



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Navajo County

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Navajo County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2009

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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

We have audited the accompanying Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2009. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, the Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2009, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, and management, 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.

Jay Zsorey, CPA
Financial Audit Director

June 20, 2011

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Navajo County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2009

1. Economic Estimates Commission expenditure limitation	\$43,375,227
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>37,672,247</u>
3. Amount under the expenditure limitation	<u>\$ 5,702,980</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) 524-4343 Date: June 20, 2011

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2009

Description	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 68,520,860	\$ 5,079,830	\$ 230,177,758	\$ 303,778,448
B. Less exclusions claimed:				
Debt service requirements on bonded indebtedness (Note 2)	131,432			131,432
Debt service requirements on other long-term obligations (Note 2)	667,429			667,429
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	1,220,001			1,220,001
Trustee or custodian (Note 4)	614,600		230,177,758	230,792,358
Grants and aid from the federal government (Note 5)	7,327,726			7,327,726
Amounts received from the State of Arizona (Note 5)	10,828,713			10,828,713
Quasi-external interfund transactions (Note 6)		4,842,131		4,842,131
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	6,849,441			6,849,441
Contracts with other political subdivisions (Note 5)	824,783			824,783
Prior years carryforward (Note 7)	<u>2,384,488</u>	<u>237,699</u>	<u> </u>	<u>2,622,187</u>
Total exclusions claimed	<u>30,848,613</u>	<u>5,079,830</u>	<u>230,177,758</u>	<u>266,106,201</u>
C. Amounts subject to the expenditure limitation	<u>\$ 37,672,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,672,247</u>

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2009

Description	<u>Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 75,777,343	\$ 5,206,830	\$ 230,177,758	\$ 311,161,931
B. Subtractions:				
Items not requiring use of working capital:				
Claims incurred but not reported (Note 8)		4,418,252		4,418,252
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 9)	5,257,937			5,257,937
Long-term care contributions withheld by the State Treasurer (Note 10)	<u>1,998,546</u>			<u>1,998,546</u>
Total subtractions	<u>7,256,483</u>	<u>4,418,252</u>		<u>11,674,735</u>
C. Additions:				
Claims paid in the current year but reported as expenses incurred but not reported in previous years (Note 8)		<u>4,291,252</u>		<u>4,291,252</u>
Total additions		<u>4,291,252</u>		<u>4,291,252</u>
D. Amounts reported on Part II, Line A	<u>\$ 68,520,860</u>	<u>\$ 5,079,830</u>	<u>\$ 230,177,758</u>	<u>\$ 303,778,448</u>

See accompanying notes to report.

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009

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; Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusion claimed for debt service requirements on bonded indebtedness and other long-term obligations in the Governmental Funds of \$131,432 and \$667,429, respectively, consists of expenditures of principal and interest and other charges of \$321,679 and \$477,182, respectively. Of the \$487,701 of principal and \$594,260 of interest and other charges in the Governmental Funds, \$166,022 and \$117,078 of principal and interest, respectively, is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations and these amounts are not included in this exclusion.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,220,001 in the Governmental Funds includes interest on investments expended of \$667,066 and interest on delinquent taxes expended of \$552,935, which was recorded as tax revenue. Of the \$750,741 of the investment earnings in the Governmental Funds, \$83,675 is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations and this amount is not included in this exclusion.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$614,600 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administration; and in the Fiduciary Funds, the exclusion consists of \$230,177,758 in distributions to investment pool participants.

Note 5 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the Governmental Funds:

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2009

Description	<u>Intergovernmental</u>	<u>Charges for Services</u>
Grants and aid from the federal government	\$ 7,327,726	
Amounts received from the State of Arizona	10,828,713	
Highway user revenues in excess of those received in fiscal year 1979-80	6,849,441	
Contracts with other political subdivisions		\$ 824,783
Other revenues—(nonexcludable)	<u>27,098,808</u>	<u>1,459,601</u>
Total revenues as reported in the fund financial statements	<u>\$52,104,688</u>	<u>\$2,284,384</u>

Note 6 - The exclusion claimed for quasi-external interfund transactions of \$4,842,131 in the Internal Service Fund consists of expended charges for services revenues.

Note 7 - Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year. Prior years carryforward consists of unspent bond proceeds in the Governmental Funds and quasi-external interfund transactions in the Internal Service Fund that were reported as charges for services revenues in previous years. Unspent bond proceeds of \$383,669 have been carried forward to future years.

Note 8 - The subtraction of \$4,418,252 for claims incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Fund. The addition of \$4,291,252 for claims paid in the current year, but reported as expenses incurred but not reported in previous years, consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Fund.

Note 9 - The subtraction of \$5,257,937 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:

Special Assessment Districts	
Health and welfare	\$3,515,553
Culture and recreation	501,738
Principal	166,022
Interest and other charges	117,078
Capital outlay	<u>957,546</u>
Total	<u>\$5,257,937</u>

Note 10 - The subtraction of 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.

