

Navajo County, Arizona
Report on Audit of Annual
Expenditure Limitation Report

Year Ended June 30, 2003

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Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Navajo County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Navajo County, Arizona ("County") for the year ended June 30, 2003. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

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

As instructed by the County's management, we did not perform any procedures applicable to the expenditures related to the financing of the County's uninsured risk of loss for certain employee benefits. These expenditures totaling \$811,503 are included in the General Fund in the fund financial statements and are therefore included in the Governmental Funds column of the accompanying Annual Expenditure Limitation Report. Since we did not perform auditing procedures on the expenditures of the County's Employee Health Benefits Fund, we were unable to determine the accuracy of these expenditures as reported in the Governmental Funds column of the Annual Expenditure Limitation Report.

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

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to audit the expenditures of the County's Employee Health Benefits Fund, as described in the third paragraph, the Annual Expenditure Limitation Report of Navajo County, Arizona for the year ended June 30, 2003, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

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

Walker & Armstrong LLP

Phoenix, Arizona
June 29, 2006

**Navajo County, Arizona
Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2003**

1. Economic Estimates Commission expenditure limitation	\$ 26,505,960
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>22,911,334</u>
3. Amount under the expenditure limitation	<u>\$ 3,594,626</u>

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

Signature of Chief Fiscal Officer: _____

Name and Title: James Menlove, Finance Director

Telephone Number: (928) 524-4000

Date: June 29, 2006

See accompanying notes to report.

Navajo County, Arizona
Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2003

<u>Description</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, Line C	\$ 44,077,164	\$ 224,042,129	\$ 268,119,293
B. Less exclusions claimed:			
1. Debt service requirements on bonded indebtedness (Note 2)	982,449	-	982,449
2. Debt service requirements on other long-term obligations (Note 2)	94,290	-	94,290
3. Dividends, interest and gains on the sale or redemption of investment securities (Note 3)	728,569	-	728,569
4. Trustee or custodian (Note 4)	284,875	224,042,129	224,327,004
5. Grants and aid from the federal government (Note 5)	9,166,037	-	9,166,037
6. Grants, aid, contributions, or gifts from a private agency, organization or individual except amounts received in lieu of taxes (Note 6)	47,329	-	47,329
7. Amount received from the state (Note 5)	3,507,163	-	3,507,163
8. Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	5,943,516	-	5,943,516
9. Contracts with other political subdivisions (Note 7)	411,602	-	411,602
Total exclusions claimed	<u>21,165,830</u>	<u>224,042,129</u>	<u>245,207,959</u>
C. Amounts subject to the expenditure limitation.	<u>\$ 22,911,334</u>	<u>\$ -</u>	<u>\$ 22,911,334</u>

See accompanying notes to report.

Navajo County, Arizona
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2003

<u>Description</u>	<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-based financial statements	\$ 46,822,500	\$ 224,042,129	\$ 270,864,629
B. Subtractions:			
1. Expenditures of separate legal entities established under Arizona Revised Statutes (A.R.S.) (Note 8)	963,074	-	963,074
2. Long-term care contributions withheld by the State Treasurer (Note 9)	<u>1,782,262</u>	<u>-</u>	<u>1,782,262</u>
Total subtractions	<u>2,745,336</u>	<u>-</u>	<u>2,745,336</u>
C. Amounts reported on Part II, Line A	<u>\$ 44,077,164</u>	<u>\$ 224,042,129</u>	<u>\$ 268,119,293</u>

See accompanying notes to report.

Navajo County, Arizona
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 1 Summary of Significant Accounting Policies

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

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

Note 2 Debt Service Requirements on Bonded Indebtedness and Other Long-Term Obligations

The exclusion claimed for debt service requirements on Bonded Indebtedness and on Other Long-Term Obligations of \$982,449 and \$94,290, respectively, in the Governmental Funds consists of \$517,747 in principal retirements and \$558,992 in interest expense.

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

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$728,569 in the Governmental Funds includes interest on investments expended of \$216,112 and interest on delinquent taxes expended of \$512,457. The amount not excluded totaling \$65,275 has been carried forward to future years.

Note 4 Trustee or Custodian

The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$284,875 in contributions by the County to the Arizona Health Care Costs Containment System for acute care and in the Fiduciary Funds, the exclusion consists of \$224,042,129 in distributions to participants.

Navajo County, Arizona
Notes to Annual Expenditure Limitation Report - Continued
Year Ended June 30, 2003

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

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

Description	Amount
Grants and aid from the Federal government	\$ 9,166,037
Amounts received from the State of Arizona	3,507,163
Highway User Revenues in excess of those received in fiscal year 1979-80	5,943,516
Other revenues (nonexcludable)	<u>20,202,217</u>
Total intergovernmental revenues as reported in the fund-financial statements	<u>\$ 38,818,933</u>

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

The exclusion claimed for grants, aid, contributions, or gifts, from a private agency, organization, or individual except amounts received in lieu of taxes of \$47,329 is reported as miscellaneous revenues expended.

Note 7 Contracts with Other Political Subdivisions

The exclusion claimed for contracts with other political subdivisions of \$411,602 is reported as a component of charges for services expended in the Governmental Funds.

Navajo County, Arizona
Notes to Annual Expenditure Limitation Report - Continued
Year Ended June 30, 2003

Note 8 Expenditures of Separate Legal Entities

The subtraction of \$1,173,574 in the Governmental Funds for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity but not included in the Economic Estimates Commission base limit calculations and are reported in the Governmental Funds category in the fund financial statements as follows:

<u>Functional Expenditure</u>	<u>Amount</u>
Highways and streets	\$ 160,604
Health	314,825
Culture & recreation	159,147
Capital outlays	<u>328,498</u>
	<u>\$ 963,074</u>

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

The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as revenue and offsetting expenditure in the County's fund financial statements. Consequently, this expenditure has been subtracted on the Reconciliation.