Low Constable	67,537	65,416	2,121
Non-capitalized capital outlay	12,463	12,463	-
Total general government	<u>29,595,069</u>	<u>24,493,282</u>	<u>5,101,787</u>
Public safety			
Juvenile Detention	1,372,205	1,063,731	308,474
Juvenile Probation	521,241	413,690	107,551
Adult Probation	607,243	561,213	46,030
Jail Operations	5,460,595	5,003,790	456,805
Sheriff	6,509,598	5,944,535	565,063
Non-capitalized capital outlay	8,377	8,377	-
Total public safety	<u>14,479,259</u>	<u>12,995,336</u>	<u>1,483,923</u>
Health and welfare			
Public Fiduciary	491,584	476,614	14,970
Indigent Health	2,835,100	2,569,852	265,248
Total health and welfare	<u>3,326,684</u>	<u>3,046,466</u>	<u>280,218</u>
Education			
School Superintendent	349,041	320,205	28,836
Capital outlay	2,083,660	1,049,060	1,034,600
Contingency	4,500,000	-	4,500,000
Total expenditures	<u>54,333,713</u>	<u>41,904,349</u>	<u>12,429,364</u>

(Continued)

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2016  
 (Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Excess (deficiency) of revenues over expenditures	<u>\$ (10,075,309)</u>	<u>\$ 467,478</u>	<u>\$ 10,542,787</u>
Other financing sources (uses):			
Sale of capital assets		2,995	2,995
Transfers in	48,480	1,429,982	1,381,502
Transfers out		<u>(1,883,774)</u>	<u>(1,883,774)</u>
Total other financing sources and uses	<u>48,480</u>	<u>(450,797)</u>	<u>(499,277)</u>
Net change in fund balances	(10,026,829)	16,681	10,043,510
Fund balances, July 1, 2015	<u>10,026,829</u>	<u>7,654,953</u>	<u>(2,371,876)</u>
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 7,671,634</u>	<u>\$ 7,671,634</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
Required Supplementary Information  
Budgetary Comparison Schedule  
Public Works/HURF Fund  
Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 10,368,499	\$ 11,571,167	\$ 1,202,668
Charges for services	25,000	93,174	68,174
Investment earnings	40,558	36,457	(4,101)
Miscellaneous	14,014	73,054	59,040
Total revenues	<u>10,448,071</u>	<u>11,773,852</u>	<u>1,325,781</u>
Expenditures:			
Highways and streets	<u>15,488,008</u>	<u>10,541,234</u>	<u>4,946,774</u>
Total expenditures	<u>15,488,008</u>	<u>10,541,234</u>	<u>4,946,774</u>
Excess (deficiency) of revenues over expenditures	<u>(5,039,937)</u>	<u>1,232,618</u>	<u>6,272,555</u>
Other financing sources (uses):			
Transfers in		67,612	67,612
Transfers out	<u>(533,438)</u>	<u>(533,438)</u>	<u>-</u>
Total other financing sources and uses	<u>(533,438)</u>	<u>(465,826)</u>	<u>67,612</u>
Net change in fund balances	(5,573,375)	766,792	6,340,167
Fund balances, July 1, 2015	5,573,375	7,937,713	2,364,338
Decrease in reserve for inventories		(361,567)	(361,567)
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 8,342,938</u>	<u>\$ 8,342,938</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Flood Control District Fund  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 1,805,470	\$ 1,839,674	\$ 34,204
Intergovernmental		1,424	1,424
Investment earnings	47,870	43,461	(4,409)
Miscellaneous		972	972
Total revenues	<u>1,853,340</u>	<u>1,885,531</u>	<u>32,191</u>
Expenditures:			
Public safety	<u>8,248,203</u>	<u>1,444,196</u>	<u>6,804,007</u>
Total expenditures	<u>8,248,203</u>	<u>1,444,196</u>	<u>6,804,007</u>
Excess (deficiency) of revenues over expenditures	<u>(6,394,863)</u>	<u>441,335</u>	<u>6,836,198</u>
Other financing uses:			
Transfers out		<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing uses		<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net change in fund balances	(6,394,863)	(558,665)	5,836,198
Fund balances, July 1, 2015	<u>6,394,863</u>	<u>7,717,745</u>	<u>1,322,882</u>
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 7,159,080</u>	<u>\$ 7,159,080</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Public Health District Fund  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
Property taxes	\$ 2,081,926	\$ 2,065,544	\$ (16,382)
Licenses and permits	65,000	177,847	112,847
Intergovernmental	5,377,588	2,918,603	(2,458,985)
Charges for services	156,750	155,459	(1,291)
Investment earnings	50,464	906	(49,558)
Contributions	35,900	39,962	4,062
Miscellaneous	230,617	41,120	(189,497)
Total revenues	<u>7,998,245</u>	<u>5,399,441</u>	<u>(2,598,804)</u>
<b>Expenditures:</b>			
Health and welfare	<u>7,774,031</u>	<u>5,682,359</u>	<u>2,091,672</u>
Total expenditures	<u>7,774,031</u>	<u>5,682,359</u>	<u>2,091,672</u>
Excess (deficiency) of revenues over expenditures	<u>224,214</u>	<u>(282,918)</u>	<u>(507,132)</u>
<b>Other financing sources (uses):</b>			
Transfers in		211,175	211,175
Transfers out	(25,440)	(25,440)	-
Total other financing sources and uses	<u>(25,440)</u>	<u>185,735</u>	<u>211,175</u>
Net change in fund balances	198,774	(97,183)	(295,957)
Fund balances, July 1, 2015	(198,774)	287,106	485,880
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 189,923</u>	<u>\$ 189,923</u>

See accompanying note to budgetary comparison schedules.

Navajo County  
Required Supplementary Information  
Notes to Budgetary Comparison Schedules  
June 30, 2016

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.

**Navajo County**  
**Required Supplementary Information**  
**Schedule of the County's Proportionate Share of the Net Pension Liability**  
**Cost-Sharing Pension Plans**  
**June 30, 2016**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
<b>Arizona State Retirement System</b>			
County's proportion of the net pension liability	0.21%	0.21%	Information
County's proportionate share of the net pension liability	\$ 32,861,924	\$ 30,957,928	not available
County's covered payroll	\$ 19,400,464	\$ 18,778,977	
County's proportionate share of the net pension liability as a percentage of its covered payroll	169.39%	164.85%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
<b>Corrections Officer Retirement Plan—Administrative Office of the Courts</b>			
County's proportion of the net pension liability	1.69%	1.74%	Information
County's proportionate share of the net pension liability	\$ 4,108,278	\$ 3,902,859	not available
County's covered payroll	\$ 1,879,552	\$ 1,854,011	
County's proportionate share of the net pension liability as a percentage of its covered payroll	218.58%	210.51%	
Plan fiduciary net position as a percentage of the total pension liability	57.89%	58.59%	

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
<b>Elected Officials Retirement Plan</b>			
County's proportion of the net pension liability	1.82%	1.84%	Information
County's proportionate share of the net pension liability	\$ 14,226,251	\$ 12,307,206	not available
State's proportionate share of the net pension liability associated with the County	4,435,153	3,773,504	
Total	<u>\$ 18,661,404</u>	<u>\$ 16,080,710</u>	
County's covered payroll	\$ 1,551,376	\$ 1,704,339	
County's proportionate share of the net pension liability as a percentage of its covered payroll	917.01%	722.11%	
Plan fiduciary net position as a percentage of the total pension liability	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, 2016**

**PSPRS Sheriff**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ 397,350	\$ 426,843	
Interest on the total pension liability	1,309,258	1,092,844	
Changes of benefit terms		586,447	
Differences between expected and actual experience in the measurement of the pension liability	(377,151)	(668,752)	
Changes of assumptions or other inputs		2,472,745	
Benefit payments, including refunds of employee contributions	(1,109,711)	(1,167,336)	
Net change in total pension liability	219,746	2,742,791	
Total pension liability—beginning	17,034,621	14,291,830	
Total pension liability—ending (a)	<u>\$ 17,254,367</u>	<u>\$ 17,034,621</u>	
Plan fiduciary net position			
Contributions—employer	\$ 790,385	\$ 691,037	
Contributions—employee	261,993	233,105	
Net investment income	191,904	675,189	
Benefit payments, including refunds of employee contributions	(1,109,711)	(1,167,336)	
Administrative expense	(5,044)	(5,438)	
Other changes	(114,224)	(8,622)	
Net change in plan fiduciary net position	15,303	417,935	
Plan fiduciary net position—beginning	5,324,923	4,906,988	
Plan fiduciary net position—ending (b)	<u>\$ 5,340,226</u>	<u>\$ 5,324,923</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 11,914,141</u>	<u>\$ 11,709,698</u>	
Plan fiduciary net position as a percentage of the total pension liability	30.95%	31.26%	
Covered payroll	\$ 2,365,037	\$ 2,242,753	
County's net pension liability as a percentage of covered payroll	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, 2016**

**PSPRS Attorney Investigators**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ -	\$ -	
Interest on the total pension liability	40,906	30,804	
Changes of benefit terms		28,416	
Differences between expected and actual experience in the measurement of the pension liability	6,616	1,839	
Changes of assumptions or other inputs	(392,840)	535,143	
Benefit payments, including refunds of employee contributions	(35,451)	(34,741)	
Net change in total pension liability	(380,769)	561,461	
Total pension liability—beginning	971,244	409,783	
Total pension liability—ending (a)	<u>\$590,475</u>	<u>\$971,244</u>	
Plan fiduciary net position			
Contributions—employer	\$ 20,181		
Net investment income	744	\$ 6,765	
Benefit payments, including refunds of employee contributions	(35,451)	(34,741)	
Administrative expense	(308)	(54)	
Other changes	(37)	-	
Net change in plan fiduciary net position	(14,871)	(28,030)	
Plan fiduciary net position—beginning	36,134	64,164	
Plan fiduciary net position—ending (b)	<u>\$ 21,263</u>	<u>\$ 36,134</u>	
County's net pension liability—ending (a) – (b)	<u>\$569,212</u>	<u>\$935,110</u>	
Plan fiduciary net position as a percentage of the total pension liability	3.60%	3.72%	
Covered payroll	\$ -	\$ -	
County's net pension liability as a percentage of covered payroll	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, 2016**

**CORP Detention**

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ 229,853	\$ 262,381	
Interest on the total pension liability	301,883	298,329	
Changes of benefit terms		35,245	
Differences between expected and actual experience in the measurement of the pension liability	(93,870)	(414,141)	
Changes of assumptions or other inputs		240,204	
Benefit payments, including refunds of employee contributions	(445,789)	(275,163)	
Net change in total pension liability	(7,923)	146,855	
Total pension liability—beginning	3,953,613	3,806,758	
Total pension liability—ending (a)	<u>\$ 3,945,690</u>	<u>\$ 3,953,613</u>	
Plan fiduciary net position			
Contributions—employer	\$ 123,062	\$ 142,344	
Contributions—employee	137,233	141,818	
Net investment income	120,952	417,329	
Benefit payments, including refunds of employee contributions	(445,789)	(275,163)	
Administrative expense	(3,354)	(3,281)	
Other changes	9,359	(82,179)	
Net change in plan fiduciary net position	(58,537)	340,868	
Plan fiduciary net position—beginning	3,361,955	3,021,087	
Plan fiduciary net position—ending (b)	<u>\$ 3,303,418</u>	<u>\$ 3,361,955</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 642,272</u>	<u>\$ 591,658</u>	
Plan fiduciary net position as a percentage of the total pension liability	83.72%	85.04%	
Covered payroll	\$ 1,632,100	\$ 1,726,328	
County's net pension liability as a percentage of covered payroll	39.35%	34.27%	

See accompanying notes to pension plan schedules.

**Navajo County**  
**Required Supplementary Information**  
**Schedule of County Pension Contributions**  
**June 30, 2016**

**Arizona State Retirement System**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 2,128,972	\$ 2,098,505	\$ 2,009,012	Information not available
County's contributions in relation to the statutorily required contribution	2,128,972	2,098,505	2,009,012	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	
County's covered payroll	\$ 19,429,032	\$ 19,400,464	\$ 18,778,977	
County's contributions as a percentage of covered payroll	10.96%	10.82%	10.70%	

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

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 367,198	\$ 279,677	\$ 267,905	Information not available
County's contributions in relation to the statutorily required contribution	367,198	279,677	267,905	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,891,207	\$ 1,879,552	\$ 1,854,011	
County's contributions as a percentage of covered payroll	19.42%	14.88%	14.45%	

**Elected Officials Retirement Plan**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Statutorily required contribution	\$ 355,627	\$ 364,573	\$ 394,725	Information not available
County's contributions in relation to the statutorily required contribution	355,627	364,573	394,725	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,532,182	\$ 1,551,376	\$ 1,704,339	
County's contributions as a percentage of covered payroll	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, 2016**

**PSPRS Sheriff**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Actuarially determined contribution	\$ 1,214,475	\$ 784,719	\$ 692,113	Information not available
County's contributions in relation to the actuarially determined contribution	1,214,475	784,719	692,113	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	
County's covered payroll	\$ 2,464,986	\$ 2,365,037	\$ 2,242,753	
County's contributions as a percentage of covered payroll	49.27%	33.18%	30.86%	

**PSPRS Attorney Investigators**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Actuarially determined contribution	\$ 35,878	\$ 49,759	\$ -	Information not available
County's contributions in relation to the actuarially determined contribution	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%	

**CORP Detention**

	Reporting Fiscal Year			
	2016	2015	2014	2013-2007
Actuarially determined contribution	\$ 138,748	\$ 123,060	\$ 146,738	Information not available
County's contributions in relation to the actuarially determined contribution	138,748	123,060	146,738	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,572,955	\$ 1,632,100	\$ 1,726,328	
County's contributions as a percentage of covered payroll	8.82%	7.54%	8.50%	

See accompanying notes to pension plan schedules.

Navajo County  
 Required Supplementary Information  
 Notes to Pension Plan Schedules  
 June 30, 2016

Note 1 - Change in accounting principle

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Note 2 - 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 closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	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)

Navajo County  
 Required Supplementary Information  
 Schedule of Agent OPEB Plans' Funding Progress  
 June 30, 2016

**Health insurance premium benefit**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll ((b) – (a))/c
<b>PSPRS Sheriff</b>						
6/30/16	\$628,925	\$338,940	\$ (289,985)	185.56%	\$2,452,015	(11.8)%
6/30/15	602,123	351,023	(251,100)	171.53	2,324,267	(10.8)
6/30/14	553,923	293,122	(260,801)	188.97	2,080,280	(12.5)
<b>PSPRS Attorney Investigators</b>						
6/30/16	\$ 6,059	\$ 34,136	\$ 28,077	17.80%	\$ -	0%
6/30/15	7,274	18,907	11,633	38.47%	-	0
6/30/14	7,930	-	(7,930)	-	-	0
<b>CORP</b>						
6/30/16	\$348,466	\$125,473	\$ (222,993)	277.72%	\$1,576,314	(14.1)%
6/30/15	329,954	129,078	(200,876)	255.62	1,493,854	(13.4)
6/30/14	302,076	138,877	(163,199)	217.51	1,618,686	(10.1)

See accompanying notes to schedule of agent OPEB plans' funding progress



---

# SUPPLEMENTARY INFORMATION

---

Navajo County  
Nonmajor Governmental Funds  
June 30, 2016

**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>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.
<b>Special Districts</b>	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.



Navajo County  
Nonmajor Governmental Funds  
June 30, 2016

**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 Innovation and Opportunity Act (WIOA) program. Funding is from federal grants.

**Capital Projects Funds**

**Public Works Construction** Accounts for construction of the public works complex in Holbrook and it is funded through pledged revenue obligations.

**Detention Facility Construction** Accounts for construction of medical, kitchen and laundry detention facilities and remodeling the existing county jail and it is funded through pledged revenue obligations.

**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  
Year Ended June 30, 2016

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
<b>Assets</b>				
Cash and investments	\$ 626,211	\$ 1,253,041	\$ 1,422,177	\$ 707,645
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	668	1,995		
Special assessments				
Due from:				
Other funds		69,556	2,233	
Other governments		152,037	80	
Total assets	<u>\$ 626,879</u>	<u>\$ 1,476,629</u>	<u>\$ 1,424,490</u>	<u>\$ 707,645</u>
<b>Liabilities</b>				
Accounts payable	\$ 15,890	\$ 6,195	\$ 6,079	\$ 11,499
Accrued payroll and employee benefits	93,945	77,056	41,224	8,029
Due to:				
Other funds	13,162	90,290	72,166	
Other governments	626	8,469	420	467
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>123,623</u>	<u>182,010</u>	<u>119,889</u>	<u>19,995</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>				
Restricted	596,636	1,356,983	1,409,552	695,292
Assigned				
Unassigned	<u>(93,380)</u>	<u>(62,364)</u>	<u>(104,951)</u>	<u>(7,642)</u>
Total fund balances(deficits)	<u>503,256</u>	<u>1,294,619</u>	<u>1,304,601</u>	<u>687,650</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 626,879</u>	<u>\$ 1,476,629</u>	<u>\$ 1,424,490</u>	<u>\$ 707,645</u>

(continued)

Navajo County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue			
	Housing	Library District	Probation	Public Defense
<b>Assets</b>				
Cash and investments		\$ 63,463	\$ 645,230	\$ 182,973
Receivables (net of allowance for uncollectibles):				
Property taxes		33,649		
Accounts receivable				
Special assessments				
Due from:				
Other funds				
Other governments	\$ 2,000			
Total assets	<u>\$ 2,000</u>	<u>\$ 97,112</u>	<u>\$ 645,230</u>	<u>\$ 182,973</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,000	\$ 4,502	\$ 15,715	\$ 2,744
Accrued payroll and employee benefits		9,676	102,381	334
Due to:				
Other funds	18,393			
Other governments		13,382	15,249	2
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>20,393</u>	<u>27,560</u>	<u>133,345</u>	<u>3,080</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue—property taxes		22,282		
Unavailable revenue—special assessments				
Unavailable revenue—intergovernmental				
Total deferred inflows of resources		<u>22,282</u>		
<b>Fund balances</b>				
Restricted		50,465	595,421	179,893
Assigned				
Unassigned	(18,393)	(3,195)	(83,536)	
Total fund balances(deficits)	<u>(18,393)</u>	<u>47,270</u>	<u>511,885</u>	<u>179,893</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,000</u>	<u>\$ 97,112</u>	<u>\$ 645,230</u>	<u>\$ 182,973</u>

(continued)

Navajo County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue			
	Recreation District	Sheriff's Office	Special Districts	Superintendent of Schools
<b>Assets</b>				
Cash and investments	\$ 120,377	\$ 425,650	\$ 517,190	\$ 1,685,447
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	439	9,743		39,514
Special assessments	48,189		7,336	
Due from:				
Other funds		57,390		
Other governments		194,851	20,540	459,009
Total assets	<u>\$ 169,005</u>	<u>\$ 687,634</u>	<u>\$ 545,066</u>	<u>\$ 2,183,970</u>
<b>Liabilities</b>				
Accounts payable	\$ 745	\$ 44,523	\$ 428	\$ 64,396
Accrued payroll and employee benefits	364	19,464		
Due to:				
Other funds				
Other governments		35,258		
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>1,109</u>	<u>99,245</u>	<u>428</u>	<u>64,396</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue—property taxes				
Unavailable revenue—special assessments	41,675		6,268	
Unavailable revenue—intergovernmental		30,805		
Total deferred inflows of resources	<u>41,675</u>	<u>30,805</u>	<u>6,268</u>	
<b>Fund balances</b>				
Restricted	126,221	642,987	543,500	979,501
Assigned				148,937
Unassigned		(85,403)	(5,130)	991,136
Total fund balances(deficits)	<u>126,221</u>	<u>557,584</u>	<u>538,370</u>	<u>2,119,574</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 169,005</u>	<u>\$ 687,634</u>	<u>\$ 545,066</u>	<u>\$ 2,183,970</u>

(continued)

Navajo County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue Workforce Innovation & Opportunity Act	Capital Projects Public Works Construction
<b>Assets</b>		
Cash and investments		\$ 34,400
Receivables (net of allowance for uncollectibles):		
Property taxes		
Accounts receivable		
Special assessments		
Due from:		
Other funds		
Other governments	\$ 227,811	
Total assets	\$ 227,811	\$ 34,400
<b>Liabilities</b>		
Accounts payable	\$ 1,352	\$ 34,400
Accrued payroll and employee benefits	20,292	
Due to:		
Other funds	161,524	
Other governments	289	
Pledged revenue obligations payable		
Interest payable		
Total liabilities	183,457	34,400
<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>		
Restricted	99,266	
Assigned		
Unassigned	(54,912)	
Total fund balances(deficits)	44,354	-
Total liabilities, deferred inflows of resources and fund balances	\$ 227,811	\$ 34,400

(continued)

Navajo County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
<b>Assets</b>			
Cash and investments	\$ 1,100,594	\$ 69,749	\$ 8,854,147
Receivables (net of allowance for uncollectibles):			
Property taxes			33,649
Accounts receivable			52,359
Special assessments		154,191	209,716
Due from:			
Other funds			129,179
Other governments			1,056,328
Total assets	\$ 1,100,594	\$ 223,940	\$ 10,335,378
<b>Liabilities</b>			
Accounts payable			\$ 210,468
Accrued payroll and employee benefits			372,765
Due to:			
Other funds			355,535
Other governments			74,162
Pledged revenue obligations payable	\$ 150,000		150,000
Interest payable	132,921		132,921
Total liabilities	282,921		1,295,851
<b>Deferred Inflows of Resources</b>			
Unavailable revenue—property taxes			22,282
Unavailable revenue—special assessments		\$ 134,951	182,894
Unavailable revenue—intergovernmental			30,805
Total deferred inflows of resources		134,951	235,981
<b>Fund balances</b>			
Restricted		100,701	7,376,418
Assigned	817,673		966,610
Unassigned		(11,712)	460,518
Total fund balances(deficits)	817,673	88,989	8,803,546
Total liabilities, deferred inflows of resources and fund balances	\$ 1,100,594	\$ 223,940	\$ 10,335,378

Navajo County  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Revenues:				
Property taxes				
Special assessments				
Fines and forfeits		\$ 430,846	\$ 56,722	
Intergovernmental	\$ 133,762	1,199,764	330,566	\$ 364,692
Charges for services	106,753	49,128	670,416	
Investment earnings (loss)	3,187	6,646	7,119	2,982
Miscellaneous	152,060	5,346	1,340	
Total revenues	<u>395,762</u>	<u>1,691,730</u>	<u>1,066,163</u>	<u>367,674</u>
Expenditures:				
Current:				
General government	130,641	1,981,629	940,960	
Public safety	433,367			
Highways and streets				
Culture and recreation				
Education and economic opportunity	53,644			
Environmental and conservation				266,428
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay		2,588	6,872	
Total expenditures	<u>617,652</u>	<u>1,984,217</u>	<u>947,832</u>	<u>266,428</u>
Excess (deficiency) of revenues over expenditures	<u>(221,890)</u>	<u>(292,487)</u>	<u>118,331</u>	<u>101,246</u>
Other financing sources (uses):				
Transfers in	175,057	203,919	35,269	
Transfers out	(1,241)	(107,614)	(121,773)	
Total other financing sources and uses	<u>173,816</u>	<u>96,305</u>	<u>(86,504)</u>	
Net change in fund balances	(48,074)	(196,182)	31,827	101,246
Fund balances (deficits), July 1, 2015	551,330	1,490,801	1,272,774	586,404
Change in nonspendable resources				
Decrease in prepaid items				
Fund balances (deficits), June 30, 2016	<u>\$ 503,256</u>	<u>\$ 1,294,619</u>	<u>\$ 1,304,601</u>	<u>\$ 687,650</u>

(continued)

Navajo County  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Revenues:				
Property taxes		\$ 826,948		
Special assessments				
Fines and forfeits				
Intergovernmental	\$ 10,000	61,755	\$ 1,970,097	\$ 18,212
Charges for services			338,467	
Investment earnings (loss)		709	3,371	831
Miscellaneous		119	100	600
Total revenues	<u>10,000</u>	<u>889,531</u>	<u>2,312,035</u>	<u>19,643</u>
Expenditures:				
Current:				
General government				59,540
Public safety			2,364,406	
Highways and streets				
Culture and recreation		654,985		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing	16,887			
Debt Service:				
Principal				
Interest and other charges				
Capital outlay			5,206	
Total expenditures	<u>16,887</u>	<u>654,985</u>	<u>2,369,612</u>	<u>59,540</u>
Excess (deficiency) of revenues over expenditures	<u>(6,887)</u>	<u>234,546</u>	<u>(57,577)</u>	<u>(39,897)</u>
Other financing sources (uses):				
Transfers in			12,639	74,320
Transfers out	(6,200)	(200,000)	(492)	
Total other financing sources and uses	<u>(6,200)</u>	<u>(200,000)</u>	<u>12,147</u>	<u>74,320</u>
Net change in fund balances	(13,087)	34,546	(45,430)	34,423
Fund balances (deficits), July 1, 2015	(5,306)	12,724	557,315	145,470
Change in nonspendable resources				
Decrease in prepaid items				
Fund balances (deficits), June 30, 2016	<u>\$ (18,393)</u>	<u>\$ 47,270</u>	<u>\$ 511,885</u>	<u>\$ 179,893</u>

(continued)



Navajo County  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue			
	Recreation	Sheriff's Office	Special Districts	Superintendent of Schools
Revenues:				
Property taxes				
Special assessments	\$ 169,187		\$ 92,162	
Fines and forfeits		\$ 261,203		
Intergovernmental		813,054		\$ 4,011,417
Charges for services		548,511		
Investment earnings (loss)	741	588	2,426	8,319
Miscellaneous	1,047	30,844	69,184	379,459
Total revenues	<u>170,975</u>	<u>1,654,200</u>	<u>163,772</u>	<u>4,399,195</u>
Expenditures:				
Current:				
General government				
Public safety		905,329		
Highways and streets			117,162	
Culture and recreation	157,476			
Education and economic opportunity				4,055,352
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay		125,789		10,892
Total expenditures	<u>157,476</u>	<u>1,031,118</u>	<u>117,162</u>	<u>4,066,244</u>
Excess (deficiency) of revenues over expenditures	<u>13,499</u>	<u>623,082</u>	<u>46,610</u>	<u>332,951</u>
Other financing sources (uses):				
Transfers in		60,633		
Transfers out		(123,300)	(55,818)	
Total other financing sources and uses		<u>(62,667)</u>	<u>(55,818)</u>	
Net change in fund balances	13,499	560,415	(9,208)	332,951
Fund balances (deficits), July 1, 2015	112,722	7,669	547,578	1,786,623
Change in nonspendable resources				
Decrease in prepaid items		(10,500)		
Fund balances (deficits), June 30, 2016	<u>\$ 126,221</u>	<u>\$ 557,584</u>	<u>\$ 538,370</u>	<u>\$ 2,119,574</u>

(continued)

Navajo County  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Special Revenue	Capital Projects	
	Workforce Innovation & Opportunity Act	Public Works Construction	Detention Facility Construction
Revenues:			
Property taxes			
Special assessments			
Fines and forfeits			
Intergovernmental	\$ 933,455		
Charges for services			
Investment earnings (loss)		\$ 668	
Miscellaneous			
Total revenues	<u>933,455</u>	<u>668</u>	<u>-</u>
Expenditures:			
Current:			
General government			
Public safety			
Highways and streets			
Culture and recreation			
Education and economic opportunity	979,026		
Environmental and conservation			
Urban redevelopment and housing			
Debt Service:			
Principal			
Interest and other charges			
Capital outlay		\$ 54,969	
Total expenditures	<u>979,026</u>	<u>54,969</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(45,571)</u>	<u>(54,301)</u>	<u>-</u>
Other financing sources (uses):			
Transfers in			303,487
Transfers out		(105,994)	
Total other financing sources and uses	<u>-</u>	<u>(105,994)</u>	<u>303,487</u>
Net change in fund balances	(45,571)	(160,295)	303,487
Fund balances (deficits), July 1, 2015	89,925	160,295	(303,487)
Change in nonspendable resources			
Decrease in prepaid items			
Fund balances (deficits), June 30, 2016	<u>\$ 44,354</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Navajo County  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2016

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
Revenues:			
Property taxes			\$ 826,948
Special assessments		\$ 224,359	485,708
Fines and forfeits			748,771
Intergovernmental			9,846,774
Charges for services			1,713,275
Investment earnings (loss)	\$ 4,023	1,115	42,725
Miscellaneous		275	640,374
Total revenues	<u>4,023</u>	<u>225,749</u>	<u>14,304,575</u>
Expenditures:			
Current:			
General government			3,112,770
Public safety			3,703,102
Highways and streets			117,162
Culture and recreation			812,461
Education and economic opportunity			5,088,022
Environmental and conservation			266,428
Urban redevelopment and housing			16,887
Debt Service:			
Principal	1,155,000	220,967	1,375,967
Interest and other charges	456,027	39,763	495,790
Capital outlay			206,316
Total expenditures	<u>1,611,027</u>	<u>260,730</u>	<u>15,194,905</u>
Excess (deficiency) of revenues over expenditures	<u>(1,607,004)</u>	<u>(34,981)</u>	<u>(890,330)</u>
Other financing sources (uses):			
Transfers in	1,644,099		2,509,423
Transfers out	(53,108)		(775,540)
Total other financing sources and uses	<u>1,590,991</u>		<u>1,733,883</u>
Net change in fund balances	(16,013)	(34,981)	843,553
Fund balances (deficits), July 1, 2015	833,686	123,970	7,970,493
Change in nonspendable resources			
Decrease in prepaid items			(10,500)
Fund balances (deficits), June 30, 2016	<u>\$ 817,673</u>	<u>\$ 88,989</u>	<u>\$ 8,803,546</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Administration  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,065,600	\$ 133,762	\$ (1,931,838)
Charges for services	106,500	106,753	253
Investment earnings	1,500	3,187	1,687
Miscellaneous	620,000	152,060	(467,940)
Total revenues	<u>2,793,600</u>	<u>395,762</u>	<u>(2,397,838)</u>
Expenditures:			
General government	1,789,572	130,641	1,658,931
Public safety	1,269,900	433,367	836,533
Education and economic opportunity	113,100	53,644	59,456
Total expenditures	<u>3,172,572</u>	<u>617,652</u>	<u>2,554,920</u>
Excess (deficiency) of revenues over expenditures	<u>(378,972)</u>	<u>(221,890)</u>	<u>157,082</u>
Other financing sources (uses):			
Transfers in		175,057	175,057
Transfers out		(1,241)	(1,241)
Total other financing sources and uses	<u>-</u>	<u>173,816</u>	<u>173,816</u>
Net change in fund balances	(378,972)	(48,074)	330,898
Fund balances, July 1, 2015	<u>378,972</u>	<u>551,330</u>	<u>172,358</u>
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 503,256</u>	<u>\$ 503,256</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - County Attorney  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 570,000	\$ 430,846	\$ (139,154)
Intergovernmental	1,802,262	1,199,764	(602,498)
Charges for services	29,925	49,128	19,203
Investment earnings	6,075	6,646	571
Miscellaneous	133,100	5,346	(127,754)
Total revenues	<u>2,541,362</u>	<u>1,691,730</u>	<u>(849,632)</u>
Expenditures:			
General government	4,104,694	1,984,217	2,120,477
Total expenditures	<u>4,104,694</u>	<u>1,984,217</u>	<u>2,120,477</u>
Excess (deficiency) of revenues over expenditures	<u>(1,563,332)</u>	<u>(292,487)</u>	<u>1,270,845</u>
Other financing sources (uses):			
Transfers in	45,381	203,919	158,538
Transfers out	(15,000)	(107,614)	(92,614)
Total other financing sources and uses	<u>30,381</u>	<u>96,305</u>	<u>65,924</u>
Net change in fund balances	(1,532,951)	(196,182)	1,336,769
Fund balances (deficits), July 1, 2015	1,532,951	1,490,801	(42,150)
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 1,294,619</u>	<u>\$ 1,294,619</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Courts  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 55,800	\$ 56,722	\$ 922
Intergovernmental	325,766	330,566	4,800
Charges for services	730,580	670,416	(60,164)
Investment earnings	36,938	7,119	(29,819)
Miscellaneous		1,340	1,340
Total revenues	<u>1,149,084</u>	<u>1,066,163</u>	<u>(82,921)</u>
Expenditures:			
General government	2,212,784	947,832	1,264,952
Total expenditures	<u>2,212,784</u>	<u>947,832</u>	<u>1,264,952</u>
Excess (deficiency) of revenues over expenditures	<u>(1,063,700)</u>	<u>118,331</u>	<u>1,182,031</u>
Other financing sources (uses):			
Transfers in		35,269	35,269
Transfers out	(126,091)	(121,773)	4,318
Total other financing sources and uses	<u>(126,091)</u>	<u>(86,504)</u>	<u>39,587</u>
Net change in fund balances	(1,189,791)	31,827	1,221,618
Fund balances, July 1, 2015	1,189,791	1,272,774	82,983
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 1,304,601</u>	<u>\$ 1,304,601</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Environmental and Conservation  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 509,000	\$ 364,692	\$ (144,308)
Investment earnings	1,000	2,982	1,982
Miscellaneous	107,642		(107,642)
Total revenues	<u>617,642</u>	<u>367,674</u>	<u>(249,968)</u>
Expenditures:			
Environmental and conservation	1,212,720	266,428	946,292
Total expenditures	<u>1,212,720</u>	<u>266,428</u>	<u>946,292</u>
Excess (deficiency) of revenues over expenditures	<u>(595,078)</u>	<u>101,246</u>	<u>696,324</u>
Net change in fund balances	(595,078)	101,246	696,324
Fund balances (deficits), July 1, 2015	595,078	586,404	(8,674)
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 687,650</u>	<u>\$ 687,650</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Library District  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 832,702	\$ 826,948	\$ (5,754)
Intergovernmental	154,637	61,755	(92,882)
Investment earnings		709	709
Miscellaneous	15,641	119	(15,522)
Total revenues	<u>1,002,980</u>	<u>889,531</u>	<u>(113,449)</u>
Expenditures:			
Culture and recreation	599,145	654,985	(55,840)
Total expenditures	<u>599,145</u>	<u>654,985</u>	<u>(55,840)</u>
Excess (deficiency) of revenues over expenditures	<u>403,835</u>	<u>234,546</u>	<u>(169,289)</u>
Other financing uses:			
Transfers out		(200,000)	(200,000)
Total other financing sources and uses		<u>(200,000)</u>	<u>(200,000)</u>
Net change in fund balances	403,835	34,546	(369,289)
Fund balances (deficits), July 1, 2015	(403,835)	12,724	416,559
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 47,270</u>	<u>\$ 47,270</u>



Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Probation  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,191,154	\$ 1,970,097	\$ (221,057)
Charges for services	341,076	338,467	(2,609)
Investment earnings	3,668	3,371	(297)
Miscellaneous	100	100	-
Total revenues	<u>2,535,998</u>	<u>2,312,035</u>	<u>(223,963)</u>
Expenditures:			
Public safety	3,198,091	2,369,612	828,479
Total expenditures	<u>3,198,091</u>	<u>2,369,612</u>	<u>828,479</u>
Excess (deficiency) of revenues over expenditures	<u>(662,093)</u>	<u>(57,577)</u>	<u>604,516</u>
Other financing sources (uses):			
Transfers in		12,639	12,639
Transfers out		(492)	(492)
Total other financing sources and uses		<u>12,147</u>	<u>12,147</u>
Net change in fund balances	(662,093)	(45,430)	616,663
Fund balances (deficits), July 1, 2015	662,093	557,315	(104,778)
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 511,885</u>	<u>\$ 511,885</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Public Defense  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 26,823	\$ 18,212	\$ (8,611)
Investment earnings	300	831	531
Miscellaneous	250	600	350
Total revenues	<u>27,373</u>	<u>19,643</u>	<u>(7,730)</u>
Expenditures:			
General government	242,513	59,540	(182,973)
Total expenditures	<u>242,513</u>	<u>59,540</u>	<u>(182,973)</u>
Excess (deficiency) of revenues over expenditures	<u>(215,140)</u>	<u>(39,897)</u>	<u>175,243</u>
Other financing sources:			
Transfers in	80,710	74,320	(6,390)
Total other financing sources	<u>80,710</u>	<u>74,320</u>	<u>(6,390)</u>
Net change in fund balances	(134,430)	34,423	168,853
Fund balances, July 1, 2015	134,430	145,470	11,040
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 179,893</u>	<u>\$ 179,893</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Recreation District  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 164,500	\$ 169,187	\$ 4,687
Investment earnings	500	741	241
Miscellaneous		1,047	1,047
Total revenues	<u>165,000</u>	<u>170,975</u>	<u>5,975</u>
Expenditures:			
Culture and recreation	265,000	157,476	107,524
Total expenditures	<u>265,000</u>	<u>157,476</u>	<u>107,524</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>13,499</u>	<u>113,499</u>
Net change in fund balances	(100,000)	13,499	113,499
Fund balances, July 1, 2015	100,000	112,722	12,722
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 126,221</u>	<u>\$ 126,221</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Sheriff's Office  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 124,600	\$ 261,203	\$ 136,603
Intergovernmental	871,381	813,054	(58,327)
Charges for services	498,330	548,511	50,181
Investment earnings	33,034	588	(32,446)
Miscellaneous	159,878	30,844	(129,034)
Total revenues	<u>1,687,223</u>	<u>1,654,200</u>	<u>(33,023)</u>
Expenditures:			
Public safety	1,711,095	1,031,118	679,977
Total expenditures	<u>1,711,095</u>	<u>1,031,118</u>	<u>679,977</u>
Excess (deficiency) of revenues over expenditures	<u>(23,872)</u>	<u>623,082</u>	<u>646,954</u>
Other financing sources (uses):			
Transfers in	15,000	60,633	45,633
Transfers out		(123,300)	(123,300)
Total other financing sources and uses	<u>15,000</u>	<u>(62,667)</u>	<u>(77,667)</u>
Net change in fund balances	(8,872)	560,415	569,287
Fund balances (deficits), July 1, 2015	8,872	7,669	(1,203)
Change in nonspendable resources			
Decrease in prepaid items		(10,500)	(10,500)
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 557,584</u>	<u>\$ 557,584</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Special Districts  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 63,400	\$ 92,162	\$ 28,762
Investment earnings	100	2,426	2,326
Miscellaneous	133,900	69,184	(64,716)
Total revenues	<u>197,400</u>	<u>163,772</u>	<u>(33,628)</u>
Expenditures:			
Highways and streets	737,000	117,162	619,838
Total expenditures	<u>737,000</u>	<u>117,162</u>	<u>619,838</u>
Excess (deficiency) of revenues over expenditures	<u>(539,600)</u>	<u>46,610</u>	<u>586,210</u>
Other financing uses:			
Transfers out		(55,818)	(55,818)
Total financing uses		<u>(55,818)</u>	<u>(55,818)</u>
Net change in fund balances	(539,600)	(9,208)	530,392
Fund balances, July 1, 2015	539,600	547,578	7,978
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 538,370</u>	<u>\$ 538,370</u>

Navajo County  
 Budgetary Comparison Schedule  
 Special Revenue - Workforce Innovation and Opportunity Act  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,416,404	\$ 933,455	\$ (482,949)
Total revenues	<u>1,416,404</u>	<u>933,455</u>	<u>(482,949)</u>
Expenditures:			
Education and economic opportunity	1,418,224	979,026	439,198
Total expenditures	<u>1,418,224</u>	<u>979,026</u>	<u>299,835</u>
Excess (deficiency) of revenues over expenditures	<u>(1,820)</u>	<u>(45,571)</u>	<u>(43,751)</u>
Net change in fund balances	(1,820)	(45,571)	(43,751)
Fund balances, July 1, 2015	1,820	89,925	88,105
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 44,354</u>	<u>\$ 44,354</u>

Navajo County  
 Budgetary Comparison Schedule  
 Capital Projects - Public Works Construction  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings	<u>                    </u>	\$ 668	\$ 668
Total revenues	<u>                    </u>	<u>668</u>	<u>668</u>
Expenditures:			
Capital outlay	\$ 147,346	54,969	92,377
Total expenditures	<u>147,346</u>	<u>54,969</u>	<u>92,377</u>
Excess (deficiency) of revenues over expenditures	<u>(147,346)</u>	<u>(54,301)</u>	<u>93,045</u>
Other financing sources (uses):			
Transfers out	<u>                    </u>	(105,994)	(105,994)
Total other financing sources and uses	<u>                    </u>	<u>(105,994)</u>	<u>(105,994)</u>
Net change in fund balances	(147,346)	(160,295)	(12,949)
Fund balances, July 1, 2015	147,346	160,295	12,949
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Navajo County  
 Budgetary Comparison Schedule  
 Debt Service - General Government  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings	<u>                    </u>	\$ 4,023	\$ 4,023
Total revenues	<u>                    </u>	<u>4,023</u>	<u>4,023</u>
Expenditures:			
Debt Service			
General government	\$ 2,708,928	1,611,027	1,097,901
Total expenditures	<u>2,708,928</u>	<u>1,611,027</u>	<u>1,097,901</u>
Excess (deficiency) of revenues over expenditures	<u>(2,708,928)</u>	<u>(1,607,004)</u>	<u>1,101,924</u>
Other financing sources (uses):			
Transfers in	510,399	1,644,099	1,133,700
Transfers out	<u>                    </u>	<u>(53,108)</u>	<u>(53,108)</u>
Total other financing sources and uses	<u>510,399</u>	<u>1,590,991</u>	<u>1,080,592</u>
Net change in fund balances	(2,198,529)	(16,013)	2,182,516
Fund balances (deficits), July 1, 2015	<u>2,198,529</u>	<u>833,686</u>	<u>(1,364,843)</u>
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 817,673</u>	<u>\$ 817,673</u>



Navajo County  
 Budgetary Comparison Schedule  
 Debt Service - Special Districts  
 Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 235,700	\$ 224,359	\$ (11,341)
Investments earnings		1,115	1,115
Miscellaneous		275	275
Total revenues	<u>235,700</u>	<u>225,749</u>	<u>(9,951)</u>
Expenditures:			
Debt Service			
Highways and streets	345,300	260,730	84,570
Total expenditures	<u>345,300</u>	<u>260,730</u>	<u>84,570</u>
Excess (deficiency) of revenues over expenditures	<u>(109,600)</u>	<u>(34,981)</u>	<u>74,619</u>
Net change in fund balances	(109,600)	(34,981)	74,619
Fund balances, July 1, 2015	109,600	123,970	14,370
Fund balances, June 30, 2016	<u>\$ -</u>	<u>\$ 88,989</u>	<u>\$ 88,989</u>





---

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

---

Navajo County  
Statement of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance July 1, 2016
<b>Assets</b>				
Cash and investments	\$ 2,967,759	\$ 14,643,180	\$ 14,671,547	\$ 2,939,392
Total Assets	<u>\$ 2,967,759</u>	<u>\$ 14,643,180</u>	<u>\$ 14,671,547</u>	<u>\$ 2,939,392</u>
<b>Liabilities</b>				
Due to other governments	\$ 777,724	\$ 13,149,625	\$ 13,189,857	\$ 737,492
Deposits held for other parties	2,190,035	1,493,555	1,481,690	2,201,900
Total Liabilities	<u>\$ 2,967,759</u>	<u>\$ 14,643,180</u>	<u>\$ 14,671,547</u>	<u>\$ 2,939,392</u>



---

# STATISTICAL SECTION

---

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Expenses:</b>				
General government	\$ 19,745,840	\$ 20,503,496	\$ 19,392,043	\$ 22,647,297
Public safety	14,534,493	17,570,231	19,182,119	17,566,896
Highways and streets	10,990,269	12,960,992	14,058,305	13,057,318
Health and welfare	6,274,590	6,809,907	7,219,915	9,366,578
Culture and recreation	554,419	472,151	510,035	747,065
Education and economic opportunity	4,885,689	7,119,026	5,723,104	6,307,885
Environmental and conservation	18,880	234,078	231,225	237,032
Urban redevelopment and housing		5,000		307,208
Interest on long-term debt	179,518	349,677	594,260	677,253
Total governmental activities expenses	<u>57,183,698</u>	<u>66,024,558</u>	<u>66,911,006</u>	<u>70,914,532</u>
<b>Program Revenues:</b>				
Charges for services:				
General government	4,882,461	3,746,695	3,473,303	3,531,064
Public Safety	2,910,947	541,256	765,083	517,702
Highway and streets	115,198	83,076		39,249
Health and welfare	95,930	77,965	122,462	215,494
Culture and recreation				
Operating grants and contributions:				
General government	2,241,225	1,851,358	3,719,202	1,735,327
Public Safety	3,062,299	3,063,868	3,599,091	3,290,457
Highway and streets	184,839			
Health and welfare	2,227,071	1,751,447	2,199,624	1,803,890
Culture and recreation	38,313	38,102	64,885	122,207
Education and economic opportunity	4,944,866	7,186,346	5,512,115	6,086,494
Environmental and conservation		162,086	205,884	195,574
Urban redevelopment and housing				305,647
Capital grants and contributions:				
General government				
Public Safety				
Highway and streets	12,956,489	12,361,020	12,393,158	15,637,667
Total governmental activities program revenues	<u>33,659,638</u>	<u>30,863,219</u>	<u>32,054,807</u>	<u>33,480,772</u>
Net (Expense) Revenue	<u>\$ (23,524,060)</u>	<u>\$ (35,161,339)</u>	<u>\$ (34,856,199)</u>	<u>\$ (37,433,760)</u>
<b>General Revenues:</b>				
Property taxes	\$ 8,636,394	\$ 9,707,389	\$ 10,933,578	\$ 12,494,737
Special assessments (see Note)				
General county sales tax	6,778,153	7,083,165	6,330,588	5,480,598
State shared revenues	13,521,307	13,302,354	12,017,517	10,728,725
Payment in lieu of taxes				
Grants and contributions not restricted to specific programs	1,433,848	3,922,712	6,444,858	4,902,289
Investment earnings	1,733,012	1,624,746	750,742	322,748
Capital contributions				
Gain on disposal of capital assets	104,656	11,971	23,895	115,237
Miscellaneous	1,016,509	1,207,819	1,466,751	1,273,310
Transfers				(380,236)
Total general revenues and transfers	<u>33,223,879</u>	<u>36,860,156</u>	<u>37,967,929</u>	<u>34,937,408</u>
Change in net position - governmental activities	<u>\$ 9,699,819</u>	<u>\$ 1,698,817</u>	<u>\$ 3,111,730</u>	<u>\$ (2,496,352)</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					
		2011	2012	2013	2014	2015	2016
\$	22,396,786	\$ 21,607,586	\$ 20,944,578	\$ 22,213,348	\$ 31,968,411	\$ 29,716,664	
	16,191,164	18,238,891	19,123,378	16,995,243	16,655,632	17,512,220	
	14,480,464	8,023,409	10,935,566	9,534,493	11,190,411	12,008,267	
	7,129,008	5,909,936	7,734,191	8,039,343	7,956,284	8,350,410	
	814,786	966,000	788,127	694,108	665,292	798,683	
	5,710,417	6,164,792	5,498,285	6,190,399	5,669,487	5,479,786	
	196,504	16,352	303,402	329,829	211,478	247,622	
	35,558	784	42,701	365,994	73,852	16,887	
	625,962	721,020	527,044	487,808	802,936	503,684	
	<u>67,580,649</u>	<u>61,648,770</u>	<u>65,897,272</u>	<u>64,850,565</u>	<u>75,193,783</u>	<u>74,634,223</u>	
	3,465,053	3,326,109	3,649,106	3,537,721	5,079,224	5,400,182	
	672,441	982,588	1,146,080	919,746	1,390,048	1,549,821	
	98,695	334,513	12,171	252,982	100,758	432,421	
	194,090	163,957	243,393	329,602	274,262	333,306	
		155,895				166,881	
	2,584,222	2,215,242	1,966,176	2,700,852	3,613,033	3,945,966	
	2,916,270	3,252,479	4,500,832	3,976,671	3,715,424	4,911,950	
	2,280,437	1,819,214	2,500,943	2,820,717	2,898,998	2,770,719	
	137,643	152,083	129,282	149,666	128,945	61,754	
	3,665,344	4,654,668	4,327,485	5,266,695	4,488,394	5,034,340	
	429,653	59,097	301,660	534,722	411,987	364,692	
	63,162		40,823	376,628	62,860	10,000	
		220,229					
		5,000					
	<u>13,170,789</u>	<u>9,578,324</u>	<u>9,690,517</u>	<u>9,565,055</u>	<u>11,431,446</u>	<u>11,571,167</u>	
	<u>29,677,799</u>	<u>26,919,398</u>	<u>28,508,468</u>	<u>30,431,057</u>	<u>33,595,379</u>	<u>36,553,199</u>	
\$	(37,902,850)	\$ (34,729,372)	\$ (37,388,804)	\$ (34,419,508)	\$ (41,598,404)	\$ (38,081,024)	
\$	12,866,253	\$ 12,087,700	\$ 11,924,765	\$ 11,704,948	\$ 12,536,351	\$ 12,531,782	
			502,434	542,526	507,456		
	5,889,027	6,246,077	6,239,089	6,667,433	6,674,867	6,365,510	
	11,405,376	11,475,113	12,024,496	12,773,729	12,964,950	13,125,229	
			1,430,914	1,538,954	1,406,936	1,547,382	
	4,489,096	3,175,428					
	254,483	202,500	(109,711)	453,017	195,437	165,384	
						6,980	
	5,957	13,116	52,473	96,640	35,974	2,995	
	1,822,741	1,170,658	892,976	1,455,607	1,072,052	1,341,167	
	-	-					
	<u>36,732,933</u>	<u>34,370,592</u>	<u>32,957,436</u>	<u>35,232,854</u>	<u>35,394,023</u>	<u>35,086,429</u>	
\$	<u>(1,169,917)</u>	<u>(358,780)</u>	<u>(4,431,368)</u>	<u>813,346</u>	<u>(6,204,381)</u>	<u>(2,994,595)</u>	

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

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved	\$	\$ 3,957,781	\$ 2,883,159	\$ 325,096
Unreserved	16,110,913	10,939,695	7,550,215	7,416,990
Assigned*				
Unassigned				
Total general fund	<u>\$ 16,110,913</u>	<u>\$ 14,897,476</u>	<u>\$ 10,433,374</u>	<u>\$ 7,742,086</u>
All other governmental funds				
Reserved	\$ 397,700	\$ 500,703	\$ 679,641	\$ 528,878
Unreserved, reported in:				
Special revenue funds	21,439,571	26,620,823	25,962,952	31,118,113
Debt service funds	1,995,785	1,777,950	1,824,003	1,924,862
Capital projects funds	4,791,323	24,543		76,332
Nonspendable*				
Restricted				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 28,624,379</u>	<u>\$ 28,924,019</u>	<u>\$ 28,466,596</u>	<u>\$ 33,648,185</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					
2011	2012	2013	2014	2015	2016
\$	\$	\$	\$ 437,220	\$ 1,273,833	\$ 1,612,513
3,182,499	2,533,698	2,021,131	2,331,597	2,836,408	2,535,860
3,349,495	3,939,417	3,849,238	3,482,808	3,544,712	3,523,261
<u>\$ 6,531,994</u>	<u>\$ 6,473,115</u>	<u>\$ 5,870,369</u>	<u>\$ 6,251,625</u>	<u>\$ 7,654,953</u>	<u>\$ 7,671,634</u>
\$	\$	\$	\$	\$	\$
543,055	920,545	1,034,772	1,114,772	991,663	619,596
28,973,243	25,792,646	26,621,136	26,720,572	22,055,581	23,119,737
1,231,112	1,529,453	2,064,946	3,288,638	2,552,485	966,610
(270,933)	(39,006)	(13)	(1,048,472)	(1,686,672)	(210,456)
<u>\$ 30,476,477</u>	<u>\$ 28,203,638</u>	<u>\$ 29,720,841</u>	<u>\$ 30,075,510</u>	<u>\$ 23,913,057</u>	<u>\$ 24,495,487</u>

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Revenues:</b>				
Property taxes	\$ 8,673,499	\$ 9,581,813	\$ 10,780,692	\$ 12,294,308
County sales taxes				
Licenses and permits	879,866	643,032	513,081	619,663
Fines and forfeits	1,646,183	1,290,001	1,563,382	1,336,602
Intergovernmental	47,350,129	50,665,504	52,104,688	49,652,453
Charges for services	5,478,487	2,515,958	2,284,384	2,347,245
Investment earnings	1,727,733	1,624,746	750,741	322,747
Special assessments			356,318	133,181
Rents and royalties				
Contributions	38,281	56,956	25,916	31,141
Miscellaneous	990,990	1,222,929	1,466,751	1,273,311
Total revenues	<u>66,785,168</u>	<u>67,600,939</u>	<u>69,845,953</u>	<u>68,010,651</u>
<b>Expenditures:</b>				
General government	19,975,143	22,871,415	22,160,207	21,661,752
Public safety	13,759,567	17,525,292	18,403,733	16,838,127
Highways and streets	10,681,812	14,792,747	17,778,854	10,087,829
Health and welfare	6,270,192	6,813,069	7,074,321	9,306,800
Culture and recreation	562,599	471,342	501,738	740,591
Education and economic opportunity	4,896,105	7,119,291	5,515,147	6,139,063
Environmental and conservation	19,424	234,078	231,225	237,032
Urban redevelopment and housing		5,000		307,208
<b>Debt service:</b>				
Principal	421,836	303,173	487,701	858,416
Interest and other charges	179,518	349,677	594,260	677,253
Bond Issuance Costs				
Capital outlay	1,990,735	6,238,140	3,030,157	81,675
Total expenditures	<u>58,756,931</u>	<u>76,723,224</u>	<u>75,777,343</u>	<u>66,935,746</u>
Excess(deficiency) of revenues over expenditures	8,028,237	(9,122,285)	(5,931,390)	1,074,905
<b>Other financing sources (uses):</b>				
Revenue bonds issued		6,600,000		
Payment to bond refunding escrow agent				
Capital lease agreements		77,845	6,846	
Special assessment bonds issued				
Sale of capital assets	104,656	11,971	23,895	115,237
Transfers in	3,903,479	1,845,732	2,304,012	8,048,481
Transfers out	<u>(3,653,479)</u>	<u>(1,845,732)</u>	<u>(2,304,012)</u>	<u>(6,789,602)</u>
Total other financing sources and uses	<u>354,656</u>	<u>6,689,816</u>	<u>30,741</u>	<u>1,374,116</u>
Net change in fund balances	<u>\$ 8,382,893</u>	<u>\$ (2,432,469)</u>	<u>\$ (5,900,649)</u>	<u>\$ 2,449,021</u>
Ratio of total debt service expenditures to non-capital expenditures	1.06%	0.93%	1.49%	2.30%

(Continued)

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 12,612,528	\$ 12,092,878	\$ 12,058,648	\$ 11,699,519	\$ 12,565,289	\$ 12,542,649
			6,667,433	6,674,867	6,365,510
529,657	397,490	469,651	606,269	522,919	604,525
1,317,038	1,228,579	1,539,663	1,247,497	1,789,993	1,492,927
46,350,655	42,113,926	43,050,561	39,645,165	40,045,748	42,328,108
2,583,583	2,934,743	3,041,435	3,241,520	9,698,659	10,369,286
254,483	202,499	(109,710)	453,017	195,437	165,384
198,817	642,688	502,434	518,762	491,734	485,708
30,333	50,540	64,512	42,650	43,061	39,962
<u>1,822,741</u>	<u>1,170,659</u>	<u>892,976</u>	<u>1,455,607</u>	<u>1,072,052</u>	<u>1,341,167</u>
<u>65,699,835</u>	<u>60,834,002</u>	<u>61,510,170</u>	<u>65,577,439</u>	<u>73,099,759</u>	<u>75,735,226</u>
21,894,300	20,650,249	20,746,489	21,296,099	27,228,792	27,475,209
17,020,246	17,394,177	17,515,389	17,165,782	16,762,711	18,013,055
15,462,752	9,452,610	9,583,999	8,446,932	10,245,789	9,949,660
7,138,323	7,507,775	7,987,610	7,909,342	8,323,596	8,698,408
808,312	962,712	785,901	691,882	702,563	812,461
5,674,996	6,019,533	5,326,169	6,146,055	5,491,323	5,408,227
196,504	16,352	303,402	347,079	223,528	266,428
35,558	784	42,701	365,994	73,852	16,887
919,249	946,316	676,779	821,698	2,737,814	1,529,333
625,962	721,020	527,044	461,413	802,936	503,684
		115,290	75,464		
<u>274,573</u>	<u>327,361</u>	<u>1,469,268</u>	<u>7,613,324</u>	<u>5,207,816</u>	<u>2,093,691</u>
<u>70,050,775</u>	<u>63,998,889</u>	<u>65,080,041</u>	<u>71,341,064</u>	<u>77,800,720</u>	<u>74,767,043</u>
(4,350,940)	(3,164,887)	(3,569,871)	(5,763,625)	(4,700,961)	968,183
		8,500,000	10,625,000		
		(4,345,000)	(4,806,395)		
18,913	354,826	146,994	488,368		
5,957	68,446	78,863	98,822	64,945	2,995
6,600,855	10,017,167	10,157,899	7,753,432	5,625,009	4,218,192
<u>(6,600,855)</u>	<u>(10,017,167)</u>	<u>(10,157,899)</u>	<u>(7,753,432)</u>	<u>(5,625,009)</u>	<u>(4,218,192)</u>
<u>24,870</u>	<u>423,272</u>	<u>4,380,857</u>	<u>6,405,795</u>	<u>64,945</u>	<u>2,995</u>
<u>\$ (4,326,070)</u>	<u>\$ (2,741,615)</u>	<u>\$ 810,986</u>	<u>\$ 642,170</u>	<u>\$ (4,636,016)</u>	<u>\$ 971,178</u>
2.21%	2.62%	1.89%	2.13%	4.88%	2.80%

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities:					
Net investment in capital assets	\$ 55,332,385	\$ 61,704,323	\$ 73,728,006	\$ 66,038,408	\$ 70,264,651
Restricted	21,309,950	24,374,755	19,040,878	23,034,928	27,364,617
Unrestricted	22,441,546	16,119,289	15,007,820	16,207,016	6,481,167
Total governmental activities net position	<u>\$ 99,083,881</u>	<u>\$ 102,198,367</u>	<u>\$ 107,776,704</u>	<u>\$ 105,280,352</u>	<u>\$ 104,110,435</u>

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental activities:					
Net investment in capital assets	\$ 64,205,881	\$ 58,803,447	\$ 65,059,354	\$ 63,750,745	\$ 62,361,145
Restricted	25,830,803	25,924,806	24,056,612	23,521,625	24,226,548
Unrestricted (deficit)	7,151,635	8,028,698	4,454,331	(51,230,312)	(53,540,230)
Total governmental activities net position	<u>\$ 97,188,319</u>	<u>\$ 92,756,951</u>	<u>\$ 93,570,297</u>	<u>\$ 36,042,058</u>	<u>\$ 33,047,463</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  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

**PRIMARY ASSESSED VALUE**

Fiscal Year	Residential and Vacant Property	Commercial Property	Unattached Personal Property	Total Taxable Assessed Value	*Total Direct Tax Rate	Estimated <u>Actual</u> Value	Assessed Value as a Percentage of Actual Value
2007	414,808,401	305,200,210	14,828,110	734,836,721	1.2592	6,464,822,998	11.37%
2008	480,365,541	315,601,599	16,347,131	812,314,271	1.2504	7,181,877,591	11.31%
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%

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
2007	0.6229	0.1000	0.0400	0.3000	0.1963	1.2592
2008	0.6041	0.1000	0.0500	0.3000	0.1963	1.2504
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

**Overlapping rates**

Fiscal Year	School Equalization	School Districts	Cities	Other Special Districts	Community College District
2007	0.0000	3.7977-8.0200	0.5216-0.9134	0.0871-2.6347	1.4858
2008	0.0000	3.1373-6.7592	0.2845-0.8870	0.0864-2.7749	1.4206
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

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 Five Years Ago

Taxpayer	2016			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	\$ 131,274,320	1	15.76%	\$ 107,346,606	1	10.75%
PacifiCorp Electric Operations	52,277,671	2	6.28%	31,068,621	2	3.11%
Peabody Western Coal Co.	17,334,500	3	2.08%	16,669,389	3	1.67%
Transwestern Pipeline Co	10,415,034	4	1.25%	11,923,788	4	1.19%
Burlington Northern/Santa Fe Railway	7,257,125	5	0.87%	4,483,725	8	0.45%
Kinder Morgan	6,029,921	6	0.72%	9,163,477	5	0.92%
Navopache Electric Co-Op Inc.	5,686,242	7	0.68%	3,328,331	9	0.33%
Citizens Telecom of White Mountains	4,983,329	8	0.60%	6,231,982	7	0.62%
Unisource Energy Corporation	4,916,132	9	0.59%	2,821,246	10	0.28%
Smith Bagley	4,341,405	10	0.52%	N/A	N/A	N/A
<b>TOTALS</b>	<u>\$ 244,515,679</u>		<u>29.35%</u>	<u>\$ 193,037,165</u>		<u>19.32%</u>
Total 2016 Navajo County Assessed Value	\$ 832,801,440			Total 2010 Navajo County Assessed Value		\$ 998,764,550

Source: Navajo County Assessor's office

Note: Information for principle property taxpayers was not available prior to fiscal year 2010; consequently, the comparison is for a 6 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
2007	\$ 4,579,640	\$ 4,401,681	96.11%	\$ 177,290	\$ 4,578,971	99.99%
2008	\$ 4,910,747	\$ 4,684,181	95.39%	\$ 225,930	\$ 4,910,111	99.99%
2009	\$ 5,247,356	\$ 5,003,706	95.36%	\$ 242,452	\$ 5,246,158	99.98%
2010	\$ 5,580,939	\$ 5,306,931	95.09%	\$ 271,364	\$ 5,578,295	99.95%
2011	\$ 5,859,345	\$ 5,569,913	95.06%	\$ 284,485	\$ 5,854,398	99.92%
2012	\$ 6,106,200	\$ 5,887,544	96.42%	\$ 212,733	\$ 6,100,277	99.90%
2013	\$ 6,180,393	\$ 6,001,505	97.11%	\$ 173,374	\$ 6,174,879	99.91%
2014	\$ 6,268,089	\$ 6,070,355	96.85%	\$ 189,878	\$ 6,260,233	99.87%
2015	\$ 6,868,032	\$ 6,652,088	96.86%	\$ 201,405	\$ 6,853,493	99.79%
2016	\$ 6,993,475	\$ 6,748,980	96.50%	\$ 0	\$ 6,748,980	96.50%

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	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2007	-	5,915,000	2,950,589	18,848	8,884,437	0.37	80.04
2008	6,600,000	5,635,000	2,442,125	73,520	14,750,645	0.58	131.29
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	N/A (2)	N/A (3)
2016	15,840,000	-	352,575	172,822	16,365,397	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 2015 and 2016.
- (3) Population was not available for 2015 and 2016.

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

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

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	
2008	\$ 7,083,165	\$ 10,915,470	\$ 17,998,635	\$ -	\$ -	
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 Bonds

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

Source: Navajo County Finance Department

Navajo County  
Legal Debt Margin Information  
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 843,037,068
Debt limit (15% of assessed value)	126,455,560
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	\$ 126,455,560
Legal debt margin	\$ 126,455,560

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 110,225,508	\$ 121,847,141	\$ 136,253,654	\$ 149,814,683	\$ 158,850,728
Total net debt applicable to limit					
Legal debt margin	110,225,508	121,847,141	136,253,654	149,814,683	158,850,728
 Total net debt applicable to the limit as a percentage of the debt	 0%	 0%	 0%	 0%	 0%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 153,920,569	\$ 146,139,257	\$ 135,502,778	\$ 126,937,062	\$ 126,455,560
Total net debt applicable to limit					
Legal debt margin	153,920,569	146,139,257	135,502,778	126,937,062	126,455,560
 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 <u>dollars</u> )	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Unemployment</u> <u>Rate</u>
2007	110,999	2,412,656	\$ 21,736	6.3
2008	112,348	2,539,509	\$ 22,604	9.7
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	(1)	(1)	(1)	9.6
2016	(1)	(1)	(1)	9.4

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 2015 and 2016.

## Navajo County Employment by Sector and Major Employers

### Employment by Sector

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mining and Construction	2,925	2,375	1,600	1,450	1,325
Educational & Health Svcs	3,325	3,300	3,500	3,550	3,200
Financial Activities	600	525	475	400	425
Government	9,925	10,400	10,100	9,650	9,500
Leisure & Hospitality	3,475	3,475	3,150	3,500	3,625
Manufacturing	900	800	550	525	525
Information	825	1,000	1,075	1,150	1,150
Professional & Business Svcs	1,350	1,275	1,025	1,000	1,025
Trade, Transportation & Utilities	6,050	5,650	5,375	5,250	5,025
Other Services	800	850	750	700	525

(Continued)

Source: Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.  
Arizona Department of Commerce, Strategic Investment and Research.  
Figures are organized under the North American Industrial Classification System (NAICS).

### Major Employers<sup>(1)</sup>

<u>Employer</u>	<u>Employer Type</u>
APS, Joseph City	Electric Services
Arizona Department of Corrections	Prison
Burlington Northern Santa Fe	Line-Haul
Cellular One	Communications
Hatch Auto Centers	Auto Dealer
Hondah Resort & Casino	Hospitality
Holiday Inn, Kayenta	Hotels and Motels
Home Depot	Retail
Kayenta Boarding B.I.A. School	Education
Keams Canyon Indian Hospital	Medical
K-Mart	Retail
Little Colorado Medical Center	Medical
Navajo Government Executive Branch	Government
Navajo County School District	Education
Navajo Tribal Utility Authority, Keams Canyon	Utilities
Navopache Electric Cooperative, Inc.	Utility
Northland Pioneer College, Holbrook	Colleges
NovoPower	Energy
Peabody Coal Co., Kayenta	Coal and Mining
PFFJ, Inc., Snowflake	Pork Production
Pinon Unified School District #4	Education
Safeway, Pinetop-Lakeside	Retail
Summit Healthcare, Show Low	Hospital
Tate's Auto Center, Holbrook	Auto Dealer
Wal-Mart SuperCenter, Show Low	Retail
Western Moulding Co. Inc., Snowflake	Millwork
White Mountain Apache Tribe	Government

Sources: Holbrook Chamber of Commerce; Navajo Nation, Navajo Nation, Division of Economic Development; Pinetop-Lakeside Chamber of Commerce; Show Low Regional Chamber of Commerce; and Snowflake/Taylor Chamber of Commerce.

Navajo County  
Employment by Sector and Major Employers  
(Continued)

Employment by Sector

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Mining and Construction	1,600	1,600	1,625	1,725	1,525
Educational & Health Svcs	3,550	3,575	3,575	3,900	4,125
Financial Activities	575	600	700	625	650
Government	9,850	9,675	9,325	9,775	8,925
Leisure & Hospitality	3,600	3,875	3,700	3,200	3,450
Manufacturing	475	125	150	175	250
Information	1,175	1,175	1,150	1,200	1,050
Professional & Business Svcs	1,000	1,175	1,425	1,150	1,325
Trade, Transportation & Utilities	5,150	5,175	4,700	4,875	5,475
Other Services	950	1,050	925	950	975

<sup>(1)</sup> The number of employees for the 10 largest employers in the County is not available due to State of Arizona non-disclosure restrictions.

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

	Fiscal Year					
Function	2007	2008	2009	2010	2011	2012
General government	272	290	284	284	294	295
Public safety	240	260	256	248	239	243
Highways and streets	84	90	90	81	81	82
Health and welfare	62	67	66	63	65	66
Culture and recreation	3	4	4	5	6	5
Total	661	711	700	681	685	691
Function	2013	2014	2015	2016		
General government	278	277	278	288		
Public safety	238	236	238	235		
Highways and streets	78	83	91	96		
Health and welfare	73	80	81	81		
Culture and recreation	8	4	5	4		
Total	675	680	693	704		

Source: Navajo County Budget 2007 - 2016

Navajo County  
Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	Fiscal Year			
	2007	2008	2009	2010
<b>General Government</b>				
Assessor				
Number of parcels assessed	83,044	84,824	85,536	85,858
Elections				
Elections	4	5	4	4
Number voting	43,445	23,687	51,626	21,379
Planning & Zoning				
Building permits issued	3,789	3,085	1,837	1,285
Public Fiduciary				
Guardianships/conservatorships	99	104	103	110
<b>Public Safety</b>				
Adult Probation				
Community service hours	34,370	50,415	51,910	49,198
Pre-sentence reports written for courts	744	678	594	504
Probationers actively supervised	868	1,036	1,009	1,008
Juvenile Probation				
Average length of detention (days)	15	12	8	10
Juveniles in detention	318	338	457	441
Probationers	164	186	199	171
Community restitution hours	9,170	10,504	8,740	8,939
Sheriff				
Inmate population	385	363	363	361
<b>Highways &amp; Streets</b>				
Public Works				
Crack sealing (miles)	9	2	-	47
Street resurfacing (miles)	33	52	42	25
Waste Tire Program				
Waste tires collected		56,775	51,481	48,743
<b>Health &amp; Welfare</b>				
Public Health District				
Certified copies of birth or death certificates	5,311	5,685	6,811	6,913
Childhood immunization visits	8,608	10,586	7,343	10,299
Restaurant inspections and re-inspections	592	593	608	336
<b>Culture &amp; Recreation</b>				
Library District				
Number of items circulated	380,765	442,038	456,579	480,959
Number of library cards issued (by member libraries)	5,835	6,079	5,985	6,206
Number of prints, media and electronic items	241,479	262,997	287,552	310,602
Number of items owned by Library District	15,216	16,907	19,607	21,774
<b>Education</b>				
School Superintendent				
Charter schools	6	6	6	7
Charter students	817	818	839	471
District students	20,948	20,861	20,497	19,913
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					
2011	2012	2013	2014	2015	2016
86,304	88,148	85,773	85,752	88,306	88,527
4	5	4	3	1	3
50,969	17,330	57,960	8,569	685	32,969
926	994	1,023	970	981	1,009
99	108	109	163	160	131
40,687	39,135	40,306	36,388	33,793	30,408
637	641	566	571	828	572
1,349	1,270	1,313	1,181	1,101	1,086
12	11	12	10	9	10
408	449	336	355	339	353
182	148	122	307	297	151
5,173	7,346	6,401	5,252	5,093	5,061
319	274	283	382	364	301
49	82	59	88	102	444
42	32	13	12	30	14
60,117	47,962	57,742	52,623	47,184	56,331
4,949	4,678	5,031	5,353	5,341	5,595
5,154	4,592	2,165	1,096	1,250	1,068
709	423	621	483	503	696
441,232	438,916	425,272	378,584	368,114	361,865
6,170	5,406	5,054	14,303	13,957	33,223
333,901	343,659	333,193	334,866	336,617	346,632
24,199	25,837	28,827	34,214	32,149	33,577
7	7	7	6	6	9
352	399	630	742	829	789
19,071	18,606	18,495	17,090	17,575	17,803
14	14	13	11	13	14

Navajo County  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Elections										
Voting Machines	158	158	158	158	173	173	173	173	173	60
Superior Courts										
Divisions	4	4	4	4	4	4	4	4	4	4
Division - Satellite					1	1	1	1	1	1
Justice Courts	6	6	6	6	6	6	6	6	6	6
Public Safety										
Sheriff										
Inmate beds available	407		433	425	426	442	442	441	438	438
Jail Facilities	1	1	1	1	1	2	2	2	2	2
Stations	0	0	0	0	0	0	0	0	0	0
Improvement Districts										
Flood Warning Sites	31	31	31	30	31	31	31	31	26	31
Flood Control District Properties	8	8	8	9	12	12	12	13	13	14
Road Improvement Districts	2	1	1	1	1	0	0	0	0	0
Highways and Streets										
Public Works										
Miles of maintained roads	747.83	732.01	737.65	734.9	733.28	733.65	733.95	733.95	734.66	734.32
Bridges	14	14	14	14	14	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	1	1
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.