



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Navajo County

Year Ended June 30, 2004



Debra K. Davenport
Auditor General

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Navajo County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2004

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

We were engaged to audit the accompanying Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2004. This report is the responsibility of the County's management.

During our engagement to audit Navajo County's financial statements, we determined that the County had not maintained adequate accounting records for various accounts as explained in our report dated January 26, 2007. As a result, we did not express an opinion on the County's financial statements as of and for the year ended June 30, 2004. As a further consequence, we did not audit the County's revenues and expenditures sufficiently to enable us to express an opinion on the accompanying Annual Expenditure Limitation Report for the year ended June 30, 2004.

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

Since we did not perform sufficient auditing procedures on the County's revenues and expenditures as explained in the second paragraph above, the scope of our work was not sufficient to express, and we do not express, an opinion on the Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2004.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

September 12, 2007

Navajo County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2004

1. Economic Estimates Commission expenditure limitation	\$27,316,795
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>20,999,394</u>
3. Amount under the expenditure limitation	<u>\$ 6,317,401</u>

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

Signature of Chief Fiscal Officer: _____

Name and Title: James Menlove, Finance Director

Telephone Number: (928) 524-4000 Date: August 30, 2007

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2004

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 42,294,365	\$ 227,069,579	\$ 269,363,944
B. Less exclusions claimed:			
Debt service requirements on other long-term obligations (Note 2)	1,065,863		1,065,863
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	1,711,390		1,711,390
Trustee or custodian (Note 4)	310,773	227,069,579	227,380,352
Grants and aid from the federal government (Note 5)	5,571,616		5,571,616
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes (Note 6)	10,663		10,663
Amounts received from the State of Arizona (Note 5)	4,335,990		4,335,990
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	6,443,360		6,443,360
Contracts with other political subdivisions (Note 7)	<u>1,845,316</u>	<u> </u>	<u>1,845,316</u>
Total exclusions claimed	<u>21,294,971</u>	<u>227,069,579</u>	<u>248,364,550</u>
C. Amounts subject to the expenditure limitation	<u>\$ 20,999,394</u>	<u>\$ -</u>	<u>\$ 20,999,394</u>

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2004

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 45,764,335	\$ 227,069,579	\$ 272,833,914
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 8)	1,772,282		1,772,282
Long-term care contributions withheld by the State Treasurer (Note 9)	<u>1,697,688</u>	<u> </u>	<u>1,697,688</u>
Total subtractions	<u>3,469,970</u>	<u> </u>	<u>3,469,970</u>
C. Amounts reported on Part II, Line A	<u>\$ 42,294,365</u>	<u>\$ 227,069,579</u>	<u>\$ 269,363,944</u>

See accompanying notes to report.

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Note 1 - Summary of Significant Accounting Policies

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

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

Note 2 - Debt Service Requirements on Other Long-Term Obligations

The exclusion claimed for debt service requirements on other long-term obligations in the Governmental Funds consists of principal retirement of \$525,549 and interest expense of \$540,314.

Note 3 - Dividends, Interest, and Gains on the Sale or Redemption of Investment Securities

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,711,390 in the Governmental Funds includes interest on investments expended of \$1,178,509 and interest on delinquent taxes expended of \$532,881, which was recorded as tax revenue.

Note 4 - Trustee or Custodian

The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$310,773 contributions by the County to the Arizona Health Care Cost Containment System for acute care, and in the Fiduciary Funds, the exclusion consists of \$227,069,579 in distributions to investment pool participants.

Note 5 - Federal Grants and Aid and Amounts Received from the State of Arizona

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

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2004

Description	
Grants and aid from the federal government	\$ 5,571,616
Amounts received from the State of Arizona	4,335,990
Highway user revenues in excess of those received in fiscal year 1979-80	6,443,360
Other revenues—(nonexcludable)	<u>20,161,233</u>
Total intergovernmental revenues as reported in the fund financial statements	<u>\$36,512,199</u>

Note 6 - Grants, Aid, Contributions, or Gifts from a Private Agency, Organization, or Individual, Except Amounts Received in Lieu of Taxes

The exclusion claimed for grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes of \$10,663 is reported as miscellaneous revenues.

Note 7 - Contracts with Other Political Subdivisions

The exclusion claimed for contracts with other political subdivisions of \$1,845,316 is reported as charges for services revenues.

Note 8 - Expenditures of Separate Legal Entities

The subtraction of \$1,772,282 in the Governmental Funds for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements.

Note 9 - Long-Term Care Contributions Withheld by the State Treasurer

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