



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Expenditure Limitation Report

# Navajo County

Year Ended June 30, 2015

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**Debra K. Davenport**  
Auditor General

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Navajo County  
Annual Expenditure Limitation Report  
Year Ended June 30, 2015

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

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

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Navajo County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2015. The County's management is responsible for this report. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Jay Zsorey, CPA  
Financial Audit Director

April 18, 2016

Navajo County  
Annual Expenditure Limitation Report—Part I  
Year Ended June 30, 2015

1. Economic Estimates Commission expenditure limitation	\$44,758,664
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>35,125,468</u>
3. Amount under the expenditure limitation	<u>\$ 9,633,196</u>

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

Signature of Chief Fiscal Officer: \_\_\_\_\_

Name and Title: W. James Menlove, CPA, Finance Director

Telephone Number: (928) 524-4343 Date: April 18, 2016

See accompanying notes to report.

Navajo County  
Annual Expenditure Limitation Report—Part II  
Year Ended June 30, 2015

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 69,714,706	\$ 211,321,652	\$ 281,036,358
B. Less exclusions claimed:			
Debt service requirements on other long-term obligations (Note 2)	3,244,586		3,244,586
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	915,311		915,311
Trustee or custodian (Note 4)	590,636	211,321,652	211,912,288
Grants and aid from the federal government (Note 5)	4,848,741		4,848,741
Amounts received from the State of Arizona (Note 5)	7,793,887		7,793,887
Quasi-external interfund transactions (Note 5)	5,562,982		5,562,982
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	6,409,442		6,409,442
Contracts with other political subdivisions (Note 5)	2,457,216		2,457,216
Prior years carryforward (Note 6)	<u>2,766,437</u>		<u>2,766,437</u>
Total exclusions claimed	<u>34,589,238</u>	<u>211,321,652</u>	<u>245,910,890</u>
C. Amounts subject to the expenditure limitation	<u>\$ 35,125,468</u>	<u>\$ -</u>	<u>\$ 35,125,468</u>

See accompanying notes to report.

Navajo County  
Annual Expenditure Limitation Report—Reconciliation  
Year Ended June 30, 2015

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 77,800,720	\$ 211,321,652	\$ 289,122,372
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	5,395,187		5,395,187
Long-term care contributions withheld by the State Treasurer (Note 8)	2,552,500		2,552,500
Payments made to reimburse the Arizona Department of Health Services (Note 9)	<u>138,327</u>		<u>138,327</u>
Total subtractions	<u>8,086,014</u>	<u>-</u>	<u>8,086,014</u>
C. Amounts reported on Part II, Line A	<u>\$ 69,714,706</u>	<u>\$ 211,321,652</u>	<u>\$ 281,036,358</u>

See accompanying notes to report.

Navajo County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

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

Note 2 - The exclusion claimed for debt service requirements on other long-term obligations in the Governmental Funds of \$3,244,586 consists of debt service expenditures for principal and interest and other charges of \$2,495,743 and \$748,843, respectively.

Note 3 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$915,311 in the Governmental Funds includes investment earnings expended of \$187,462 and interest on delinquent taxes expended of \$727,849, which was recorded as tax revenue.

Note 4 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$590,636 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the Fiduciary Funds, the exclusion consists of \$211,321,652 in distributions to investment pool participants.

Note 5 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, quasi-external interfund transactions for the self-funded employee health insurance pool, highway user revenues, and contracts with other political subdivisions in the Governmental Funds:

Navajo County  
Notes to Annual Expenditure Limitation Report  
Year Ended June 30, 2015

Description	<u>Intergovernmental Revenues</u>	<u>Charges for Services</u>	<u>Total</u>
Grants and aid from the federal government	\$ 4,848,741		\$ 4,848,741
Amounts received from the State of Arizona	7,793,887		7,793,887
Quasi-external interfund transactions		\$5,562,982	5,562,982
Highway user revenues in excess of those received in fiscal year 1979-80	6,409,442		6,409,442
Contracts with other political subdivisions	1,504,432	952,784	2,457,216
Other revenues—(nonexcludable)	<u>19,489,246</u>	<u>3,182,893</u>	<u>22,672,139</u>
Total revenues as reported in the fund financial statements	<u>\$40,045,748</u>	<u>\$9,698,659</u>	<u>\$49,744,407</u>

Note 6 - Prior years carryforward consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	<u>Governmental Funds</u>
Proceeds from other long-term obligations	<u>\$2,766,437</u>
Total prior years carryforward expended	<u>\$2,766,437</u>

Note 7 - The subtraction of \$5,395,187 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements. Health and welfare expenditures of \$4,591,078 were reduced by \$211,175 for required maintenance of effort.

<b>Special Assessment Districts</b>	
Health and welfare	\$4,379,903
Culture and recreation	702,563
Highways and streets	16,557
Debt service:	
Principal	242,071
Interest and other charges	<u>54,093</u>
Total	<u>\$5,395,187</u>

Note 8 - The subtraction of long-term care contributions withheld by the State Treasurer consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 9 - The subtraction of \$138,327 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the costs of committing an individual the court determined to be sexually violent, as required by Laws 2014, Chapter 11, Sections 10 and 11, which were recorded as health and welfare expenditures.

