

# Navajo County

Annual Expenditure  
Limitation Report

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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

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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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 (report) of Navajo County for the year ended June 30, 2023, and the related notes to the report. The County's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

*Lindsey A. Perry*


Lindsey A. Perry, CPA, CFE  
Auditor General

June 25, 2024

Navajo County  
Annual expenditure limitation report—part I  
Year ended June 30, 2023

1. Economic Estimates Commission expenditure limitation	\$ 51,972,741
2. Amount subject to the expenditure limitation (total amount from part II, line C)	<u>48,346,790</u>
3. Amount under the expenditure limitation	<u>\$ 3,625,951</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: Jayson Vowell / Finance Director

Telephone number: 928-524-4065 Date: June 25, 2024

**Navajo County**  
**Annual Expenditure Limitation Report—Part II**  
**Year ended June 30, 2023**

Description	<u>Governmental funds</u>	<u>Fiduciary funds</u>	<u>Total</u>
A. Amounts reported on the reconciliation, line D	\$ 76,023,754	\$ 414,639,591	\$ 490,663,345
B. Less exclusions claimed:			
Debt service requirements (Note 2)	2,752,469		2,752,469
Dividends, interest, and gains on the sale or redemption of investment securities (Note 3)	324,176		324,176
Trustee or custodian (Note 5)	510,463	414,639,591	415,150,054
Grants and aid from the federal government (Note 6)	6,931,737		6,931,737
Amounts received from the State of Arizona (Note 6)	9,348,480		9,348,480
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 6)	7,568,789		7,568,789
Contracts with other political subdivisions (Note 6)	224,550		224,550
Prior years carryforward (Note 8)	<u>16,300</u>	<u>                    </u>	<u>16,300</u>
Total exclusions claimed	<u>27,676,964</u>	<u>414,639,591</u>	<u>442,316,555</u>
C. Amounts subject to the expenditure limitation	<u>\$ 48,346,790</u>	<u>\$ -</u>	<u>\$ 48,346,790</u>

See accompanying notes to report.

**Navajo County**  
**Annual Expenditure Limitation Report—Reconciliation**  
**Year ended June 30, 2023**

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	\$ 91,715,944	\$ 414,639,591	\$ 506,355,535
B. Subtractions:			
Total expenditures of separate legal entities established under Arizona Revised Statutes (Note 7)	14,261,321		14,261,321
Long-term care contributions the State Treasurer withheld (Note 4)	<u>2,967,833</u>		<u>2,967,833</u>
Total subtractions	<u>17,229,154</u>		<u>17,229,154</u>
C. Additions:			
County transfers to separate legal entities (Note 7)	<u>1,536,964</u>		<u>1,536,964</u>
Total additions	<u>1,536,964</u>		<u>1,536,964</u>
D. Amounts reported on part II, line A	<u>\$ 76,023,754</u>	<u>\$ 414,639,591</u>	<u>\$ 490,663,345</u>

See accompanying notes to report.

**Navajo County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2023**

**Note 1 - Summary of significant accounting policies**

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

In accordance with the UERS, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the statement of revenues, expenditures, and changes in fund balances for the governmental funds; and the statement of changes in fiduciary net position for the fiduciary funds.

**Note 2**

The \$2,752,469 exclusion claimed for debt service requirements consists of principal retirement of \$2,070,223 and interest expenditures of \$682,246 in the governmental funds.

**Note 3**

The \$324,176 exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities in the governmental funds, which consists of investment earnings expended. Remaining unspent dividends and interest on delinquent taxes of \$2,208,779 have been carried forward to future years.

<b>Reconciliation of investment earnings</b>	<b>Governmental</b>
<b>Financial statements</b>	<b>Funds</b>
Investment earnings	\$ 2,112,971
Unrealized gain (loss)	<u>(3,009,762)</u>
Total investment earnings (loss) as reported in the financial statements	<u>\$ (896,791)</u>
 <b>AELR – Part II</b>	
Investment earnings from above	\$ 2,112,971
Interest on delinquent taxes recorded as tax revenue	<u>419,984</u>
Subtotal of allowable exclusion	<u>2,532,955</u>
Actual exclusion taken	<u>324,176</u>
Carryforward to future years	<u>\$ 2,208,779</u>

**Note 4**

The subtraction for long-term care contributions the State Treasurer withheld consists of transaction privilege taxes the State Treasurer withheld to meet the County's share of long-term care costs that was reported as a revenue and an offsetting expenditure in the County's governmental funds. Consequently, this expenditure has been subtracted on the reconciliation.



# Navajo County

## Notes to Annual Expenditure Limitation Report

### Year ended June 30, 2023

#### Note 5

The \$510,463 exclusion claimed for trustee or custodian in the governmental funds consists of county contributions to the Arizona Health Care Cost Containment System for acute care, uncompensated care, and administrative costs; and in the fiduciary funds, the exclusion of \$414,639,591 consists of \$328,814,334 in distributions to external investment pool participants, \$1,482,224 of other deductions for private-purpose trust funds, and \$84,343,033 in various deductions to other custodial funds.

#### 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:

Description	Intergovernmental revenues	Charges for services	Total
Grants and aid from the federal government	\$ 6,931,737		\$ 6,931,737
Amounts received from the State of Arizona	9,348,480		9,348,480
Highway user revenues in excess of those received in fiscal year 1979-80	7,568,789		7,568,789
Contracts with other political subdivisions	224,550		224,550
Other revenues—(nonexcludable)	29,788,759	\$6,938,735	36,727,494
Amounts carried forward	<u>2,693,999</u>	<u>                    </u>	<u>2,693,999</u>
Total revenues as reported in the fund financial statements	<u>\$56,556,314</u>	<u>\$6,938,735</u>	<u>\$63,495,049</u>

#### Note 7

The \$14,261,321 subtraction for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the governmental funds category in the fund financial statements:

Special assessment districts	
Health and welfare	\$ 4,960,912
Public safety	7,983,020
Culture and recreation	1,124,438
Highways and streets	40,678
Capital outlay	<u>152,273</u>
Total	<u>\$14,261,321</u>

The \$1,536,964 addition for county monies transferred to separate legal entities consists of the County's required maintenance of effort payment to the jail district and the public health district.

**Navajo County**  
**Notes to Annual Expenditure Limitation Report**  
**Year ended June 30, 2023**

**Note 8**

Revenues that are constitutionally excludable that were not spent in the year of receipt may be accumulated and excluded in future years when spent. A summary of the accumulated revenue sources and the changes in their balances is shown in the table below:

<b>Description</b>	<b>Balance June 30, 2022</b>	<b>Carryforward added</b>	<b>Carryforward used</b>	<b>Balance June 30, 2023</b>
Dividends, interest, and gains on the sale or redemption of investment securities	\$2,161,679	\$2,208,779	\$16,300	\$4,354,158
Contracts with other political subdivisions	317,264	685,358		1,002,622
Highway user revenues in excess of those received in fiscal year 1979-80	<u>619,078</u>	<u>2,008,641</u>	<u></u>	<u>2,627,719</u>
Total carryforward	<u>\$3,098,021</u>	<u>\$4,902,778</u>	<u>\$16,300</u>	<u>\$7,984,499</u>

