

Navajo County

Annual Expenditure
Limitation Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. 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.

The Joint Legislative Audit Committee

Representative **Anthony T. Kern**, Chair
Representative **John Allen**
Representative **Timothy M. Dunn**
Representative **Mitzi Epstein**
Representative **Jennifer Pawlik**
Representative **Rusty Bowers** (ex officio)

Senator **Rick Gray**, Vice Chair
Senator **Lupe Contreras**
Senator **Andrea Dalessandro**
Senator **David C. Farnsworth**
Senator **David Livingston**
Senator **Karen Fann** (ex officio)

Audit Staff

Donna Miller, Director
Stephanie Gerber, Manager

Contact Information

Arizona Office of the Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



TABLE OF CONTENTS

Independent accountants' report	1
Annual Expenditure Limitation Report—Part I	2
Annual Expenditure Limitation Report—Part II	3
Annual Expenditure Limitation Report—Reconciliation	4
Notes to Annual Expenditure Limitation Report	5



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2019, 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.

Donna Miller, CPA
Director, Financial Audit Division

April 23, 2020

Navajo County
Annual Expenditure Limitation Report—Part I
Year ended June 30, 2019

1. Economic Estimates Commission expenditure limitation	\$48,809,011
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>37,292,533</u>
3. Amount under the expenditure limitation	<u>\$11,516,478</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: (Signature removed for website presentation.)

Name and title: Paige Peterson, Finance Director

Telephone number: (928) 524-4066 Date: April 23, 2020

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Part II
Year ended June 30, 2019

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line C	\$ 66,462,636	\$ 255,549,745	\$ 322,012,381
B. Less exclusions claimed:			
Debt service requirements (Note 2)	1,629,655		1,629,655
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	1,241,064		1,241,064
Trustee or custodian (Note 4)	485,088	255,549,745	256,034,833
Grants and aid from the federal government (Note 5)	4,414,599		4,414,599
Amounts received from the State of Arizona (Note 5)	5,659,431		5,659,431
Quasi-external interfund transactions (Note 5)	6,490,746		6,490,746
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 5)	8,296,443		8,296,443
Contracts with other political subdivisions (Note 5)	<u>953,077</u>	<u> </u>	<u>953,077</u>
Total exclusions claimed	<u>29,170,103</u>	<u>255,549,745</u>	<u>284,719,848</u>
C. Amounts subject to the expenditure limitation	<u>\$ 37,292,533</u>	<u>\$ -</u>	<u>\$ 37,292,533</u>

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Reconciliation
Year ended June 30, 2019

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	\$ 74,474,280	\$ 255,549,745	\$ 330,024,025
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 6)	5,068,785		5,068,785
Long-term care contributions the State Treasurer withheld (Note 7)	2,668,000		2,668,000
Required fees/reimbursements made to Arizona state agencies (Note 8)	<u>274,859</u>	<u> </u>	<u>274,859</u>
Total subtractions	<u>8,011,644</u>	<u> </u>	<u>8,011,644</u>
C. Amounts reported on part II, line A	<u>\$ 66,462,636</u>	<u>\$ 255,549,745</u>	<u>\$ 322,012,381</u>

See accompanying notes to report.

Navajo County

Notes to Annual Expenditure Limitation Report

Year ended June 30, 2019

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 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 position for the fiduciary funds.

Note 2

The exclusion claimed for debt service requirements in the governmental funds of \$1,629,655 consists of debt service expenditures for principal and interest and other charges of \$1,251,571 and \$378,084, respectively.

Note 3

The \$1,241,064 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds includes investment earnings expended of \$598,635 and interest on delinquent taxes expended of \$642,429 which was recorded as tax revenue.

Note 4

The \$485,088 exclusion claimed for trustee or custodian in the governmental funds consists of 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 \$255,549,745 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, and 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, 2019

Description	Intergovernmental revenues	Charges for services	Total
Grants and aid from the federal government	\$ 4,414,599		\$ 4,414,599
Amounts received from the State of Arizona	5,659,431		5,659,431
Highway user revenues in excess of those received in fiscal year 1979-80	8,296,443		8,296,443
Quasi-external interfund transactions		\$ 6,490,746	6,490,746
Contracts with other political subdivisions	897,427	55,650	953,077
Other revenues—(nonexcludable)	<u>25,519,123</u>	<u>4,860,790</u>	<u>30,379,913</u>
Total revenues as reported in the fund financial statements	<u>\$44,787,023</u>	<u>\$11,407,186</u>	<u>\$56,194,209</u>

Note 6

The \$5,068,785 subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts and municipal property corporations 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:

Special assessment districts	
Health and welfare	\$3,897,423
Culture and recreation	1,048,142
Highways and streets	36,068
Debt service	
Principal	77,223
Interest and other charges	<u>9,929</u>
Total	<u>\$5,068,785</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 \$274,859 subtraction for required fees/reimbursements paid to Arizona State agencies consists of \$189,300 paid to the Arizona Department of Juvenile Corrections pursuant to A.R.S. §41-2832 for committed youth confinement cost-sharing and \$85,559 paid to the Arizona Department of Administration pursuant to A.R.S. §42-5041 for administrative, program, and operating costs.

