



A REPORT  
TO THE  
**ARIZONA LEGISLATURE**

Financial Audit Division

---

Expenditure Limitation Report

# Navajo County

Year Ended June 30, 2011

---



---

**Debra K. Davenport**  
Auditor General

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



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

**2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333**

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**

Navajo County  
Report on Audit of Annual Expenditure Limitation Report  
Year Ended June 30, 2011

Table of Contents	Page
Independent Auditors' Report	1
Annual Expenditure Limitation Report—Part I	3
Annual Expenditure Limitation Report—Part II	4
Annual Expenditure Limitation Report—Reconciliation	5
Notes to Annual Expenditure Limitation Report	6



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

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**Independent 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, 2011. 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, 2011, 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, management, and others within the County, 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 4, 2012

(This page is left intentionally blank)

Navajo County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2011

1. Economic Estimates Commission expenditure limitation	\$45,697,372
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>36,032,174</u>
3. Amount under the expenditure limitation	<u>\$ 9,665,198</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: W. James Menlove, CPA, Finance Director

Telephone Number: (928) 524-4343 Date: June 4, 2012

See accompanying notes to report.

Navajo County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2011

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 63,274,279	\$ 236,252,121	\$ 299,526,400
B. Less exclusions claimed:			
Debt service requirements on bonded indebtedness (Note 2)	587,497		587,497
Debt service requirements on other long-term obligations (Note 2)	666,128		666,128
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	944,832		944,832
Trustee or custodian (Note 4)	578,363	236,252,121	236,830,484
Grants and aid from the federal government (Note 5)	8,707,074		8,707,074
Amounts received from the State of Arizona (Note 5)	7,340,227		7,340,227
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	6,430,901		6,430,901
Contracts with other political subdivisions (Note 5)	1,725,942		1,725,942
Prior years carryforward (Note 6)	<u>261,141</u>	<u>                    </u>	<u>261,141</u>
Total exclusions claimed	<u>27,242,105</u>	<u>236,252,121</u>	<u>263,494,226</u>
C. Amounts subject to the expenditure limitation	<u>\$ 36,032,174</u>	<u>\$ -</u>	<u>\$ 36,032,174</u>

See accompanying notes to report.

Navajo County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2011

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 70,050,775	\$ 236,252,121	\$ 306,302,896
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	4,769,796		4,769,796
Long-term care contributions withheld by the State Treasurer (Note 8)	<u>2,006,700</u>		<u>2,006,700</u>
Total subtractions	<u>6,776,496</u>		<u>6,776,496</u>
C. Amounts reported on Part II, Line A	<u>\$ 63,274,279</u>	<u>\$ 236,252,121</u>	<u>\$ 299,526,400</u>

See accompanying notes to report.



Navajo County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011

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 - The exclusion claimed for debt service requirements on bonded indebtedness and other long-term obligations in the Governmental Funds of \$587,497 and \$666,128, respectively, consists of debt service expenditures for principal and interest and other charges of \$711,597 and \$542,028, respectively. Of the \$919,249 of principal and \$625,962 of interest and other charges in the Governmental Funds, \$207,652 and \$83,934 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 \$944,832 in the Governmental Funds includes investment earnings expended of \$234,622 and interest on delinquent taxes expended of \$710,210, which was recorded as tax revenue. Of the \$254,483 of the investment earnings in the Governmental Funds, \$19,861 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 \$578,363 in contributions by the County to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the Fiduciary Funds, the exclusion consists of \$236,252,121 in distributions to investment pool participants.

Navajo County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2011

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:

Description	<u>Intergovernmental</u>	<u>Charges for Services</u>
Grants and aid from the federal government	\$ 8,707,074	
Amounts received from the State of Arizona	7,340,227	
Highway user revenues in excess of those received in fiscal year 1979-80	6,430,901	
Contracts with other political subdivisions	990,366	\$ 735,576
Other revenues—(nonexcludable)	<u>22,882,087</u>	<u>1,848,007</u>
Total revenues as reported in the fund financial statements	<u>\$46,350,655</u>	<u>\$2,583,583</u>

Note 6 - 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 year's carryforward consists of unspent bond proceeds in the Governmental Funds that were reported as revenues in previous years.

Note 7 - The subtraction of \$4,769,796 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:

<b>Special Assessment Districts</b>	
Health and welfare	\$3,448,919
Culture and recreation	808,312
Highways and streets	220,979
Debt service	<u>291,586</u>
Total	<u>\$4,769,796</u>

Note 8 - 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 were reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

