



Navajo County
Arizona



Proudly Serving, Continuously Improving

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

NAVAJO COUNTY BOARD of SUPERVISORS



Front Row: District 5 — Jerry Brownlow, District 3 — J.R. DeSpain, District 1 — Jonathan M. Nez
Back Row: District 4 — David Tenney, District 2 — Jesse Thompson

Navajo County, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Jonathan M. Nez

District 1

Jesse Thompson

District 2

J.R. DeSpain

District 3

David Tenney

District 4

Jerry Brownlow

District 5

James G. Jayne

County Manager

Homero Vela

Assistant County Manager

Prepared by Navajo County Finance Department

James Menlove, Finance Director

Mary Jane Springer, Deputy Finance Director





Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

INTRODUCTORY SECTION

Navajo County
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NAVAJO COUNTY ADMINISTRATION

James G. Jayne
County Manager

W. James Menlove, CPA
Finance Director

December 21, 2012

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 2012. 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 2012 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 unqualified opinion that the County's financial statements for fiscal year 2012 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 2011 population of the County was estimated to be 107,398. 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	107,449	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 (Chilchinbito, Dilkon, Greasewood, Jeddito, Kayenta, Oljato, Pinon, and Shonto)	9,533	9,368	(2.8%)
Hopi Tribe (First Mesa, Hotevilla, Kykotsmovi, Second Mesa, and Shongopovi)	4,113	5,051	22.8%
White Mountain Apache Tribe (Cibecue, East Fork, Whiteriver)	7,431	6,516	(12.3%)

(Source: The 2000 and 2010 U.S. Census—2010 is the latest data available)

Some of the major employers in Navajo County include Catalyst (paper mill), Snowflake; 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. Catalyst, a newsprint paper mill in Snowflake, discontinued operations in the fall 2012.

Because of the rural nature of Navajo County, the local economy continues to be more severely impacted by the recession that has occurred at the state and national levels. The County's unemployment rate (14.9 percent June 2012) has been significantly higher than the State's (8.2% percent June 2012). 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.

Long-Term Financial Planning – 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 offices 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 Arizona 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 have continued to decline with a corresponding negative impact on property tax revenues. It is anticipated that property values will continue to drop through fiscal year 2014.

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 counties to 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, 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 severely impacted. Economists continue to predict that the economic recovery will be a very 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, 2011. This was the second 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 a Distinguished Budget Presentation Award to Navajo County, Arizona for its annual budget for the fiscal year beginning July 1, 2011. This was the third 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 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 the 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,

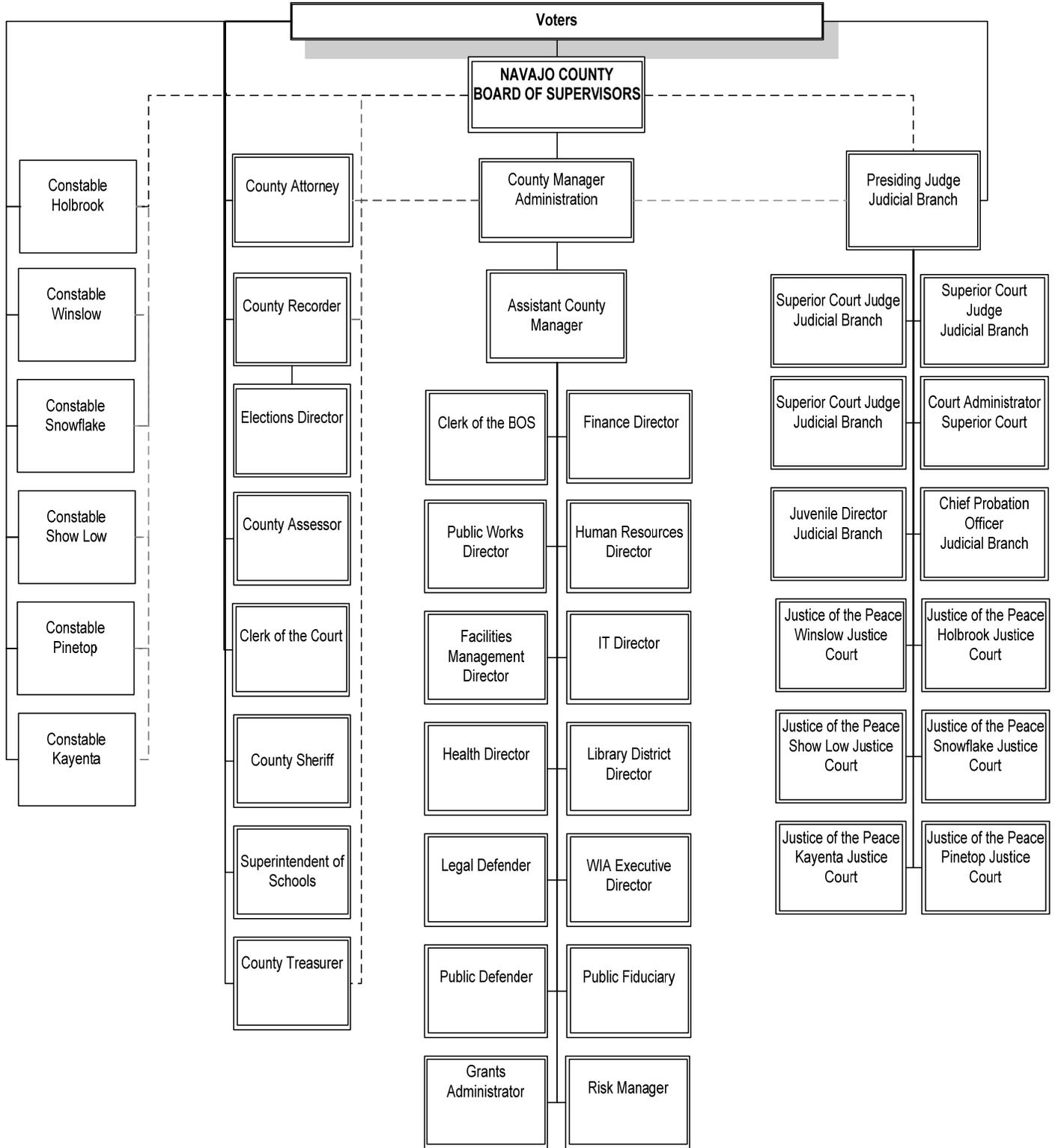
James G. Jayne
County Manager

James Menlove
Finance Director

Navajo County, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moirrell

President

Jeffrey R. Emer

Executive Director



Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 9, the Budgetary Comparison Schedules on pages 46 through 51, and the Schedule of Agent Retirement Plans' Funding Progress on page 52 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.

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. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund statements and schedules have 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.

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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we will also 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* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and others within the County 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.

Debbie Davenport
Auditor General

December 20, 2012

Navajo County
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$103.8 million (net assets). Of this amount, \$7.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total decrease in the County's net assets was \$359 thousand in fiscal year 2012.
- At the close of fiscal year 2012, the County's governmental funds reported combined ending fund balances of \$34.7 million, a decrease of \$2.7 million in comparison with the prior year's balances of \$37.0 million.
- At the end of the fiscal year, 74.1 percent (\$25.7 million) of fund balance was restricted; 12.0 percent (\$4.2 million) was assigned; 11.2 percent (\$3.9 million) was unassigned; and 2.7 percent (\$933 thousand) was nonspendable. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, 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 balance is designated by management. The nonspendable fund balances includes 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 Assets 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.

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Management's Discussion and Analysis
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The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 12 and 13 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 Assets 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, expenditures, and changes in fund balances for the General Fund, Public Works/HURF Fund, and the

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Management's Discussion and Analysis
June 30, 2012

Flood Control District 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 14 through 17 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 18 and 19 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 20 through 43 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 46 through 53 of this report.*

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets may serve over time as a useful indicator of a County's financial position. The following table reflects the condensed Statement of Net Assets of the County as of June 30, 2012, compared to the prior year.

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 39,378,378	\$ 41,098,689
Capital assets	<u>82,114,875</u>	<u>80,892,344</u>
Total assets	<u>121,493,253</u>	<u>121,991,033</u>
Other liabilities	3,687,095	3,305,794
Long-term liabilities outstanding	<u>14,054,503</u>	<u>14,574,804</u>
Total liabilities	<u>17,741,598</u>	<u>17,880,598</u>
Net Assets:		
Invested in capital assets, net of related debt	70,769,217	70,264,651
Restricted	25,830,803	27,364,617
Unrestricted	<u>7,151,635</u>	<u>6,481,167</u>
Total net assets	<u>\$103,751,655</u>	<u>\$104,110,435</u>

The County's current and other assets and net assets from governmental activities at the end of the fiscal year were \$39.4 million and \$103.8 million, respectively. The overall decrease of \$1.7 million in current and other assets and increase of \$1.2 million in capital assets was primarily due to the

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Management's Discussion and Analysis
June 30, 2012

completion of Public Works/HURF Fund road projects and the South County Health Facility. The resulting \$498 thousand decrease in total assets is due to typical county operations including capital asset depreciation.

A large portion of the County's net assets, 68.2 percent (\$70.8 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 24.9 percent (\$25.8 million) of the County's net assets are subject to external restrictions on how they may be used. The County's restricted net assets decreased by 5.6 percent (\$1.53 million) as compared to the prior fiscal year due to the use of Flood Control District resources.

The remaining balance of the County's net assets, 6.9 percent (\$7.2 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. The County's unrestricted net assets increased by 10.3 percent (\$670 thousand) in the current fiscal year due to revenues from current operations exceeding expenditures.

Changes in Net Assets

The Statement of Activities presents information on how the County's net assets changed during the most current fiscal year. The following table reflects the condensed Statement of Activities of the County for the fiscal year 2012 compared to the prior year.

	Governmental Activities	
	2012	2011
Program revenues:		
Charges for services	\$ 4,963,062	\$ 4,430,279
Operating grants and contributions	12,152,783	12,076,731
Capital grants and contributions	<u>9,803,553</u>	<u>13,170,789</u>
Total program revenues	26,919,398	29,677,799
General revenues:		
Property taxes	12,087,700	12,866,253
Sales taxes	6,246,077	5,889,027
State shared revenues	11,475,113	11,405,376
Grants and contributions not restricted to specific programs	3,175,428	4,489,096
Investment earnings	202,500	254,483
Gain on disposal of capital assets	13,116	5,957
Miscellaneous	<u>1,170,658</u>	<u>1,822,741</u>
Total general revenues	<u>34,370,592</u>	<u>36,732,933</u>
Total revenues	<u>\$61,289,990</u>	<u>\$66,410,732</u>

Navajo County
Management's Discussion and Analysis
June 30, 2012

	Governmental Activities	
	2012	2011
Program expenses:		
General government	\$ 21,607,586	\$ 22,396,786
Public safety	18,238,891	16,191,164
Highways and streets	8,023,409	14,480,464
Health and welfare	5,909,936	7,129,008
Culture and recreation	966,000	814,786
Education	6,164,792	5,710,417
Environmental and conservation	16,352	196,504
Urban redevelopment and housing	784	35,558
Interest on long-term debt	721,020	625,962
Total program expenses	<u>61,648,770</u>	<u>67,580,649</u>
Change in net assets	<u>(358,780)</u>	<u>(1,169,917)</u>
Net assets, beginning	<u>104,110,435</u>	<u>\$105,280,352</u>
Net assets, ending	<u>\$103,751,655</u>	<u>\$104,110,435</u>

Overall revenues decreased by 7.7 percent (\$5.1 million) and program expenses decreased by 8.8 percent (\$5.9 million) in the current fiscal year. The following summarizes the significant changes in revenues and expenses compared to the prior year.

Capital grants and contributions revenues decreased by 25.6 percent (\$3.4 million) in the current year due to the decrease in Highway User Revenue Funds (HURF) distributions.

Property tax revenues decreased 6.1 percent (\$779 thousand) in the current year due to declining property value assessments.

Grants and contributions not restricted to specific programs decreased 29.3 percent (\$1.3 million) in the current year due to the decreased federal and state grant revenues.

General government expenditures decreased 3.5 percent (\$789 thousand) in the current year due to additional personnel and operating cost reductions below amounts expended in the prior year.

Public safety expenses increased by 12.6 percent (\$2.0 million) in the current year due to increased expenditures for federal grant programs including Drug Enforcement and High Intensity Drug Trafficking Area (HIDTA). In addition, expenditures increased due to capital expenditures for vehicles and public safety equipment in the Sheriff's Office.

Highways and streets expenses decreased by 44.6 percent (\$6.5 million) in the current fiscal year due to completion of the Navajo Nation road yards in the prior year. No similar projects were completed in the current year. Additional reductions in highway and street expenditures were due to other county road project delays due to the reduced HURF distributions.

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June 30, 2012

Health and welfare expenses decreased by 17.1 percent (\$1.2 million) in the current fiscal year due to reduced Health District revenues from declining assessed property values, completion of the south county health facility in the prior year, and reduced federal grant revenues for the Workforce Investment Act program.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported three major funds for this fiscal year: the General Fund, Public Works/HURF Fund, and Flood Control District Fund. At year-end, the County's governmental funds reported combined fund balances of \$34.7 million, which is a decrease of \$2.3 million from last year or a change of 6.3 percent. Of the total, \$8.0 million constitutes unrestricted fund balances.

For governmental functions overall revenues decreased by \$4.9 million (7.4 percent) and expenditures decreased by \$6.1 million (8.6 percent). Governmental function expenditures exceeded revenues by \$3.2 million in the current fiscal year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unrestricted fund balances of the General Fund totaled \$6.5 million. Unrestricted fund balances represent 20.1 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The Flood Control District fund balance decreased by \$1.8 million (17.8 percent) in the current fiscal year due to the use of funds for long-term obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund, actual revenues were less than the original and final budget amounts by \$3.0 million while the actual expenditures were \$12.8 million less than the amount budgeted. The budget variance for expenditures in the General Fund was primarily due to intergovernmental revenue reductions from federal and state sources and reduced spending due to poor economic conditions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the current fiscal year, the net book value of capital assets increased by \$1.2 million. *Additional information on capital assets can be found in Notes 4 and 5 on page 30 of this report.*

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$14.1 million, which included certificates of participation outstanding of \$4.3 million that financed the construction of jail facilities and \$5.5 million in revenue bonds that financed the acquisition, construction, and improvements of county buildings and facilities. Included in long-term liabilities is \$1.2 million of special assessment debt with governmental commitment and \$2.4 million for the future payment of compensated absences for unused employee vacation and sick leave. The remainder of

Navajo County
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the long-term liabilities consists of capital leases, claims and judgments, and estimated landfill closure and post-closure care costs. There were no 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 31 through 33 of this report.*

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 2012. Along with the U.S. and State, the County continued to experience a very modest recovery during 2012 and expects a minimal improvement in fiscal year 2013. The County continues to closely monitor revenues 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.

REQUESTS 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.





Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

BASIC FINANCIAL STATEMENTS

Navajo County
Statement of Net Assets
Year Ended June 30, 2012

	Governmental Activities
Assets	
Cash and investments	\$ 32,101,874
Cash and investments held by trustee	993,480
Receivables (net of allowance for uncollectibles):	
Property taxes	744,074
Accrued interest	48,418
Due from other governments	3,904,087
Cash and investments held by trustee - restricted	653,437
Inventories	895,508
Prepaid items	37,500
Capital assets, not being depreciated	7,500,850
Capital assets, being depreciated, net	74,614,025
Total assets	\$ 121,493,253
Liabilities	
Accounts payable	2,327,154
Accrued payroll and employee benefits	1,359,941
Noncurrent liabilities	
Due within 1 year	2,542,977
Due in more than 1 year	11,511,526
Total liabilities	17,741,598
Net Assets	
Invested in capital assets, net of related debt	70,769,217
Restricted for:	
Highways and streets	9,332,922
Public safety	8,833,190
Judicial activities	2,550,974
Education	2,070,564
Law enforcement	668,028
Environment, library, and community services	436,201
Health and welfare	417,912
Debt service	1,368,031
Capital projects	83,879
Other purposes	69,102
Unrestricted	7,151,635
Total net assets	\$ 103,751,655

See accompanying notes to financial statements.

Navajo County
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 21,607,586	\$ 3,326,109	\$ 2,215,242	\$ 220,229	\$ (15,846,006)
Public safety	18,238,891	982,588	3,252,479	5,000	(13,998,824)
Highways and streets	8,023,409	334,513		9,578,324	1,889,428
Health and welfare	5,909,936	163,957	1,819,214		(3,926,765)
Culture and recreation	966,000	155,895	152,083		(658,022)
Education	6,164,792		4,654,668		(1,510,124)
Environmental and conservation	16,352		59,097		42,745
Urban redevelopment and housing	784				(784)
Interest on long-term debt	721,020				(721,020)
Total governmental activities	<u>\$ 61,648,770</u>	<u>\$ 4,963,062</u>	<u>\$ 12,152,783</u>	<u>\$ 9,803,553</u>	<u>(34,729,372)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					7,027,721
Property taxes, levied for flood control					2,484,977
Property taxes, levied for public health district					2,052,238
Property taxes, levied for library district					522,764
General county sales tax					6,246,077
Shared revenues - state sales tax					9,604,531
Shared revenues - state vehicle license tax					1,870,582
Grants and contributions not restricted to specific programs					3,175,428
Investment earnings					202,500
Gain on disposal of capital assets					13,116
Miscellaneous					1,170,658
Total general revenues					<u>34,370,592</u>
Change in net assets					(358,780)
Net assets, July 1, 2011					104,110,435
Net assets, June 30, 2012					<u>\$ 103,751,655</u>

See accompanying notes to financial statements.

Navajo County
Balance Sheet
Governmental Funds
Year Ended June 30, 2012

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,983,446	\$ 9,194,147	\$ 8,198,392	\$ 8,725,889	\$ 32,101,874
Cash and investments held by trustee				993,480	993,480
Receivables (net of allowance for uncollectibles):					
Property taxes	317,855		153,853	272,366	744,074
Accrued interest	8,858	13,179	11,089	15,292	48,418
Due from other funds	540			35,641	36,181
Due from other governments	1,730,045	926,431		1,247,611	3,904,087
Inventories		895,508			895,508
Prepaid items				37,500	37,500
Cash and investments held by trustee - restricted				653,437	653,437
Total assets	<u>\$ 8,040,744</u>	<u>\$ 11,029,265</u>	<u>\$ 8,363,334</u>	<u>\$ 11,981,216</u>	<u>\$ 39,414,559</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 247,910	\$ 1,533,355	\$ 39,055	\$ 506,834	\$ 2,327,154
Accrued payroll and employee benefits	867,151	162,195	8,499	322,096	1,359,941
Due to other funds	444			35,737	36,181
Deferred revenues	452,124	2,643	123,385	423,915	1,002,067
Total liabilities	<u>1,567,629</u>	<u>1,698,193</u>	<u>170,939</u>	<u>1,288,582</u>	<u>4,725,343</u>
Fund balances:					
Nonspendable		895,508		37,500	933,008
Restricted		8,435,564	8,192,395	9,068,126	25,696,085
Assigned	2,533,698			1,626,014	4,159,712
Unassigned	3,939,417			(39,006)	3,900,411
Total fund balances	<u>6,473,115</u>	<u>9,331,072</u>	<u>8,192,395</u>	<u>10,692,634</u>	<u>34,689,216</u>
Total liabilities and fund balances	<u>\$ 8,040,744</u>	<u>\$ 11,029,265</u>	<u>\$ 8,363,334</u>	<u>\$ 11,981,216</u>	<u>\$ 39,414,559</u>

See accompanying notes to financial statements.

Navajo County
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 Year Ended June 30, 2012

Fund balances—total governmental funds	\$ 34,689,216
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	82,114,875
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,002,067
Some liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,054,503)</u>
Net assets of governmental activities	<u><u>\$ 103,751,655</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, 2012

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 7,032,899	\$	\$ 2,484,977	\$ 2,575,002	\$ 12,092,878
Special assessments				642,688	642,688
Licenses and permits	338,492			58,998	397,490
Fines and forfeits	906,104			322,475	1,228,579
Intergovernmental	20,673,796	9,337,887		12,102,243	42,113,926
Charges for services	1,278,238	80,561		1,575,944	2,934,743
Investment earnings	38,018	51,177	56,979	56,325	202,499
Contributions				50,540	50,540
Miscellaneous	533,980	88,584		548,095	1,170,659
Total revenues	30,801,527	9,558,209	2,541,956	17,932,310	60,834,002
Expenditures:					
Current:					
General government	15,856,560			4,793,689	20,650,249
Public safety	11,764,145		1,088,747	4,541,285	17,394,177
Highways and streets		9,377,149		75,461	9,452,610
Health and welfare	3,944,942			3,562,833	7,507,775
Culture and recreation				962,712	962,712
Education	329,726			5,689,807	6,019,533
Environmental and conservation				16,352	16,352
Urban redevelopment and housing				784	784
Debt service:					
Principal	1,816			944,500	946,316
Interest and other charges	260			720,760	721,020
Capital outlay	327,361				327,361
Total expenditures	32,224,810	9,377,149	1,088,747	21,308,183	63,998,889
Excess (deficiency) of revenues over expenditures	(1,423,283)	181,060	1,453,209	(3,375,873)	(3,164,887)
Other financing sources (uses):					
Capital lease agreements				354,826	354,826
Sale of capital assets	26,329			42,117	68,446
Transfers in	2,548,659	26,532		7,441,976	10,017,167
Transfers out	(1,210,584)	(701,439)	(3,222,761)	(4,882,383)	(10,017,167)
Total other financing sources and uses	1,364,404	(674,907)	(3,222,761)	2,956,536	423,272
Net change in fund balances	(58,879)	(493,847)	(1,769,552)	(419,337)	(2,741,615)
Fund balances, July 1, 2011	6,531,994	9,402,559	9,961,947	11,111,971	37,008,471
Increase in reserve for inventories		422,360			422,360
Fund balances, June 30, 2012	\$ 6,473,115	\$ 9,331,072	\$ 8,192,395	\$ 10,692,634	\$ 34,689,216

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, 2012

Net change in fund balances—total governmental funds		\$ (2,741,615)
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	6,322,329	
Depreciation expense	<u>(5,044,468)</u>	1,277,861
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 assets differs from the change in fund balance by the book value of the capital assets sold.		
		(55,330)
Some revenues reported in the Statement of Activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Intergovernmental revenues		222,820
Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.		
Property taxes		(5,177)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued	(354,826)	
Principal repaid	<u>946,316</u>	591,490
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 and liabilities are reported regardless of when the financial resources are available.		
Decrease in compensated absences	85,353	
Decrease in claims and judgments	4,018	
Increase in landfill closure and post-closure care costs	<u>(160,560)</u>	(71,189)
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		<u>422,360</u>
Change in net assets of governmental activities		<u>\$ (358,780)</u>

See accompanying notes to financial statements.

Navajo County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Investment Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 123,390,379	\$ 5,191,256
Interest receivable	166,779	2,820
Total assets	\$ 123,557,158	\$ 5,194,076
Liabilities		
Due to other governments		\$ 3,086,951
Deposits held for others		2,107,125
Total liabilities		\$ 5,194,076
Net Assets		
Held in trust for investment trust participants	\$ 123,557,158	

See accompanying notes to financial statements.

Navajo County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 232,326,581
Net investment earnings	837,087
Total additions	233,163,668
 Deductions:	
Distributions to participants	228,216,077
 Change in net assets	4,947,591
 Net assets, July 1, 2011	118,609,567
 Net assets, June 30, 2012	\$ 123,557,158

See accompanying notes to financial statements.

Navajo County
Notes to Financial Statements
June 30, 2012

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).

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. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

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 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

Navajo County
Notes to Financial Statements
June 30, 2012

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
White Mountain Lake Recreation District	A tax-levying district that provides for 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 Municipal Property Corporation (MPC)	A nonprofit corporation that assists in the acquisition of tangible real and personal property; the County's Board of Supervisors appoints all members of the governing board, is able to impose its will on the MPC, which exists only to serve the County	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

The Navajo County Municipal Property Corporation was formed to finance the construction of the Navajo County Jail Facility. Because the County's Board of Supervisors serves as the Board of Directors for this corporation, it is reported as a blended component unit of the County. The Corporation issued certificates of participation that evidenced undivided proportionate interests in rent payments to be made under a lease agreement, with an option to purchase, between Navajo County and the Corporation. Since this debt is in substance the County's obligation, these liabilities and resulting assets are reported in the government-wide statement of net assets.

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 usefulness of the information.

Navajo County
Notes to Financial Statements
June 30, 2012

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net assets 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 and Flood Control District 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.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County, 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.

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 other governmental 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.

Navajo County
Notes to Financial Statements
June 30, 2012

The County 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 with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. 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 assets 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, intergovernmental, and charges for services. 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.

Navajo County
Notes to Financial Statements
June 30, 2012

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.

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 reported in the government-wide statements 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

Navajo County
Notes to Financial Statements
June 30, 2012

H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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.

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 approved by the County's Board of Supervisors, which is the highest level of decision making authority in the County. The County did not commit any fund balances at June 30, 2012.

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 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 assigned amounts first, followed by unassigned amounts.

I. Investment Earnings

Investment earnings is composed of interest and dividends.

J. Compensated Absences

Compensated absences payable consists of unused annual and sick leave. Employees may accumulate up to 488 hours during a calendar year (depending on years of service) with a maximum carryforward of 320 hours as of December 31 of each year. Upon terminating employment, all unused vacation benefits up to a maximum of 320 hours (488 upon retirement) are paid to the employee. Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay

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and are cumulative. Upon retirement or death, employees who have accumulated 301 hours or more of unused sick leave and have 5 or more years of continuous service will receive a partial sick leave payment, not to exceed \$5,000, based on the number of years of continuous service. Accordingly, vacation and 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 resignations and retirements 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 and notes; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; 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. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
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.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

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Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Deposits—At June 30, 2012, the carrying amount of the County’s deposits, consisting of checking, savings, and money market savings accounts, was \$61,262,028, and the bank balance was \$61,861,892. The County’s formal policy is to follow collateralization requirements set forth in A.R.S. §35-323 as described above.

At June 30, 2012, \$47,931,049 of the County’s bank balance was exposed to custodial credit risk for deposits that were uninsured with collateral held by the pledging financial institution.

Investments—The County’s investments at June 30, 2012, were as follows:

Investment	Amount
U.S. agency securities	\$ 87,967,444
U.S. Treasury securities	7,000,000
Corporate notes	4,410,119
U.S. Treasury money market funds	1,656,917
	<u>\$101,034,480</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, 2012, credit risk for the County’s investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AA+	Standard and Poor’s	\$87,967,444
Corporate notes	AA+	Standard and Poor’s	4,410,119
U.S. Treasury money market funds	Unrated	N/A	1,656,917
Total			<u>\$94,034,480</u>

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, 2012, the County had \$1,646,917 of U.S. Treasury money market funds that were uninsured and held by the counterparty not in the County’s name.

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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, 2012, of 5 percent or more in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments were 77.18 percent and 9.89 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, 2012, the County had the following investments in debt securities:

Investment	Amount	Weighted Average Maturity (In Years)
U.S. agency securities	\$ 87,967,444	3.977
U.S. Treasury securities	7,000,000	1.187
Corporate notes	4,410,119	2.066
U.S. Treasury money market funds	<u>1,656,917</u>	.003
	<u>\$101,034,480</u>	

At June 30, 2012, \$52,968,889 of the investments in U.S. agency securities and \$4,410,119 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.	\$52,968,889
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.	<u>4,410,119</u>
Total	<u>\$57,379,008</u>

Navajo County
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A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash, deposits, and investments:

Cash on hand	\$ 33,918
Amount of deposits	61,262,028
Amount of investments	<u>101,034,480</u>
Total	<u>\$162,330,426</u>

	Governmental Activities	Investment Trust Funds	Agency Funds	Total
Cash and investments	\$32,101,874	\$123,390,379	\$5,191,256	\$160,683,509
Cash and investments held by trustee	993,480			993,480
Restricted assets— cash and investments held by trustee	<u>653,437</u>	<u> </u>	<u> </u>	<u>653,437</u>
Total	<u>\$33,748,791</u>	<u>\$123,390,379</u>	<u>\$5,191,256</u>	<u>\$162,330,426</u>

Note 3 - Due from Other Governments

Amounts due from other governments at June 30, 2012, include \$1,147,854 in state and county sales taxes, \$341,447 in vehicle license taxes from the State of Arizona, \$672,740 in state-shared revenue from highway user taxes, and \$1,742,046 in various grants from the state and federal governments.

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Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,469,671	\$ 93,284		\$ 5,562,955
Construction in progress	<u>7,594,350</u>	<u>611,746</u>	<u>\$6,268,201</u>	<u>1,937,895</u>
Total capital assets not being depreciated	<u>13,064,021</u>	<u>705,030</u>	<u>6,268,201</u>	<u>7,500,850</u>
Capital assets being depreciated:				
Buildings and improvements	33,840,363	3,545,991		37,386,354
Infrastructure	76,784,600	7,438,303		84,222,903
Machinery and equipment	<u>25,940,796</u>	<u>901,206</u>	<u>547,527</u>	<u>26,294,475</u>
Total	<u>136,565,759</u>	<u>11,885,500</u>	<u>547,527</u>	<u>147,903,732</u>
Less accumulated depreciation for:				
Buildings and improvements	14,802,278	1,067,622		15,869,900
Infrastructure	31,922,584	2,457,962		34,380,546
Machinery and equipment	<u>22,012,574</u>	<u>1,518,884</u>	<u>492,197</u>	<u>23,039,261</u>
Total	<u>68,737,436</u>	<u>5,044,468</u>	<u>492,197</u>	<u>73,289,707</u>
Total capital assets being depreciated, net	<u>67,828,323</u>	<u>6,841,032</u>	<u>55,330</u>	<u>74,614,025</u>
Governmental activities capital assets, net	<u>\$ 80,892,344</u>	<u>\$7,546,062</u>	<u>\$6,323,531</u>	<u>\$ 82,114,875</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 860,429
Public safety	1,004,619
Highways and streets	2,837,825
Health and welfare	137,082
Culture and recreation	3,288
Education	<u>201,225</u>
Total governmental activities depreciation expense	<u>\$5,044,468</u>

Note 5 - Construction and Other Significant Commitments

The County had major contractual commitments related to various capital projects at June 30, 2012, for the construction of the Winslow Levee, Cheylon Bridge rehab, and additions and improvements to the Holbrook Jail Complex. At June 30, 2012, the County had spent \$1,937,895 on these projects and had remaining contractual commitments with contractors of \$5,816,110. These projects are being primarily financed through the Flood Control District and Public Works/HURF Funds, and revenue bond monies, respectively.

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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, 2012:

Governmental activities	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within 1 year
Revenue bonds payable	\$ 5,915,000		\$ 370,000	\$ 5,545,000	\$ 380,000
Certificates of participation payable	4,700,000		355,000	4,345,000	375,000
Special assessment debt with governmental commitment	1,309,455		136,684	1,172,771	184,746
Capital leases payable	12,693	\$ 354,826	84,632	282,887	96,232
Landfill closure and post-closure care costs payable	132,690	185,055	24,495	293,250	17,250
Compensated absences payable	2,444,966	1,364,967	1,450,320	2,359,613	1,479,749
Claims and judgments payable	<u>60,000</u>	<u> </u>	<u>4,018</u>	<u>55,982</u>	<u>10,000</u>
Total	<u>\$14,574,804</u>	<u>\$1,904,848</u>	<u>\$2,425,149</u>	<u>\$14,054,503</u>	<u>\$2,542,977</u>

Revenue bonds—The County has issued revenue bonds that are generally callable with interest payable semiannually. The bonds were issued to acquire a new regional county service center in Show Low, to construct a new county administrative building in Heber-Overgaard, and to make improvements to the water facility and electrical system at the county complex.

Revenue bonds outstanding at June 30, 2012, were as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Navajo County Pledged Revenue Obligations, Series 2008	\$6,600,000	2013 – 2024	3.40 – 4.00%	<u>\$5,545,000</u>

The following schedule details debt service requirements to maturity for the County's revenue bonds payable at June 30, 2012:

	Governmental Activities	
	Principal	Interest
Year ending June 30		
2013	\$ 380,000	\$ 202,860
2014	385,000	189,473
2015	405,000	175,648
2016	420,000	161,420
2017	435,000	146,668
2018-22	2,415,000	472,237
2023-24	<u>1,105,000</u>	<u>45,817</u>
Total	<u>\$5,545,000</u>	<u>\$1,394,123</u>

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The County has pledged a portion of its general county and state sales tax revenues toward the payment of debt related to revenue bonds outstanding at June 30, 2012. At June 30, 2012, future pledged revenues through final maturity at July 1, 2023 totaled \$6,939,123, consisting of \$5,545,000 for principal and \$1,394,123 for interest. Future principal and interest payments are expected to require less than 4 percent of pledged sales tax revenues. Principal and interest paid for the current year and total current year revenues were \$585,985 and \$15,850,608, respectively.

Certificates of participation—The County has issued certificates of participation that are generally noncallable with interest payable semiannually to finance the construction of jail facilities. The original amount of certificates issued in prior years was \$7,320,000.

Certificates outstanding at June 30, 2012, were as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Navajo County, Arizona Municipal Property Corporation Jail Facility Bonds, Series 2000	\$7,320,000	2013 – 2021	5.00 – 6.25%	<u>\$4,345,000</u>

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2012:

	Governmental Activities	
	Principal	Interest
Year ending June 30		
2013	\$ 375,000	\$ 256,200
2014	400,000	232,950
2015	425,000	208,200
2016	445,000	182,100
2017	475,000	153,906
2018-2021	<u>2,225,000</u>	<u>289,531</u>
Total	<u>\$4,345,000</u>	<u>\$1,322,887</u>

Special assessment debt with governmental commitment—Special assessment bonds are 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 bonds. The proceeds were used to finance the construction or improvement of roads, water and wastewater systems, and community facilities. At June 30, 2012, future pledged revenues through final maturity at July 1, 2019 totaled \$1,398,719, consisting of \$1,172,771 for principal and \$225,948 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 specials assessment revenues were \$211,729 and \$486,793, respectively. While there is no legal obligation for the County to further secure the special assessment bonds of the districts below, the County has made a moral commitment to take steps necessary to prevent default.

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Special assessment bonds currently outstanding for governmental activities are as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
Shumway Road	\$1,150,000	2013-2017	5.40%	\$ 635,000
Bucking Horse	524,000	2013-2019	5.75%	396,000
Scott's Pine Tract A	184,124	2013-2017	6.17%	73,949
Sutter Drive	<u>245,750</u>	2013-2016	5.50%	<u>67,822</u>
Total	<u>\$2,103,874</u>			<u>\$1,172,771</u>

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

	Governmental Activities	
	Principal	Interest
Year ending June 30		
2013	\$ 184,746	\$ 64,893
2014	196,746	54,617
2015	214,746	43,686
2016	222,744	31,774
2017	223,789	19,651
2018-20	<u>130,000</u>	<u>11,327</u>
Total	<u>\$1,172,771</u>	<u>\$225,948</u>

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2012, the County paid for compensated absences as follows: 65 percent from the General Fund, 11 percent from the Public Works/HURF Fund, 1 percent from the Flood Control District Fund, and 23 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. If the pool were to become insolvent, the County would be assessed an additional contribution.

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 required by law, 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.

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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Note 8 - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2012, were as follows:

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Inventories		\$ 895,508			\$ 895,508
Prepaid items				\$ 37,500	37,500
Total nonspendable		<u>895,508</u>		<u>37,500</u>	<u>933,008</u>
Restricted for:					
Highways and streets		8,435,564		280,084	8,715,648
Public safety			\$8,192,395		8,192,395
Judicial activities				2,902,679	2,902,679
Social services				155,919	155,919
Library				129	129
Law enforcement				1,032,836	1,032,836
Health and welfare				447,771	447,771
Recreation				103,473	103,473
Education				2,180,110	2,180,110
Environment				207,846	207,846
Debt service				1,386,031	1,386,031
Other purposes				389,248	389,248
Total restricted		<u>8,435,564</u>	<u>8,192,395</u>	<u>9,068,126</u>	<u>25,696,085</u>
Assigned to:					
Judicial activities	\$ 10,756				10,756
Law enforcement	1,102,717			125,388	1,228,105
Education				582,014	582,014
Debt service				819,643	819,643
Other purposes	1,420,225			98,969	1,519,194
Total assigned	<u>2,533,698</u>			<u>1,626,014</u>	<u>4,159,712</u>
Unassigned	<u>3,939,417</u>			<u>(39,006)</u>	<u>3,900,411</u>
Total fund balances	<u>\$6,473,115</u>	<u>\$9,331,072</u>	<u>\$8,192,395</u>	<u>\$10,692,634</u>	<u>\$34,689,216</u>

Note 9 - Pensions and Other Postemployment Benefits

Plan Descriptions—The County contributes to the four plans described below. Benefits are established by state statute, 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. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards

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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.

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 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 ASRS is governed by the Arizona State Retirement System Board 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 plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or 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 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 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 plan in which the related plan information that follows is separately referred to as the CORP-AOC. The CORP is governed by The Board of Trustees of PSPRS and 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 plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Board of Trustees of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

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

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

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

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, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement and 0.24 percent long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$1,631,434	\$104,134	\$39,670
2011	1,556,369	103,730	43,233
2010	1,506,523	119,282	72,330

Agent plans—For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll and the County was required to contribute 24.50 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.46 percent of covered payroll. Active CORP members and probation officers participating in the CORP-AOC were required by statute to contribute 8.41 percent of the members' annual covered payroll. In addition, the County was required to contribute 6.28 percent for active CORP members and 13.13 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 1.10 percent of covered payroll for active CORP members and 1.43 percent for CORP-AOC members. Active EORP members were required by statute to contribute 10 percent of the members' annual covered payroll, and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 17.96 percent of the members' annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.79 percent of covered payroll.

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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 only performed 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, 2012, were established by the June 30, 2010, 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 funded status of the plans 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 understood by the County and plans' members 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 that are 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 all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases includes inflation at	5.5%-8.5% for PSPRS and CORP; 5.0% for EORP 5.5% for PSPRS and CORP; 5.0% for EORP

Navajo County
Notes to Financial Statements
June 30, 2012

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows:

	<u>PSPRS</u>		<u>CORP</u>	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/ OPEB costs	\$523,118	\$33,149	\$86,459	\$18,360
Contributions made	523,118	33,149	86,459	18,360

	<u>CORP-AOC</u>		<u>EORP</u>	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/ OPEB costs	\$240,811	\$29,432	\$263,472	\$29,166
Contributions made	240,811	29,432	263,472	29,166

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	2012	\$523,118	100%	\$0
Health insurance	2012	33,149	100	0
Pension	2011	461,713	100	0
Health insurance	2011	32,434	100	0
Pension	2010	413,594	100	0
Health insurance	2010	16,032	100	0
CORP				
Pension	2012	86,459	100	0
Health insurance	2012	18,360	100	0
Pension	2011	106,201	100	0
Health insurance	2011	18,788	100	0
Pension	2010	122,623	100	0
Health insurance	2010	10,107	100	0

Navajo County
Notes to Financial Statements
June 30, 2012

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
CORP-AOC				
Pension	2012	\$240,811	100%	0
Health insurance	2012	29,432	100	0
Pension	2011	229,291	100	0
Health insurance	2011	27,291	100	0
Pension	2010	124,070	100	0
Health insurance	2010	5,165	100	0
EORP				
Pension	2012	263,472	100	0
Health insurance	2012	29,166	100	0
Pension	2011	247,432	100	0
Health insurance	2011	27,936	100	0
Pension	2010	193,294	100	0
Health insurance	2010	29,557	100	0

Funded Status—The funded status of the plans as of the most recent valuation date, June 30, 2011, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

Navajo County
Notes to Financial Statements
June 30, 2012

	<u>PSPRS</u>		<u>CORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Actuarial value of assets (a)	\$6,078,479	\$0	\$3,397,424	\$0
Actuarial accrued liability (b)	13,841,159	248,581	3,657,329	132,443
Unfunded actuarial accrued liability (funding excess) (b) – (a)	7,762,680	248,581	259,905	132,443
Funded ratio (a)/(b)	43.9%	0.0%	92.9%	0.0%
Annual covered payroll (c)	\$2,231,998	\$2,231,998	\$1,722,806	\$1,722,806
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((b)- (a))/(c)	350.6%	11.2%	15.1%	7.7%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0% - 9.0% for PSPRS; 5.0% - 8.25% for CORP; 4.75% for EORP
includes inflation at	5.0% for PSPRS and CORP; 4.5% for EORP

Note 10 -Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2012, were as follows:

<u>Payable from</u>	<u>Payable to</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
General Fund		\$ 444	\$ 444
Other Governmental Funds	<u>\$540</u>	<u>35,197</u>	<u>35,737</u>
Total	<u>\$540</u>	<u>\$35,641</u>	<u>\$36,181</u>

Navajo County
Notes to Financial Statements
June 30, 2012

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, 2012, were as follows:

<u>Transfer from</u>	<u>Transfers to</u>			<u>Total</u>
	<u>General Fund</u>	<u>Public Works/HURF Fund</u>	<u>Other Governmental Funds</u>	
General Fund		\$ 1,532	\$1,209,052	\$ 1,210,584
Public Works/HURF Fund	\$ 701,439			701,439
Flood Control District Fund	905,784		2,316,977	3,222,761
Other Governmental Funds	<u>941,436</u>	<u>25,000</u>	<u>3,915,947</u>	<u>4,882,383</u>
Total	<u>\$2,548,659</u>	<u>\$26,532</u>	<u>\$7,441,976</u>	<u>\$10,017,167</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.

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.

Substantially, all deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$1,019,690 in deposits and \$1,646,917 of investments in U.S. Treasury money market funds. 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.

Navajo County
Notes to Financial Statements
June 30, 2012

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Amount
U.S. agency securities	\$87,967,444	.5% - 1.45%	10/13 – 05/17	\$87,967,444
U.S. Treasury securities	7,000,000	.75%	08/13 – 09/13	7,000,000
Corporate notes	4,410,119	Variable	04/14 – 09/14	4,410,119
U.S. Treasury money market funds	10,000	.02%	N/A	10,000

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

Statement of Net Assets

Assets	\$159,847,918
Liabilities	<u>5,194,076</u>
Net assets	<u>\$154,653,842</u>

Net assets held in trust for:

Internal participants	\$ 31,096,684
External participants	<u>123,557,158</u>
Total net assets held in trust	<u>\$154,653,842</u>

Statement of Changes in Net Assets

Total additions	\$301,374,081
Total deductions	<u>298,149,221</u>
Net increase	<u>3,224,860</u>
Net assets held in trust:	
July 1, 2011	<u>151,428,982</u>
June 30, 2012	<u>\$154,653,842</u>

Note 12- Subsequent Event

On August 15, 2012, Navajo County issued \$4,100,000 of Pledged Revenue Refunding Obligations, Series 2012A and \$4,400,000 of Pledged Revenue Obligations, Series 2012B with interest rates of 3.24 percent and maturities of July 1, 2026 and 2031, respectively. The County pledged a portion of its future general county and state shared sales tax revenues toward the payment of debt related to these obligations. The net proceeds will be used for refunding the \$4,345,000 of outstanding principal of the 2000 Series Jail Facility Bonds and a portion of the 2008 Series Pledged Revenue Obligations, and for new construction and remodel of jail facilities.





Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

**OTHER REQUIRED SUPPLEMENTARY
INFORMATION**

Navajo County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 6,872,854	\$ 7,032,899	\$ 160,045
Licenses and permits	414,532	338,492	(76,040)
Fines and forfeits	907,509	906,104	(1,405)
Intergovernmental	23,546,979	20,673,796	(2,873,183)
Charges for services	1,072,089	1,278,238	206,149
Investment earnings	44,396	38,018	(6,378)
Miscellaneous	982,146	533,980	(448,166)
Total revenues	33,840,505	30,801,527	(3,038,978)
Expenditures:			
General government			
Board of Supervisors/Administration	2,543,169	1,000,872	1,542,297
Buildings and Grounds	1,960,225	1,514,257	445,968
Elections	548,090	240,952	307,138
Planning and Zoning	382,169	328,507	53,662
Recorder	309,818	250,470	59,348
Voter Registration	188,474	129,339	59,135
Assessor	1,317,460	1,166,276	151,184
Information Technology	1,106,221	796,263	309,958
Treasurer	442,667	432,509	10,158
Personnel Commission	10,580	7,143	3,437
County-wide	1,531,235	975,733	555,502
Legal Defender	374,906	377,424	(2,518)
County Attorney	2,146,828	2,009,006	137,822
Superior Court	2,713,405	2,800,925	(87,520)
Public Defender	1,025,757	679,951	345,806
Clerk of Court	1,266,734	1,095,302	171,432
Holbrook Justice Court	334,072	326,264	7,808
Winslow Justice Court	313,463	320,131	(6,668)
Snowflake Justice Court	380,980	385,195	(4,215)
Show Low Justice Court	290,398	284,581	5,817
Pinetop Justice Court	345,717	338,892	6,825

(Continued)

See accompanying notes to budgetary comparison schedule.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Kayenta Justice Court	\$ 108,582	\$ 103,307	\$ 5,275
Kayenta Constable	61,045	57,597	3,448
Pinetop Constable	59,779	59,936	(157)
Snowflake Constable	49,183	49,261	(78)
Holbrook Constable	26,693	25,342	1,351
Winslow Constable	45,579	46,637	(1,058)
Show Low Constable	47,734	54,488	(6,754)
Total general government	<u>19,930,963</u>	<u>15,856,560</u>	<u>4,074,403</u>
Public safety			
Juvenile Detention	1,095,947	1,040,322	55,625
Juvenile Probation	474,687	446,078	28,609
Adult Probation	613,511	575,896	37,615
Jail Operations	9,111,541	4,990,604	4,120,937
Sheriff	4,954,315	4,711,245	243,070
Total public safety	<u>16,250,001</u>	<u>11,764,145</u>	<u>4,485,856</u>
Health and welfare			
Public Fiduciary	445,583	400,854	44,729
Indigent Health	3,398,400	3,544,088	(145,688)
Total health and welfare	<u>3,843,983</u>	<u>3,944,942</u>	<u>(100,959)</u>
Education			
School Superintendent	<u>339,829</u>	<u>329,726</u>	<u>10,103</u>
Debt Service			
Principal		1,816	(1,816)
Interest and other charges		260	(260)
Total debt service		<u>2,076</u>	<u>(2,076)</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

Navajo County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Capital outlay			
Capital outlay	\$ 700,000	\$ 327,361	372,639
Contingency	\$ 4,000,000	\$	4,000,000
Total expenditures	45,064,776	32,224,810	12,839,966
Excess (deficiency) of revenues over expenditures	(11,224,271)	(1,423,283)	\$9,800,988
Other financing sources (uses):			
Capital lease agreements			
Sale of capital assets	12,908	26,329	13,421
Transfers in	6,983,943	2,548,659	(4,435,284)
Transfers out	(3,668,638)	(1,210,584)	2,458,054
Total other financing sources and uses	3,328,213	1,364,404	(1,963,809)
Net change in fund balances	(7,896,058)	(58,879)	7,837,179
Fund balances, July 1, 2011	7,896,058	6,531,994	(1,364,064)
Fund balances, June 30, 2012	\$	\$ 6,473,115	\$ 6,473,115

See accompanying notes to budgetary comparison schedule.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works/HURF Fund
Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 12,218,090	\$ 9,337,887	\$ (2,880,203)
Charges for services	400	80,561	80,161
Investment earnings	70,898	51,177	(19,721)
Miscellaneous	80,000	88,584	8,584
Total revenues	<u>12,369,388</u>	<u>9,558,209</u>	<u>(2,811,179)</u>
Expenditures:			
Highways and streets	19,528,297	9,377,149	10,151,148
Total expenditures	<u>19,528,297</u>	<u>9,377,149</u>	<u>10,151,148</u>
Excess (deficiency) of revenues over expenditures	<u>(7,158,909)</u>	<u>181,060</u>	<u>7,339,969</u>
Other financing sources (uses):			
Transfers in		26,532	26,532
Transfers out	(701,439)	(701,439)	
Total other financing sources and uses	<u>(701,439)</u>	<u>(674,907)</u>	<u>26,532</u>
Net change in fund balances	<u>(7,860,348)</u>	<u>(493,847)</u>	<u>7,366,501</u>
Fund balances, July 1, 2011	7,860,348	9,402,559	1,542,211
Increase in reserve for inventories		422,360	422,360
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 9,331,072</u>	<u>\$ 9,331,072</u>

See accompanying notes to budgetary comparison schedule.

Navajo County
 Required Supplementary Information
 Budgetary Comparison Schedule
 Flood Control District Fund
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 3,502,968	\$ 2,484,977	\$ (1,017,991)
Investment earnings	55,700	56,979	1,279
Total revenues	<u>3,558,668</u>	<u>2,541,956</u>	<u>(1,016,712)</u>
Expenditures:			
Public safety	13,309,856	1,088,747	12,221,109
Total expenditures	<u>13,309,856</u>	<u>1,088,747</u>	<u>12,221,109</u>
Excess (deficiency) of revenues over expenditures	<u>(9,751,188)</u>	<u>1,453,209</u>	<u>11,204,397</u>
Other financing sources (uses):			
Transfers out	(228,839)	(3,222,761)	(2,993,922)
Total other financing sources and uses	<u>(228,839)</u>	<u>(3,222,761)</u>	<u>(2,993,922)</u>
Net change in fund balances	<u>(9,980,027)</u>	<u>(1,769,552)</u>	<u>8,210,475</u>
Fund balances, July 1, 2011	9,980,027	9,961,947	(18,080)
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 8,192,395</u>	<u>\$ 8,192,395</u>

See accompanying notes to budgetary comparison schedule.

Navajo County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2012

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.

Navajo County
 Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2012

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial value of 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 6/30/12	\$6,078,479	\$13,841,159	\$7,762,680	43.9%	\$2,213,998	350.6%
Health Insurance 6/30/12	0	248,581	248,581	0.0	2,213,998	11.2
Pension 6/30/11	5,984,647	12,325,590	6,340,943	48.6	2,272,168	279.1
Health Insurance 6/30/11	0	247,183	247,183	0.0	2,272,168	10.9
Pension 6/30/10	6,141,516	11,424,640	5,283,124	53.8	2,056,308	256.9
Health Insurance 6/30/10	0	265,433	265,433	0.0	2,056,308	12.9

Correction Officer Retirement Plan

<u>CORP</u>						
Actuarial Valuation Date	Actuarial value of 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 6/30/12	\$3,397,424	\$3,657,329	\$259,905	92.9%	\$1,722,806	15.1%
Health Insurance 6/30/12	0	132,443	132,443	0.0	1,722,806	7.7
Pension 6/30/11	3,133,375	3,028,823	(104,552)	103.5	1,699,631	(6.2)
Health Insurance 6/30/11	0	142,121	142,121	0.0	1,699,631	8.4
Pension 6/30/10	2,789,103	2,580,501	(208,602)	108.1	\$1,700,382	(12.3)
Health Insurance 6/30/10	0	113,737	113,737	0.0	1,700,382	6.7

Navajo County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2012

Note 1 - Actuarial Information Available

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not 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 only performed for the group as a whole. Therefore, actuarial information for the County, as a participating government, is not available.





Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

Supplementary Information

Navajo County
Nonmajor Governmental Funds
June 30, 2012

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 includes a secondary property tax levy and federal and state grants.
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 services 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.
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.

Navajo County
Nonmajor Governmental Funds
June 30, 2012

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

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

Public Health Accounts for construction of the South County Public Health building.

Special Districts Accounts for construction costs of the Shumway Road and Roan Circle County Road Improvement Districts. Funding sources are from developer contributions and secondary property taxes assessed the benefiting property owners within the district boundaries.

Debt Service Funds

General Government Account for the accumulation of resources for payment of principal and interest on the 2008 Series Revenue Bonds for acquisition of property and buildings at the Heber and Show Low complexes and for water and electrical upgrades at the Holbrook complex. Funding for debt service payments is annual appropriations.

Jail Accounts for the accumulation of resources for the payment of principal and interest on bonds and other debt instruments of the 2000 Series Certificates of Participation jail construction bonds. Funding for debt service payments is annual appropriations.

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 Meadow, 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, 2012

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Assets				
Cash and investments	\$ 398,491	\$ 1,272,360	\$ 1,358,057	\$ 207,571
Cash and investments held by trustee				
Receivables:				
Property taxes				
Accrued interest	965	1,985	1,953	275
Due from other funds	817			
Due from other governments	80,875	178,319		15,000
Cash and investments held by trustee - restricted				
Prepaid items				
Total assets	<u>\$ 481,148</u>	<u>\$ 1,452,664</u>	<u>\$ 1,360,010</u>	<u>\$ 222,846</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 22,725	\$ 16,367	\$ 1,681	\$ 15,000
Accrued payroll and employee benefits	9,794	60,431	28,127	
Due to other funds	317			
Due to other governments				
Deferred revenues	43,974			
Total liabilities	<u>76,810</u>	<u>76,798</u>	<u>29,808</u>	<u>15,000</u>
Fund balances:				
Nonspendable				
Restricted	305,369	1,414,332	1,330,202	207,846
Assigned	98,969			
Unassigned		(38,466)		
Total fund balances (deficits)	<u>404,338</u>	<u>1,375,866</u>	<u>1,330,202</u>	<u>207,846</u>
Total liabilities and fund balances	<u>\$ 481,148</u>	<u>\$ 1,452,664</u>	<u>\$ 1,360,010</u>	<u>\$ 222,846</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Assets				
Cash and investments	\$	\$ 3,249	\$ 674,021	\$ 166,586
Cash and investments held by trustee				
Receivables:				
Property taxes		27,690		
Accrued interest		34	987	223
Due from other funds		1,464	31,170	719
Due from other governments		13,391	17,375	1,203
Cash and investments held by trustee - restricted				
Prepaid items				
Total assets	<u>\$</u>	<u>\$ 45,828</u>	<u>\$ 723,553</u>	<u>\$ 168,731</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$	\$ 9,734	\$ 75,712	\$ 5,670
Accrued payroll and employee benefits		11,409	83,323	4,197
Due to other funds	540	1,963	31,170	719
Due to other governments				
Deferred revenues		22,593		
Total liabilities	<u>540</u>	<u>45,699</u>	<u>190,205</u>	<u>10,586</u>
Fund balances:				
Nonspendable				
Restricted		129	533,348	158,145
Assigned				
Unassigned	(540)			
Total fund balances (deficits)	<u>(540)</u>	<u>129</u>	<u>533,348</u>	<u>158,145</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 45,828</u>	<u>\$ 723,553</u>	<u>\$ 168,731</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Public Health	Recreation	Sheriff's Office	Special Districts
Assets				
Cash and investments	\$ 412,992	\$ 100,036	\$ 616,753	\$ 279,448
Cash and investments held by trustee				
Receivables:				
Property taxes	108,940	36,242		4,890
Accrued interest	2,011	133	1,054	370
Due from other funds	87		444	
Due from other governments	233,147		114,805	
Cash and investments held by trustee - restricted				
Prepaid items				
Total assets	<u>\$ 757,177</u>	<u>\$ 136,411</u>	<u>\$ 733,056</u>	<u>\$ 284,708</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 11,983	\$ 1,254	\$ 78,595	\$
Accrued payroll and employee benefits	87,621		28,301	
Due to other funds	88			
Due to other governments				
Deferred revenues	<u>209,714</u>	<u>31,684</u>	<u>1,284</u>	<u>4,624</u>
Total liabilities	<u>309,406</u>	<u>32,938</u>	<u>108,180</u>	<u>4,624</u>
Fund balances:				
Nonspendable				
Restricted	447,771	103,473	499,488	280,084
Assigned			125,388	
Unassigned				
Total fund balances (deficits)	<u>447,771</u>	<u>103,473</u>	<u>624,876</u>	<u>280,084</u>
Total liabilities and fund balances	<u>\$ 757,177</u>	<u>\$ 136,411</u>	<u>\$733,056</u>	<u>\$ 284,708</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue		Capital Projects	
	Superintendent of Schools	Workforce Investment Act	General Government	Public Health
Assets				
Cash and investments	\$ 2,418,973	\$ 53,522	\$ 224,604	\$
Cash and investments held by trustee				
Receivables:				
Property taxes				
Accrued interest	3,950	244	385	
Due from other funds		940		
Due from other governments	454,955	138,541		
Cash and investments held by trustee - restricted				
Prepaid items	37,500			
Total assets	<u>\$ 2,915,378</u>	<u>\$ 193,247</u>	<u>\$ 224,989</u>	<u>\$</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 99,508	\$ 27,495	\$ 141,110	\$
Accrued payroll and employee benefits		8,893		
Due to other funds		940		
Due to other governments				
Deferred revenues	16,246			
Total liabilities	<u>115,754</u>	<u>37,328</u>	<u>141,110</u>	
Fund balances:				
Nonspendable	37,500			
Restricted	2,180,110	155,919	83,879	
Assigned	582,014			
Unassigned				
Total fund balances (deficits)	<u>2,799,624</u>	<u>155,919</u>	<u>83,879</u>	
Total liabilities and fund balances	<u>\$ 2,915,378</u>	<u>\$ 193,247</u>	<u>\$ 224,989</u>	<u>\$</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Capital Projects		Debt Service		Total Nonmajor Governmental Funds
	Special Districts	General Government	Jail	Special Districts	
Assets					
Cash and investments	\$	\$ 334,445	\$ 115	\$ 204,666	\$ 8,725,889
Cash and investments held by trustee		484,755	508,725		993,480
Receivables:					
Property taxes				94,604	272,366
Accrued interest		443		280	15,292
Due from other funds					35,641
Due from other governments					1,247,611
Cash and investments held by trustee - restricted			653,437		653,437
Prepaid items					37,500
Total assets	<u>\$</u>	<u>\$ 819,643</u>	<u>\$ 1,162,277</u>	<u>\$ 299,550</u>	<u>\$ 11,981,216</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$	\$	\$	\$	\$ 506,834
Accrued payroll and employee benefits					322,096
Due to other funds					35,737
Due to other governments					
Deferred revenues				93,796	423,915
Total liabilities				<u>93,796</u>	<u>1,288,582</u>
Fund balances:					
Nonspendable					37,500
Restricted			1,162,277	205,754	9,068,126
Assigned		819,643			1,626,014
Unassigned					(39,006)
Total fund balances (deficits)		<u>819,643</u>	<u>1,162,277</u>	<u>205,754</u>	<u>10,692,634</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 819,643</u>	<u>\$ 1,162,277</u>	<u>\$ 299,550</u>	<u>\$ 11,981,216</u>

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Revenues:				
Property taxes	\$	\$	\$	\$
Special assessments				
Licenses and permits				
Fines and forfeits		261,171	25,854	
Intergovernmental	347,526	1,522,396	363,292	59,097
Charges for services	149,483	44,616	600,082	
Investment earnings	1,782	7,243	7,191	808
Contributions		19,256		
Miscellaneous	3,587	38,061	1,666	
Total revenues	<u>502,378</u>	<u>1,892,743</u>	<u>998,085</u>	<u>59,905</u>
Expenditures:				
Current:				
General government	402,259	2,139,608	827,552	
Public safety	192,206			
Highways and streets				
Health and welfare				
Culture and recreation				
Education	227,017			
Environmental and conservation				16,352
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Total expenditures	<u>821,482</u>	<u>2,139,608</u>	<u>827,552</u>	<u>16,352</u>
Excess (deficiency) of revenues over expenditures	(319,104)	(246,865)	170,533	43,553
Other financing sources (uses):				
Capital lease agreements				
Sale of capital assets				
Transfers in	482,850	423,219	154,554	
Transfers out	(296,217)	(373,219)	(121,348)	(263,815)
Total other financing sources and uses	<u>186,633</u>	<u>50,000</u>	<u>33,206</u>	<u>(263,815)</u>
Net change in fund balances	(132,471)	(196,865)	203,739	(220,262)
Fund balances (deficits), July 1, 2011	<u>536,809</u>	<u>1,572,731</u>	<u>1,126,463</u>	<u>428,108</u>
Fund balances (deficits), June 30, 2012	<u>\$ 404,338</u>	<u>\$ 1,375,866</u>	<u>\$ 1,330,202</u>	<u>\$ 207,846</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Revenues:				
Property taxes	\$	\$ 522,764	\$	\$
Special assessments				
Licenses and permits				
Fines and forfeits			803	
Intergovernmental		152,083	2,019,370	63,835
Charges for services			323,567	16,703
Investment earnings		476	3,854	1,625
Contributions				
Miscellaneous		1,860	356	12,054
Total revenues	<u> </u>	<u>677,183</u>	<u>2,347,950</u>	<u>94,217</u>
Expenditures:				
Current:				
General government				252,111
Public safety			2,369,968	
Highways and streets				
Health and welfare				
Culture and recreation		539,741		
Education				
Environmental and conservation				
Urban redevelopment and housing	784			
Debt Service:				
Principal				
Interest and other charges				
Total expenditures	<u>784</u>	<u>539,741</u>	<u>2,369,968</u>	<u>252,111</u>
Excess (deficiency) of revenues over expenditures	(784)	137,442	(22,018)	(157,894)
Other financing sources (uses):				
Capital lease agreements				
Sale of capital assets				
Transfers in	68,783	47,254	60,872	99,127
Transfers out	(24,096)	(246,711)	(56,585)	(158,774)
Total other financing sources and uses	<u>44,687</u>	<u>(199,457)</u>	<u>4,287</u>	<u>(59,647)</u>
Net change in fund balances	43,903	(62,015)	(17,731)	(217,541)
Fund balances (deficits), July 1, 2011	<u>(44,443)</u>	<u>62,144</u>	<u>551,079</u>	<u>375,686</u>
Fund balances (deficits), June 30, 2012	<u>\$ (540)</u>	<u>\$ 129</u>	<u>\$ 533,348</u>	<u>\$ 158,145</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	Public Health	Recreation	Sheriff's Office	Special Districts
Revenues:				
Property taxes	\$ 2,052,238			
Special assessments		155,895		204,246
Licenses and permits	58,998			
Fines and forfeits			34,647	
Intergovernmental	1,387,183		1,132,044	
Charges for services	104,959		328,936	
Investment earnings	9,107	602	3,908	886
Contributions	29,948			
Miscellaneous	10,214	625	111,982	
Total revenues	<u>3,652,647</u>	<u>157,122</u>	<u>1,611,517</u>	<u>205,132</u>
Expenditures:				
Current:				
General government				
Public safety			1,809,730	
Highways and streets				75,450
Health and welfare	3,063,717			
Culture and recreation		143,762		279,209
Education				
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal			82,816	
Interest and other charges			689	
Total expenditures	<u>3,063,717</u>	<u>143,762</u>	<u>1,893,235</u>	<u>354,659</u>
Excess (deficiency) of revenues over expenditures	588,930	13,360	(281,718)	(149,527)
Other financing sources (uses):				
Capital lease agreements			354,826	
Sale of capital assets				
Transfers in	1,384,731		92,746	234,976
Transfers out	(1,735,222)		(64,951)	(252,313)
Total other financing sources and uses	<u>(350,491)</u>		<u>382,621</u>	<u>(17,337)</u>
Net change in fund balances	238,439	13,360	100,903	(166,864)
Fund balances (deficits), July 1, 2011	<u>209,332</u>	<u>90,113</u>	<u>523,973</u>	<u>446,948</u>
Fund balances (deficits), June 30, 2012	<u>\$ 447,771</u>	<u>\$ 103,473</u>	<u>\$ 624,876</u>	<u>\$ 280,084</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue		Capital Projects	
	Superintendent of Schools	Workforce Investment Act	General Government	Public Health
Revenues:				
Property taxes	\$	\$	\$	\$
Special assessments				
Licenses and permits				
Fines and forfeits				
Intergovernmental	4,653,332	402,085		
Charges for services				
Investment earnings	16,098	55	63	
Contributions	1,336			
Miscellaneous	367,690			
Total revenues	<u>5,038,456</u>	<u>402,140</u>	<u>63</u>	
Expenditures:				
Current:				
General government			907	
Public safety			169,381	
Highways and streets				
Health and welfare		442,923		56,193
Culture and recreation				
Education	5,462,790			
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Total expenditures	<u>5,462,790</u>	<u>442,923</u>	<u>170,288</u>	<u>56,193</u>
Excess (deficiency) of revenues over expenditures	(424,334)	(40,783)	(170,225)	(56,193)
Other financing sources (uses):				
Capital lease agreements				
Sale of capital assets	42,117			
Transfers in		146,533	318,621	1,328,745
Transfers out		(146,367)		(1,127,831)
Total other financing sources and uses	<u>42,117</u>	<u>166</u>	<u>318,621</u>	<u>200,914</u>
Net change in fund balances	(382,217)	(40,617)	148,396	144,721
Fund balances (deficits), July 1, 2011	<u>3,181,841</u>	<u>196,536</u>	<u>(64,517)</u>	<u>(144,721)</u>
Fund balances (deficits), June 30, 2012	<u>\$ 2,799,624</u>	<u>\$ 155,919</u>	<u>\$ 83,879</u>	<u>\$</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Capital Projects	Debt Service			Total Nonmajor Governmental Funds
	Special Districts	General Government	Jail	Special Districts	
Revenues:					
Property taxes	\$	\$	\$	\$	2,575,002
Special assessments				282,547	642,688
Licenses and permits					58,998
Fines and forfeits					322,475
Intergovernmental					12,102,243
Charges for services				7,598	1,575,944
Investment earnings		443	962	1,222	56,325
Contributions					50,540
Miscellaneous					548,095
Total revenues		<u>443</u>	<u>962</u>	<u>291,367</u>	<u>17,932,310</u>
Expenditures:					
Current:					
General government		1,171,252			4,793,689
Public safety					4,541,285
Highways and streets	11				75,461
Health and welfare					3,562,833
Culture and recreation					962,712
Education					5,689,807
Environmental and conservation					16,352
Urban redevelopment and housing					784
Debt Service:					
Principal		370,000	355,000	136,684	944,500
Interest and other charges		222,690	281,710	215,671	720,760
Total expenditures	<u>11</u>	<u>1,763,942</u>	<u>636,710</u>	<u>352,355</u>	<u>21,308,183</u>
Excess (deficiency) of revenues over expenditures	(11)	(1,763,499)	(635,748)	(60,988)	(3,375,873)
Other financing sources (uses):					
Capital lease agreements					354,826
Sale of capital assets					42,117
Transfers in	17,263	1,936,652	644,976	74	7,441,976
Transfers out				(14,934)	(4,882,383)
Total other financing sources and uses	<u>17,263</u>	<u>1,936,652</u>	<u>644,976</u>	<u>(14,860)</u>	<u>2,956,536</u>
Net change in fund balances	17,252	173,153	9,228	(75,848)	(419,337)
Fund balances (deficits), July 1, 2011	<u>(17,252)</u>	<u>646,490</u>	<u>1,153,049</u>	<u>281,602</u>	<u>11,111,971</u>
Fund balances (deficits), June 30, 2012	<u>\$</u>	<u>\$ 819,643</u>	<u>\$ 1,162,277</u>	<u>\$ 205,754</u>	<u>\$10,692,634</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Administration
 Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 5,773,911	\$ 347,526	\$ (5,426,385)
Charges for services	153,008	149,483	(3,525)
Investment earnings	1,540	1,782	242
Miscellaneous	<u>188,041</u>	<u>3,587</u>	<u>(184,454)</u>
Total revenues	<u>6,116,500</u>	<u>502,378</u>	<u>(5,614,122)</u>
Expenditures:			
General government	1,522,094	402,259	1,119,835
Public safety	1,183,094	192,206	990,888
Education	<u>342,173</u>	<u>227,017</u>	<u>115,156</u>
Total expenditures	<u>3,047,361</u>	<u>821,482</u>	<u>2,225,879</u>
Excess (deficiency) of revenues over expenditures	<u>3,069,139</u>	<u>(319,104)</u>	<u>(3,388,243)</u>
Other financing sources (uses):			
Transfers in	292,640	482,850	190,210
Transfers out	<u>(3,920,137)</u>	<u>(296,217)</u>	<u>3,623,920</u>
Total other financing sources and uses	<u>(3,627,497)</u>	<u>186,633</u>	<u>3,814,130</u>
Net change in fund balances	(558,358)	(132,471)	425,887
Fund balances, July 1, 2011	<u>558,358</u>	<u>536,809</u>	<u>(21,549)</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 404,338</u>	<u>\$ 404,338</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - County Attorney
 Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Fines and forfeits	\$ 340,000	\$ 261,171	\$ (78,829)
Intergovernmental	3,449,920	1,522,396	(1,927,524)
Charges for services	56,541	44,616	(11,925)
Investment earnings	5,355	7,243	1,888
Contributions		19,256	19,256
Miscellaneous	<u>179,750</u>	<u>38,061</u>	<u>(141,689)</u>
Total revenues	<u>4,031,566</u>	<u>1,892,743</u>	<u>(2,138,823)</u>
Expenditures:			
General government	<u>5,365,909</u>	<u>2,139,608</u>	<u>3,226,301</u>
Total expenditures	<u>5,365,909</u>	<u>2,139,608</u>	<u>3,226,301</u>
Excess (deficiency) of revenues over expenditures	<u>(1,334,343)</u>	<u>(246,865)</u>	<u>1,087,478</u>
Other financing sources (uses):			
Transfers in	398,645	423,219	24,574
Transfers out	<u>(398,645)</u>	<u>(373,219)</u>	<u>25,426</u>
Total other financing sources and uses	<u></u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balances	(1,334,343)	(196,865)	1,137,478
Fund balances, July 1, 2011	<u>1,334,343</u>	<u>1,572,731</u>	<u>238,388</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 1,375,866</u>	<u>\$ 1,375,866</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Courts
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Fines and forfeits	\$ 65,000	\$ 25,854	\$ (39,146)
Intergovernmental	514,404	363,292	(151,112)
Charges for services	575,500	600,082	24,582
Investment earnings	183,151	7,191	(175,960)
Miscellaneous	<u> </u>	<u>1,666</u>	<u>1,666</u>
Total revenues	<u>1,338,055</u>	<u>998,085</u>	<u>(339,970)</u>
Expenditures:			
General government	<u>2,415,560</u>	<u>827,552</u>	<u>1,588,008</u>
Total expenditures	<u>2,415,560</u>	<u>827,552</u>	<u>1,588,008</u>
Excess (deficiency) of revenues over expenditures	<u>(1,077,505)</u>	<u>170,533</u>	<u>1,248,038</u>
Other financing sources (uses):			
Transfers in	391,393	154,554	(236,839)
Transfers out	<u>(362,595)</u>	<u>(121,348)</u>	<u>241,247</u>
Total other financing sources and uses	<u>28,798</u>	<u>33,206</u>	<u>4,408</u>
Net change in fund balances	(1,048,707)	203,739	1,252,446
Fund balances, July 1, 2011	<u>1,048,707</u>	<u>1,126,463</u>	<u>77,756</u>
Fund balances, June 30, 2012	<u>\$ <u> </u></u>	<u>\$ <u>1,330,202</u></u>	<u>\$ <u>1,330,202</u></u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Environmental and Conservation
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 100,000	\$ 59,097	\$ (40,903)
Investment earnings		808	808
Miscellaneous	<u>165,000</u>	<u> </u>	<u>(165,000)</u>
Total revenues	<u>265,000</u>	<u>59,905</u>	<u>(205,095)</u>
Expenditures:			
Environmental and conservation	<u>682,642</u>	<u>16,352</u>	<u>666,290</u>
Total expenditures	<u>682,642</u>	<u>16,352</u>	<u>666,290</u>
Excess (deficiency) of revenues over expenditures	<u>(417,642)</u>	<u>43,553</u>	<u>461,195</u>
Other financing sources (uses):			
Transfers out	<u> </u>	<u>(263,815)</u>	<u>(263,815)</u>
Total other financing sources and uses	<u> </u>	<u>(263,815)</u>	<u>(263,815)</u>
Net change in fund balances	(417,642)	(220,262)	197,380
Fund balances, July 1, 2011	<u>417,642</u>	<u>428,108</u>	<u>10,466</u>
Fund balances, June 30, 2012	<u>\$ </u>	<u>\$ 207,846</u>	<u>\$ 207,846</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Housing
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 68,534	_____	(\$68,534)
Total revenues	<u>68,534</u>	_____	<u>(68,534)</u>
Expenditures:			
Urban redevelopment and housing	<u>24,097</u>	<u>784</u>	<u>23,313</u>
Total expenditures	<u>24,097</u>	<u>784</u>	<u>23,313</u>
Excess (deficiency) of revenues over expenditures	<u>44,437</u>	<u>(784)</u>	<u>(45,221)</u>
Other financing sources (uses):			
Transfers In		68,783	68,783
Transfers out		<u>(24,096)</u>	<u>(24,096)</u>
Total other financing sources and uses		<u>44,687</u>	<u>44,687</u>
Net change in fund balances	44,437	43,903	(534)
Fund balances, July 1, 2011	<u>(44,437)</u>	<u>(44,443)</u>	<u>(6)</u>
Fund balances, June 30, 2012	<u>\$ _____</u>	<u>\$ (540)</u>	<u>\$ (540)</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Library District
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 520,206	\$ 522,764	\$ 2,558
Intergovernmental	200,862	152,083	(48,779)
Investment earnings	1,000	476	(524)
Miscellaneous	<u>80,597</u>	<u>1,860</u>	<u>(78,737)</u>
Total revenues	<u>802,665</u>	<u>677,183</u>	<u>(125,482)</u>
Expenditures:			
Culture and recreation	<u>627,346</u>	<u>539,741</u>	<u>87,605</u>
Total expenditures	<u>627,346</u>	<u>539,741</u>	<u>87,605</u>
Excess (deficiency) of revenues over expenditures	<u>175,319</u>	<u>137,442</u>	<u>(37,877)</u>
Other financing sources (uses):			
Transfers In		47,254	47,254
Transfers out	<u>(245,564)</u>	<u>(246,711)</u>	<u>(1,147)</u>
Total other financing sources and uses	<u>(245,564)</u>	<u>(199,457)</u>	<u>46,107</u>
Net change in fund balances	(70,245)	(62,015)	8,230
Fund balances, July 1, 2011	<u>70,245</u>	<u>62,144</u>	<u>(8,101)</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 129</u>	<u>\$ 129</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Probation
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 600	\$ 803	\$ 203
Intergovernmental	2,082,666	2,019,370	(63,296)
Charges for services	320,441	323,567	3,126
Investment earnings	3,407	3,854	447
Miscellaneous	59,245	356	(58,889)
Total revenues	<u>2,466,359</u>	<u>2,347,950</u>	<u>(118,409)</u>
Expenditures:			
Public safety	<u>3,216,125</u>	<u>2,369,968</u>	<u>846,157</u>
Total expenditures	<u>3,216,125</u>	<u>2,369,968</u>	<u>846,157</u>
Excess (deficiency) of revenues over expenditures	<u>(749,766)</u>	<u>(22,018)</u>	<u>727,748</u>
Other financing sources (uses):			
Transfers in	4,285	60,872	56,587
Transfers out	<u>(56,585)</u>	<u>(56,585)</u>	<u>(56,585)</u>
Total other financing sources and uses	<u>4,285</u>	<u>4,287</u>	<u>2</u>
Net change in fund balances	(745,481)	(17,731)	727,750
Fund balances, July 1, 2011	<u>745,481</u>	<u>551,079</u>	<u>(194,402)</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 533,348</u>	<u>\$ 533,348</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Public Defense
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 32,434	\$ 63,835	\$ 31,401
Charges for services	43,000	16,703	(26,297)
Investment earnings		1,625	1,625
Miscellaneous	51,882	12,054	(39,828)
Total revenues	<u>127,316</u>	<u>94,217</u>	<u>(33,099)</u>
Expenditures:			
General government	445,865	252,111	193,754
Total expenditures	<u>445,865</u>	<u>252,111</u>	<u>193,754</u>
Excess (deficiency) of revenues over expenditures	<u>(318,549)</u>	<u>(157,894)</u>	<u>160,655</u>
Other financing sources (uses):			
Transfers in	9,991	99,127	89,136
Transfers out	(43,798)	(158,774)	(114,976)
Total other financing sources and uses	<u>(33,807)</u>	<u>(59,647)</u>	<u>(25,840)</u>
Net change in fund balances	(352,356)	(217,541)	134,815
Fund balances, July 1, 2011	352,356	375,686	23,330
Fund balances, June 30, 2012	<u>\$</u>	<u>\$</u>	<u>\$</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Public Health
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 2,042,329	\$ 2,052,238	\$ 9,909
Licenses and permits	80,100	58,998	(21,102)
Intergovernmental	1,887,440	1,387,183	(500,257)
Charges for services	83,000	104,959	21,959
Investment earnings	5,000	9,107	4,107
Contributions	23,000	29,948	6,948
Miscellaneous	121,620	10,214	(111,406)
Total revenues	4,242,489	3,652,647	(589,842)
Expenditures:			
Health and welfare	4,082,041	3,063,717	1,018,324
Total expenditures	4,082,041	3,063,717	1,018,324
Excess (deficiency) of revenues over expenditures	160,448	588,930	428,482
Other financing sources (uses):			
Transfers in	211,175	1,384,731	1,173,556
Transfers out	(1,517,496)	(1,735,222)	(217,726)
Total other financing sources and uses	(1,306,321)	(350,491)	955,830
Net change in fund balances	(1,145,873)	238,439	1,384,312
Fund balances, July 1, 2011	1,145,873	209,332	(936,541)
Fund balances, June 30, 2012	\$	\$ 447,771	\$ 447,771

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Recreation
 Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Property taxes	\$ 155,193	\$	\$ (155,193)
Investment earnings	553	602	49
Special assessments		155,895	155,895
Miscellaneous	<u>1,105</u>	<u>625</u>	<u>(480)</u>
Total revenues	<u>156,851</u>	<u>157,122</u>	<u>271</u>
Expenditures:			
Culture and recreation	<u>234,405</u>	<u>143,762</u>	<u>90,643</u>
Total expenditures	<u>234,405</u>	<u>143,762</u>	<u>90,643</u>
Excess (deficiency) of revenues over expenditures	<u>(77,554)</u>	<u>13,360</u>	<u>90,914</u>
Net change in fund balances	(77,554)	13,360	90,914
Fund balances, July 1, 2011	<u>77,554</u>	<u>90,113</u>	<u>12,559</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 103,473</u>	<u>\$ 103,473</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Sheriff's Office
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Fines and forfeits	\$ 20,000	\$ 34,647	\$ 14,647
Intergovernmental	1,308,344	1,132,044	(176,300)
Charges for services	479,887	328,936	(150,951)
Investment earnings	3,901	3,908	7
Miscellaneous	52,316	111,982	59,666
Total revenues	<u>1,864,448</u>	<u>1,611,517</u>	<u>(252,931)</u>
Expenditures:			
Public safety	2,335,500	1,809,730	525,770
Debt Service			
Principal		82,816	(82,816)
Interest and other charges		689	(689)
Total expenditures	<u>2,335,500</u>	<u>1,893,235</u>	<u>442,265</u>
Excess (deficiency) of revenues over expenditures	<u>(471,052)</u>	<u>(281,718)</u>	<u>189,334</u>
Other financing sources (uses):			
Capital lease agreements		354,826	354,826
Transfers in		92,746	92,746
Transfers out		(64,951)	(64,951)
Total other financing sources and uses		<u>382,621</u>	<u>382,621</u>
Net change in fund balances	(471,052)	100,903	571,955
Fund balances, July 1, 2011	<u>471,052</u>	<u>523,973</u>	<u>52,921</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u> </u>	<u>624,876</u>	<u>624,876</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Special Districts
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 64,219	\$	\$ (64,219)
Special assessments	357,929	204,246	(153,683)
Investment earnings	900	886	(14)
Miscellaneous	<u>47,225</u>	<u> </u>	<u>(47,225)</u>
Total revenues	<u>470,273</u>	<u>205,132</u>	<u>(265,141)</u>
Expenditures:			
Highways and streets	529,294	75,450	453,844
Culture and recreation	<u>397,200</u>	<u>279,209</u>	<u>117,991</u>
Total expenditures	<u>926,494</u>	<u>354,659</u>	<u>571,835</u>
Excess (deficiency) of revenues over expenditures	<u>(456,221)</u>	<u>(149,527)</u>	<u>306,694</u>
Other financing sources (uses):			
Transfers in		234,976	234,976
Transfers out		<u>(252,313)</u>	<u>(252,313)</u>
Total other financing sources and uses		<u>(17,337)</u>	<u>(17,337)</u>
Net change in fund balances	(456,221)	(166,864)	289,357
Fund balances, July 1, 2011	<u>456,221</u>	<u>446,948</u>	<u>(9,273)</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 280,084</u>	<u>\$ 280,084</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Workforce Investment Act
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,128,791	\$ 402,085	\$ (726,706)
Investment earnings	<u>55</u>	<u>55</u>	<u>55</u>
Total revenues	<u>1,128,791</u>	<u>402,140</u>	<u>(726,651)</u>
Expenditures:			
Health and welfare	<u>1,303,818</u>	<u>442,923</u>	<u>860,895</u>
Total expenditures	<u>1,303,818</u>	<u>442,923</u>	<u>860,895</u>
Excess (deficiency) of revenues over expenditures	<u>(175,027)</u>	<u>(40,783)</u>	<u>134,244</u>
Other financing sources (uses):			
Transfers in		146,533	146,533
Transfers out		<u>(146,367)</u>	<u>(146,367)</u>
Total other financing sources and uses		<u>166</u>	<u>166</u>
Net change in fund balances	(175,027)	(40,617)	134,410
Fund balances, July 1, 2011	<u>175,027</u>	<u>196,536</u>	<u>21,509</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 155,919</u>	<u>\$ 155,919</u>

Navajo County
 Budgetary Comparison Schedule
 Capital Projects - General Government
 Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Investment earnings	\$	\$ 63	\$63
Miscellaneous	<u>5,063,809</u>	<u> </u>	<u>(5,063,809)</u>
Total revenues	<u>5,063,809</u>	<u>63</u>	<u>(5,063,746)</u>
Expenditures:			
General government	5,000,000	907	4,999,093
Public safety	<u> </u>	<u>169,381</u>	<u>(169,381)</u>
Total expenditures	<u>5,000,000</u>	<u>170,288</u>	<u>4,829,712</u>
Excess (deficiency) of revenues over expenditures	<u>63,809</u>	<u>(170,225)</u>	<u>(234,034)</u>
Other financing sources (uses):			
Transfers in	<u> </u>	<u>318,621</u>	<u>318,621</u>
Total other financing sources and uses	<u> </u>	<u>318,621</u>	<u>318,621</u>
Net change in fund balances	63,809	148,396	84,587
Fund balances, July 1, 2011	<u>(63,809)</u>	<u>(64,517)</u>	<u>(708)</u>
Fund balances, June 30, 2012	<u><u>\$</u></u>	<u><u>\$ 83,879</u></u>	<u><u>\$ 83,879</u></u>

Navajo County
 Budgetary Comparison Schedule
 Capital Projects - Public Health
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 271,615	\$ _____	\$ (271,615)
Total revenues	271,615	_____	(271,615)
Expenditures:			
Health and welfare	_____	56,193	(56,193)
Total expenditures	_____	56,193	(56,193)
Excess (deficiency) of revenues over expenditures	271,615	(56,193)	(327,808)
Other financing sources (uses):			
Transfers in	1,000,000	1,328,745	328,745
Transfers out	_____	(1,127,831)	(1,127,831)
Total other financing sources and uses	1,000,000	200,914	(799,086)
Net change in fund balances	1,271,615	144,721	(1,126,894)
Fund balances, July 1, 2011	(1,271,615)	(144,721)	1,126,894
Fund balances, June 30, 2012	\$ _____	\$ _____	\$ _____

Navajo County
 Budgetary Comparison Schedule
 Capital Projects - Special Districts
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 17,263	\$	\$ (17,263)
Total revenues	17,263		(17,263)
Expenditures:			
Highways and streets	_____	11	(11)
Total expenditures	_____	11	(11)
Excess (deficiency) of revenues over expenditures	17,263	(11)	(17,274)
Other financing sources (uses):			
Transfers In	_____	17,263	17,263
Total other financing sources and uses	_____	17,263	17,263
Net change in fund balances	17,263	17,252	(11)
Fund balances, July 1, 2011	(17,263)	(17,252)	11
Fund balances, June 30, 2012	\$	\$	\$

Navajo County
 Budgetary Comparison Schedule
 Debt Service - General Government
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for services	\$ 419,505	\$	\$ (419,505)
Investment earnings		443	443
Total revenues	<u>419,505</u>	<u>443</u>	<u>(419,062)</u>
Expenditures:			
General Government		1,171,252	(1,171,252)
Debt Service			
Principal	370,000	370,000	
Interest and other charges	<u>215,985</u>	<u>222,690</u>	<u>(6,705)</u>
Total expenditures	<u>585,985</u>	<u>1,763,942</u>	<u>(1,177,957)</u>
Excess (deficiency) of revenues over expenditures	<u>(166,480)</u>	<u>(1,763,499)</u>	<u>(1,597,019)</u>
Other financing sources (uses):			
Transfers in	<u>1,171,970</u>	<u>1,936,652</u>	<u>764,682</u>
Total other financing sources and uses	<u>1,171,970</u>	<u>1,936,652</u>	<u>764,682</u>
Net change in fund balances	1,005,490	173,153	(832,337)
Fund balances, July 1, 2011	<u>(1,005,490)</u>	<u>646,490</u>	<u>1,651,980</u>
Fund balances, June 30, 2012	<u>\$</u>	<u>\$ 819,643</u>	<u>\$ 819,643</u>

Navajo County
 Budgetary Comparison Schedule
 Debt Service - Jail
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings	\$ _____	\$ 962	\$ 962
Total revenues	_____	962	962
Expenditures:			
Debt Service			
Principal	355,000	355,000	
Interest and other charges	278,100	281,710	(3,610)
Total expenditures	633,100	636,710	(3,610)
Excess (deficiency) of revenues over expenditures	(633,100)	(635,748)	(2,648)
Other financing sources (uses):			
Transfers in	633,100	644,976	11,876
Transfers out	_____	_____	_____
Total other financing sources and uses	633,100	644,976	11,876
Net change in fund balances		9,228	9,228
Fund balances, July 1, 2011	_____	1,153,049	1,153,049
Fund balances, June 30, 2012	\$ _____	\$ 1,162,277	\$ 1,162,277

Navajo County
 Budgetary Comparison Schedule
 Debt Service - Special Districts
 Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 307,671	\$	\$ (307,671)
Special assessments		282,547	282,547
Charges for services		7,598	7,598
Investments earnings	405	1,222	817
Miscellaneous			
Total revenues	308,076	291,367	(16,709)
Expenditures:			
Debt Service			
Principal	136,684	136,684	
Interest and other charges	438,838	215,671	223,167
Total expenditures	575,522	352,355	223,167
Excess (deficiency) of revenues over expenditures	(267,446)	(60,988)	206,458
Other financing sources (uses):			
Transfers in		74	74
Transfers out		(14,934)	(14,934)
Total other financing sources and uses		(14,860)	(14,860)
Net change in fund balances	(267,446)	(75,848)	191,598
Fund balances, July 1, 2011	267,446	281,602	14,156
Fund balances, June 30, 2012	\$	\$ 205,754	\$ 205,754



Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

**AGENCY FUND — STATEMENT OF
CHANGES IN ASSETS AND LIABILITIES**

Navajo County
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance July 1, 2012</u>
Assets				
Cash and investments	\$ 4,721,391	\$ 13,621,225	\$ 13,151,360	\$ 5,191,256
Interest receivable	1,404	1,416		2,820
Total Assets	<u>\$ 4,722,795</u>	<u>\$ 13,622,641</u>	<u>\$ 13,151,360</u>	<u>\$ 5,194,076</u>
Liabilities				
Due to other governments	\$ 2,739,471	\$ 12,329,585	\$ 11,982,105	\$ 3,086,951
Deposits held for other parties	1,983,324	1,293,056	1,169,255	2,107,125
Total Liabilities	<u>\$ 4,722,795</u>	<u>\$ 13,622,641</u>	<u>\$ 13,151,360</u>	<u>\$ 5,194,076</u>



Navajo County, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

STATISTICAL SECTION

Navajo County
Statistical Section
June 30, 2012

This part of the Navajo County comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Navajo County's financial health.

Contents

Financial Trends

These schedules contain trend information to help citizens understand how the County's financial performance and fiscal health have changed over time. Financial trend information can be found on pages 91 through 97 of this report.

Revenue Capacity

These schedules contain information to assist citizens in understanding the property tax; a significant local revenue source. Revenue capacity information can be found on pages 98 through 101 of this report.

Debt Capacity

These schedules present information to assist citizens in assessing the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. Debt capacity information can be found on pages 102 through 104 of this report.

Demographic and Economic Information

These schedules contain demographic and economic indicators that aid citizens in understanding the environment within which the County's financial activities are transacted. Demographic information can be found on pages 105 through 107 of this report.

Operating Information

These schedules contain service and infrastructure data to help citizens understand how the information in the County's financial report relates to the services the County provides and the activities we perform. Operating information can be found on pages 108 through 112 of this report.

Sources

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 54,360,439	\$ 57,948,043	\$ 55,643,023	\$ 59,552,340	\$ 55,332,385
Restricted	1,715,242	9,778,365	15,322,958	15,958,946	21,309,950
Unrestricted	10,249,740	4,829,001	8,491,241	16,657,154	22,441,546
Total governmental activities net assets	<u>\$ 66,325,421</u>	<u>\$ 72,555,409</u>	<u>\$ 79,457,222</u>	<u>\$ 92,168,440</u>	<u>\$ 99,083,881</u>

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities:					
Invested in capital assets, net of related debt	\$ 61,704,323	\$ 73,728,006	\$ 66,038,408	\$ 70,264,651	\$ 70,769,217
Restricted	24,374,755	19,040,878	23,034,928	27,364,817	25,830,803
Unrestricted	16,119,289	15,007,820	16,207,016	6,481,167	7,151,635
Total governmental activities net assets	<u>\$ 102,198,367</u>	<u>\$ 107,776,704</u>	<u>\$ 105,280,352</u>	<u>\$ 104,110,635</u>	<u>\$ 103,751,655</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
General government	\$ 16,481,849	\$ 15,392,349	\$ 18,389,571	\$ 19,479,297
Public safety	13,635,116	11,361,939	11,659,715	13,099,102
Highways and streets	7,521,368	9,418,291	8,434,616	8,851,369
Sanitation	30,528	25,103	94,595	35,887
Economic opportunity				
Health and welfare	4,403,499	4,241,657	4,736,700	5,874,892
Culture and recreation	660,852	585,971	531,045	468,926
Education	226,269	232,790	263,909	289,270
Environmental and conservation				
Urban redevelopment and housing				
Interest on long-term debt	558,992	540,314	507,110	374,442
Total governmental activities expenses	<u>43,518,473</u>	<u>41,798,414</u>	<u>44,617,261</u>	<u>48,473,185</u>
Program Revenues:				
Charges for services:				
General government	3,008,100	3,949,254	5,224,551	4,477,711
Public Safety	1,809,061	525,746	802,050	2,810,667
Highway and streets	4,544	942		28,647
Sanitation	40,000	(17,003)	(86,267)	92,693
Health and welfare	41,475	29,745	70,821	93,599
Culture and recreation	10,250	16,548	8,942	11,926
Operating grants and contributions:				
General government	8,093,867	5,000	1,718,024	2,428,758
Public Safety	3,519,132		2,917,059	3,696,730
Highway and streets	7,798,373		10,997,876	228,409
Health and welfare	1,189,036	10,663	926,755	1,837,979
Culture and recreation	401,306		135,598	145,307
Education				639,532
Environmental and conservation				
Urban redevelopment and housing				
Capital grants and contributions:				
General government				
Public Safety				
Highway and streets				12,567,738
Total governmental activities program revenues	<u>25,915,144</u>	<u>4,520,895</u>	<u>22,715,409</u>	<u>29,059,696</u>
Net (Expense) Revenue	(17,603,329)	(37,277,519)	(21,901,852)	(19,413,489)
General Revenues:				
Property taxes	5,877,286	5,221,794	6,402,534	7,973,918
General county sales tax	5,256,637	5,901,927	5,205,992	7,260,596
Shared revenues	12,625,712	13,107,115	11,362,815	12,781,414
Payment in lieu of taxes			861,599	757,594
Grants and contributions not restricted to specific programs		19,550,932	1,228,182	946,207
Investment earnings	793,842	1,178,509	1,184,173	909,436
Fines and forfeits	782,429			
Rent	57,105			
Gain on disposal of capital assets		309,309	140,937	59,167
Miscellaneous	746,976	324,454	408,225	581,789
Transfers				
Total general revenues and transfers	<u>26,139,987</u>	<u>45,594,040</u>	<u>26,794,457</u>	<u>31,270,121</u>
Change in net assets - governmental activities	<u>\$ 8,536,658</u>	<u>\$ 8,316,521</u>	<u>\$ 4,892,605</u>	<u>\$ 11,856,632</u>

(Continued)

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

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
\$	19,745,840	\$ 20,503,496	\$ 19,392,043	\$ 22,647,297	\$ 22,396,786	\$ 21,607,586
	14,534,493	17,570,231	19,182,119	17,566,896	16,191,164	18,238,891
	10,990,269	12,960,992	14,058,305	13,057,318	14,480,464	8,023,409
	18,880					
	2,162					
	6,274,590	6,809,907	7,219,915	9,366,578	7,129,008	5,909,936
	554,419	472,151	510,035	747,065	814,786	966,000
	4,883,527	7,119,026	5,723,104	6,307,885	5,710,417	6,164,792
		234,078	231,225	237,032	196,504	16,352
		5,000		307,208	35,558	784
	179,518	349,677	594,260	677,253	625,962	721,020
	<u>57,183,698</u>	<u>66,024,558</u>	<u>66,911,006</u>	<u>70,914,532</u>	<u>67,580,649</u>	<u>61,648,770</u>
	4,882,461	3,746,695	3,473,303	3,531,064	3,465,053	3,326,109
	2,910,947	541,256	765,083	517,702	672,441	982,588
	115,198	83,076		39,249	98,695	334,513
	95,930	77,965	122,462	215,494	194,090	163,957
						155,895
	2,241,225	1,851,358	3,719,202	1,735,327	2,584,222	2,215,242
	3,062,299	3,063,868	3,599,091	3,290,457	2,916,270	3,252,479
	184,839					
	2,227,071	1,751,447	2,199,624	1,803,890	2,280,437	1,819,214
	38,313	38,102	64,885	122,207	137,643	152,083
	4,944,866	7,186,346	5,512,115	6,086,494	3,665,344	4,654,668
		162,086	205,884	195,574	429,653	59,097
				305,647	63,162	
						220,229
						5,000
	12,956,489	12,361,020	12,393,158	15,637,667	13,170,789	9,578,324
	<u>33,659,638</u>	<u>30,863,219</u>	<u>32,054,807</u>	<u>33,480,772</u>	<u>29,677,799</u>	<u>26,919,398</u>
	(23,524,060)	(35,161,339)	(34,856,199)	(37,433,760)	(37,902,850)	(34,729,372)
	8,636,394	9,707,389	10,933,578	12,494,737	12,866,253	12,087,700
	6,778,153	7,083,165	6,330,588	5,480,598	5,889,027	6,246,077
	13,521,307	13,302,354	12,017,517	10,728,725	11,405,376	11,475,113
	1,433,848	3,922,712	6,444,858	4,902,289	4,489,096	3,175,428
	1,733,012	1,624,746	750,742	322,748	254,483	202,500
	104,656	11,971	23,895	115,237	5,957	13,116
	1,016,509	1,207,819	1,466,751	1,273,310	1,822,741	1,170,658
				(380,236)		
	<u>33,223,879</u>	<u>36,860,156</u>	<u>37,967,929</u>	<u>34,937,408</u>	<u>36,732,933</u>	<u>34,370,592</u>
\$	<u>9,699,819</u>	<u>\$ 1,698,817</u>	<u>\$ 3,111,730</u>	<u>\$ (2,496,352)</u>	<u>\$ (1,169,917)</u>	<u>\$ (358,780)</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 84,466	\$ 109,411	\$ 124,747	\$
Unreserved	4,512,907	8,174,226	10,386,065	12,379,484
Assigned*				
Unassigned				
Total general fund	<u>\$ 4,597,373</u>	<u>\$ 8,283,637</u>	<u>\$ 10,510,812</u>	<u>\$ 12,379,484</u>
All other governmental funds				
Reserved	\$ 335,486	\$ 5,742,868	\$ 6,699,626	\$ 10,983,270
Unreserved, reported in:				
Special revenue funds	10,697,618	7,661,943	5,695,432	7,581,812
Debt service funds	1,715,242			
Capital projects funds	4,800,163	2,864,748	3,176,207	3,443,911
Nonspendable*				
Restricted				
Assigned				
Unassigned				
Total all other governmental funds	<u>\$ 17,548,509</u>	<u>\$ 16,269,559</u>	<u>\$ 15,571,265</u>	<u>\$ 22,008,993</u>

(Continued)

* Due to the implementation of GASB Statement No. 54 in FY 2011, categories regarding fund balance have been redefined. See Notes to Financial Statements Note 8 for details.

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 16,110,913	\$ 3,957,781 10,939,695	\$ 2,883,159 7,550,215	\$ 325,096 7,416,990	\$ 3,182,499 3,349,495	\$ 2,533,698 3,939,417
<u>\$ 16,110,913</u>	<u>\$ 14,897,476</u>	<u>\$ 10,433,374</u>	<u>\$ 7,742,086</u>	<u>\$ 6,531,994</u>	<u>\$ 6,473,115</u>
\$ 397,700	\$ 500,703	\$ 679,641	\$ 528,878	\$ 543,055 28,973,243 1,231,112 (270,933)	\$ 933,008 25,696,085 1,626,014 (39,006)
21,439,571 1,995,785 4,791,323	26,620,823 1,777,950 24,543	25,962,952 1,824,003	31,118,113 1,924,862 76,332		
<u>\$ 28,624,379</u>	<u>\$ 28,924,019</u>	<u>\$ 28,466,596</u>	<u>\$ 33,648,185</u>	<u>\$ 30,476,477</u>	<u>\$ 28,216,101</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 5,325,701	\$ 5,598,844	\$ 5,944,655	\$ 7,934,263
Licenses and permits	612,942	687,864	735,239	979,368
Fines and forfeits	782,430	768,843	849,138	990,927
Intergovernmental	38,818,933	36,512,199	35,236,042	43,263,385
Charges for services	4,300,740	4,505,232	4,435,720	5,544,948
Investment earnings	793,844	1,178,509	1,184,173	909,436
Special assessments	493,133	697,839	541,145	
Rents and royalties	57,105			
Contributions	65,129	15,663	13,624	26,879
Miscellaneous	747,477	324,454	408,225	604,968
Total revenues	<u>51,997,434</u>	<u>50,289,447</u>	<u>49,347,961</u>	<u>60,254,174</u>
Expenditures:				
General government	16,285,966	14,942,786	17,519,255	18,794,253
Public safety	13,357,260	11,457,252	11,656,881	13,875,071
Highways and streets	9,457,334	12,281,281	10,462,632	10,366,859
Sanitation	30,528		64,518	
Economic opportunity				
Health and welfare	4,159,855	4,301,274	4,917,449	6,022,260
Culture and recreation	732,897	588,911	513,452	444,143
Education	226,270	222,995	252,173	274,985
Environmental and conservation				
Urban redevelopment and housing				
Debt service:				
Principal	517,747	525,549	718,342	686,012
Interest and other charges	558,992	540,314	507,110	374,442
Capital outlay	1,495,651	903,973	2,284,380	2,118,079
Total expenditures	<u>46,822,500</u>	<u>45,764,335</u>	<u>48,896,192</u>	<u>52,956,104</u>
Excess(deficiency) of revenues over expenditures	5,174,934	4,525,112	451,769	7,298,070
Other financing sources (uses):				
Revenue bonds issued				
Capital lease agreements		55,861	63,086	
Special assessment bonds issued				
Sale of capital assets		309,309	140,937	59,167
Transfers in	3,371,339	2,791,392	3,519,951	2,094,983
Transfers out	(3,371,339)	(2,791,392)	(3,519,951)	(2,094,983)
Total other financing sources and uses		<u>365,170</u>	<u>204,023</u>	<u>59,167</u>
Net change in fund balances	<u>\$ 5,174,934</u>	<u>\$ 4,890,282</u>	<u>\$ 655,792</u>	<u>\$ 7,357,237</u>
Ratio of total debt service expenditures to non-capital expenditures	2.38%	2.38%	2.63%	2.09%

(Continued)

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

		Fiscal Year								
		2007	2008	2009	2010	2011	2012			
\$	8,673,499	\$	9,581,813	\$	10,780,692	\$	12,294,308	\$	12,612,528	\$12,092,878
	879,866		643,032		513,081		619,663		529,657	397,490
	1,646,183		1,290,001		1,563,382		1,336,602		1,317,038	1,228,579
	47,350,129		50,665,504		52,104,688		49,652,453		46,350,655	42,113,926
	5,478,487		2,515,958		2,284,384		2,347,245		2,583,583	2,934,743
	1,727,733		1,624,746		750,741		322,747		254,483	202,499
					356,318		133,181		198,817	642,688
	38,281		56,956		25,916		31,141		30,333	50,540
	990,990		1,222,929		1,466,751		1,273,311		1,822,741	1,170,659
	<u>66,785,168</u>		<u>67,600,939</u>		<u>69,845,953</u>		<u>68,010,651</u>		<u>65,699,835</u>	<u>60,834,002</u>
	19,975,143		22,871,415		22,160,207		21,661,752		21,894,300	20,650,249
	13,759,567		17,525,292		18,403,733		16,838,127		17,020,246	17,394,177
	10,681,812		14,792,747		17,778,854		10,087,829		15,462,752	9,452,610
	19,424									
	2,162									
	6,270,192		6,813,069		7,074,321		9,306,800		7,138,323	7,507,775
	562,599		471,342		501,738		740,591		808,312	962,712
	4,893,943		7,119,291		5,515,147		6,139,063		5,674,996	6,019,533
			234,078		231,225		237,032		196,504	16,352
			5,000				307,208		35,558	784
	421,836		303,173		487,701		858,416		919,249	946,316
	179,518		349,677		594,260		677,253		625,962	721,020
	1,990,735		6,238,140		3,030,157		81,675		274,573	327,361
	<u>58,756,931</u>		<u>76,723,224</u>		<u>75,777,343</u>		<u>66,935,746</u>		<u>70,050,775</u>	<u>63,998,889</u>
	8,028,237		(9,122,285)		(5,931,390)		1,074,905		(4,350,940)	(3,164,887)
			6,600,000							
			77,845		6,846				18,913	354,826
	104,656		11,971		23,895		115,237		5,957	68,446
	3,903,479		1,845,732		2,304,012		8,048,481		6,600,855	10,017,167
	(3,653,479)		(1,845,732)		(2,304,012)		(6,789,602)		(6,600,855)	(10,017,167)
	<u>354,656</u>		<u>6,689,816</u>		<u>30,741</u>		<u>1,374,116</u>		<u>24,870</u>	<u>423,272</u>
\$	<u>8,382,893</u>	\$	<u>(2,432,469)</u>	\$	<u>(5,900,649)</u>	\$	<u>2,449,021</u>	\$	<u>(4,326,070)</u>	<u>(\$2,741,615)</u>
	1.06%		0.93%		1.49%		2.30%		2.45%	2.89%

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

Fiscal Year	Primary Assessed Value				**Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Residential and Vacant Property	Commercial Property	Unattached Personal Property	Total Taxable Assessed Value			
*2003	279,670,685	267,623,207	14,340,262	563,168,606	1.0814	5,049,758,994	11.15%
2004	307,545,845	298,083,506	18,092,250	623,721,601	0.8772	5,453,258,038	11.44%
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%

Source: Navajo County Assessor's office

* Revised abstract as a result of 2002 Rodeo-Chediski fire.

** Total Direct Tax Rate contains both primary and secondary tax rates.

*** Revised abstract resulting from centrally assessed Transwestern lawsuit.

Navajo County
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	County Direct Rates					Total Direct
	Primary	Fire District Assistance Tax	Library District	Flood Control District	Public Health District	
2003	0.6909	0.1000	0.0200	0.2041	0.0661	1.0811
2004	0.4772	0.1000	0.0200	0.2041	0.0759	0.8772
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

Fiscal Year	Overlapping rates				
	School Equalization	School Districts	Cities	Other Special Districts	Community College District
2003	0.4889	3.8179-7.6519	0.4500-0.9501	0.1249-2.4719	1.4542
2004	0.4717	3.4929-8.0212	0.5442-0.9501	0.1097-2.4287	1.4406
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

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 Eight Years Ago

Taxpayer	2012			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	\$ 138,443,733	1	13.49%	\$ 96,593,064	1	15.49%
PacifiCorp Electric Operations	47,535,600	2	4.63%	32,473,751	2	5.21%
Peabody Western Coal Co.	16,716,545	3	1.63%	15,712,500	3	2.52%
Transwestern Pipeline Co	12,860,000	4	1.25%	7,818,785	6	1.25%
El Paso Natural Gas Co	8,171,176	5	0.80%	9,728,496	5	1.56%
Citizens Telecom of White Mountains	6,415,963	6	0.63%	10,589,603	4	1.70%
Catalyst Paper Snowflake, Inc	6,290,684	7	0.61%	6,684,840	7	1.07%
Burlington Northern/Santa Fe Railway	5,254,993	8	0.51%	5,184,182	10	0.83%
Unisource Energy Corporation	4,833,454	9	0.47%	N/A		N/A
Navopache Electric Co-Op Inc.	4,819,302	10	0.47%	5,430,813	9	0.87%
Totals	<u>\$ 251,341,450</u>		<u>24.49%</u>	<u>\$ 190,216,034</u>		<u>30.50%</u>

Total 2012 Navajo County Assessed Value

\$ 1,026,137,125

Total 2004 Navajo County Assessed Value

\$ 623,721,601

Source: Navajo County Assessor's office.

Note: Information for principle property taxpayers was not available prior to fiscal year 2004; consequently the comparison is for a eight year period.

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
2003	\$ 3,904,335	\$ 3,666,841	93.92%	\$ 236,231	\$ 3,903,072	99.97%
2004	2,973,030	2,836,571	95.41%	135,518	2,972,089	99.97%
2005	4,054,556	3,867,955	95.40%	185,078	4,053,033	99.96%
2006	4,321,153	4,139,945	95.81%	179,186	4,319,132	99.95%
2007	4,583,059	4,401,681	96.04%	176,523	4,578,205	99.89%
2008	4,916,596	4,684,181	95.27%	224,777	4,908,958	99.84%
2009	5,249,742	5,003,706	95.31%	236,706	5,240,411	99.82%
2010	5,586,383	5,306,931	95.00%	265,386	5,572,317	99.75%
2011	5,883,333	5,569,913	94.67%	285,177	5,855,089	99.52%
2012	6,133,815	5,887,544	95.99%		5,887,544	95.99%

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

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Certificates of Participation	Special Assessment Bonds	Capital Leases				
2003	\$	\$ 6,670,000	\$ 2,298,150	\$ 32,597	\$ 9,000,747	0.50%	\$ 87.20	
2004		6,430,000	2,191,790	70,198	8,691,988	0.45	82.77	
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	N/A (2)	111.33	
2012	5,545,000	4,345,000	1,172,771	282,887	11,345,658	N/A (2)	N/A (3)	

- 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) Personal income was not available for 2011 and 2012.
- (3) Population was not available for 2012.

Navajo County
Pledged Revenue Coverage
Last Ten Fiscal Years

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

2000 Series Jail Facility Bonds

Fiscal Year	Revenues	Less: Expenditures	Net Available Resources	Debt Service		Coverage
				Principal	Interest	
2002	\$ 26,746,236	\$ 25,393,976	\$ 1,352,260	\$ 215,000	\$ 420,439	2.13
2003	29,158,695	24,561,322	4,597,373	230,000	409,420	7.19
2004	32,128,944	23,845,307	8,283,637	240,000	397,345	13.00
2005	39,178,639	28,667,827	10,510,812	250,000	384,745	16.56
2006	43,895,225	31,515,741	12,379,484	265,000	371,245	19.46
2007	49,604,695	33,493,782	16,110,913		356,670	45.17
2008	57,611,975	42,714,499	14,897,476	280,000	348,970	23.69
2009	50,385,592	39,952,218	10,433,374	295,000	333,010	16.61
2010	44,494,664	36,752,578	7,742,086	310,000	316,031	12.37
2011	42,549,369	36,017,375	6,531,994	330,000	298,031	10.40
2012	39,908,509	33,435,394	6,473,115	355,000	278,100	10.22

Special Assessment Bonds

Fiscal Year	Revenues	Debt Service		Coverage Ratio
		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

Source: Navajo County Finance Department.

Navajo County
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 1,026,137,125
Debt limit (15% of assessed value)	153,920,569
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	\$ 153,920,569

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	\$ 84,475,291	\$ 93,558,240	\$ 96,689,290	\$ 102,590,120	\$ 110,225,508
Total net debt applicable to limit					
Legal debt margin	84,475,291	93,558,240	96,689,290	102,590,120	110,225,508
 Total net debt applicable to the limit as a percentage of the debt	 0%	 0%	 0%	 0%	 0%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$ 121,847,141	\$ 136,253,654	\$ 149,814,683	\$ 158,850,728	\$ 153,920,569
Total net debt applicable to limit					
Legal debt margin	121,847,141	136,253,654	149,814,683	158,850,728	153,920,569
 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

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2003	\$103,220	\$1,807,125	\$17,508	8.6%
2004	105,020	1,933,211	18,408	8
2005	106,968	2,120,553	19,824	8
2006	109,000	2,260,966	20,743	7
2007	110,999	2,412,656	21,736	6
2008	112,348	2,539,509	22,604	10
2009	112,975	2,634,137	23,316	15
2010	107,449	2,742,716	25,526	16
2011	(1)	(1)	(1)	16
2012	(1)	(1)	(1)	(1)

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

(1) Information is not yet available for 2011 and 2012.

Navajo County
Employment by Sector
Last Ten Calendar Years

Employment by Sector

	2002	2003	2004	2005	2006
Mining and Construction	2,525	2,600	2,500	2,825	3,200
Educational and Health Services	2,475	2,850	2,950	3,100	3,250
Financial Activities	600	750	600	575	650
Government	10,250	10,300	10,125	9,850	9,875
Leisure and Hospitality	3,025	3,100	3,200	3,175	3,200
Manufacturing	800	800	900	900	975
Information	550	575	650	750	800
Professional and Business Services	900	950	1,100	1,100	1,250
Trade, Transportation and Utilities	5,425	5,550	5,550	5,600	5,700
Other Services	850	825	800	950	925

	2007	2008	2009	2010	2011
Mining and Construction	2,925	2,375	1,600	1,450	1,325
Educational and Health Services	3,325	3,300	3,500	3,550	3,200
Financial Activities	600	525	475	400	425
Government	9,925	10,400	10,100	9,650	9,500
Leisure and Hospitality	3,475	3,475	3,150	3,500	3,625
Manufacturing	900	800	550	525	525
Information	825	1,000	1,075	1,150	1,150
Professional and Business Services	1,350	1,275	1,025	1,000	1,025
Trade, Transportation and Utilities	6,050	5,650	5,375	5,250	5,025
Other Services	800	850	750	700	525

Source: Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, and the Arizona Department of Commerce, Strategic Investment and Research. Figures are organized under the North American Industrial Classification System (NAICS).

Navajo County Major Employers

<u>Employer</u>	<u>Employer Type</u>
APS, Joseph City	Electric Services
Bashas', Taylor	Retail
Burlington Northern Santa Fe, Winslow	Railroad Operation
Catalysts, Snowflake	Paper Mills
Holiday Inn, Kayenta	Hotels and Motels
Kayenta Boarding B.I.A. School	Education
Keams Canyon Indian Hospital	Medical
Navajo Government Executive Branch	Government
Navajo Tribal Utility Authority, Keams Canyon	Utility
Navopache Electric Cooperative, Inc.	Utility
Northland Pioneer College, Holbrook	Colleges
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

Source: Holbrook Chamber of Commerce; Navajo Nation, Navajo Nation, Division of Economic Development; Pinetop-Lakeside Chamber of Commerce; Show Low Regional Chamber of Commerce; and Snowflake-Taylor Chamber of Commerce.

Navajo County
Operating Indicators by Function
Last Nine Fiscal Years

Function	Fiscal Year		
	2004	2005	2006
General Government			
Assessor			
Number of parcels assessed	78,098	79,096	80,664
Elections			
Elections	3	4	5
Number voting	8,931	46,644	13,398
Planning & Zoning			
Building permits issued	2,825	3,009	3,674
Public Fiduciary			
Guardianships/conservatorships	93	95	97
Public Safety			
Adult Probation			
Community service hours			40,493
Pre-sentence reports written for courts			772
Probationers actively supervised			726
Juvenile Probation			
Average length of detention (days)	18	16	15
Juveniles in detention	326	351	281
Probationers	171	197	166
Community restitution hours	11,593	12,160	8,909
Sheriff			
Inmate population	327	348	369
Highways & Streets			
Public Works			
Crack sealing (miles)	44	27	45
Street resurfacing (miles)	37	82	54
Waste Tire Program			
Waste tires collected			
Health & Welfare			
Public Health District			
Certified copies of birth or death certificates			
Childhood immunization visits	3,922	3,371	5,905
Restaurant inspections and re-inspections	462	468	603
Culture & Recreation			
Library District			
Number of items circulated	343,170	355,087	372,980
Number of library cards issued (by member libraries)	5,517	5,068	6,395
Number of prints, media and electronic items	176,971	198,856	220,545
Number of items owned by Library District	8,454	11,839	13,800
Education			
School Superintendent			
Charter schools	8	8	8
Charter students	1,882	1,686	1,547
District students	21,757	21,507	21,253
School districts	14	14	14

(continued)

Source: Navajo County departments monthly and annual performance reports.

Note: Operating indicators by function are not available prior to fiscal year 2004.

Navajo County
Operating Indicators by Function
Last Nine Fiscal Years

Fiscal Year					
2007	2008	2009	2010	2011	2012
83,044	84,824	85,536	85,858	86,304	88,148
4	5	4	4	4	5
43,445	23,687	51,626	21,379	50,969	17,330
3,789	3,085	1,837	1,285	926	994
99	104	103	110	99	108
34,370	50,415	51,910	49,198	40,687	39,135
744	678	594	504	637	641
868	1,036	1,009	1,008	1,349	1,270
15	12	8	10	12	11
318	338	457	441	408	449
164	186	199	171	182	148
9,170	10,504	8,740	8,939	5,173	7,346
385	363	363	361	319	274
9	2	0	47	49	82
33	52	42	25	42	32
	56,775	51,481	48,743	60,117	47,962
5,311	5,685	6,811	6,913	4,949	4,678
8,608	10,586	7,343	10,299	5,154	4,592
592	593	608	336	709	423
380,765	442,038	456,579	480,959	441,232	438,916
5,835	6,079	5,985	6,206	6,170	5,406
241,479	262,997	287,552	310,602	333,901	343,659
15,216	16,907	19,607	21,774	24,199	25,837
6	6	6	7	7	7
817	818	839	471	352	399
20,948	20,861	20,497	19,913	19,071	18,606
14	14	14	14	14	14

Navajo County
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
General Government				
Elections				
Voting Machines	76	76	76	158
Superior Courts				
Divisions	3	3	3	3
Division - Satellite				
Justice Courts	6	6	6	6
Public Safety				
Sheriff				
Inmate beds available				
Jail Facilities	1	1	1	1
Stations	0	0	0	0
Improvement Districts				
Flood Warning Sites	30	31	31	31
Flood Control District Properties	7	8	8	8
Road Improvement Districts	1	0	3	0
Highways and Streets				
Public Works				
Miles of maintained roads	719.76	722.98	727.7	738.98
Bridges	14	14	14	14
Sanitation				
Landfill/Environment				
Transfer Stations	0	0	0	0
Health				
Health Care				
Public health facilities				
Heber - Owned	1	1	1	1
Show Low - Owned	1	1	1	1
Snowflake - Operated	1	1	1	1
Holbrook - Owned	1	1	1	1
Winslow - Owned	1	1	1	1
Pinetop - Owned	1	1	1	1
Culture and Recreation				
Parks & Recreation				
County Parks (Tall Timber, Heber)	1	1	1	1
Library District				
Number of facilities owned	0	0	0	0
Facilities operated	1	1	1	1
Bookmobiles	0	0	0	0
Education				
Schools	1	1	1	1

(continued)

Source: Navajo County capital asset reports.

Navajo County
Capital Asset Statistics by Function
Last Ten Fiscal Years

Fiscal Year					
2007	2008	2009	2010	2011	2012
158	158	158	158	173	173
4	4	4	4	4	4
6	6	6	6	6	6
407		433	425	426	442
1	1	1	1	1	2
0	0	0	0	0	0
31	31	31	30	31	31
8	8	8	9	12	12
2	1	1	1	1	0
747.83	732.01	737.65	734.9	733.28	733.65
14	14	14	14	14	15
0	0	0	0	0	0
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
0	0	0	0	0	0
1	1	1	1	1	1
0	0	0	0	0	0
1	1	1	1	1	1

Navajo County
Full-Time Equivalent Employees by Function
Last Eight Fiscal Years

Function	Fiscal Year			
	2005	2006	2007	2008
General government	247	258	272	290
Public safety	229	226	240	260
Highways and streets	84	82	84	90
Health and welfare	53	56	62	67
Culture and recreation	2	3	3	4
Total	<u>615</u>	<u>625</u>	<u>661</u>	<u>711</u>

Function	Fiscal Year			
	2009	2010	2011	2012
General government	284	284	294	295
Public safety	256	248	239	243
Highways and streets	90	81	81	82
Health and welfare	66	63	65	66
Culture and recreation	4	5	6	5
Total	<u>700</u>	<u>681</u>	<u>685</u>	<u>691</u>

Source: Navajo County Budget 2005 - 2012.