

Navajo County

Expenditure Limitation Report

Year Ended June 30, 2017



A Report to the Arizona Legislature

Lindsey Perry
Auditor General





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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LINDSEY PERRY, CPA, CFE
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, 2017, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in note 1 in all material respects.

Jay Zsorey, CPA
Director, Financial Audit Division

July 9, 2018



Navajo County
Annual expenditure limitation report—part I
Year ended June 30, 2017

1. Economic Estimates Commission expenditure limitation	\$46,658,178
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>34,324,574</u>
3. Amount under the expenditure limitation	<u>\$12,333,604</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: Paige Peterson, Finance Director

Telephone number: (928) 524-4066 Date: July 9, 2018

See accompanying notes to report.

Navajo County
Annual expenditure limitation report—part II
Year ended June 30, 2017

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line C	\$ 64,469,610	\$ 227,705,947	\$ 292,175,557
B. Less exclusions claimed:			
Debt service requirements (Note 2)	1,752,402		1,752,402
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	774,257		774,257
Trustee or custodian (Note 4)	599,036	227,705,947	228,304,983
Grants and aid from the federal government (Note 5)	5,191,013		5,191,013
Amounts received from the State of Arizona (Note 5)	5,198,018		5,198,018
Quasi-external interfund transactions (Note 5)	8,332,148		8,332,148
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	7,454,539		7,454,539
Contracts with other political subdivisions (Note 5)	<u>843,623</u>	<u> </u>	<u>843,623</u>
Total exclusions claimed	<u>30,145,036</u>	<u>227,705,947</u>	<u>257,850,983</u>
C. Amounts subject to the expenditure limitation	<u>\$ 34,324,574</u>	<u>\$ -</u>	<u>\$ 34,324,574</u>

See accompanying notes to report.

Navajo County
Annual expenditure limitation report—reconciliation
Year ended June 30, 2017

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	\$ 73,796,144	\$ 227,705,947	\$ 301,502,091
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 6)	6,404,803		6,404,803
Long-term care contributions the State Treasurer withheld (Note 7)	2,588,200		2,588,200
Required fees/reimbursements made to Arizona state agencies (Note 8)	<u>333,531</u>		<u>333,531</u>
Total subtractions	<u>9,326,534</u>		<u>9,326,534</u>
C. Amounts reported on part II, line A	<u>\$ 64,469,610</u>	<u>\$ 227,705,947</u>	<u>\$ 292,175,557</u>

See accompanying notes to report.

Navajo County

Notes to annual expenditure limitation report

Year ended June 30, 2017

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 (A.R.S.) §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 in the governmental funds of \$1,752,402 consists of debt service expenditures for principal and interest and other charges of \$1,319,086 and \$433,316, respectively.

Note 3

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$774,257 in the governmental funds includes investment earnings expended of \$159,202 and interest on delinquent taxes expended of \$615,055, which was recorded as tax revenue.

Note 4

The exclusion claimed for trustee or custodian in the governmental funds consists of \$599,036 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 \$227,705,947 in distributions to investment pool participants.

Note 5

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

Navajo County
Notes to annual expenditure limitation report
Year ended June 30, 2017

Description	Intergovernmental revenues	Charges for services	Total
Grants and aid from the federal government	\$ 5,191,013		\$ 5,191,013
Amounts received from the State of Arizona	5,198,018		5,198,018
Quasi-external interfund transactions		\$ 8,332,148	8,332,148
Highway user revenues in excess of those received in fiscal year 1979-80	7,454,539		7,454,539
Contracts with other political subdivisions	242,293	601,330	843,623
Other revenues—(nonexcludable)	<u>23,814,630</u>	<u>347,389</u>	<u>24,162,019</u>
Total revenues as reported in the fund financial statements	<u>\$41,900,493</u>	<u>\$ 9,280,867</u>	<u>\$51,181,360</u>

Note 6

The subtraction of \$6,404,803 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 \$5,482,347 were reduced by \$211,175 for required maintenance of effort.

Special assessment districts	
Health and welfare	\$5,271,172
Culture and recreation	803,616
Highways and streets	49,417
Debt service:	
Principal	252,831
Interest and other charges	<u>27,767</u>
Total	<u>\$6,404,803</u>

Note 7

The subtraction for long-term care contributions the State Treasurer withheld 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 8

The subtraction of \$333,531 for required fees/reimbursements paid to Arizona state agencies consists of \$189,279 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed-youth-confinement cost-sharing; \$112,118 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs; and \$32,134 paid to the Arizona Department of Health Services pursuant to Laws 2016, Chapter 122, Sections 16 and 17, for inpatient competency restoration treatment and committing an individual the court determined to be sexually violent, which were recorded as health and welfare expenditures.

