



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014

NAVAJO COUNTY ARIZONA

Proudly Serving, Continuously Improving



Navajo County Board of Supervisors



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Navajo County, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



Prepared by Navajo County Finance Department

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Assistant County Manager

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INTRODUCTORY SECTION

Navajo County
Comprehensive Annual Financial Report
Year Ended June 30, 2014

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NAVAJO COUNTY ADMINISTRATION

James G. Jayne
County Manager

W. James Menlove, CPA
Finance Director

December 17, 2014

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 2014. 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 2014 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 2014 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 2013 population of the County was estimated to be 108,694. 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	8,394	9,368	11.6%
(Chilchinbito, Dilkon, Greasewood, Jeddito, Kayenta, Oljato, Pinon, and Shonto)			
Hopi Tribe	4,113	5,051	22.8%
(First Mesa, Hotevilla, Kykotsmovi, Second Mesa, and Shongopovi)			
White Mountain Apache Tribe	7,431	6,516	(12.3%)
(Cibecue, East Fork, Whiteriver)			

(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 and hydroponic vegetable production, 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 (13.2 percent for June 2014) has been significantly higher than the State's (6.9 percent for June 2014). To address the economic challenges, Navajo County has reduced expenses through reductions in workforce, position vacancies from attrition, no salary increases, 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; however, these revenues are still below amounts received by the County in 2004. 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 2015.

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; consequently, the state's recovery has lagged behind the recovery on a national level. 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, 2013. This was the fourth 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, 2013. This was the fifth 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

James Menlove
Finance Director

Organizational Chart





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, 2013

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, 2014, 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, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 5 through 11, the Budgetary Comparison Schedules on pages 48 through 53, and the Schedule of Agent Retirement Plans' Funding Progress on pages 54 through 55 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.

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 the responsibility of management 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 received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County 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 17, 2014



Navajo County Management's Discussion and Analysis June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the current fiscal year by \$93.6 million (net position). Of this amount, \$4.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total increase in the County's net position was \$813 thousand in fiscal year 2014.
- At the close of fiscal year 2014, the County's governmental funds reported combined ending fund balances of \$36.3 million, an increase of \$736 thousand in comparison with the prior year's balances of \$35.6 million.
- At the end of the fiscal year, 74.7 percent (\$27.2 million) of governmental fund balances were restricted; 15.5 percent (\$5.6 million) were assigned; 6.7 percent (\$2.4 million) were unassigned, and 3.1 percent (\$1.1 million) 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 and prepaid items.

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.

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.

Navajo County

Management's Discussion and Analysis

June 30, 2014

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.

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,

Navajo County Management's Discussion and Analysis June 30, 2014

expenditures, and changes in fund balances for the General Fund, Public Works/HURF Fund, Flood Control District Fund, and the Public Works Construction 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 45 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 48 through 55 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, 2014, compared to the prior year. Net position amounts were reclassified for fiscal year 2013, and as a result, these amounts will not agree to the prior-year audited CAFR.

	Governmental Activities	
	2014	2013
Current and other assets	\$ 41,103,155	\$ 40,779,514
Capital assets	<u>79,019,986</u>	<u>73,774,320</u>
Total assets	<u>120,123,141</u>	<u>114,553,834</u>
Other liabilities	3,880,859	4,282,976
Long-term liabilities outstanding	<u>22,671,985</u>	<u>17,513,907</u>
Total liabilities	<u>26,552,844</u>	<u>21,796,883</u>
Net Position:		
Net investment in capital assets	65,059,354	63,188,447
Restricted	24,056,612	22,558,489
Unrestricted	<u>4,454,331</u>	<u>7,010,015</u>
Total net position	<u>\$ 93,570,297</u>	<u>\$ 92,756,951</u>

The County's current and other assets and net position from governmental activities at the end of the fiscal year were \$41.1 million and \$93.6 million, respectively. The increase of \$5.2 million in capital assets is due to the construction and improvements of the Holbrook Jail Complex and Public Works

Navajo County Management's Discussion and Analysis June 30, 2014

Complex. The slight increase of \$813 thousand in net position was due to the above-mentioned construction projects and the issuance of the pledged revenue obligations of \$5.8 million for these projects.

The County's other liabilities and long-term liabilities outstanding at the end of the fiscal year were \$3.9 million and \$22.7 million, respectively. The increase of \$5.2 million in long-term liabilities outstanding was due to the Navajo County jail expansion and remodel and the construction of the Public Works Complex.

A large portion of the County's net position, 69.5 percent (\$65.1 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.

Approximately 25.7 percent of the County's net position (\$24.1 million) is subject to external restrictions on how they may be used.

The remaining balance of the County's net position, 4.8 percent (\$4.5 million), is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants or other legal requirements.

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 2014 compared to the prior year. Certain revenues and expenses were reclassified for fiscal year 2013, and as a result, these amounts will not agree to the prior-year audited CAFR:

	Governmental Activities	
	2014	2013
Program revenues:		
Charges for services	\$ 5,040,051	\$ 5,050,750
Operating grants and contributions	15,825,951	13,767,201
Capital grants and contributions	<u>9,565,055</u>	<u>9,690,517</u>
Total program revenues	<u>30,431,057</u>	<u>28,508,468</u>
General revenues:		
Property taxes	11,704,948	11,924,765
Special assessments	542,526	502,434
Sales taxes	6,667,433	6,239,089
State shared revenues	12,773,729	12,024,496
Payment in lieu of taxes	1,538,954	1,430,914
Investment earnings	453,017	(109,711)
Gain on disposal of capital assets	96,640	52,473
Miscellaneous	<u>1,455,607</u>	<u>892,976</u>
Total general revenues	<u>35,232,854</u>	<u>32,957,436</u>
Total revenues	<u>65,663,911</u>	<u>61,465,904</u>

Navajo County
Management's Discussion and Analysis
June 30, 2014

	Governmental Activities	
	2014	2013
Program expenses:		
General government	\$22,213,348	\$21,592,792
Public safety	16,995,243	18,252,030
Highways and streets	9,534,493	10,986,490
Health and welfare	8,039,343	7,906,401
Culture and recreation	694,108	788,127
Education and economic opportunity	6,190,399	5,498,285
Environmental and conservation	329,829	303,402
Urban redevelopment and housing	365,994	42,701
Interest on long-term debt	487,808	527,044
Total program expenses	<u>64,850,565</u>	<u>65,897,272</u>
Change in net position	813,346	(4,431,368)
Net position, beginning	<u>92,756,951</u>	<u>97,188,319</u>
Net position, ending	<u>\$93,570,297</u>	<u>\$92,756,951</u>

Overall revenues increased by 6.8 percent (\$4.2 million) and program expenses decreased by 1.6 percent (\$1.0 million) in the current fiscal year. The following summarizes the significant changes in revenues and expenses compared to the prior year.

Operating grants and contributions increased 15 percent (\$2.1 million) in the current year due to increased federal and state grants.

State shared revenues increased 6.2 percent (\$749 thousand) and county sales tax increased 6.9 percent (\$428 thousand) in the current year due to modest improvement in the state economy that increased sales tax revenues.

Investment earnings increased 512.9 percent (\$563 thousand) in the current year due to improvement in the fair market value of the County's investments held at fiscal year-end.

Highways and streets expenses decreased 13.2 percent (\$1.5 million) in the current fiscal year due to decrease in road repair and maintenance projects.

Education and economic opportunity expenses increased 12.6 percent (\$692 thousand) in the current fiscal year due to the reclassification of expenditures for the federally funded Workforce Investment Act expenditures from the health and welfare function.

Urban redevelopment and housing expenses increased 757 percent (\$323 thousand) in the current fiscal year due to the improvement costs incurred on the community projects from the Community Development Block Grant, which is received by the County once in every four years.

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 Works Construction Fund. At year-end, the County's governmental funds reported combined fund balances of \$36.3 million, which is an increase of \$736

Navajo County Management's Discussion and Analysis June 30, 2014

thousand from last year or a change of 2.1 percent. Of the total, \$8.1 million constitutes unrestricted fund balances.

For governmental functions, overall revenues increased \$4.1 million (6.6 percent) and expenditures increased \$6.3 million (9.6 percent). Governmental function expenditures exceeded revenues by \$5.8 million 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 \$6.3 million. Fund balances represent 17.9 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund, actual revenues were less than the original and final budget amounts by \$849 thousand, while the actual expenditures were \$10.2 million less than the amount budgeted. The budget variance for revenues was due to the loss of contracts with the federal U.S. Marshall's Service and the Arizona Department of Corrections to house federal and state inmates at the County jail. New contracts to house tribal inmates have been enacted with the U.S. Bureau of Indian Affairs, the Hopi Tribe and the White Mountain Apache Tribe. The budget variance for expenditures in the General Fund 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 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the current fiscal year, the net book value of capital assets being depreciated decreased \$1.1 million due to normal depreciation expense of existing capital assets. The increase of \$6.7 million of capital assets not being depreciated was due to the construction and remodel of the County jail and the construction of the Holbrook Public Works Complex, which have not been completed as of the fiscal year end. *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 \$22.7 million, which included \$19.1 million in 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. Included in long-term liabilities is \$787 thousand of special assessment debt with governmental commitment and \$1.9 million for the future payment of compensated absences for unused employee vacation and sick leave. The remainder of the long-term liabilities consists of capital leases and estimated landfill closure and post-closure care costs. 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.*

Navajo County
Management's Discussion and Analysis
June 30, 2014

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 2014. The U.S. and State economies continued to experience a moderate recovery during 2014 and continued minimal improvement is expected in fiscal year 2015. However, one of the major employers in the County discontinued operations in fiscal year 2014 causing a significant setback in the local economic recovery. 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
Year Ended June 30, 2014

	Governmental Activities
Assets	
Cash and investments	\$ 27,740,930
Receivables (net of allowance for uncollectibles):	
Property taxes	480,088
Accounts receivable	116,044
Special assessments	152,504
Due from other governments	4,590,025
Cash and investments held by trustee - restricted	6,908,792
Inventories	1,092,272
Prepaid items	22,500
Capital assets, not being depreciated	15,707,562
Capital assets, being depreciated, net	63,312,424
Total assets	<u>\$ 120,123,141</u>
Liabilities	
Accounts payable	\$ 1,828,135
Accrued payroll and employee benefits	1,704,945
Due to other governments	347,779
Noncurrent liabilities	
Due within 1 year	2,940,872
Due in more than 1 year	19,731,113
Total liabilities	<u>\$ 26,552,844</u>
Net Position	
Net investment in capital assets	\$ 65,059,354
Restricted for:	
General government	1,200,640
Highways and streets	7,636,857
Public safety	8,239,958
Judicial activities	2,935,739
Education and economic opportunity	413,614
Law enforcement	892,056
Environment, library, and community services	308,556
Health and welfare	1,004,100
Debt service	1,425,092
Unrestricted	4,454,331
Total net position	<u><u>\$ 93,570,297</u></u>

See accompanying notes to financial statements.

Navajo County
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 22,213,348	\$ 3,537,721	\$ 2,700,852		\$ (15,974,775)
Public safety	16,995,243	919,746	3,976,671		(12,098,826)
Highways and streets	9,534,493	252,982		\$ 9,565,055	283,544
Health and welfare	8,039,343	329,602	2,820,717		(4,889,024)
Culture and recreation	694,108		149,666		(544,442)
Education and economic opportunity	6,190,399		5,266,695		(923,704)
Environmental and conservation	329,829		534,722		204,893
Urban redevelopment and housing	365,994		376,628		10,634
Interest on long-term debt	487,808				(487,808)
Total governmental activities	<u>\$ 64,850,565</u>	<u>\$ 5,040,051</u>	<u>\$ 15,825,951</u>	<u>\$ 9,565,055</u>	<u>\$ (34,419,508)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					\$ 7,146,914
Property taxes, levied for flood control					2,014,941
Property taxes, levied for public health district					1,914,819
Property taxes, levied for library district					628,274
Special assessments, levied for special districts					378,765
Special assessments, levied for recreation district					163,761
General county sales tax					6,667,433
Shared revenues - state sales tax					10,763,214
Shared revenues - state vehicle license tax					2,010,515
Payments in lieu of taxes					1,538,954
Investment earnings					453,017
Gain on disposal of capital assets					96,640
Miscellaneous					1,455,607
Total general revenues					<u>35,232,854</u>
Change in net position					813,346
Net position, July 1, 2013					92,756,951
Net position, June 30, 2014					<u>\$ 93,570,297</u>

See accompanying notes to financial statements.

Navajo County
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 4,261,860	\$ 6,639,675	\$ 8,035,549		\$ 8,803,846	\$ 27,740,930
Receivables (net of allowance for uncollectibles):						
Property taxes	262,971		108,452		108,665	480,088
Accounts receivable	22,367	5,368			88,309	116,044
Special assessments					152,504	152,504
Due from:						
Other funds	2,153,219	623		\$ 458	444	2,154,744
Other governments	1,496,085	1,013,964			2,079,976	4,590,025
Cash and investments held by trustee—restricted				4,526,641	2,382,151	6,908,792
Inventories		1,092,272				1,092,272
Prepaid items					22,500	22,500
Total assets	<u>\$ 8,196,502</u>	<u>\$ 8,751,902</u>	<u>\$ 8,144,001</u>	<u>\$ 4,527,099</u>	<u>\$ 13,638,395</u>	<u>\$ 43,257,899</u>
Liabilities						
Accounts payable	\$ 570,175	\$ 568,724	\$ 4,992	\$ 223,602	\$ 460,642	\$ 1,828,135
Accrued payroll and employee benefits	1,042,694	198,496	7,412		456,343	1,704,945
Due to:						
Other funds	1,067			1,830,057	323,620	2,154,744
Other governments	122,914	34,931	15,160	785	173,989	347,779
Total liabilities	<u>1,736,850</u>	<u>802,151</u>	<u>27,564</u>	<u>2,054,444</u>	<u>1,414,594</u>	<u>6,035,603</u>
Deferred Inflows of Resources						
Unavailable revenue—property taxes	204,476		82,886		84,582	371,944
Unavailable revenue—special assessments					146,752	146,752
Unavailable revenue—intergovernmental	3,551				372,914	376,465
Total deferred inflows of resources	<u>208,027</u>		<u>82,886</u>		<u>604,248</u>	<u>895,161</u>
Fund balances:						
Nonspendable		1,092,272			22,500	1,114,772
Restricted	437,220	6,857,479	8,033,551	2,472,655	9,356,887	27,157,792
Assigned	2,331,597				3,288,638	5,620,235
Unassigned	3,482,808				(1,048,472)	2,434,336
Total fund balances	<u>6,251,625</u>	<u>7,949,751</u>	<u>8,033,551</u>	<u>2,472,655</u>	<u>11,619,553</u>	<u>36,327,135</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,196,502</u>	<u>\$ 8,751,902</u>	<u>\$ 8,144,001</u>	<u>\$ 4,527,099</u>	<u>\$ 13,638,395</u>	<u>\$ 43,257,899</u>

See accompanying notes to financial statements.

Navajo County
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014

Fund balances—total governmental funds	\$ 36,327,135
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.	79,019,986
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	895,161
Some liabilities, including pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(22,671,985)</u>
Net position of governmental activities	<u><u>\$ 93,570,297</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, 2014

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Works Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 7,143,453		\$ 2,017,306		\$ 2,538,760	\$ 11,699,519
County sales taxes	6,667,433					6,667,433
Special assessments					518,762	518,762
Licenses and permits	409,837				196,432	606,269
Fines and forfeits	906,075				341,422	1,247,497
Intergovernmental	16,046,884	9,565,055	22		14,033,204	39,645,165
Charges for services	1,261,477	252,982			1,727,061	3,241,520
Investment earnings	86,341	131,540	126,415	\$ 4,049	104,672	453,017
Contributions					42,650	42,650
Miscellaneous	842,081	42,943	167		570,416	1,455,607
Total revenues	<u>33,363,581</u>	<u>9,992,520</u>	<u>2,143,910</u>	<u>4,049</u>	<u>20,073,379</u>	<u>65,577,439</u>
Expenditures:						
Current:						
General government	17,799,191				3,496,908	21,296,099
Public safety	11,693,298		1,225,797		4,246,687	17,165,782
Highways and streets		8,423,022			23,910	8,446,932
Health and welfare	3,597,080				4,312,262	7,909,342
Culture and recreation					691,882	691,882
Education and economic opportunity	315,739				5,830,316	6,146,055
Environmental and conservation					347,079	347,079
Urban redevelopment and housing					365,994	365,994
Debt service:						
Principal	117,195				704,503	821,698
Interest and other charges	13,648				447,765	461,413
Bond issuance costs				17,252	58,212	75,464
Capital outlay	1,393,690			3,531,260	2,688,374	7,613,324
Total expenditures	<u>34,929,841</u>	<u>8,423,022</u>	<u>1,225,797</u>	<u>3,548,512</u>	<u>23,213,892</u>	<u>71,341,064</u>
Excess (deficiency) of revenues over expenditures	<u>(1,566,260)</u>	<u>1,569,498</u>	<u>918,113</u>	<u>(3,544,463)</u>	<u>(3,140,513)</u>	<u>(5,763,625)</u>
Other financing sources (uses):						
Pledged revenue obligations issued				4,550,000	6,075,000	10,625,000
Payment to refunding escrow agent					(4,806,395)	(4,806,395)
Capital lease agreements	488,368					488,368
Sale of capital assets	89,213				9,609	98,822
Transfers in	3,188,492			1,474,530	3,090,410	7,753,432
Transfers out	(1,818,557)	(2,605,236)	(803,735)	(7,412)	(2,518,492)	(7,753,432)
Total other financing sources and uses	<u>1,947,516</u>	<u>(2,605,236)</u>	<u>(803,735)</u>	<u>6,017,118</u>	<u>1,850,132</u>	<u>6,405,795</u>
Net change in fund balances	<u>381,256</u>	<u>(1,035,738)</u>	<u>114,378</u>	<u>2,472,655</u>	<u>(1,290,381)</u>	<u>642,170</u>
Fund balances, July 1, 2013	5,870,369	8,879,733	7,919,173		12,921,934	35,591,209
Changes in nonspendable resources:						
Increase in reserve for inventories		105,756				105,756
Decrease in prepaid items					(12,000)	(12,000)
Fund balances, June 30, 2014	<u>\$ 6,251,625</u>	<u>\$ 7,949,751</u>	<u>\$ 8,033,551</u>	<u>\$ 2,472,655</u>	<u>\$ 11,619,553</u>	<u>\$ 36,327,135</u>

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, 2014

Net change in fund balances—total governmental funds \$ 642,170

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	9,745,253	
Depreciation expense	<u>(4,497,405)</u>	5,247,848

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.

(2,182)

Collection of revenues in the governmental funds exceeded revenues reported in the Statement of Activities

Intergovernmental revenues	(39,360)	
Property taxes	5,429	
Special assessments	<u>23,763</u>	(10,168)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt Issued	(11,113,368)	
Principal repaid, including amounts paid to refunding escrow agent	<u>5,601,698</u>	(5,511,670)

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.

Decrease in compensated absences	296,376	
Decrease in claims and judgments	39,966	
Decrease in landfill closure and post-closure care costs	<u>17,250</u>	353,592

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.

Increase in inventories	105,756	
Decrease in prepaid items	<u>(12,000)</u>	<u>93,756</u>

Change in net position of governmental activities		<u><u>\$ 813,346</u></u>
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See accompanying notes to financial statements.

Navajo County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 135,669,926	\$ 2,895,693
Total assets	<u>\$ 135,669,926</u>	<u>\$ 2,895,693</u>
Liabilities		
Due to other governments		\$ 729,403
Deposits held for others		<u>2,166,290</u>
Total liabilities		<u>\$ 2,895,693</u>
Net Position		
Held in trust for investment trust participants	<u>\$ 135,669,926</u>	

See accompanying notes to financial statements.

Navajo County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 222,884,614
Net investment income	2,005,474
Total additions	<u>224,890,088</u>
Deductions:	
Distributions to participants	<u>217,716,236</u>
Change in net position	7,173,851
Net position, July 1, 2013	<u>128,496,075</u>
Net position, June 30, 2014	<u><u>\$ 135,669,926</u></u>

See accompanying notes to financial statements.

Navajo County
Notes to Financial Statements
June 30, 2014

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, 2014, the County implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections—2012, an amendment of GASB Statements No. 10 and No. 62*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses. GASB Statement No. 66 resolves conflicting guidance in previous GASB pronouncements related to risk financing activities, operating leases, purchases of loans, and servicing fees. GASB Statement No. 70 improves accounting and financial reporting for governments that extend or receive nonexchange financial guarantees. The implementation of GASB Statement No. 70 had no impact on the County's fiscal year 2014 financial statements, and the implementation of GASB Statement Nos. 65 and 66 had an insignificant effect on the financial statement amounts; therefore, no additional note disclosures were required.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of five county supervisors. 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. The County has no discretely presented component units. Each blended component unit discussed below has a June 30 year-end.

The following table describes the County's component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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	Blended	Not available

Navajo County

Notes to Financial Statements

June 30, 2014

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	Blended	Not available
Navajo County Health District	A tax-levying district that provides health services for the County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
White Mountain Lake Recreation District	A tax-levying district that provides recreational services for the White Mountain Lake Community; the County's Board of Supervisors serves as the board of directors	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	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.

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. The County allocates indirect expenses to the Public Works/HURF Fund, Flood Control District Fund, and special revenue funds reported as part of the Other Governmental Funds. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Navajo County

Notes to Financial Statements

June 30, 2014

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 Works Construction Fund* is used for construction of the public works complex in Holbrook, and is funded through pledged revenue obligations.

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.

Navajo County
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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 net position 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

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts 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 cost, which approximates fair value.

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.

Navajo County
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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 reported at estimated fair value at the time received.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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

H. Deferred Inflows of Resources

The balance sheet includes a separate section for deferred inflows of resources. 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. 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.

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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.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County's manager to make assignments of resources for a specific purpose.

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. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

J. Investment Earnings

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

K. 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 280 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 320 hours plus 75% 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.

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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 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 and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

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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, 2014, the carrying amount of the County's deposits was \$43,833,579, and the bank balance was \$46,493,421. The County's formal policy is to follow collateralization requirements set forth in A.R.S. §35-323 as described above.

At June 30, 2014, \$44,546,954 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 870,281
Uninsured with collateral held by the pledging financial institution	<u>43,676,673</u>
	<u>\$44,546,954</u>

Investments—The County's investments at June 30, 2014, were as follows:

Investment	Amount
U.S. agency securities	\$ 93,567,983
U.S. Treasury securities	27,000,000
Corporate notes	3,000,000
U.S. Treasury money market funds	<u>5,803,510</u>
	<u>\$129,371,493</u>

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, 2014, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AAA	Moody's	\$ 93,567,983
Corporate notes	AA+	Standard and Poor's	3,000,000
U.S. Treasury money market funds	Unrated	N/A	<u>5,803,510</u>
Total			<u>\$102,371,493</u>

Navajo County
Notes to Financial Statements
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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, 2014, the County had \$5,803,510 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, 2014, of 5 percent or more in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities. These investments were 36 percent, 17.01 percent, and 15.46 percent, respectively, of the County's total investments.

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, 2014, the County had the following investments in debt securities:

Investment Type	Amount	Weighted Average Maturity (In Years)
U.S. agency securities	\$ 93,567,983	3.544
U.S. Treasury securities	27,000,000	2.810
Corporate notes	3,000,000	0.211
U.S. Treasury money market funds	5,803,510	0.003
	<u>\$129,371,493</u>	

At June 30, 2014, \$16,573,673 of the investments in U.S. agency securities and \$3,000,000 of investments in corporate notes were considered to be highly sensitive to interest rate changes:

U.S. agency step-up securities – On specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may increase faster than the increase in the coupon interest rate. \$16,573,673

Corporate notes floating rate securities – The coupon rate is tied to the London Interbank Offered Rate plus a fixed basis point amount which resets quarterly. The issuer can call the security on a specified date, or if the security is not called, the interest rate is reset at a specified amount. Prevailing interest rates may increase faster than the increase in the coupon interest rate. 3,000,000

Total \$19,573,673

Navajo County
Notes to Financial Statements
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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	43,833,579
Amount of investments	<u>129,371,493</u>
Total	<u>\$173,215,341</u>

	Governmental Activities	Investment Trust Funds	Agency Funds	Total
Statement of Net Position				
Cash and investments	\$27,740,930	\$135,669,926	\$2,895,693	\$166,306,549
Cash and investments held by trustee—restricted	<u>6,908,792</u>	<u> </u>	<u> </u>	<u>6,908,792</u>
Total	<u>\$34,649,722</u>	<u>\$135,669,926</u>	<u>\$2,895,693</u>	<u>\$173,215,341</u>

Note 3 - Due from Other Governments

Amounts due from other governments at June 30, 2014, are shown as follows:

	General Fund	Public Works/HURF Fund	Other Governmental Funds	Total
State-shared sales tax	\$ 721,648			\$ 721,648
County sales tax	615,676			615,676
State-shared vehicle license tax	91,707	\$ 96,633		188,340
Highway user revenue		670,901		670,901
Grants and contributions from state and federal governments	40,641	96,026	\$1,805,574	1,942,241
Reimbursements for services provided for governmental units	<u>26,413</u>	<u>150,404</u>	<u>274,402</u>	<u>451,219</u>
	<u>\$1,496,085</u>	<u>\$1,013,964</u>	<u>\$2,079,976</u>	<u>\$4,590,025</u>

Navajo County
Notes to Financial Statements
June 30, 2014

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,562,955	\$ 38,115		\$ 5,601,070
Construction in progress	<u>3,767,266</u>	<u>6,676,203</u>	<u>\$336,977</u>	<u>10,106,492</u>
Total capital assets not being depreciated	<u>9,330,221</u>	<u>6,714,318</u>	<u>\$336,977</u>	<u>15,707,562</u>
Capital assets being depreciated:				
Buildings and improvements	37,386,354	73,517		37,459,871
Infrastructure	77,075,697	442,598		77,518,295
Machinery and equipment	<u>27,123,374</u>	<u>2,851,797</u>	<u>528,451</u>	<u>29,446,720</u>
Total	<u>141,585,425</u>	<u>3,367,912</u>	<u>528,451</u>	<u>144,424,886</u>
Less accumulated depreciation for:				
Buildings and improvements	16,955,387	1,094,677		18,050,064
Infrastructure	35,924,559	2,139,770		38,064,329
Machinery and equipment	<u>24,261,380</u>	<u>1,262,958</u>	<u>526,269</u>	<u>24,998,069</u>
Total	<u>77,141,326</u>	<u>4,497,405</u>	<u>526,269</u>	<u>81,112,462</u>
Total capital assets being depreciated, net	<u>64,444,099</u>	<u>(1,129,493)</u>	<u>2,182</u>	<u>63,312,424</u>
Governmental activities capital assets, net	<u>\$ 73,774,320</u>	<u>\$ 5,584,825</u>	<u>\$339,159</u>	<u>\$ 79,019,986</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 747,410
Public safety	1,008,632
Highways and streets	2,413,754
Health and welfare	161,587
Culture and recreation	2,226
Education	<u>163,796</u>
Total governmental activities depreciation expense	<u>\$4,497,405</u>

Note 5 - Construction and Other Significant Commitments

The County had major contractual commitments related to various capital projects at June 30, 2014, for the construction of the Winslow Levee, rehabilitation of Woodruff/Snowflake Bridge, and additions and improvements to the Public Works Complex and Holbrook Jail Complex. At June 30, 2014, the County had spent \$10,106,492 on these projects and had remaining contractual commitments with contractors of \$6,352,071. These projects are being financed primarily through the Flood Control District Fund, Public Works/HURF Fund, and revenue obligation monies, respectively.

Navajo County
Notes to Financial Statements
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Note 6 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2014:

Governmental activities	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within 1 year
Pledged revenue obligations payable	\$13,665,000	\$10,625,000	\$5,165,000	\$19,125,000	\$1,150,000
Special assessment debt with governmental commitment	985,235		198,727	786,508	214,055
Capital leases payable	320,638	488,368	237,971	571,035	244,847
Landfill closure and post-closure care costs payable	276,000		17,250	258,750	17,250
Compensated absences payable	2,227,068	1,261,732	1,558,108	1,930,692	1,314,720
Claims and judgments payable	<u>39,966</u>	<u></u>	<u>39,966</u>	<u></u>	<u></u>
Total	<u>\$17,513,907</u>	<u>\$12,375,100</u>	<u>\$7,217,022</u>	<u>\$22,671,985</u>	<u>\$2,940,872</u>

Pledged revenue and revenue refunding obligations—The County has issued pledged revenue obligations that are generally callable with interest payable semiannually. The Series 2013 pledged revenue and 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 revenue refunding obligations outstanding at June 30, 2014, were as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Navajo County Pledged Revenue and Revenue Refunding Obligations, Series 2013	\$10,625,000	2015 – 2024	2.17%	\$10,625,000
Navajo County Pledged Revenue Refunding Obligations, Series 2012A	4,100,000	2015 – 2027	3.24%	4,100,000
Navajo County Pledged Revenue Obligations, Series 2012B	4,400,000	2015 – 2032	3.24%	<u>4,400,000</u>
Total				<u>\$19,125,000</u>

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Notes to Financial Statements
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The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2014:

Year ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 1,150,000	\$ 492,709
2016	1,130,000	466,393
2017	1,155,000	439,996
2018	1,185,000	412,975
2019	1,215,000	385,196
2020-24	6,470,000	1,487,551
2025-29	4,095,000	777,843
2030-32	<u>2,725,000</u>	<u>134,217</u>
Total	<u>\$19,125,000</u>	<u>\$4,596,880</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, 2014. At June 30, 2014, future pledged revenues through final maturity at July 1, 2031 totaled \$23,721,880, consisting of \$19,125,000 for principal and \$4,596,880 for interest. Future principal and interest payments are expected to require less than 8 percent of pledged sales tax revenues. Principal and interest paid for the current year and total current year revenues were \$767,131 and \$17,430,647, respectively.

Refunded Navajo County Pledged Revenue Obligations, Series 2008 - On August 20, 2013, the County issued pledged revenue refunding obligations with an interest rate of 2.17 percent to current-refund older, higher-rate issues with an average interest rate of 3.95 percent. The County realized net proceeds of \$4,806,395 after payment of \$53,605 in issuance costs. Details of the refunding transactions are as follows:

Amount of Series 2013 refunding pledged revenue obligations issued	\$4,860,000
Amount of Navajo County Pledged Revenue Obligations, Series 2008, refunded	4,780,000
Reduction in debt service payments	431,847
Economic gain	401,887

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 \$2,103,874 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, 2014, future pledged revenues through final maturity at July 1, 2019 totaled \$892,315 consisting of \$786,508 for principal and \$105,807 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 \$253,209 and \$251,299,

Navajo County
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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:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Shumway Road	\$1,150,000	2015-2017	5.40%	\$415,000
Bucking Horse	524,000	2015-2019	5.75%	298,000
Scott's Pine Tract A	184,124	2015-2017	6.17%	40,896
Sutter Drive	<u>245,750</u>	2015-2016	5.50%	<u>32,612</u>
Total	<u>\$2,103,874</u>			<u>\$786,508</u>

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

Year ending June 30	Governmental Activities	
	Principal	Interest
2015	214,055	43,381
2016	220,872	31,568
2017	221,582	19,531
2018	63,000	7,475
2019	<u>67,000</u>	<u>3,852</u>
Total	<u>\$786,508</u>	<u>\$105,807</u>

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2014, the County paid for compensated absences as follows: 63 percent from the General Fund, 12 percent from the Public Works/HURF Fund, and 25 percent from the Other Governmental Funds.

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 three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Public Employers Health Pool, which are described below.

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The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 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 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 11 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.

Navajo County participates in the Arizona Public Employers Health Pool (APEHP), pursuant to A.R.S. §11-952.01. APEHP is a consortium of participating local governments that provides medical and dental insurance coverage to its participants' employees. In addition, APEHP is self-funded through an agreement with participating members and APEHP administers the plan. The members' employee and employer contributions are paid to the pool to pay benefits and administrative expenses. If the County withdraws from APEHP, it is responsible for its proportionate share of any claims' run out costs, including claims reported but not settled, claims incurred but not reported and administrative costs. If the APEHP were to terminate, the County would be responsible for its proportionate share of any pool deficit.

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Notes to Financial Statements
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Note 8 - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2014, were as follows:

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Works Construction Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable:						
Inventories		\$1,092,272				\$ 1,092,272
Prepaid items					\$ 22,500	22,500
Total nonspendable		<u>1,092,272</u>			<u>22,500</u>	<u>1,114,772</u>
Restricted for:						
General government	\$ 437,220				763,420	1,200,640
Highways and streets		6,857,479			466,948	7,324,427
Public safety			\$8,033,551			8,033,551
Judicial activities					2,935,739	2,935,739
Social services					121,025	121,025
Library					17,539	17,539
Law enforcement					892,056	892,056
Health					664,085	664,085
Recreation					103,394	103,394
Education					413,614	413,614
Debt service					1,331,593	1,331,593
Capital projects				\$2,472,655	1,647,474	4,120,129
Total restricted	<u>437,220</u>	<u>6,857,479</u>	<u>8,033,551</u>	<u>2,472,655</u>	<u>9,356,887</u>	<u>27,157,792</u>
Assigned to:						
General government	2,139,210				112,404	2,251,614
Judicial activities	9,000					9,000
Law enforcement	183,387				41,434	224,821
Education					1,929,164	1,929,164
Debt service					1,205,636	1,205,636
Total assigned	<u>2,331,597</u>				<u>3,288,638</u>	<u>5,620,235</u>
Unassigned	<u>3,482,808</u>				<u>(1,048,472)</u>	<u>2,434,336</u>
Total fund balances	<u>\$6,251,625</u>	<u>\$7,949,751</u>	<u>\$8,033,551</u>	<u>\$2,472,655</u>	<u>\$11,619,553</u>	<u>\$36,327,135</u>

Note 9 - Pensions and Other Postemployment Benefits

Plan Descriptions—The County contributes to the four plans described below. The plans are component units of the State of Arizona, state statutes establish benefits, and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

Navajo County
Notes to Financial Statements
June 30, 2014

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. The Administrative Office of the Courts probation officers is a group separately covered under the CORP in which the related plan information that follows is separately referred to as the CORP-AOC. The CORP is governed by the PSPRS Board of Trustees and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities who were plan members 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.

Beginning in fiscal year 2014, PSPRS, CORP, and EORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report is available on their Web sites or may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778
www.azasrs.gov

PSPRS, CORP, and EORP
3010 E. Camelback Rd., Ste 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

Navajo County
Notes to Financial Statements
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Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for the ASRS, PSPRS, CORP, and EORP.

Cost-sharing plans—For the year ended June 30, 2014, statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and statute required the County to contribute at the actuarially determined rate of 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll. Statute required active EORP members to contribute 13 percent of the members' annual covered payroll and statute required the County to remit a designated portion of certain court fees plus additional contributions at a percent of the members' annual covered payroll. Through December 31, 2013, the additional contributions were at the actuarially determined rate of 25.94 percent. Beginning January 1, 2014, the additional contributions were at the statutorily required rate of 23.5 percent. Both rates include the actuarially set rate of 1.56 percent for the plan's health insurance premium benefit.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30			
ASRS:			
2014	\$1,784,370	\$100,058	\$40,023
2013	1,698,431	107,705	39,768
2012	1,631,434	104,134	39,670

	Pension Fund	Health Insurance Benefit
Year ended June 30		
EORP:		
2014	\$394,725	\$26,588
2013	317,998	30,016
2012	263,472	29,166

Agent plans—For the year ended June 30, 2014, statute required active PSPRS members to contribute 10.35 percent of the members' annual covered payroll, and the County was required to contribute 31.97 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.11 percent of covered payroll. Statute required active CORP and CORP-AOC members to contribute 8.41 percent of the members' annual covered payroll. In addition, statute required the County to contribute 9.34 percent for active CORP members and 15.58 percent for CORP-AOC members. The aggregate of the members' and the County's contributions is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.84 percent of covered payroll for active CORP members and 1.13 for CORP-AOC members.

Navajo County

Notes to Financial Statements

June 30, 2014

All participating employers in the CORP-AOC are accounted for as one group within the Corrections Officer Retirement Plan, and as such, an actuarial valuation of CORP-AOC is prepared only for the group as a whole. Therefore, actuarial information and certain trend information for the County, as a participating government, are not available.

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts 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 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 both plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2014 contribution requirements:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%–9% for PSPRS and 5%–8.25% for CORP
includes inflation at	5% for PSPRS and CORP

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2014, and related information follows:

Navajo County
Notes to Financial Statements
June 30, 2014

	PSPRS		CORP	
		Health Insurance Premium Benefit		Health Insurance Premium Benefit
	Pension		Pension	
Annual pension/ OPEB costs	\$692,113	\$24,895	\$146,738	\$14,501
Contributions made	692,113	24,895	146,738	14,501

	<u>CORP-AOC</u>	
		Health Insurance Premium Benefit
	Pension	
Annual pension/ OPEB costs	\$267,905	\$20,950
Contributions made	267,905	20,950

Trend Information—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
PSPRS				
Pension	2014	\$692,113	100%	\$ 0
Health insurance premium benefit	2014	24,895	100	0
Pension	2013	614,586	103.1	19,053
Health insurance premium benefit	2013	27,468	30.6	(19,053)
Pension	2012	523,118	104.9	25,672
Health insurance premium benefit	2012	33,149	22.6	(25,672)
CORP				
Pension	2014	146,738	100	0
Health insurance premium benefit	2014	14,501	100	0
Pension	2013	119,826	114.7	17,622
Health insurance premium benefit	2013	17,622	-	(17,622)
Pension	2012	86,459	121.2	18,360
Health insurance premium benefit	2012	18,360	-	(18,360)

Navajo County
Notes to Financial Statements
June 30, 2014

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
CORP-AOC				
Pension	2014	\$267,905	100%	\$0
Health insurance premium benefit	2014	20,950	100	0
Pension	2013	227,743	100	0
Health insurance premium benefit	2013	24,408	100	0
Pension	2012	240,811	100	0
Health insurance premium benefit	2012	29,432	100	0

Funded Status—The plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS		CORP	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
Actuarial value of assets (a)	\$5,399,797	\$553,923	\$3,393,316	\$302,076
Actuarial accrued liability (b)	17,034,621	293,122	3,953,613	138,877
Unfunded actuarial accrued liability (funding excess) (b) – (a)	11,634,824	(260,801)	560,297	(163,199)
Funded ratio (a)/(b)	31.7%	188.97%	85.8%	217.51%
Annual covered payroll (c)	\$2,080,280	\$2,080,280	\$1,618,686	\$1,618,686
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(b)- (a)]/(c)	559.3%	(12.5)%	34.6%	(10.1)%

The actuarial methods and assumptions used are the same for both plans and related benefits (unless noted), and for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.0% – 8.0% for PSPRS; 4.5% – 7.25% for CORP 4.0% for PSPRS and CORP

Navajo County
Notes to Financial Statements
June 30, 2014

Note 10 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2014, were as follows:

Payable from	Payable to				Total
	<u>General Fund</u>	<u>Public Works/HURF Fund</u>	<u>Public Works Construction Fund</u>	<u>Other Governmental Funds</u>	
General Fund		\$623		\$444	\$ 1,067
Public Works Construction Fund	\$1,830,057				1,830,057
Other Governmental Funds	<u>323,162</u>	<u>—</u>	<u>\$458</u>	<u>—</u>	<u>323,620</u>
Total	<u>\$2,153,219</u>	<u>\$623</u>	<u>\$458</u>	<u>\$444</u>	<u>\$2,154,744</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, 2014, were as follows:

Transfer from	Transfers to			Total
	<u>General Fund</u>	<u>Public Works Construction Fund</u>	<u>Other Governmental Funds</u>	
General Fund			\$1,818,557	\$1,818,557
Public Works/HURF Fund	\$ 920,410	\$1,174,530	510,296	2,605,236
Flood Control District Fund	503,735	300,000		803,735
Public Works Construction Fund			7,412	7,412
Other Governmental Funds	<u>1,764,347</u>	<u>—</u>	<u>754,145</u>	<u>2,518,492</u>
Total	<u>\$3,188,492</u>	<u>\$1,474,530</u>	<u>\$3,090,410</u>	<u>\$7,753,432</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.

Navajo County
Notes to Financial Statements
June 30, 2014

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 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 held by the County are included in the County Treasurer's investment pool, except for \$844,492 in deposits and \$6,908,792 of cash and investments held by trustee. 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	\$93,567,983	.59% - 1.30%	09/16 – 05/19	\$93,189,924
U.S. Treasury securities	27,000,000	.50% - .88%	10/16 – 08/17	26,869,230
Corporate notes	3,000,000	Variable	09/14	3,000,030
U.S. Treasury money market funds	15,000	.02%	N/A	15,000

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

Statement of Net Position	
Assets	\$165,451,788
Liabilities	<u>2,092,729</u>
Net position	<u>\$163,359,059</u>
Net position held in trust for:	
Internal participants	\$ 27,689,133
External participants	<u>135,669,926</u>
Total net position held in trust	<u>\$163,359,059</u>

Navajo County
Notes to Financial Statements
June 30, 2014

Statement of Changes in Net Position

Total additions	\$298,616,709
Total deductions	<u>292,546,731</u>
Net increase	<u>6,069,978</u>
Net position held in trust:	
July 1, 2013	<u>157,289,081</u>
June 30, 2014	<u>\$163,359,059</u>

Note 12 - Subsequent Event

On July 1, 2014, Navajo County implemented a self-insured health benefits program in partnership with Summit Healthcare and the Aetna Network with the intent to limit increases in healthcare costs. The program offers three different comprehensive medical plans and life and accidental death and dismemberment insurance to employees. 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 related family members. The County pays for the services using premiums it receives from employees and County contributions. Health benefits program expenses are recorded in County's General Fund and premiums and County contributions are recorded in the applicable governmental funds through payroll deductions.





OTHER REQUIRED SUPPLEMENTARY INFORMATION

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 7,218,553	\$ 7,143,453	\$ (75,100)
County sales tax	6,211,839	6,667,433	455,594
Licenses and permits	452,858	409,837	(43,021)
Fines and forfeits	870,000	906,075	36,075
Intergovernmental	17,284,209	16,046,884	(1,237,325)
Charges for services	1,941,576	1,261,477	(680,099)
Investment earnings	33,020	86,341	53,321
Miscellaneous	200,787	842,081	641,294
Total revenues	<u>34,212,842</u>	<u>33,363,581</u>	<u>(849,261)</u>
Expenditures:			
General government			
Board of Supervisors/Administration	3,407,855	2,132,684	1,275,171
Buildings and Grounds	1,965,832	1,744,983	220,849
Elections	797,592	243,347	554,245
Planning and Zoning	382,169	284,148	98,021
Recorder	281,362	237,080	44,282
Voter Registration	234,694	164,049	70,645
Assessor	1,346,187	1,169,766	176,421
Information Technology	966,109	834,039	132,070
Treasurer	456,318	442,516	13,802
Personnel Commission	9,602	7,274	2,328
County-wide	1,531,235	1,539,337	(8,102)
Legal Defender	355,508	372,498	(16,990)
County Attorney	2,220,666	2,170,242	50,424
Superior Court	2,825,557	2,737,927	87,630
Public Defender	1,032,853	714,677	318,176
Clerk of Court	1,365,121	1,103,507	261,614
Holbrook Justice Court	334,675	327,359	7,316
Winslow Justice Court	330,934	317,442	13,492
Snowflake Justice Court	385,863	366,434	19,429
Show Low Justice Court	298,009	275,332	22,677
Pinetop Justice Court	345,736	327,105	18,631

(Continued)

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014
(Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Kayenta Justice Court	\$ 113,382	\$ 112,194	\$ 1,188
Kayenta Constable	62,658	58,424	4,234
Pinetop Constable	58,960	58,520	440
Snowflake Constable	50,355	57,247	(6,892)
Holbrook Constable	27,179	26,729	450
Winslow Constable	47,657	48,707	(1,050)
Show Low Constable	56,899	56,467	432
Total general government	<u>21,290,967</u>	<u>17,930,034</u>	<u>3,360,933</u>
Public safety			
Juvenile Detention	1,624,482	1,247,329	377,153
Juvenile Probation	480,931	393,039	87,892
Adult Probation	597,744	559,813	37,931
Jail Operations	6,084,558	4,430,595	1,653,963
Sheriff	5,409,981	5,062,522	347,459
Total public safety	<u>14,197,696</u>	<u>11,693,298</u>	<u>2,504,398</u>
Health and welfare			
Public Fiduciary	446,584	417,276	29,308
Indigent Health	3,398,400	3,179,804	218,596
Total health and welfare	<u>3,844,984</u>	<u>3,597,080</u>	<u>247,904</u>
Education			
School Superintendent	<u>348,336</u>	<u>315,739</u>	<u>32,597</u>
Capital outlay			
Capital outlay	<u>972,005</u>	<u>905,322</u>	<u>66,683</u>
Contingency	<u>4,000,000</u>		<u>4,000,000</u>
Total expenditures	<u>44,653,988</u>	<u>34,441,473</u>	<u>10,212,515</u>
Excess (deficiency) of revenues over expenditures	<u>(10,441,146)</u>	<u>(1,077,892)</u>	<u>9,363,254</u>

(Continued)

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014
(Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):			
Sale of capital assets		\$ 89,213	\$ 89,213
Transfers in	\$ 7,502,439	3,188,492	(4,313,947)
Transfers out	(3,092,413)	(1,818,557)	1,273,856
	<u>4,410,026</u>	<u>1,459,148</u>	<u>(2,950,878)</u>
Total other financing sources and uses			
	<u>(6,031,120)</u>	<u>381,256</u>	<u>6,412,376</u>
Net change in fund balances			
	<u>(6,031,120)</u>	<u>381,256</u>	<u>6,412,376</u>
Fund balances, July 1, 2013	<u>6,031,120</u>	<u>5,870,369</u>	<u>(160,751)</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 6,251,625</u>	<u>\$ 6,251,625</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works/HURF Fund
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 9,495,198	\$ 9,565,055	\$ 69,857
Charges for services	25,000	252,982	227,982
Investment earnings	53,475	131,540	78,065
Miscellaneous	9,396	42,943	33,547
Total revenues	<u>9,583,069</u>	<u>9,992,520</u>	<u>409,451</u>
Expenditures:			
Highways and streets	<u>16,292,055</u>	<u>8,423,022</u>	<u>7,869,033</u>
Total expenditures	<u>16,292,055</u>	<u>8,423,022</u>	<u>7,869,033</u>
Excess (deficiency) of revenues over expenditures	<u>(6,708,986)</u>	<u>1,569,498</u>	<u>8,278,484</u>
Other financing sources (uses):			
Transfers in			
Transfers out	<u>(1,711,803)</u>	<u>(2,605,236)</u>	<u>(893,433)</u>
Total other financing sources and uses	<u>(1,711,803)</u>	<u>(2,605,236)</u>	<u>(893,433)</u>
Net change in fund balances	(8,420,789)	(1,035,738)	7,385,051
Fund balances, July 1, 2013	8,420,789	8,879,733	458,944
Increase in reserve for inventories		105,756	105,756
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 7,949,751</u>	<u>\$ 7,949,751</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Flood Control District Fund
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 2,017,954	\$ 2,017,306	\$ (648)
Intergovernmental		22	22
Investment earnings	57,387	126,415	69,028
Miscellaneous		167	167
Total revenues	<u>2,075,341</u>	<u>2,143,910</u>	<u>68,569</u>
Expenditures:			
Public safety	<u>8,997,225</u>	<u>1,225,797</u>	<u>7,771,428</u>
Total expenditures	<u>8,997,225</u>	<u>1,225,797</u>	<u>7,771,428</u>
Excess (deficiency) of revenues over expenditures	<u>(6,921,884)</u>	<u>918,113</u>	<u>7,839,997</u>
Other financing uses:			
Transfers out	<u>(278,839)</u>	<u>(803,735)</u>	<u>(524,896)</u>
Total other financing uses	<u>(278,839)</u>	<u>(803,735)</u>	<u>(524,896)</u>
Net change in fund balances	<u>(7,200,723)</u>	<u>114,378</u>	<u>7,315,101</u>
Fund balances, July 1, 2013	<u>7,200,723</u>	<u>7,919,173</u>	<u>718,450</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 8,033,551</u>	<u>\$ 8,033,551</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2014

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.

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.

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted item:

- Present value of net minimum capital lease payments.

The following schedule reconciles the deficiency of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance to the budgetary comparison schedule:

	General Fund
Deficiency of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$(1,566,260)
Present value of net minimum capital lease payments	<u>488,368</u>
Deficiency of revenues over expenditures from the budgetary comparison schedule	<u><u>\$(1,077,892)</u></u>

Navajo County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2014

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan 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)
Pension 6/30/14	\$5,399,797	\$17,034,621	\$11,634,824	31.7%	\$2,080,280	559.3%
Health Insurance premium benefit 6/30/14	553,923	293,122	(260,801)	188.97	2,080,280	(12.5)
Pension 6/30/13	6,013,808	14,291,830	8,278,022	42.1	2,232,165	370.9
Health Insurance premium benefit 6/30/13	0	297,397	297,397	0.0	2,232,165	13.3
Pension 6/30/12	6,078,479	13,841,159	7,762,680	43.9	2,213,998	350.6
Health Insurance premium benefit 6/30/12	0	248,581	248,581	0.0	2,213,998	11.2

Corrections Officer Retirement Plan

<u>CORP</u>						
Pension 6/30/14	\$3,393,316	\$3,953,613	\$ 560,297	85.8%	\$1,618,686	34.6%
Health insurance premium benefit 6/30/14	302,076	138,877	(163,199)	217.51	1,618,686	(10.1)
Pension 6/30/13	3,619,777	3,806,758	186,981	95.1	1,787,485	10.5
Health insurance premium benefit 6/30/13	0	143,461	143,461	0.0	1,787,485	8.0
Pension 6/30/12	3,397,424	3,657,329	259,905	92.9	1,722,806	15.1
Health insurance premium benefit 6/30/12	0	132,443	132,443	0.0	1,722,806	7.7

Navajo County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2014

Note 1 - Actuarial Information Available

All participating employers in the CORP Administrative Office of the Courts (AOC) are accounted for as one group within the Corrections Officer Retirement Plan and, as such, an actuarial valuation of CORP-AOC is prepared only for the group as a whole. Therefore, actuarial information for the County, as a participating government, is not available.

Note 2 - Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.





SUPPLEMENTARY INFORMATION

Navajo County
Nonmajor Governmental Funds
June 30, 2014

Special Revenue Funds

Administration	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.
County Attorney	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.
Courts	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.
Environmental and Conservation	Accounts for forest health and energy conservation programs. Funding is provided by federal grants.
Housing	Accounts for housing and community development programs. Funding is provided by federal Community Development Block Grants.
Library District	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.
Probation	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.
Public Defense	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.
Public Health	Accounts for a variety of health service and education programs including Bio-Terrorism, 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.
Recreation	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.
Sheriff's Office	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.

Navajo County
Nonmajor Governmental Funds
June 30, 2014

Special Districts 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.

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 Investment Act (WIA) Accounts for administration of the federal Workforce Investment Act (WIA) program. Funding is from federal grants.

Capital Projects Funds

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.

General Government Accounts for construction of County buildings and improvements to existing facilities.

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, 2014

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Assets				
Cash and investments	\$ 285,572	\$ 1,216,309	\$ 1,293,282	\$ 382,000
Cash and investments held by trustee-restricted				
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	414	5,078	627	
Special assessments				
Due from:				
Other funds				
Other governments	68,446	244,400	4,162	35,000
Prepaid items				
Total assets	<u>\$ 354,432</u>	<u>\$ 1,465,787</u>	<u>\$ 1,298,071</u>	<u>\$ 417,000</u>
Liabilities				
Accounts payable	\$ 2,950	\$ 36,626	\$ 10,252	\$ 15,450
Accrued payroll and employee benefits	7,416	65,085	39,191	6,001
Due to:				
Other funds	9,000		629	
Other governments	590	34,871	2,774	41
Total liabilities	<u>19,956</u>	<u>136,582</u>	<u>52,846</u>	<u>21,492</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes				
Unavailable revenue-special assessments				
Unavailable revenue-intergovernmental	5,128			
Total deferred inflows of resources	<u>5,128</u>			
Fund balances				
Nonspendable				
Restricted	360,270	1,419,367	1,387,261	403,150
Assigned	112,404			
Unassigned	(143,326)	(90,162)	(142,036)	(7,642)
Total fund balances(deficits)	<u>329,348</u>	<u>1,329,205</u>	<u>1,245,225</u>	<u>395,508</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 354,432</u>	<u>\$ 1,465,787</u>	<u>\$ 1,298,071</u>	<u>\$ 417,000</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Assets				
Cash and investments	\$ 10,743		\$ 665,735	\$ 134,016
Cash and investments held by trustee-restricted				
Receivables (net of allowance for uncollectibles):				
Property taxes		\$ 25,891		
Accounts receivable			225	
Special assessments				
Due from:				
Other funds				
Other governments		34,538	959	1,638
Prepaid items				
Total assets	<u>\$ 10,743</u>	<u>\$ 60,429</u>	<u>\$ 666,919</u>	<u>\$ 135,654</u>
Liabilities				
Accounts payable	\$ 2,528	\$ 11,961	\$ 16,460	\$ 4,551
Accrued payroll and employee benefits		11,572	96,699	1,975
Due to:				
Other funds		42,797		
Other governments		4,222	21,162	17
Total liabilities	<u>2,528</u>	<u>70,552</u>	<u>134,321</u>	<u>6,543</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes		20,011		
Unavailable revenue-special assessments				
Unavailable revenue-intergovernmental				
Total deferred inflows of resources		<u>20,011</u>		
Fund balances				
Nonspendable				
Restricted	21,840	17,539	600,913	129,111
Assigned				
Unassigned	(13,625)	(47,673)	(68,315)	
Total fund balances(deficits)	<u>8,215</u>	<u>(30,134)</u>	<u>532,598</u>	<u>129,111</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,743</u>	<u>\$ 60,429</u>	<u>\$ 666,919</u>	<u>\$ 135,654</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2014

		Special Revenue		
	Public Health	Recreation	Sheriff's Office	Special Districts
Assets				
Cash and investments		\$ 98,830	\$ 262,134	\$ 467,699
Cash and investments held by trustee-restricted				
Receivables (net of allowance for uncollectibles):				
Property taxes	\$ 82,774			
Accounts receivable	22,188		25,303	
Special assessments		51,716		7,019
Due from:				
Other funds			444	
Other governments	926,420		178,014	
Prepaid items			22,500	
Total assets	<u>\$ 1,031,382</u>	<u>\$ 150,546</u>	<u>\$ 488,395</u>	<u>\$ 474,718</u>
Liabilities				
Accounts payable	\$ 61,082	\$ 565	\$ 70,588	\$ 1,200
Accrued payroll and employee benefits	133,847		36,109	
Due to:				
Other funds	43,916			
Other governments	52,530		56,899	
Total liabilities	<u>291,375</u>	<u>565</u>	<u>163,596</u>	<u>1,200</u>
Deferred Inflows of Resources				
Unavailable revenue–property taxes	64,571			
Unavailable revenue–special assessments		46,587		6,666
Unavailable revenue–intergovernmental	275,444		92,342	
Total deferred inflows of resources	<u>340,015</u>	<u>46,587</u>	<u>92,342</u>	<u>6,666</u>
Fund balances				
Nonspendable			22,500	
Restricted	664,085	103,394	291,143	466,948
Assigned			41,434	
Unassigned	(264,093)		(122,620)	(96)
Total fund balances(deficits)	<u>399,992</u>	<u>103,394</u>	<u>232,457</u>	<u>466,852</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,031,382</u>	<u>\$ 150,546</u>	<u>\$ 488,395</u>	<u>\$ 474,718</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue		Capital Projects	
	Superintendent of Schools	Workforce Investment Act	Detention Facility Construction	General Government
Assets				
Cash and investments	\$ 2,022,734		\$ 603,807	
Cash and investments held by trustee-restricted			1,208,762	
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	34,474			
Special assessments				
Due from:				
Other funds				
Other governments	231,776	\$ 354,623		
Prepaid items				
Total assets	<u>\$ 2,288,984</u>	<u>\$ 354,623</u>	<u>\$ 1,812,569</u>	
Liabilities				
Accounts payable	\$ 31,569	\$ 29,765	\$ 165,095	
Accrued payroll and employee benefits	15,481	42,967		
Due to:				
Other funds		227,278		
Other governments		883		
Total liabilities	<u>47,050</u>	<u>300,893</u>	<u>165,095</u>	
Deferred Inflows of Resources				
Unavailable revenue–property taxes				
Unavailable revenue–special assessments				
Unavailable revenue–intergovernmental				
Total deferred inflows of resources				
Fund balances				
Nonspendable				
Restricted	413,614	99,185	1,647,474	
Assigned	1,929,164			
Unassigned	(100,844)	(45,455)		
Total fund balances(deficits)	<u>2,241,934</u>	<u>53,730</u>	<u>1,647,474</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,288,984</u>	<u>\$ 354,623</u>	<u>\$ 1,812,569</u>	

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
Assets			
Cash and investments	\$ 1,205,636	\$ 155,349	\$ 8,803,846
Cash and investments held by trustee-restricted	1,173,389		2,382,151
Receivables (net of allowance for uncollectibles):			
Property taxes			108,665
Accounts receivable			88,309
Special assessments		93,769	152,504
Due from:			
Other funds			444
Other governments			2,079,976
Prepaid items			22,500
Total assets	<u>\$ 2,379,025</u>	<u>\$ 249,118</u>	<u>\$ 13,638,395</u>
Liabilities			
Accounts payable			\$ 460,642
Accrued payroll and employee benefits			456,343
Due to:			
Other funds			323,620
Other governments			173,989
Total liabilities	<u></u>	<u></u>	<u>1,414,594</u>
Deferred Inflows of Resources			
Unavailable revenue–property taxes			84,582
Unavailable revenue–special assessments		\$ 93,499	146,752
Unavailable revenue–intergovernmental			372,914
Total deferred inflows of resources	<u></u>	<u>93,499</u>	<u>604,248</u>
Fund balances			
Nonspendable			22,500
Restricted	\$ 1,173,389	158,204	9,356,887
Assigned	1,205,636		3,288,638
Unassigned		(2,585)	(1,048,472)
Total fund balances(deficits)	<u>2,379,025</u>	<u>155,619</u>	<u>11,619,553</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,379,025</u>	<u>\$ 249,118</u>	<u>\$ 13,638,395</u>

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Revenues:				
Property taxes				
Special assessments				
Licenses and permits				
Fines and forfeits		\$ 278,709	\$ 62,713	
Intergovernmental	\$ 282,664	1,452,925	323,426	\$ 534,722
Charges for services	110,625	52,807	749,771	
Investment earnings (loss)	6,673	21,594	21,548	3,020
Contributions				
Miscellaneous	41,204	31,218	1,303	
Total revenues	<u>441,166</u>	<u>1,837,253</u>	<u>1,158,761</u>	<u>537,742</u>
Expenditures:				
Current:				
General government	300,648	1,959,055	1,130,466	
Public safety	264,215			
Highways and streets				
Health and welfare				
Culture and recreation				
Education and economic opportunity	6,860			
Environmental and conservation				347,079
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Bond issuance costs				
Capital outlay				
Total expenditures	<u>571,723</u>	<u>1,959,055</u>	<u>1,130,466</u>	<u>347,079</u>
Excess (deficiency) of revenues over expenditures	<u>(130,557)</u>	<u>(121,802)</u>	<u>28,295</u>	<u>190,663</u>
Other financing sources (uses):				
Pledged revenue obligations issued				
Payment to bond refunding escrow agent				
Sale of capital assets				
Transfers in	199,141	146,785	5,440	
Transfers out	(90,157)	(48,372)	(137,310)	
Total other financing sources and uses	<u>108,984</u>	<u>98,413</u>	<u>(131,870)</u>	
Net change in fund balances	(21,573)	(23,389)	(103,575)	190,663
Fund balances (deficits), July 1, 2013	350,921	1,352,594	1,348,800	204,845
Change in nonspendable resources				
Decrease in prepaid items				
Fund balances (deficits), June 30, 2014	<u>\$ 329,348</u>	<u>\$ 1,329,205</u>	<u>\$ 1,245,225</u>	<u>\$ 395,508</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Revenues:				
Property taxes		\$ 624,507		
Special assessments				
Licenses and permits				
Fines and forfeits				
Intergovernmental	\$ 376,628	151,072	\$ 2,064,077	17,288
Charges for services			373,889	469
Investment earnings (loss)	(4)	(181)	11,156	1,986
Contributions				
Miscellaneous		48,516	4,197	
Total revenues	<u>376,624</u>	<u>823,914</u>	<u>2,453,319</u>	<u>19,743</u>
Expenditures:				
Current:				
General government				106,739
Public safety			2,466,656	
Highways and streets				
Health and welfare				
Culture and recreation		540,311		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing	365,994			
Debt Service:				
Principal				
Interest and other charges				
Bond issuance costs				
Capital outlay				
Total expenditures	<u>365,994</u>	<u>540,311</u>	<u>2,466,656</u>	<u>106,739</u>
Excess (deficiency) of revenues over expenditures	<u>10,630</u>	<u>283,603</u>	<u>(13,337)</u>	<u>(86,996)</u>
Other financing sources (uses):				
Pledged revenue obligations issued				
Payment to bond refunding escrow agent				
Sale of capital assets				
Transfers in		21,915	4,073	89,780
Transfers out	(8,863)	(361,451)	(4,950)	(491)
Total other financing sources and uses	<u>(8,863)</u>	<u>(339,536)</u>	<u>(877)</u>	<u>89,289</u>
Net change in fund balances	1,767	(55,933)	(14,214)	2,293
Fund balances (deficits), July 1, 2013	6,448	25,799	546,812	126,818
Change in nonspendable resources				
Decrease in prepaid items				
Fund balances (deficits), June 30, 2014	<u>\$ 8,215</u>	<u>\$ (30,134)</u>	<u>\$ 532,598</u>	<u>\$ 129,111</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	Public Health	Recreation	Sheriff's Office	Special Districts
Revenues:				
Property taxes	\$ 1,914,253			
Special assessments		\$ 151,684		\$ 115,779
Licenses and permits	196,432			
Fines and forfeits				
Intergovernmental	2,656,834		906,810	
Charges for services	133,171		306,329	
Investment earnings (loss)	5,844	1,683	7,445	4,378
Contributions	42,265			
Miscellaneous	36,723		21,888	
Total revenues	<u>4,985,522</u>	<u>153,367</u>	<u>1,242,472</u>	<u>120,157</u>
Expenditures:				
Current:				
General government				
Public safety			1,515,816	
Highways and streets				23,910
Health and welfare	4,312,262			
Culture and recreation		151,571		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal	28,545		92,231	
Interest and other charges	2,454		6,515	
Bond issuance costs				
Capital outlay				
Total expenditures	<u>4,343,261</u>	<u>151,571</u>	<u>1,614,562</u>	<u>23,910</u>
Excess (deficiency) of revenues over expenditures	<u>642,261</u>	<u>1,796</u>	<u>(372,090)</u>	<u>96,247</u>
Other financing sources (uses):				
Pledged revenue obligations issued				
Payment to bond refunding escrow agent				
Sale of capital assets				
Transfers in	590,843		49,145	
Transfers out	(1,269,563)		(6,996)	
Total other financing sources and uses	<u>(678,720)</u>		<u>42,149</u>	
Net change in fund balances	(36,459)	1,796	(329,941)	96,247
Fund balances (deficits), July 1, 2013	436,451	101,598	574,398	370,605
Change in nonspendable resources				
Decrease in prepaid items			(12,000)	
Fund balances (deficits), June 30, 2014	<u>\$ 399,992</u>	<u>\$ 103,394</u>	<u>\$ 232,457</u>	<u>\$ 466,852</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue		Capital Projects	
	Superintendent of Schools	Workforce Investment Act	Detention Facility Construction	General Government
Revenues:				
Property taxes				
Special assessments				
Licenses and permits				
Fines and forfeits				
Intergovernmental	\$ 4,494,212	\$ 772,546		
Charges for services				
Investment earnings (loss)	12,635	307	\$ 348	\$ (1,971)
Contributions	385			
Miscellaneous	381,365			
Total revenues	<u>4,888,597</u>	<u>772,853</u>	<u>348</u>	<u>(1,971)</u>
Expenditures:				
Current:				
General government				
Public safety				
Highways and streets				
Health and welfare				
Culture and recreation				
Education and economic opportunity	4,965,781	857,675		
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Bond issuance costs			4,607	
Capital outlay			2,679,244	9,130
Total expenditures	<u>4,965,781</u>	<u>857,675</u>	<u>2,683,851</u>	<u>9,130</u>
Excess (deficiency) of revenues over expenditures	<u>(77,184)</u>	<u>(84,822)</u>	<u>(2,683,503)</u>	<u>(11,101)</u>
Other financing sources (uses):				
Pledged revenue obligations issued			1,215,000	
Payment to bond refunding escrow agent				
Sale of capital assets		9,609		
Transfers in				324,474
Transfers out			(276,979)	(313,360)
Total other financing sources and uses		<u>9,609</u>	<u>938,021</u>	<u>11,114</u>
Net change in fund balances	(77,184)	(75,213)	(1,745,482)	13
Fund balances (deficits), July 1, 2013	2,319,118	128,943	3,392,956	(13)
Change in nonspendable resources				
Decrease in prepaid items				
Fund balances (deficits), June 30, 2014	<u>\$ 2,241,934</u>	<u>\$ 53,730</u>	<u>\$ 1,647,474</u>	<u>\$ -</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
Revenues:			
Property taxes			\$ 2,538,760
Special assessments		\$ 251,299	518,762
Licenses and permits			196,432
Fines and forfeits			341,422
Intergovernmental			14,033,204
Charges for services			1,727,061
Investment earnings (loss)	4,956	3,255	104,672
Contributions			42,650
Miscellaneous	4,002		570,416
Total revenues	<u>8,958</u>	<u>254,554</u>	<u>20,073,379</u>
Expenditures:			
Current:			
General government			3,496,908
Public safety			4,246,687
Highways and streets			23,910
Health and welfare			4,312,262
Culture and recreation			691,882
Education and economic opportunity			5,830,316
Environmental and conservation			347,079
Urban redevelopment and housing			365,994
Debt Service:			
Principal	385,000	198,727	704,503
Interest and other charges	382,131	56,665	447,765
Bond issuance costs	53,605		58,212
Capital outlay			2,688,374
Total expenditures	<u>820,736</u>	<u>255,392</u>	<u>23,213,892</u>
Excess (deficiency) of revenues over expenditures	<u>(811,778)</u>	<u>(838)</u>	<u>(3,140,513)</u>
Other financing sources (uses):			
Pledged revenue obligations issued	4,860,000		6,075,000
Payment to bond refunding escrow agent	(4,806,395)		(4,806,395)
Sale of capital assets			9,609
Transfers in	1,658,814		3,090,410
Transfers out			(2,518,492)
Total other financing sources and uses	<u>1,712,419</u>		<u>1,850,132</u>
Net change in fund balances	900,641	(838)	(1,290,381)
Fund balances (deficits), July 1, 2013	1,478,384	156,457	12,921,934
Change in nonspendable resources			
Decrease in prepaid items			(12,000)
Fund balances (deficits), June 30, 2014	<u>\$ 2,379,025</u>	<u>\$ 155,619</u>	<u>\$ 11,619,553</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Administration
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 4,911,612	\$ 282,664	\$ (4,628,948)
Charges for services	114,200	110,625	(3,575)
Investment earnings	308	6,673	6,365
Miscellaneous	261,828	41,204	(220,624)
Total revenues	<u>5,287,948</u>	<u>441,166</u>	<u>(4,846,782)</u>
Expenditures:			
General government	593,762	300,648	293,114
Public safety	1,657,641	264,215	1,393,426
Education and economic opportunity	92,279	6,860	85,419
Total expenditures	<u>2,343,682</u>	<u>571,723</u>	<u>1,771,959</u>
Excess (deficiency) of revenues over expenditures	<u>2,944,266</u>	<u>(130,557)</u>	<u>(3,074,823)</u>
Other financing sources (uses):			
Transfers in	100,000	199,141	99,141
Transfers out	(3,436,781)	(90,157)	3,346,624
Total other financing sources and uses	<u>(3,336,781)</u>	<u>108,984</u>	<u>3,445,765</u>
Net change in fund balances	(392,515)	(21,573)	370,942
Fund balances, July 1, 2013	392,515	350,921	(41,594)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 329,348</u>	<u>\$ 329,348</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - County Attorney
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 630,000	\$ 278,709	\$ (351,291)
Intergovernmental	1,589,719	1,452,925	(136,794)
Charges for services	101,000	52,807	(48,193)
Investment earnings	44,998	21,594	(23,404)
Miscellaneous	341,368	31,218	(310,150)
Total revenues	<u>2,707,085</u>	<u>1,837,253</u>	<u>(869,832)</u>
Expenditures:			
General government	4,063,731	1,959,055	2,104,676
Total expenditures	<u>4,063,731</u>	<u>1,959,055</u>	<u>2,104,676</u>
Excess (deficiency) of revenues over expenditures	<u>(1,356,646)</u>	<u>(121,802)</u>	<u>1,234,844</u>
Other financing sources (uses):			
Transfers in	367,988	146,785	(221,203)
Transfers out	(72,052)	(48,372)	23,680
Total other financing sources and uses	<u>295,936</u>	<u>98,413</u>	<u>(197,523)</u>
Net change in fund balances	(1,060,710)	(23,389)	1,037,321
Fund balances, July 1, 2013	1,060,710	1,352,594	291,884
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 1,329,205</u>	<u>\$ 1,329,205</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Courts
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 56,397	\$ 62,713	\$ 6,316
Intergovernmental	419,211	323,426	(95,785)
Charges for services	767,555	749,771	(17,784)
Investment earnings	195	21,548	21,353
Miscellaneous	1,303	1,303	1,303
Total revenues	<u>1,243,358</u>	<u>1,158,761</u>	<u>(84,597)</u>
Expenditures:			
General government	2,484,095	1,130,466	1,353,629
Total expenditures	<u>2,484,095</u>	<u>1,130,466</u>	<u>1,353,629</u>
Excess (deficiency) of revenues over expenditures	<u>(1,240,737)</u>	<u>28,295</u>	<u>1,269,032</u>
Other financing sources (uses):			
Transfers in	695,336	5,440	(689,896)
Transfers out	(881,584)	(137,310)	744,274
Total other financing sources and uses	<u>(186,248)</u>	<u>(131,870)</u>	<u>54,378</u>
Net change in fund balances	(1,426,985)	(103,575)	1,323,410
Fund balances, July 1, 2013	1,426,985	1,348,800	(78,185)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 1,245,225</u>	<u>\$ 1,245,225</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Environmental and Conservation
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 400,000	\$ 534,722	\$ 134,722
Investment earnings	1,000	3,020	2,020
Miscellaneous	350,000		(350,000)
Total revenues	<u>751,000</u>	<u>537,742</u>	<u>(213,258)</u>
Expenditures:			
Environmental and conservation	962,416	347,079	615,337
Total expenditures	<u>962,416</u>	<u>347,079</u>	<u>615,337</u>
Excess (deficiency) of revenues over expenditures	<u>(211,416)</u>	<u>190,663</u>	<u>402,079</u>
Net change in fund balances	(211,416)	190,663	402,079
Fund balances, July 1, 2013	211,416	204,845	(6,571)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 395,508</u>	<u>\$ 395,508</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Housing
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 720,074	\$ 376,628	\$ (343,446)
Investment loss		(4)	(4)
Total revenues	<u>720,074</u>	<u>376,624</u>	<u>(343,450)</u>
Expenditures:			
Urban redevelopment and housing	690,886	365,994	324,892
Total expenditures	<u>690,886</u>	<u>365,994</u>	<u>324,892</u>
Excess (deficiency) of revenues over expenditures	<u>29,188</u>	<u>10,630</u>	<u>(18,558)</u>
Other financing uses:			
Transfers out		(8,863)	(8,863)
Total other financing uses	<u>-</u>	<u>(8,863)</u>	<u>(8,863)</u>
Net change in fund balances	29,188	1,767	(27,421)
Fund balances (deficits), July 1, 2013	(29,188)	6,448	35,636
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 8,215</u>	<u>\$ 8,215</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Library District
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 636,455	\$ 624,507	\$ (11,948)
Intergovernmental	203,064	151,072	(51,992)
Investment earnings		(181)	(181)
Miscellaneous	201,201	48,516	(152,685)
Total revenues	<u>1,040,720</u>	<u>823,914</u>	<u>(216,806)</u>
Expenditures:			
Culture and recreation	598,644	540,311	58,333
Total expenditures	<u>598,644</u>	<u>540,311</u>	<u>58,333</u>
Excess (deficiency) of revenues over expenditures	<u>442,076</u>	<u>283,603</u>	<u>(158,473)</u>
Other financing sources (uses):			
Transfers In		21,915	21,915
Transfers out	(245,564)	(361,451)	(115,887)
Total other financing sources and uses	<u>(245,564)</u>	<u>(339,536)</u>	<u>(93,972)</u>
Net change in fund balances	196,512	(55,933)	(252,445)
Fund balances, July 1, 2013	(196,512)	25,799	222,311
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ (30,134)</u>	<u>\$ (30,134)</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Probation
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,232,727	\$ 2,064,077	\$ (168,650)
Charges for services	317,645	373,889	56,244
Investment earnings	3,778	11,156	7,378
Miscellaneous	48	4,197	4,149
Total revenues	<u>2,554,198</u>	<u>2,453,319</u>	<u>(100,879)</u>
Expenditures:			
Public safety	<u>3,160,984</u>	<u>2,466,656</u>	<u>694,328</u>
Total expenditures	<u>3,160,984</u>	<u>2,466,656</u>	<u>694,328</u>
Excess (deficiency) of revenues over expenditures	<u>(606,786)</u>	<u>(13,337)</u>	<u>593,449</u>
Other financing sources (uses):			
Transfers in	4,296	4,073	(223)
Transfers out	(5,064)	(4,950)	114
Total other financing sources and uses	<u>(768)</u>	<u>(877)</u>	<u>(109)</u>
Net change in fund balances	(607,554)	(14,214)	593,340
Fund balances, July 1, 2013	607,554	546,812	(60,742)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 532,598</u>	<u>\$ 532,598</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Public Defense
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 19,000	\$ 17,288	\$ (1,712)
Charges for services	60,000	469	(59,531)
Investment earnings	2,914	1,986	(928)
Total revenues	<u>81,914</u>	<u>19,743</u>	<u>(62,171)</u>
Expenditures:			
General government	313,473	106,739	206,734
Total expenditures	<u>313,473</u>	<u>106,739</u>	<u>206,734</u>
Excess (deficiency) of revenues over expenditures	<u>(231,559)</u>	<u>(86,996)</u>	<u>144,563</u>
Other financing sources (uses):			
Transfers in	176,824	89,780	(87,044)
Transfers out	(80,000)	(491)	79,509
Total other financing sources and uses	<u>96,824</u>	<u>89,289</u>	<u>(7,535)</u>
Net change in fund balances	(134,735)	2,293	137,028
Fund balances, July 1, 2013	134,735	126,818	(7,917)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 129,111</u>	<u>\$ 129,111</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Public Health
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 1,945,634	\$ 1,914,253	\$ (31,381)
Licenses and permits	120,000	196,432	76,432
Intergovernmental	2,864,204	2,656,834	(207,370)
Charges for services	90,500	133,171	42,671
Investment earnings	106,155	5,844	(100,311)
Contributions	15,000	42,265	27,265
Miscellaneous	616,763	36,723	(580,040)
Total revenues	<u>5,758,256</u>	<u>4,985,522</u>	<u>(772,734)</u>
Expenditures:			
Health and welfare	4,733,872	4,343,261	390,611
Total expenditures	<u>4,733,872</u>	<u>4,343,261</u>	<u>390,611</u>
Excess (deficiency) of revenues over expenditures	<u>1,024,384</u>	<u>642,261</u>	<u>(382,123)</u>
Other financing sources (uses):			
Transfers in	211,175	590,843	379,668
Transfers out	(1,636,151)	(1,269,563)	366,588
Total other financing sources and uses	<u>(1,424,976)</u>	<u>(678,720)</u>	<u>746,256</u>
Net change in fund balances	(400,592)	(36,459)	364,133
Fund balances, July 1, 2013	400,592	436,451	35,859
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 399,992</u>	<u>\$ 399,992</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Recreation
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 152,500	\$ 151,684	\$ (816)
Investment earnings	1,000	1,683	683
Miscellaneous	500	-	(500)
Total revenues	<u>154,000</u>	<u>153,367</u>	<u>(633)</u>
Expenditures:			
Culture and recreation	<u>248,516</u>	<u>151,571</u>	<u>96,945</u>
Total expenditures	<u>248,516</u>	<u>151,571</u>	<u>96,945</u>
Excess (deficiency) of revenues over expenditures	<u>(94,516)</u>	<u>1,796</u>	<u>96,312</u>
Net change in fund balances	(94,516)	1,796	96,312
Fund balances, July 1, 2013	94,516	101,598	7,082
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 103,394</u>	<u>\$ 103,394</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Sheriff's Office
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 125,000	\$ -	\$ (125,000)
Intergovernmental	958,822	906,810	(52,012)
Charges for services	333,606	306,329	(27,277)
Investment earnings	3,085	7,445	4,360
Miscellaneous	81,176	21,888	(59,288)
Total revenues	<u>1,501,689</u>	<u>1,242,472</u>	<u>(259,217)</u>
Expenditures:			
Public safety	1,997,611	1,614,562	383,049
Total expenditures	<u>1,997,611</u>	<u>1,614,562</u>	<u>383,049</u>
Excess (deficiency) of revenues over expenditures	<u>(495,922)</u>	<u>(372,090)</u>	<u>123,832</u>
Other financing sources (uses):			
Transfers in	48,552	49,145	593
Transfers out	<u>(6,996)</u>	<u>(6,996)</u>	<u>(6,996)</u>
Total other financing sources and uses	<u>48,552</u>	<u>42,149</u>	<u>(6,403)</u>
Net change in fund balances	(447,370)	(329,941)	117,429
Fund balances, July 1, 2013	447,370	574,398	127,028
Change in nonspendable resources			
Increase (decrease) in prepaid items		(12,000)	(12,000)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 232,457</u>	<u>\$ 232,457</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Special Districts
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 98,050	\$ 115,779	\$ 17,729
Investment earnings	652	4,378	3,726
Total revenues	<u>98,702</u>	<u>120,157</u>	<u>21,455</u>
Expenditures:			
Highways and streets	<u>417,119</u>	<u>23,910</u>	<u>393,209</u>
Total expenditures	<u>417,119</u>	<u>23,910</u>	<u>393,209</u>
Excess (deficiency) of revenues over expenditures	<u>(318,417)</u>	<u>96,247</u>	<u>414,664</u>
Net change in fund balances	(318,417)	96,247	414,664
Fund balances, July 1, 2013	318,417	370,605	52,188
Fund balances, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ 466,852</u></u>	<u><u>\$ 466,852</u></u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Workforce Investment Act
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,014,248	\$ 772,546	\$ (241,702)
Investment earnings		307	307
Total revenues	<u>1,014,248</u>	<u>772,853</u>	<u>(241,395)</u>
Expenditures:			
Health and welfare	<u>1,147,090</u>	<u>857,675</u>	<u>289,415</u>
Total expenditures	<u>1,147,090</u>	<u>857,675</u>	<u>289,415</u>
Excess (deficiency) of revenues over expenditures	<u>(132,842)</u>	<u>(84,822)</u>	<u>48,020</u>
Other financing sources:			
Sale of capital assets	<u></u>	<u>9,609</u>	<u>9,609</u>
Total other financing sources	<u></u>	<u>9,609</u>	<u>9,609</u>
Net change in fund balances	(132,842)	(75,213)	57,629
Fund balances, July 1, 2013	132,842	128,943	(3,899)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 53,730</u>	<u>\$ 53,730</u>

Navajo County
 Budgetary Comparison Schedule
 Capital Projects - Detention Facility Construction
 Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings		\$ 348	\$ 348
Total revenues	-	348	348
Expenditures:			
Debt Service			
Bond issuance costs		4,607	(4,607)
Capital outlay	\$ 4,750,000	2,679,244	2,070,756
Total expenditures	4,750,000	2,683,851	2,066,149
Excess (deficiency) of revenues over expenditures	(4,750,000)	(2,683,503)	2,066,497
Other financing sources (uses):			
Pledged revenue obligations issued	5,600,000	1,215,000	(4,385,000)
Transfers out	(275,000)	(276,979)	(1,979)
Total other financing sources and uses	5,325,000	938,021	(4,386,979)
Net change in fund balances	575,000	(1,745,482)	(2,320,482)
Fund balances (deficits), July 1, 2013	(575,000)	3,392,956	3,967,956
Fund balances, June 30, 2014	\$ -	\$ 1,647,474	\$ 1,647,474

Navajo County
Budgetary Comparison Schedule
Capital Projects - General Government
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings (loss)	\$ 10,000	\$ (1,971)	\$ (11,971)
Miscellaneous	66,159		(66,159)
Total revenues	<u>76,159</u>	<u>(1,971)</u>	<u>(78,130)</u>
Expenditures:			
Capital outlay	\$ 260,926	9,130	251,796
Total expenditures	<u>260,926</u>	<u>9,130</u>	<u>251,796</u>
Excess (deficiency) of revenues over expenditures	<u>(184,767)</u>	<u>(11,101)</u>	<u>173,666</u>
Other financing sources:			
Transfers in	500,000	324,474	(175,526)
Transfers out		(313,360)	(313,360)
Total other financing sources and uses	<u>500,000</u>	<u>11,114</u>	<u>(488,886)</u>
Net change in fund balances	315,233	13	(315,220)
Fund balances (deficits), July 1, 2013	(315,233)	(13)	315,220
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Navajo County
Budgetary Comparison Schedule
Debt Service - General Government
Year Ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings		\$ 4,956	\$ 4,956
Miscellaneous		4,002	4,002
Total revenues		<u>8,958</u>	<u>8,958</u>
Expenditures:			
Debt Service			
General government	\$ 2,608,641	820,736	1,787,905
Total expenditures	<u>2,608,641</u>	<u>820,736</u>	<u>1,787,905</u>
Excess (deficiency) of revenues over expenditures	<u>(2,608,641)</u>	<u>(811,778)</u>	<u>1,796,863</u>
Other financing sources (uses):			
Pledged revenue obligations issued	5,395,528	4,860,000	(535,528)
Payments to bond refunding agent escrow	(4,860,000)	(4,806,395)	53,605
Transfers in	2,608,641	1,658,814	(949,827)
Transfers out	(1,000,000)	-	1,000,000
Total other financing sources and uses	<u>2,144,169</u>	<u>1,712,419</u>	<u>(431,750)</u>
Net change in fund balances	(464,472)	900,641	1,365,113
Fund balances, July 1, 2013	464,472	1,478,384	1,013,912
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 2,379,025</u>	<u>\$ 2,379,025</u>

Navajo County
 Budgetary Comparison Schedule
 Debt Service - Special Districts
 Year Ended June 30, 2014

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Special assessments	\$ 259,000	\$ 251,299	\$ (7,701)
Investments earnings		3,255	3,255
Total revenues	<u>259,000</u>	<u>254,554</u>	<u>(4,446)</u>
Expenditures:			
Debt Service			
Highways and streets	416,941	255,392	161,549
Total expenditures	<u>416,941</u>	<u>255,392</u>	<u>161,549</u>
Excess (deficiency) of revenues over expenditures	<u>(157,941)</u>	<u>(838)</u>	<u>157,103</u>
Net change in fund balances	(157,941)	(838)	157,103
Fund balances, July 1, 2013	157,941	156,457	(1,484)
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 155,619</u>	<u>\$ 155,619</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, 2014

	Balance July 1, 2013	Additions	Deductions	Balance July 1, 2014
Assets				
Cash and investments	\$ 4,490,649	\$ 15,613,644	\$ 17,208,600	\$ 2,895,693
Interest receivable	2,839		2,839	-
Total Assets	<u>\$ 4,493,488</u>	<u>\$ 15,613,644</u>	<u>\$ 17,211,439</u>	<u>\$ 2,895,693</u>
Liabilities				
Due to other governments	\$ 2,387,067	\$ 14,180,568	\$ 15,838,232	\$ 729,403
Deposits held for other parties	2,106,421	1,439,700	1,379,831	2,166,290
Total Liabilities	<u>\$ 4,493,488</u>	<u>\$ 15,620,268</u>	<u>\$ 17,218,063</u>	<u>\$ 2,895,693</u>



STATISTICAL SECTION

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses:				
General government	\$ 18,389,571	\$ 19,479,297	\$ 19,745,840	\$ 20,503,496
Public safety	11,659,715	13,099,102	14,534,493	17,570,231
Highways and streets	8,434,616	8,851,369	10,990,269	12,960,992
Health and welfare	4,736,700	5,874,892	6,274,590	6,809,907
Culture and recreation	531,045	468,926	554,419	472,151
Education and economic opportunity	263,909	289,270	4,885,689	7,119,026
Environmental and conservation	94,595	35,887	18,880	234,078
Urban redevelopment and housing				5,000
Interest on long-term debt	507,110	374,442	179,518	349,677
Total governmental activities expenses	<u>44,617,261</u>	<u>48,473,185</u>	<u>57,183,698</u>	<u>66,024,558</u>
Program Revenues:				
Charges for services:				
General government	5,224,551	4,477,711	4,882,461	3,746,695
Public Safety	802,050	2,810,667	2,910,947	541,256
Highway and streets		28,647	115,198	83,076
Health and welfare	70,821	93,599	95,930	77,965
Culture and recreation	8,942	11,926		
Operating grants and contributions:				
General government	1,718,024	2,428,758	2,241,225	1,851,358
Public Safety	2,917,059	3,696,730	3,062,299	3,063,868
Highway and streets	10,997,876	228,409	184,839	
Health and welfare	926,755	1,837,979	2,227,071	1,751,447
Culture and recreation	135,598	145,307	38,313	38,102
Education and economic opportunity		639,532	4,944,866	7,186,346
Environmental and conservation	(86,267)	92,693		162,086
Urban redevelopment and housing				
Capital grants and contributions:				
General government				
Public Safety				
Highway and streets		12,567,738	12,956,489	12,361,020
Total governmental activities program revenues	<u>22,715,409</u>	<u>29,059,696</u>	<u>33,659,638</u>	<u>30,863,219</u>
Net (Expense) Revenue	\$ (21,901,852)	\$ (19,413,489)	\$ (23,524,060)	\$ (35,161,339)
General Revenues:				
Property taxes	\$ 6,402,534	\$ 7,973,918	\$ 8,636,394	\$ 9,707,389
Special assessments				
General county sales tax	5,205,992	7,260,596	6,778,153	7,083,165
State shared revenues	11,362,815	12,781,414	13,521,307	13,302,354
Payment in lieu of taxes	861,599	757,594		
Grants and contributions not restricted to specific programs	1,228,182	946,207	1,433,848	3,922,712
Investment earnings	1,184,173	909,436	1,733,012	1,624,746
Fines and forfeits				
Rent				
Gain on disposal of capital assets	140,937	59,167	104,656	11,971
Miscellaneous	408,225	581,789	1,016,509	1,207,819
Transfers				
Total general revenues and transfers	<u>26,794,457</u>	<u>31,270,121</u>	<u>33,223,879</u>	<u>36,860,156</u>
Change in net position - governmental activities	<u>\$ 4,892,605</u>	<u>\$ 11,856,632</u>	<u>\$ 9,699,819</u>	<u>\$ 1,698,817</u>

(Continued)

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 19,392,043	\$ 22,647,297	\$ 22,396,786	\$ 21,607,586	\$ 20,944,578	\$ 22,213,348
19,182,119	17,566,896	16,191,164	18,238,891	19,123,378	16,995,243
14,058,305	13,057,318	14,480,464	8,023,409	10,935,566	9,534,493
7,219,915	9,366,578	7,129,008	5,909,936	7,734,191	8,039,343
510,035	747,065	814,786	966,000	788,127	694,108
5,723,104	6,307,885	5,710,417	6,164,792	5,498,285	6,190,399
231,225	237,032	196,504	16,352	303,402	329,829
	307,208	35,558	784	42,701	365,994
594,260	677,253	625,962	721,020	527,044	487,808
<u>66,911,006</u>	<u>70,914,532</u>	<u>67,580,649</u>	<u>61,648,770</u>	<u>65,897,272</u>	<u>64,850,565</u>
3,473,303	3,531,064	3,465,053	3,326,109	3,649,106	3,537,721
765,083	517,702	672,441	982,588	1,146,080	919,746
	39,249	98,695	334,513	12,171	252,982
122,462	215,494	194,090	163,957	243,393	329,602
			155,895		
3,719,202	1,735,327	2,584,222	2,215,242	1,966,176	2,700,852
3,599,091	3,290,457	2,916,270	3,252,479	4,500,832	3,976,671
2,199,624	1,803,890	2,280,437	1,819,214	2,500,943	2,820,717
64,885	122,207	137,643	152,083	129,282	149,666
5,512,115	6,086,494	3,665,344	4,654,668	4,327,485	5,266,695
205,884	195,574	429,653	59,097	301,660	534,722
	305,647	63,162		40,823	376,628
			220,229		
			5,000		
<u>12,393,158</u>	<u>15,637,667</u>	<u>13,170,789</u>	<u>9,578,324</u>	<u>9,690,517</u>	<u>9,565,055</u>
<u>32,054,807</u>	<u>33,480,772</u>	<u>29,677,799</u>	<u>26,919,398</u>	<u>28,508,468</u>	<u>30,431,057</u>
\$ (34,856,199)	\$ (37,433,760)	\$ (37,902,850)	\$ (34,729,372)	\$ (37,388,804)	\$ (34,419,508)
\$ 10,933,578	\$ 12,494,737	\$ 12,866,253	\$ 12,087,700	\$ 11,924,765	\$ 11,704,948
				502,434	542,526
6,330,588	5,480,598	5,889,027	6,246,077	6,239,089	6,667,433
12,017,517	10,728,725	11,405,376	11,475,113	12,024,496	12,773,729
6,444,858	4,902,289	4,489,096	3,175,428	1,430,914	1,538,954
750,742	322,748	254,483	202,500	(109,711)	453,017
23,895	115,237	5,957	13,116	52,473	96,640
1,466,751	1,273,310	1,822,741	1,170,658	892,976	1,455,607
	(380,236)	-	-		
<u>37,967,929</u>	<u>34,937,408</u>	<u>36,732,933</u>	<u>34,370,592</u>	<u>32,957,436</u>	<u>35,232,854</u>
<u>\$ 3,111,730</u>	<u>\$ (2,496,352)</u>	<u>\$ (1,169,917)</u>	<u>\$ (358,780)</u>	<u>\$ (4,431,368)</u>	<u>\$ 813,346</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved	\$ 124,747	\$	\$	\$ 3,957,781
Unreserved	10,386,065	12,379,484	16,110,913	10,939,695
Assigned*				
Unassigned				
Total general fund	<u>\$ 10,510,812</u>	<u>\$ 12,379,484</u>	<u>\$ 16,110,913</u>	<u>\$ 14,897,476</u>
All other governmental funds				
Reserved	\$ 6,699,626	\$ 10,983,270	\$ 397,700	\$ 500,703
Unreserved, reported in:				
Special revenue funds	5,695,432	7,581,812	21,439,571	26,620,823
Debt service funds			1,995,785	1,777,950
Capital projects funds	3,176,207	3,443,911	4,791,323	24,543
Nonspendable*				
Restricted				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 15,571,265</u>	<u>\$ 22,008,993</u>	<u>\$ 28,624,379</u>	<u>\$ 28,924,019</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					
2009	2010	2011	2012	2013	2014
\$ 2,883,159	\$ 325,096	\$	\$	\$	\$ 437,220
7,550,215	7,416,990				
		3,182,499	2,533,698	2,021,131	2,331,597
		3,349,495	3,939,417	3,849,238	3,482,808
<u>\$ 10,433,374</u>	<u>\$ 7,742,086</u>	<u>\$ 6,531,994</u>	<u>\$ 6,473,115</u>	<u>\$ 5,870,369</u>	<u>\$ 6,251,625</u>
\$ 679,641	\$ 528,878	\$	\$	\$	\$
25,962,952	31,118,113				
1,824,003	1,924,862				
	76,332				
		543,055	920,545	1,034,772	1,114,772
		28,973,243	25,792,646	26,621,136	26,720,572
		1,231,112	1,529,453	2,064,946	3,288,638
		(270,933)	(39,006)	(13)	(1,048,472)
<u>\$ 28,466,596</u>	<u>\$ 33,648,185</u>	<u>\$ 30,476,477</u>	<u>\$ 28,203,638</u>	<u>\$ 29,720,841</u>	<u>\$ 30,075,510</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Property taxes	\$ 5,944,655	\$ 7,934,263	\$ 8,673,499	\$ 9,581,813
County sales taxes				
Licenses and permits	735,239	979,368	879,866	643,032
Fines and forfeits	849,138	990,927	1,646,183	1,290,001
Intergovernmental	35,236,042	43,263,385	47,350,129	50,665,504
Charges for services	4,435,720	5,544,948	5,478,487	2,515,958
Investment earnings	1,184,173	909,436	1,727,733	1,624,746
Special assessments	541,145			
Rents and royalties				
Contributions	13,624	26,879	38,281	56,956
Miscellaneous	408,225	604,968	990,990	1,222,929
Total revenues	<u>49,347,961</u>	<u>60,254,174</u>	<u>66,785,168</u>	<u>67,600,939</u>
Expenditures:				
General government	17,519,255	18,794,253	19,975,143	22,871,415
Public safety	11,656,881	13,875,071	13,759,567	17,525,292
Highways and streets	10,462,632	10,366,859	10,681,812	14,792,747
Health and welfare	4,917,449	6,022,260	6,270,192	6,813,069
Culture and recreation	513,452	444,143	562,599	471,342
Education and Economic Opportunity	252,173	274,985	4,896,105	7,119,291
Environmental and conservation	64,518		19,424	234,078
Urban redevelopment and housing				5,000
Debt service:				
Principal	718,342	686,012	421,836	303,173
Interest and other charges	507,110	374,442	179,518	349,677
Bond Issuance Costs				
Capital outlay	<u>2,284,380</u>	<u>2,118,079</u>	<u>1,990,735</u>	<u>6,238,140</u>
Total expenditures	<u>48,896,192</u>	<u>52,956,104</u>	<u>58,756,931</u>	<u>76,723,224</u>
Excess(deficiency) of revenues over expenditures	451,769	7,298,070	8,028,237	(9,122,285)
Other financing sources (uses):				
Revenue bonds issued				6,600,000
Payment to bond refunding escrow agent				
Capital lease agreements	63,086			77,845
Special assessment bonds issued				
Sale of capital assets	140,937	59,167	104,656	11,971
Transfers in	3,519,951	2,094,983	3,903,479	1,845,732
Transfers out	(3,519,951)	(2,094,983)	(3,653,479)	(1,845,732)
Total other financing sources and uses	<u>204,023</u>	<u>59,167</u>	<u>354,656</u>	<u>6,689,816</u>
Net change in fund balances	<u>\$ 655,792</u>	<u>\$ 7,357,237</u>	<u>\$ 8,382,893</u>	<u>\$ (2,432,469)</u>
Ratio of total debt service expenditures to non-capital expenditures	2.63%	2.09%	1.06%	0.93%

(Continued)

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 10,780,692	\$ 12,294,308	\$ 12,612,528	\$ 12,092,878	\$ 12,058,648	\$ 11,699,519
					6,667,433
513,081	619,663	529,657	397,490	469,651	606,269
1,563,382	1,336,602	1,317,038	1,228,579	1,539,663	1,247,497
52,104,688	49,652,453	46,350,655	42,113,926	43,050,561	39,645,165
2,284,384	2,347,245	2,583,583	2,934,743	3,041,435	3,241,520
750,741	322,747	254,483	202,499	(109,710)	453,017
356,318	133,181	198,817	642,688	502,434	518,762
25,916	31,141	30,333	50,540	64,512	42,650
1,466,751	1,273,311	1,822,741	1,170,659	892,976	1,455,607
<u>69,845,953</u>	<u>68,010,651</u>	<u>65,699,835</u>	<u>60,834,002</u>	<u>61,510,170</u>	<u>65,577,439</u>
22,160,207	21,661,752	21,894,300	20,650,249	20,746,489	21,296,099
18,403,733	16,838,127	17,020,246	17,394,177	17,515,389	17,165,782
17,778,854	10,087,829	15,462,752	9,452,610	9,583,999	8,446,932
7,074,321	9,306,800	7,138,323	7,507,775	7,987,610	7,909,342
501,738	740,591	808,312	962,712	785,901	691,882
5,515,147	6,139,063	5,674,996	6,019,533	5,326,169	6,146,055
231,225	237,032	196,504	16,352	303,402	347,079
	307,208	35,558	784	42,701	365,994
487,701	858,416	919,249	946,316	676,779	821,698
594,260	677,253	625,962	721,020	527,044	461,413
				115,290	75,464
<u>3,030,157</u>	<u>81,675</u>	<u>274,573</u>	<u>327,361</u>	<u>1,469,268</u>	<u>7,613,324</u>
<u>75,777,343</u>	<u>66,935,746</u>	<u>70,050,775</u>	<u>63,998,889</u>	<u>65,080,041</u>	<u>71,341,064</u>
(5,931,390)	1,074,905	(4,350,940)	(3,164,887)	(3,569,871)	(5,763,625)
				8,500,000	10,625,000
				(4,345,000)	(4,806,395)
6,846		18,913	354,826	146,994	488,368
23,895	115,237	5,957	68,446	78,863	98,822
2,304,012	8,048,481	6,600,855	10,017,167	10,157,899	7,753,432
(2,304,012)	(6,789,602)	(6,600,855)	(10,017,167)	(10,157,899)	(7,753,432)
<u>30,741</u>	<u>1,374,116</u>	<u>24,870</u>	<u>423,272</u>	<u>4,380,857</u>	<u>6,405,795</u>
<u>\$ (5,900,649)</u>	<u>\$ 2,449,021</u>	<u>\$ (4,326,070)</u>	<u>\$ (2,741,615)</u>	<u>\$ 810,986</u>	<u>\$ 642,170</u>
1.49%	2.30%	2.21%	2.62%	2.07%	2.13%

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities:					
Net investment in capital assets	\$ 55,643,023	\$ 59,552,340	\$ 55,332,385	\$ 61,704,323	\$ 73,728,006
Restricted	15,322,958	15,958,946	21,309,950	24,374,755	19,040,878
Unrestricted	8,491,241	16,657,154	22,441,546	16,119,289	15,007,820
Total governmental activities net position	<u>\$ 79,457,222</u>	<u>\$ 92,168,440</u>	<u>\$ 99,083,881</u>	<u>\$ 102,198,367</u>	<u>\$ 107,776,704</u>

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities:					
Net investment in capital assets	\$ 66,038,408	\$ 70,264,651	\$ 64,205,881	\$ 58,803,447	\$ 65,059,354
Restricted	23,034,928	27,364,617	25,830,803	25,924,806	24,056,612
Unrestricted	16,207,016	6,481,167	7,151,635	8,028,698	4,454,331
Total governmental activities net position	<u>\$ 105,280,352</u>	<u>\$ 104,110,435</u>	<u>\$ 97,188,319</u>	<u>\$ 92,756,951</u>	<u>\$ 93,570,297</u>

Navajo County
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

PRIMARY ASSESSED VALUE

<u>Fiscal Year</u>	<u>Residential and Vacant Property</u>	<u>Commercial Property</u>	<u>Unattached Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>*Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2005	333,976,747	291,305,997	19,312,521	644,595,265	1.0316	5,682,323,267	11.34%
2006	365,245,873	300,099,462	18,588,795	683,934,130	1.2600	6,004,911,358	11.39%
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%

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 1,059,004,850

NAVAJO COUNTY
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

County Direct Rates

Fiscal Year	Primary	Fire District	Library District	Flood Control District	Public Health District	Total Direct
2005	0.6316	0.1000	0.0200	0.2041	0.0759	1.0316
2006	0.6337	0.1000	0.0300	0.3000	0.1963	1.2600
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

Overlapping Rates

Fiscal Year	School Equalization	School Districts	Cities	Other Special Districts	Community College District
2005	0.4560	3.3400-8.0200	0.5610-0.9501	0.0767-2.4450	1.5092
2006	0.4358	3.3931-8.0200	0.5324-0.9501	0.0967-2.6514	1.5200
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

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 Ten Years Ago

Taxpayer	2014			2004		
	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value
Arizona Public Service Company	\$ 135,671,176	1	15.02%	\$ 96,593,064	1	15.49%
PacifiCorp Electric Operations	55,275,181	2	6.12%	32,473,751	2	5.21%
Peabody Western Coal Co.	15,827,002	3	1.75%	15,712,500	3	2.52%
Transwestern Pipeline Co	12,839,040	4	1.42%	7,818,785	6	1.25%
Burlington Northern/Santa Fe Railway	7,633,285	5	0.84%	5,184,182	10	0.83%
El Paso Natural Gas Co	7,160,409	6	0.79%	9,728,496	5	1.56%
Navopache Electric Co-Op Inc.	6,417,901	7	0.71%	5,430,813	9	0.87%
Citizens Telecom of White Mountains	5,433,659	8	0.60%	10,589,603	4	1.70%
Smith Bagley	4,994,177	9	0.55%	N/A	N/A	N/A
Unisource Energy Corporation	3,958,786	10	0.44%	N/A	N/A	N/A
TOTALS	<u><u>\$ 255,210,616</u></u>		<u><u>28.25%</u></u>	<u><u>\$ 183,531,194</u></u>		<u><u>29.43%</u></u>
Total 2014 Navajo County Assessed Value	\$ 903,351,854			Total 2004 Navajo County Assessed Value		\$ 623,721,601

Source: Navajo County Assessor's office

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
2005	\$ 4,053,921	\$ 3,867,955	95.41%	\$ 185,302	\$ 4,053,257	99.98%
2006	4,320,473	4,139,945	95.82%	179,497	4,319,442	99.98%
2007	4,579,748	4,401,681	96.11%	177,120	4,578,802	99.98%
2008	4,911,184	4,684,181	95.38%	225,698	4,909,879	99.97%
2009	5,248,229	5,003,706	95.34%	241,697	5,245,403	99.95%
2010	5,583,907	5,306,931	95.04%	271,303	5,578,234	99.90%
2011	5,863,040	5,569,913	95.00%	284,306	5,854,219	99.85%
2012	6,109,793	5,887,544	96.36%	211,478	6,099,022	99.82%
2013	6,185,083	6,001,505	97.03%	168,247	6,169,752	99.75%
2014	6,284,454	6,070,355	96.59%	-	6,070,355	96.59%

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)
2005		6,180,000	1,812,813	61,696	8,054,509	0.38	75.30
2006		5,915,000	1,765,055	40,684	7,720,739	0.34	70.83
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	0.40	105.94
2013	13,665,000	-	985,235	320,638	14,970,873	N/A (2)	137.73
2014	19,125,000	-	786,508	571,035	20,482,543	N/A (2)	N/A (2)

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) Population for 2014 and personal income for 2013 and 2014 were not available.

Navajo County
Pledged Revenue Coverage
Last Ten Fiscal Years

2013 Series Pledged Revenue Obligation						
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
2012 Series Pledged Revenue Obligation						
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
2008 Series Pledged Revenue Obligation Bonds						
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	

Source: Navajo County Finance Department

Navajo County
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 903,351,854
Debt limit (15% of assessed value)	135,502,778
Debt applicable to limit:	
General obligation bonds	
Less: Amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	
Legal debt margin	<u><u>\$ 135,502,778</u></u>

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt Limit	\$ 96,689,290	\$ 102,590,120	\$ 110,225,508	\$ 121,847,141	\$ 136,253,654
Total net debt applicable to limit					
Legal debt margin	<u>96,689,290</u>	<u>102,590,120</u>	<u>110,225,508</u>	<u>121,847,141</u>	<u>136,253,654</u>
Total net debt applicable to the limit as a percentage of the debt	0%	0%	0%	0%	0%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	\$ 149,814,683	\$ 158,850,728	\$ 153,920,569	\$ 146,139,257	\$ 135,502,778
Total net debt applicable to limit					
Legal debt margin	<u>149,814,683</u>	<u>158,850,728</u>	<u>153,920,569</u>	<u>146,139,257</u>	<u>135,502,778</u>
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 (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2005	106,968	2,120,553	\$ 19,824	8.0
2006	109,000	2,260,966	\$ 20,743	7.2
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	(1)	(1)	13.1
2014	(1)	(1)	(1)	(1)

Source: Population and Personal Income from U.S. Bureau of Economic Analysis. Workforce Informer Arizona at www.laborstats.az.gov for unemployment rate.

(1) Information is not yet available for 2013 and 2014.

Navajo County Employment by Sector and Major Employers

Employment by Sector

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Mining and Construction	2,825	3,200	2,925	2,375	1,600
Educational & Health Svcs	3,100	3,250	3,325	3,300	3,500
Financial Activities	575	650	600	525	475
Government	9,850	9,875	9,925	10,400	10,100
Leisure & Hospitality	3,175	3,200	3,475	3,475	3,150
Manufacturing	900	975	900	800	550
Information	750	800	825	1,000	1,075
Professional & Business Svcs	1,100	1,250	1,350	1,275	1,025
Trade, Transportation & Utilities	5,600	5,700	6,050	5,650	5,375
Other Services	950	925	800	850	750

(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⁽¹⁾

<u>Employer</u>	<u>Employer Type</u>
APS, Joseph City	Electric Services
Arizona Department of Corrections	Prison
Algae Biosciences	Pharmaceuticals
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
Overseas Aircraft Support	Aircraft
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 SnowflakeTaylor Chamber of Commerce.

Navajo County
Employment by Sector and Major Employers
(Continued)

Employment by Sector

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Mining and Construction	1,450	1,325	1,600	1,600	1,625
Educational & Health Srvs	3,550	3,200	3,550	3,575	3,575
Financial Activities	400	425	575	600	700
Government	9,650	9,500	9,850	9,675	9,325
Leisure & Hospitality	3,500	3,625	3,600	3,875	3,700
Manufacturing	525	525	475	125	150
Information	1,150	1,150	1,175	1,175	1,150
Professional & Business Srvs	1,000	1,025	1,000	1,175	1,425
Trade, Transportation & Utilities	5,250	5,025	5,150	5,175	4,700
Other Services	700	525	950	1,050	925

⁽¹⁾ 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 Eight Fiscal Years

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

Source: Navajo County Budget 2007 - 2014

Navajo County
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2005	2006	2007	2008
General Government				
Assessor				
Number of parcels assessed	79,096	80,664	83,044	84,824
Elections				
Elections	4	5	4	5
Number voting	46,644	13,398	43,445	23,687
Planning & Zoning				
Building permits issued	3,009	3,674	3,789	3,085
Public Fiduciary				
Guardianships/conservatorships	95	97	99	104
Public Safety				
Adult Probation				
Community service hours		40,493	34,370	50,415
Pre-sentence reports written for courts		772	744	678
Probationers actively supervised		726	868	1,036
Juvenile Probation				
Average length of detention (days)	16	15	15	12
Juveniles in detention	351	281	318	338
Probationers	197	166	164	186
Community restitution hours	12,160	8,909	9,170	10,504
Sheriff				
Inmate population	348	369	385	363
Highways & Streets				
Public Works				
Crack sealing (miles)	27	45	9	2
Street resurfacing (miles)	82	54	33	52
Waste Tire Program				
Waste tires collected				56,775
Health & Welfare				
Public Health District				
Certified copies of birth or death certificates			5,311	5,685
Childhood immunization visits	3,371	5,905	8,608	10,586
Restaurant inspections and re-inspections	468	603	592	593
Culture & Recreation				
Library District				
Number of items circulated	355,087	372,980	380,765	442,038
Number of library cards issued (by member libraries)	5,068	6,395	5,835	6,079
Number of prints, media and electronic items	198,856	220,545	241,479	262,997
Number of items owned by Library District	11,839	13,800	15,216	16,907
Education				
School Superintendent				
Charter schools	8	8	6	6
Charter students	1,686	1,547	817	818
District students	21,507	21,253	20,948	20,861
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					
2009	2010	2011	2012	2013	2014
85,536	85,858	86,304	88,148	85,773	85,752
4	4	4	5	4	3
51,626	21,379	50,969	17,330	57,960	8,569
1,837	1,285	926	994	1,023	970
103	110	99	108	109	163
51,910	49,198	40,687	39,135	40,306	36,388
594	504	637	641	566	571
1,009	1,008	1,349	1,270	1,313	1,181
8	10	12	11	12	10
457	441	408	449	336	355
199	171	182	148	122	307
8,740	8,939	5,173	7,346	6,401	5,252
363	361	319	274	283	382
0	47	49	82	59	88
42	25	42	32	13	12
51,481	48,743	60,117	47,962	57,742	52,623
6,811	6,913	4,949	4,678	5,031	5,353
7,343	10,299	5,154	4,592	2,165	1,096
608	336	709	423	621	483
456,579	480,959	441,232	438,916	425,272	378,584
5,985	6,206	6,170	5,406	5,054	14,303
287,552	310,602	333,901	343,659	333,193	334,866
19,607	21,774	24,199	25,837	28,827	34,214
6	7	7	7	7	6
839	471	352	399	630	742
20,497	19,913	19,071	18,606	18,495	17,090
14	14	14	14	13	11

Navajo County
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Elections										
Voting Machines	76	158	158	158	158	158	173	173	173	173
Superior Courts										
Divisions	3	3	4	4	4	4	4	4	4	4
Division - Satellite							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
Jail Facilities	1	1	1	1	1	1	1	2	2	2
Stations	0	0	0	0	0	0	0	0	0	0
Improvement Districts										
Flood Warning Sites	31	31	31	31	31	30	31	31	31	31
Flood Control District Properties	8	8	8	8	8	9	12	12	12	13
Road Improvement Districts	3	0	2	1	1	1	1	0	0	0
Highways and Streets										
Public Works										
Miles of maintained roads	727.7	738.98	747.83	732.01	737.65	734.9	733.28	733.65	733.95	733.95
Bridges	14	14	14	14	14	14	14	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.