



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Navajo County

Year Ended June 30, 2013



Debra K. Davenport
Auditor General

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Navajo County
Annual Expenditure Limitation Report
Year Ended June 30, 2013

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Accountants' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of Navajo County for the year ended June 30, 2013. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our examination.

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

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

Jay Zsorey, CPA
Financial Audit Director

May 16, 2014

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Navajo County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2013

1. Economic Estimates Commission expenditure limitation	\$43,834,349
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>33,057,126</u>
3. Amount under the expenditure limitation	<u>\$10,777,223</u>

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

Signature of Chief Fiscal Officer: _____

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

Telephone Number: (928) 524-4343 Date: May 16, 2014

See accompanying notes to report.

Navajo County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2013

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line C	\$ 62,043,499	\$ 222,274,047	\$ 284,317,546
B. Less exclusions claimed:			
Debt service requirements on bonded indebtedness (Note 3)	637,657		637,657
Proceeds from other long-term obligations (Note 2)	1,213,281		1,213,281
Debt service requirements on other long-term obligations (Note 3)	4,633,563		4,633,563
Dividends, interest, and gains on the sale or redemption of investment securities (Note 4)	951,222		951,222
Trustee or custodian (Note 5)	583,059	222,274,047	222,857,106
Grants and aid from the federal government (Note 6)	7,188,616		7,188,616
Amounts received from the State of Arizona (Note 6)	6,765,701		6,765,701
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	5,567,379		5,567,379
Contracts with other political subdivisions (Note 6)	<u>1,445,895</u>	<u> </u>	<u>1,445,895</u>
Total exclusions claimed	<u>28,986,373</u>	<u>222,274,047</u>	<u>251,260,420</u>
C. Amounts subject to the expenditure limitation	<u>\$ 33,057,126</u>	<u>\$ -</u>	<u>\$ 33,057,126</u>

See accompanying notes to report.

Navajo County
 Annual Expenditure Limitation Report—Reconciliation
 Year Ended June 30, 2013

Description	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions, and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 69,425,041	\$ 222,274,047	\$ 291,699,088
B. Subtractions:			
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	4,824,969		4,824,969
Long-term care contributions withheld by the State Treasurer (Note 8)	2,474,977		2,474,977
Payments made to reimburse the Arizona Department of Health Services (Note 9)	<u>81,596</u>		<u>81,596</u>
Total subtractions	<u>7,381,542</u>	<u>-</u>	<u>7,381,542</u>
C. Amounts reported on Part II, Line A	<u>\$ 62,043,499</u>	<u>\$ 222,274,047</u>	<u>\$ 284,317,546</u>

See accompanying notes to report.

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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

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

Note 2 - The exclusions claimed for proceeds from other long-term obligations of \$1,213,281 consists of amounts expended from other long-term obligations and is recorded as capital outlay expense of \$1,097,991 and bond issuance expense of \$115,290. Remaining revenues of \$3,287,009 have been carried forward to future years.

Note 3 - The exclusions claimed for debt service requirements on bonded indebtedness and other long-term obligations in the Governmental Funds of \$637,657 and \$4,633,563, respectively, consist of debt service expenditures for principal, interest and other charges, and payments to bond refunding escrow agent of \$475,177, \$451,043, and \$4,345,000, respectively. Of the \$676,779 of principal, \$527,044 of interest and other charges, and \$4,345,000 of payments to bond refunding escrow agent in the Governmental Funds, \$201,602 and \$76,001 of principal and interest, respectively, is attributable to separate legal entities that are not included in the Economic Estimates Commission base limit calculations, and these amounts are not included in this exclusion.

Note 4 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$951,222 in the Governmental Funds includes interest on delinquent taxes expended, which was recorded as tax revenue.

Note 5 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$583,059 in county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the Fiduciary Funds, the exclusion consists of \$222,274,047 in distributions to investment pool participants.

Note 6 - The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the Governmental Funds:

Navajo County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2013

Description	<u>Intergovernmental Revenues</u>	<u>Charges for Services</u>
Grants and aid from the federal government	\$ 7,188,616	
Amounts received from the State of Arizona	6,765,701	
Highway user revenues in excess of those received in fiscal year 1979-80	5,567,379	
Contracts with other political subdivisions	595,080	\$ 850,815
Other revenues—(nonexcludable)	<u>22,933,785</u>	<u>2,190,620</u>
Total revenues as reported in the fund financial statements	<u>\$43,050,561</u>	<u>\$3,041,435</u>

Note 7 - The subtraction of \$4,824,969 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts that are included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements. Health and welfare expenditures amount of \$3,937,909 were reduced by \$211,175 for required maintenance of effort.

Special Assessment Districts

Health and welfare	\$3,726,734
Culture and recreation	785,901
Highways and streets	34,731
Debt service:	
Principal	201,602
Interest and other charges	<u>76,001</u>
Total	<u>\$4,824,969</u>

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

Note 9 - The subtraction of \$81,596 for payments made to reimburse the Arizona Department of Health Services consists of county payments to reimburse the State for the cost of inpatient competency restoration treatment and part of the costs of commitment of an individual that the court determined to be sexually violent, as required by Laws 2012, Chapter 299, Sections 10 and 11, which were recorded as health and welfare expenditures.

