



NAVAJO COUNTY

Arizona



COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2017

We Are Navajo County

Since 1895

Board of Supervisors



**Vice Chairman
Steve Williams**
District IV

Jason E. Whiting
District III

Lee Jack Sr.
District I

Dawnafe Whitesinger
District V

**Chairman
Jesse Thompson**
District II

Navajo County, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



Prepared by Navajo County Finance Department

County Manager

Glenn Kephart

Assistant County Managers

Bryan Layton

Paul Watson

Finance Team

Paige M. Peterson, Finance Director

Scott Flake, Accountant

Rebecca Robertson, Finance Operations Supervisor

Deborah Bailey, Senior Accountant





INTRODUCTORY SECTION

Navajo County
Comprehensive Annual Financial Report
Year Ended June 30, 2017

<u>Table of Contents</u>	<u>Page</u>
Introductory Section	
Table of Contents	i
Letter of Transmittal	iv
Organizational Chart	x
Certificate of Achievement for Excellence in Financial Reporting	xi
Financial Section	
Independent Auditors' Report	1
Required Supplementary Information—Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Fiduciary Funds	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	
Note 1 – Summary of Significant Accounting Policies	24
Note 2 – Corrections of Misstatement—Prior Period Adjustments	30
Note 3 – Stewardship, Compliance, and Accountability	31
Note 4 – Deposits and Investments	31
Note 5 – Due From Other Governments	34
Note 6 – Capital Assets	34
Note 7 – Long-Term Liabilities	35
Note 8 – Risk Management	37
Note 9 – Operating Lease	39
Note 10 – Fund Balance Classifications of the Governmental Funds	39
Note 11 – Pensions and Other Postemployment Benefits	40
Note 12 – Interfund Balances and Activity	62
Note 13 – County Treasurer's Investment Pool	62

Navajo County
Comprehensive Annual Financial Report
Year Ended June 30, 2017

<u>Table of Contents</u>	<u>Page</u>
Other Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	66
Public Works/HURF Fund	69
Flood Control District Fund	70
Public Health District Fund	71
Notes to Budgetary Comparison Schedules	72
Pension Plan Schedules	
Schedule of the County's Proportionate Share of the Net Pension Liability– Cost-Sharing Pension Plans	74
Schedule of Changes in the County's Net Pension Liability and Related Ratios–Agent Pension Plans	75
Schedule of County Pension Contributions	78
Notes to Pension Plan Schedules	79
Schedule of Agent OPEB Plans' Funding Progress	80
Supplementary Information	
List of Nonmajor Governmental Funds	84
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	91
Budgetary Comparison Schedules – Nonmajor Governmental Funds	
Special Revenue – Administration	96
Special Revenue – County Attorney	97
Special Revenue – Courts	98
Special Revenue – Environmental and Conservation	99
Special Revenue – Housing	100
Special Revenue – Library District	101
Special Revenue – Probation	102
Special Revenue – Public Defense	103
Special Revenue – Recreation District	104
Special Revenue – Sheriff's Office	105
Special Revenue – Special Districts	106
Special Revenue – Workforce Innovation and Opportunity Act	107
Capital Projects – Other	108
Debt Service – General Government	109
Debt Service – Special Districts	110
Statement of Changes in Assets and Liabilities – Agency Funds	112

Navajo County
Comprehensive Annual Financial Report
Year Ended June 30, 2017

<u>Table of Contents</u>	<u>Page</u>
Statistical Section	
Financial Trends	
Changes in Net Position	114
Fund Balances of Governmental Funds	116
Changes in Fund Balances of Governmental Funds	118
Net Position by Component	120
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	121
Direct and Overlapping Property Tax Rates	122
Principal Property Taxpayers	123
Property Tax Levies and Collections	124
Debt Capacity	
Ratios of Outstanding Debt by Type	125
Pledged Revenue Coverage	126
Legal Debt Margin Information	127
Demographic and Economic Information	
Demographic and Economic Statistics	128
Employment by Sector and Major Employers	129
Operating Information	
Full-Time Equivalent Employees by Function	131
Operating Indicators by Function	132
Capital Asset Statistics by Function	134



NAVAJO COUNTY

Administration

Bryan Layton
Assistant County Manager

Glenn Kephart
County Manager

Paige Peterson
Finance Director

We are Navajo County

December 18, 2017

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 2017. 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 2017 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 unmodified opinion that the County's financial statements for fiscal year 2017 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 2015 population of the County was estimated to be 108,277. 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	107,398	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	8,394	9,368	11.6%
(Chilchinbito, Dilkon, Greasewood, Jeddito, Kayenta, Oljato, Pinon, and Shonto)			
Hopi Tribe	4,113	5,051	22.8%
(First Mesa, Hotevilla, Kykotsmovi, Second Mesa, and Shongopovi)			
White Mountain Apache Tribe	7,431	6,516	(12.3%)
(Cibecue, East Fork, Whiteriver)			

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

Some of the major employers in Navajo County include 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, pork production, alternative energy, Snowflake, Fort Apache Timber Company (timber processing), White River, and tourism related business, Kayenta (Monument Valley), Hondah, Show Low, Pinetop/Lakeside, and Heber/Overgaard.

Because of the rural nature of Navajo County, the local economy continues to be impacted by the stagnant, slowly recovering state and national economies. The County's unemployment rate (7.4 percent for July 2017) has been significantly higher than the State's (4.9 percent for July 2017). To address the economic challenges, Navajo County has reduced expenses through reductions in workforce, outsourced juvenile detention services, discontinued child support services, position vacancies from attrition, and reductions in operating expenses while maintaining excellent customer service.

Expenditure Limitation – 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 office 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 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, after APS closed its Unit II generator in 2016 at the Cholla Power Plant, its declined assessed property value caused a decrease of \$240,000 property tax for Navajo County.

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 that counties 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, the County Supervisors Association, the Arizona Association of Counties, 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 – State and local revenues are increasing; however, they cannot keep up with on-going increases in medical insurance, retirement pensions and unfunded state mandates. Environmental and economic changes directly related to the coal industry will have a negative impact on county revenues. The uncertainty of the coal industry and the state budget require 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, 2016. This was the seventh 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.

A Certificate of Achievement Award is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program and Budget Presentation Award requirements and we are submitting them to the GFOA to determine their eligibility for another certificate.

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.

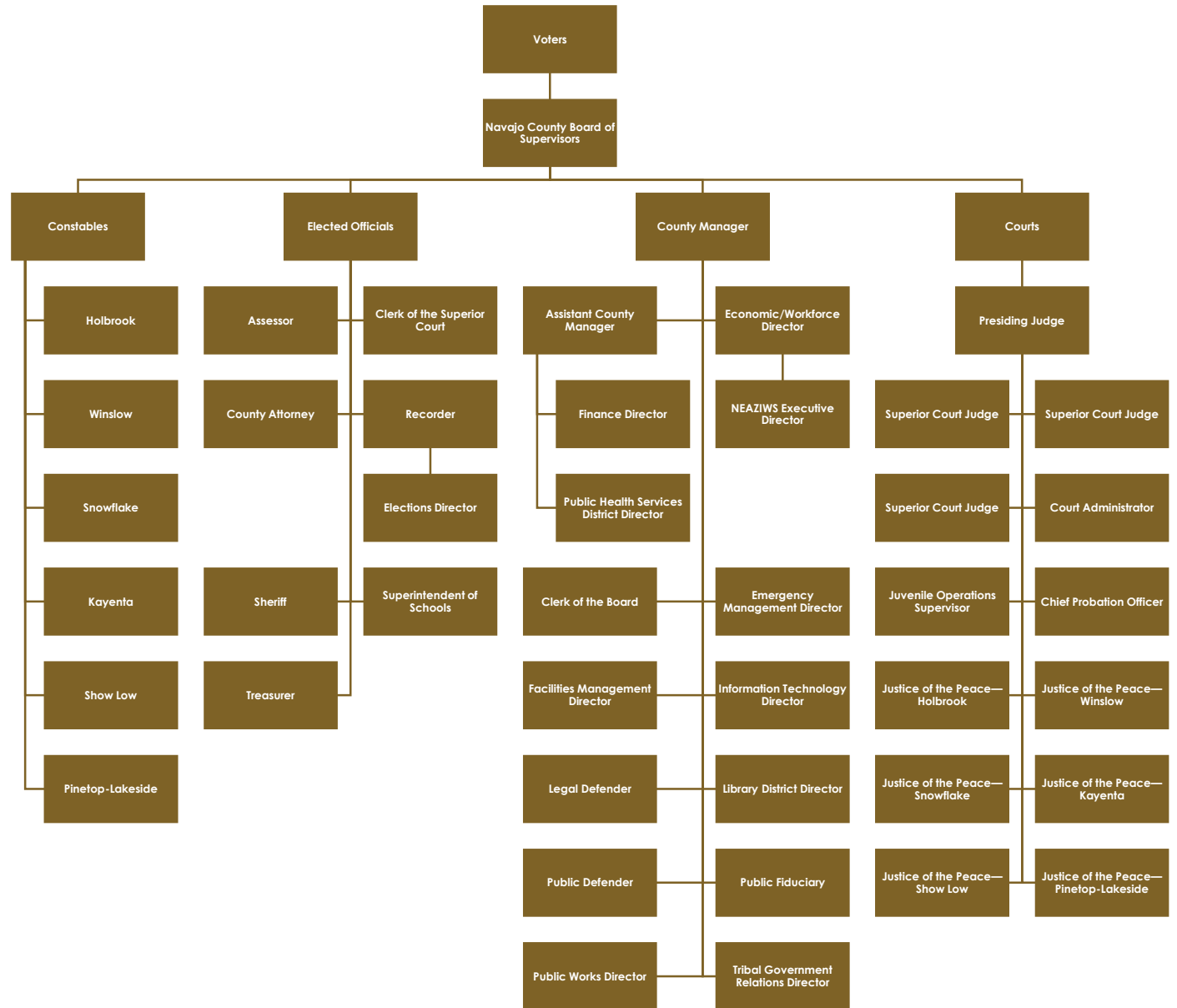
We wish to thank the Navajo County Board of Supervisors for their leadership and commitment to Navajo County and our citizens.

Respectfully submitted,

Glen Kephart
County Manager

Bryan Layton
Assistant County Manager

Paige Peterson
Finance Director





Government Finance Officers Association

**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, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



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

Report on the financial statements

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As described in Note 2, the County restated the financial statements for the year ended June 30, 2016, to correct misstatements in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 66 through 71, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 74, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 75 through 77, schedule of county pension contributions on pages 78 through 79, schedule of agent OPEB plans' funding progress on page 81 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.

Supplementary and other information

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.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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.

Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies

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 the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will 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 solely 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

December 18, 2017



Navajo County

Management's Discussion and Analysis

June 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$29.2 million (net position). Of this amount, \$60.2 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$27 million is restricted for specific purposes (restricted net position); and \$(58) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2017, total assets were \$112.3 million, a decrease of \$3.8 million or 3.3 percent in comparison with the prior fiscal year's restated balance of \$116.1 million.
- At June 30, 2017, total liabilities were \$90.9 million, an increase of \$3.3 million or 3.8 percent in comparison with the prior fiscal year's balance of \$87.6 million.
- At June 30, 2017, the County reported total deferred outflows of resources related to pensions of \$14.7 million and deferred inflows of resources related to pensions of \$6.9 million.
- At June 30, 2017, the governmental funds reported combined fund balances of \$34.2 million, an increase of \$734 thousand or 2.2 percent in comparison with the prior year's restated combined fund balances of \$33.4 million.
- At June 30, 2017, \$24.9 million or 73 percent of governmental fund balances were restricted, \$4.9 million or 14.4 percent were assigned, \$2.5 million or 7.3 percent were unassigned, and \$1.8 million or 5.3 percent were nonspendable. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or 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 balances are designated by management. The nonspendable fund balances include amounts that cannot be spent because they are not in spendable form, such as inventory.

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.

Navajo County Management's Discussion and Analysis June 30, 2017

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 Position 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.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows and inflows of resources, and liabilities, with the difference between assets and deferred outflows and liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 16 and 17 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

Navajo County Management's Discussion and Analysis June 30, 2017

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 Position 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, Flood Control District Fund, and Public Health 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 18 through 21 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 22 and 23 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 24 through 63 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 66 through 80 of this report.*

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of a County's financial position. The following table reflects the condensed Statement of Net Position of the County as of June 30, 2017, compared to the prior year. Current and other assets and unrestricted deficit were restated for fiscal year 2016, and as a result, these amounts will not agree to the prior-year audited financial statements. *Additional information on restated balances for fiscal year 2016 can be found in Note 2 on pages 28 and 29.*

Navajo County
Management's Discussion and Analysis
June 30, 2017

	Governmental Activities	
	2017	2016 (as restated)
Current and other assets	\$ 37,559,325	\$ 37,888,553
Capital assets	<u>74,746,244</u>	<u>78,223,967</u>
Total assets	<u>112,305,569</u>	<u>116,112,520</u>
Deferred outflows of resources		
Total deferred outflows of resources	<u>14,741,687</u>	<u>10,664,977</u>
Other liabilities	2,609,663	3,879,451
Long-term liabilities outstanding	<u>88,330,213</u>	<u>83,705,985</u>
Total liabilities	<u>90,939,876</u>	<u>87,585,436</u>
Deferred inflows of resources		
Total deferred inflows of resources	<u>6,905,432</u>	<u>4,891,561</u>
Net Position:		
Net investment in capital assets	60,217,341	62,361,145
Restricted	26,973,194	24,226,548
Unrestricted (deficit)	<u>(57,988,587)</u>	<u>(52,287,193)</u>
Total net position	<u>\$ 29,201,948</u>	<u>\$ 34,300,500</u>

Overall, total assets and deferred outflows of resources increased by \$270 thousand or 0.2 percent and total liabilities and deferred inflows of resources increased by \$5.4 million or 5.8 percent in the current fiscal year. The following summarizes the significant changes in deferred outflows/inflows of resources and liabilities compared to the prior year.

- As a result of an actuarial valuation of the total pension liability performed as of June 30, 2016 and a measurement date of June 30, 2016, deferred outflows and inflows of resources related to pensions increased by \$4.1 million and \$2 million, respectively.
- Other liabilities—the net decrease of \$1.3 million was primarily due to fewer payroll days accrued at the end of the current fiscal year.

A large portion of the County's net position, \$60.2 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.

The County's restricted net position of \$27 million is subject to external restrictions on how they may be used. The County's deficit of \$58 million was an increase of \$5.7 million from the prior year's unrestricted deficit in net position due primarily to an increase of net pension liability of \$5.1 million.

Navajo County
Management's Discussion and Analysis
June 30, 2017

Changes in Net Position

The Statement of Activities presents information on how the County's net position changed during the most current fiscal year. The following table reflects the condensed Statement of Activities of the County for the fiscal year 2017 compared to the prior year. Sales taxes and state shared revenues for fiscal year 2016 were restated, and as a result, these amounts will not agree to the prior-year audited financial statements. *Additional information on restated balances for fiscal year 2016 can be found in Note 2 on pages 28 and 29.*

	Governmental Activities	
	2017	2016 (as restated)
Program revenues:		
Charges for services	\$ 6,867,117	\$ 7,882,611
Operating grants and contributions	15,562,327	17,099,421
Capital grants and contributions	<u>12,240,772</u>	<u>11,571,167</u>
Total program revenues	<u>34,670,216</u>	<u>36,553,199</u>
General revenues:		
Property taxes	12,131,695	12,531,782
Sales taxes	6,534,686	6,921,427
State shared revenues	13,730,314	13,822,349
Payments in lieu of taxes	1,532,361	1,547,382
Investment earnings	164,425	165,384
Capital contributions		6,980
Gain on disposal of capital assets	9,600	2,995
Miscellaneous	<u>1,666,058</u>	<u>1,341,167</u>
Total general revenues	<u>35,769,139</u>	<u>36,339,466</u>
Total revenues	<u>70,439,355</u>	<u>72,892,665</u>
Program expenses:		
General government	\$32,717,374	\$29,716,664
Public safety	17,730,173	17,512,220
Highways and streets	10,710,700	12,008,267
Health and welfare	8,362,293	8,350,410
Culture and recreation	790,379	798,683
Education and economic opportunity	4,297,521	5,479,786
Environmental and conservation	303,270	247,622
Urban redevelopment and housing	165,114	16,887
Interest on long-term debt	<u>461,083</u>	<u>503,684</u>
Total program expenses	<u>75,537,907</u>	<u>74,634,223</u>
Change in net position	<u>(5,098,552)</u>	<u>(1,741,558)</u>
Net position, beginning	<u>34,300,500</u>	<u>36,042,058</u>
Net position, ending	<u>\$29,201,948</u>	<u>\$34,300,500</u>

Overall revenues decreased by \$2.5 million or 3.4 percent and program expenses increased by \$904 thousand or 1.2 percent in the current fiscal year. The following summarizes the significant changes in revenues compared to the prior year.

Navajo County
Management's Discussion and Analysis
June 30, 2017

- Charges for services decreased by \$1 million or 12.9 percent primarily due to the decreases of healthcare insurance premiums for the County's self-insured health benefits program and fines and forfeits for the Sheriff's Office programs.
- Operating grants and contributions decreased by \$1.5 million or 9 percent due largely to the Superintendent of Schools Fund received \$870 thousand of national forest fees and \$598 thousand of other grants and contributions less than prior year.
- Highways and streets expenditures decreased by \$1.3 million or 10.8 percent in the current year due primarily to the reduction of road constructions and the consumption of the related supplies inventory.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported four major funds for this fiscal year: the General Fund, Public Works/HURF Fund, Flood Control District Fund, and Public Health District Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$34.2 million, which is an increase of \$734 thousand or 2.2 percent. Of the total, \$7.4 million constitutes unrestricted fund balances.

For governmental funds, overall revenues decreased \$2.9 million or 3.7 percent and expenditures decreased \$971 thousand or 1.3 percent. Governmental fund revenues exceeded expenditures by \$319 thousand in the current fiscal year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, fund balances of the General Fund totaled \$8.5 million. Fund balances represent 20.3 percent of total General Fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following provides an explanation of major funds' activities that changed significantly over the prior year:

General Fund

- Cash and investments decreased by \$2.5 million or 35.9 percent in the current year largely due to an increase of prepaid items of \$900 thousand and an increase of due from other governments of \$1.6 million even though intergovernmental revenues remained relatively unchanged over the prior year.
- Due from other funds increased by \$590 thousand or 133.6 percent due largely to an increase of negative cash balance at fiscal year-end in Public Health District and Housing Funds.
- Prepaid items increased by \$900 thousand solely due to a rental agreement with City of Show Low that required the County to prepay four \$225,000 rental payments.
- Accrued payroll and employee benefits decreased by \$748 thousand or 54.6 percent in the current year largely due to fewer payroll days accrued at fiscal year-end.

Navajo County
Management's Discussion and Analysis
June 30, 2017

- Charges for services decreased by \$973 thousand or 11.6 percent in the current year largely due to a decrease in employee healthcare insurance premiums collected for the County's self-insured health benefits program.

Public Works/HURF Fund

- Cash and investments increased by \$2.1 million solely due to excess of revenues over expenditures in the current year while receivables and payables remained relatively unchanged over the prior year.
- Inventories increased by \$300 thousand or 48.4 percent in the current year largely due to restocking of road project materials.
- Accounts payable increased by \$151 thousand or 55.2 percent in the current year largely due to an increase of purchases near current fiscal year-end.
- Accrued payroll and employee benefits decreased by \$161 thousand or 67 percent in the current year largely due to fewer payroll days accrued at fiscal year-end.

Flood Control District Fund

- Accounts payable increased by \$17.8 thousand or 92.7 percent in the current year largely due to an increase of purchases near fiscal year-end.
- Due to other governments increased by \$12.4 thousand or 412.8 percent in the current year solely due to a payable to United States Department of the Interior for April to June 2017 services was reclassified from accounts payable as previously reported.
- Public safety expenditures decreased by \$493 thousand or 37.5 percent primarily due to a decrease in repair and maintenance costs spent on flood control projects.
- Capital outlay expenditures increased by \$257 thousand or 198.4 percent due mainly to additional construction costs spent on the Winslow Levee rehabilitation feasibility study and Pinetop Country Club drainage improvements projects.

Public Health District Fund

- Due from other governments increased by \$95 thousand or 14.7 percent in the current year because additional federal and state grant reimbursements were received after fiscal year-end.
- Due to other funds increased by \$519 thousand or 245.5 percent in the current year largely due to an increase of negative cash balance at fiscal year-end. Revenues in the health department did not perform as expected. The County reduced expenses to help mitigate the shortfall. The fiscal year 2018 budget includes a transfer to cover the negative cash balance.
- Unavailable intergovernmental revenues increased by \$81 thousand or 186.9 because additional federal and state grant reimbursements were received after the 60-day availability period than prior year.

Navajo County Management's Discussion and Analysis June 30, 2017

- Intergovernmental revenues decreased by \$336 thousand or 11.5 percent primarily due to a reduction of federal and state grants received in the current fiscal year and an increase of federal and state grant reimbursements received after the 60-day availability period.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund, actual revenues were less than the original and final budget amounts by \$599 thousand, while the actual expenditures were \$7.2 million less than the amount budgeted. The budget variance for revenues was largely due to the receipt of less property taxes and charges for services than anticipated. The budget variance for expenditures was primarily due to conservative budgeting practices and minimal spending due to continued poor economic conditions. The County eliminated 33 General Fund positions during fiscal year 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2017, totaled \$74.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, and machinery and equipment. The following provides the major changes in capital assets during the current fiscal year:

- Machinery and equipment increased \$1.3 million for new additions.
- Accumulated depreciation increased \$5.1 million for annual depreciation expense.

Additional information on capital assets can be found in Note 6 on page 33 of this report.

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$88.3 million and consists of the following:

- \$69.4 million is net pension liability which increased by \$5.1 million in the current fiscal year.
- \$14.7 million in pledged revenue obligations that financed the acquisition, construction, and improvements of county buildings and facilities and financed the construction of new facilities and the remodel of existing facilities at the Navajo County jail.
- \$1.6 million for the future payment of compensated absences for unused employee vacation and sick leave.
- \$1.2 million of incurred but not reported healthcare claims payable for the County's self-insured employee health benefits program.

Navajo County
Management's Discussion and Analysis
June 30, 2017

- \$884 thousand of claims and judgments payable that includes \$183,372 of deductible reserves on reported claims and \$700,389 of refunds for PSPRS and EORP employee contributions.
- \$246 thousand of landfill closure and post-closure care costs payable for the Lone Pine Landfill.
- \$130 thousand of special assessment debt with governmental commitment.
- The remaining balance included \$94 thousand of installment purchase contracts payable for office equipment and \$15 thousand of capital leases payable for a vehicle.

There were no significant 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 7 on pages 33 through 36 of this report.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State and local revenues are increasing; however, they cannot keep up with on-going increases in medical insurance, retirement pensions and un-funded state mandates. Environmental and economic changes directly related to the coal industry will have a negative impact on county revenues. The uncertainty of the coal industry and 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. The County continues to budget conservatively for revenue estimates and other factors affecting the County.

REQUEST 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.





BASIC FINANCIAL STATEMENTS

Navajo County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and investments	\$ 28,972,318
Receivables (net of allowance for uncollectibles):	
Property taxes	466,679
Accounts receivable	125,651
Special assessments	157,104
Due from other governments	6,018,409
Prepaid items	900,000
Inventories	919,164
Capital assets, not being depreciated	9,322,463
Capital assets, being depreciated, net	65,423,781
Total assets	<u>\$ 112,305,569</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>\$ 14,741,687</u>
Total deferred outflows of resources	<u>\$ 14,741,687</u>
Liabilities	
Accounts payable	\$ 1,327,222
Accrued payroll and employee benefits	785,251
Due to other governments	366,699
Interest payable	130,491
Noncurrent liabilities	
Due within 1 year	4,521,593
Due in more than 1 year	83,808,620
Total liabilities	<u>\$ 90,939,876</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>\$ 6,905,432</u>
Total deferred inflows of resources	<u>\$ 6,905,432</u>
Net Position	
Net investment in capital assets	\$ 60,217,341
Restricted for:	
Highways and streets	11,279,347
Public safety	1,031,716
Judicial activities	3,131,008
Education and economic opportunity	928,031
Law enforcement	1,206,377
Environment, library, and community services	1,098,302
Health and welfare	950,812
Flood control projects	6,732,715
Road and other capital projects	403,581
Debt service	185,844
Other purposes	25,461
Unrestricted (Deficit)	<u>(57,988,587)</u>
Total net position	<u>\$ 29,201,948</u>

See accompanying notes to financial statements.

Navajo County
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 32,717,374	\$ 4,780,321	\$ 3,794,242	\$ (24,142,811)
Public safety	17,730,173	1,285,569	4,571,216	(11,806,082)
Highways and streets	10,710,700	330,585		12,173,466
Health and welfare	8,362,293	319,505	2,901,048	(5,141,740)
Culture and recreation	790,379	151,137	68,388	(570,854)
Education and economic opportunity	4,297,521		3,450,856	(846,665)
Environmental and conservation	303,270		317,752	14,482
Urban redevelopment and housing	165,114		458,825	293,711
Interest on long-term debt	461,083			(461,083)
Total governmental activities	<u>\$ 75,537,907</u>	<u>\$ 6,867,117</u>	<u>\$ 15,562,327</u>	<u>\$ 12,240,772</u>
Total governmental activities				<u>\$ (40,867,691)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				\$ 7,540,151
Property taxes, levied for flood control				1,785,895
Property taxes, levied for public health district				2,006,151
Property taxes, levied for library district				799,498
General county sales tax				6,534,686
Shared revenues - state sales tax				11,362,457
Shared revenues - state vehicle license tax				2,367,857
Payments in lieu of taxes				1,532,361
Investment earnings				164,425
Gain on sale of capital assets				9,600
Miscellaneous				1,666,058
Total general revenues				<u>35,769,139</u>
Change in net position				<u>(5,098,552)</u>
Net position as restated, July 1, 2016				<u>34,300,500</u>
Net position, June 30, 2017				<u>\$ 29,201,948</u>

See accompanying notes to financial statements.

Navajo County
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 4,463,459	\$ 9,452,430	\$ 6,766,618		\$ 8,289,811	\$ 28,972,318
Receivables (net of allowance for uncollectibles):						
Property taxes	279,092		84,230	\$ 74,278	29,079	466,679
Accounts receivable	73,237	4,099		26,425	21,890	125,651
Special assessments					157,104	157,104
Due from:						
Other funds	1,031,006	2,550		335	70,031	1,103,922
Other governments	3,306,601	944,374		737,292	1,030,142	6,018,409
Prepaid items	900,000					900,000
Inventories		919,164				919,164
Total assets	<u>\$ 10,053,395</u>	<u>\$ 11,322,617</u>	<u>\$ 6,850,848</u>	<u>\$ 838,330</u>	<u>\$ 9,598,057</u>	<u>\$ 38,663,247</u>
Liabilities						
Accounts payable	\$ 594,634	\$ 422,991	\$ 36,967	\$ 39,102	\$ 233,528	\$ 1,327,222
Accrued payroll and employee benefits	620,703	79,118	2,029	21,360	62,041	785,251
Due to:						
Other funds	801		2,550	729,990	370,581	1,103,922
Other governments	119,602	40,781	15,343	70,070	120,903	366,699
Pledged revenue obligations payable					155,000	155,000
Interest payable					130,491	130,491
Total liabilities	<u>1,335,740</u>	<u>542,890</u>	<u>56,889</u>	<u>860,522</u>	<u>1,072,544</u>	<u>3,868,585</u>
Deferred Inflows of Resources						
Unavailable revenue—property taxes	198,762		61,244	50,225	19,649	329,880
Unavailable revenue—special assessments					150,350	150,350
Unavailable revenue—intergovernmental				123,674	36,112	159,786
Total deferred inflows of resources	<u>198,762</u>	<u></u>	<u>61,244</u>	<u>173,899</u>	<u>206,111</u>	<u>640,016</u>
Fund balances:						
Nonspendable	900,000	919,164				1,819,164
Restricted		9,860,563	6,732,715	776,913	7,558,503	24,928,694
Assigned	2,734,436				2,182,636	4,917,072
Unassigned	4,884,457			(973,004)	(1,421,737)	2,489,716
Total fund balances	<u>8,518,893</u>	<u>10,779,727</u>	<u>6,732,715</u>	<u>(196,091)</u>	<u>8,319,402</u>	<u>34,154,646</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,053,395</u>	<u>\$ 11,322,617</u>	<u>\$ 6,850,848</u>	<u>\$ 838,330</u>	<u>\$ 9,598,057</u>	<u>\$ 38,663,247</u>

See accompanying notes to financial statements.

Navajo County
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

Fund balances—total governmental funds	\$ 34,154,646
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,746,244
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	640,016
Long-term liabilities, such as net pension liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(88,175,213)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>7,836,255</u>
Net position of governmental activities	<u><u>\$ 29,201,948</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, 2017

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 7,536,306		\$ 1,789,574	\$ 2,005,944	\$ 802,131	\$ 12,133,955
County sales taxes	6,534,686					6,534,686
Special assessments					488,962	488,962
Licenses and permits	438,370			129,581		567,951
Fines and forfeits	684,282				655,042	1,339,324
Intergovernmental	18,043,647	\$ 12,173,466	1,311	2,582,609	9,099,460	41,900,493
Charges for services	7,434,503	25,304		189,924	1,631,136	9,280,867
Investment earnings	38,721	45,108	40,913		39,683	164,425
Contributions				38,784		38,784
Miscellaneous	661,072	80,751	4	19,423	904,807	1,666,057
Total revenues	<u>41,371,587</u>	<u>12,324,629</u>	<u>1,831,802</u>	<u>4,966,265</u>	<u>13,621,221</u>	<u>74,115,504</u>
Expenditures:						
Current:						
General government	25,656,001				3,433,320	29,089,321
Public safety	12,502,799		821,512		4,343,589	17,667,900
Highways and streets		9,138,187			49,417	9,187,604
Health and welfare	3,019,414			5,482,347	174,921	8,676,682
Culture and recreation					803,616	803,616
Education and economic opportunity	294,449				3,947,416	4,241,865
Environmental and conservation					322,770	322,770
Urban redevelopment and housing					165,114	165,114
Debt service:						
Principal	128,918			30,256	1,412,743	1,571,917
Interest and other charges	4,094			742	456,247	461,083
Capital outlay	283,684	516,097	386,655		421,836	1,608,272
Total expenditures	<u>41,889,359</u>	<u>9,654,284</u>	<u>1,208,167</u>	<u>5,513,345</u>	<u>15,530,989</u>	<u>73,796,144</u>
Excess (deficiency) of revenues over expenditures	<u>(517,772)</u>	<u>2,670,345</u>	<u>623,635</u>	<u>(547,080)</u>	<u>(1,909,768)</u>	<u>319,360</u>
Other financing sources (uses):						
Installment purchase contracts	10,255				91,086	101,341
Sale of capital assets	14,218					14,218
Transfers in	2,033,854			430,050	2,235,390	4,699,294
Transfers out	(1,946,333)	(533,125)	(1,050,000)	(268,984)	(900,852)	(4,699,294)
Total other financing sources and uses	<u>111,994</u>	<u>(533,125)</u>	<u>(1,050,000)</u>	<u>161,066</u>	<u>1,425,624</u>	<u>115,559</u>
Net change in fund balances	<u>(405,778)</u>	<u>2,137,220</u>	<u>(426,365)</u>	<u>(386,014)</u>	<u>(484,144)</u>	<u>434,919</u>
Fund balances as restated, July 1, 2016	8,924,671	8,342,938	7,159,080	189,923	8,803,546	33,420,158
Changes in nonspendable resources:						
Increase in reserve for inventories		299,569				299,569
Fund balances, June 30, 2017	<u>\$ 8,518,893</u>	<u>\$ 10,779,727</u>	<u>\$ 6,732,715</u>	<u>\$ (196,091)</u>	<u>\$ 8,319,402</u>	<u>\$ 34,154,646</u>

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, 2017

Net change in fund balances—total governmental funds \$ 434,919

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	\$ 1,608,272	
Depreciation expense	<u>(5,148,683)</u>	(3,540,411)

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 position differs from the change in fund balance by the book value of the capital assets sold.

(4,618)

Some revenues reported in the Statement of Activities do not represent the collection of current financial resources and, therefore, are not reported as revenues on the governmental funds

Capital contributions	67,306	
Intergovernmental revenues	<u>1,059,191</u>	1,126,497

Collection of revenues in the governmental funds exceeded revenues reported in the Statement of Activities

Property taxes	(2,259)	
Special assessments	<u>(32,544)</u>	(34,803)

County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

County pension contributions	4,189,220	
Pension expense	<u>(8,216,704)</u>	(4,027,484)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

Debts issued	(101,341)	
Principal repaid	<u>1,571,917</u>	1,470,576

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 are reported regardless of when the financial resources are available.

Increase in IBNR healthcare claim costs	(66,786)	
Decrease in compensated absences	56,238	
Increase in claims and judgments	(813,399)	
Decrease in landfill closure and post-closure care costs	<u>1,150</u>	(822,797)

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>299,569</u>
-------------------------	--	----------------

Change in net position of governmental activities		<u><u>\$ (5,098,552)</u></u>
---	--	------------------------------

See accompanying notes to financial statements.

Navajo County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 186,986,704	\$ 2,657,877
Total assets	<u>\$ 186,986,704</u>	<u>\$ 2,657,877</u>
Liabilities		
Due to other governments		\$ 658,241
Deposits held for others		<u>1,999,636</u>
Total liabilities		<u>\$ 2,657,877</u>
Net Position		
Held in trust for investment trust participants	<u>\$ 186,986,704</u>	

See accompanying notes to financial statements.

Navajo County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 247,088,201
Net investment income	<u>1,041,336</u>
Total additions	<u>248,129,537</u>
Deductions:	
Distributions to participants	<u>227,705,947</u>
Change in net position	20,423,590
Net position, July 1, 2016	<u>166,563,114</u>
Net position, June 30, 2017	<u><u>\$ 186,986,704</u></u>

See accompanying notes to financial statements.

Navajo County
Notes to Financial Statements
June 30, 2017

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 a separately elected board of supervisors governs. 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, and 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 and County management has operational responsibility for the component unit	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 and County management has operational responsibility for the component unit	Blended	Not available

Navajo County

Notes to Financial Statements

June 30, 2017

Navajo County Public Health District	A tax-levying district that provides and maintains health services for the County's residents; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	Blended	Not available
White Mountain Lake Recreation District	A tax-levying district that provides and improves recreational services for the White Mountain Lake Community; the County's Board of Supervisors serves as the board of directors and County management has operational responsibility for the component unit	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 and there is either a financial benefit or burden relationship between the County and the component unit	Blended	Not available

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 information's usefulness.

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary funds of the primary government and component units that are fiduciary in nature. 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. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions.

Navajo County
Notes to Financial Statements
June 30, 2017

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, 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. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

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 nonmajor 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.

The *Public Health District Fund* is used to account for a variety of health service and education programs including Bioterrorism; 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.

The County also 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 and the accrual basis of accounting. The agency

Navajo County
Notes to Financial Statements
June 30, 2017

funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

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 resources 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, special assessments, intergovernmental, charges for services, and investment earnings. 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

Money market investments 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 fair value.

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.

Navajo County
Notes to Financial Statements
June 30, 2017

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 valued at their acquisition value at date of acquisition.

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 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

H. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Navajo County
Notes to Financial Statements
June 30, 2017

J. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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 that the County's Board of Supervisors approved, which is the highest level of decision-making authority within the County. Only the Board can remove or change the constraints placed on committed fund balances. The County did not commit any fund balances at June 30, 2017.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The Board of Supervisors has authorized the County's manager to assign 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. The County will use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

K. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

L. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar

Navajo County
Notes to Financial Statements
June 30, 2017

year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits up to a maximum of 240 hours. Upon retirement, the County pays up to a maximum of 240 hours plus 75 percent of vacation hours earned in the employee's final year of employment. Accordingly, vacation benefits 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.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but employees forfeit them upon terminating employment. However, upon retirement or death, employees who have accumulated at least 500 hours of sick leave and at least 5 continuous service years receive some benefit payments. Benefit payments vary based on the number of continuous service years but cannot exceed \$5,000. Accordingly, 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 retirements and deaths by fiscal year-end.

Note 2 - Corrections of Misstatement—Prior-Period Adjustments

Net position as of July 1, 2016, on the Statement of Activities and fund balance of the General Fund as of July 1, 2016, on the Statement of Revenues, Expenditures, and Changes in Fund Balance have been restated for the corrections of the following accounting errors.

Government-Wide Financial Statements

	Governmental Activities
Net position as of June 30, 2016, as previously reported	\$33,047,463
Correction of county sales tax revenue recognition	555,917
Correction of state shared sales tax revenue recognition	<u>697,120</u>
Net position as of July 1, 2016, as restated	<u><u>\$34,300,500</u></u>

Governmental Fund Financial Statements

	General Fund
Fund balance as of June 30, 2016, as previously reported	\$7,671,634
Correction of county sales tax revenue recognition	555,917
Correction of state shared sales tax revenue recognition	<u>697,120</u>
Fund Balance as of July 1, 2016, as restated	<u><u>\$8,924,671</u></u>

Navajo County
Notes to Financial Statements
June 30, 2017

Note 3 - Stewardship, Compliance, and Accountability

Deficit fund balances—At June 30, 2017, the following nonmajor funds reported deficits in fund balance:

<u>Fund</u>	<u>Deficit</u>
Governmental funds:	
Other governmental	
Special Revenue	
Housing	\$18,371
Capital Projects	
Other	2,578

Note 4 - 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, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; 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. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
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 at 102 percent of all deposits federal depository insurance does not cover.

Navajo County
Notes to Financial Statements
June 30, 2017

Concentration of credit risk

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

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2017, the carrying amount of the County's deposits was \$48,553,032, and the bank balance was \$50,315,678. The County's formal policy is to follow collateralization requirements set forth in A.R.S. §35-323 as described above.

Investments—The County's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	<u>Fair value measurement using</u>	
		<u>Quoted prices</u> in active markets for identical assets (Level 1)	<u>Significant</u> other observable inputs (Level 2)
Investments by fair value level			
U.S. Treasury securities	\$ 49,925,529	\$49,925,529	
U.S. Treasury money market funds	10,000	10,000	
U.S. agency securities	<u>120,118,169</u>	<u>-</u>	<u>\$120,118,169</u>
	<u>\$170,053,698</u>	<u>\$49,935,529</u>	<u>\$120,118,169</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using an automated method – IDC institutional bond pricing model.

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, 2017, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	AAA	Moody's	\$120,118,169
U.S. Treasury money market funds	Unrated	N/A	<u>10,000</u>
Total			<u>\$120,128,169</u>

Navajo County
Notes to Financial Statements
June 30, 2017

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, 2017, the County had \$10,000 of U.S. Treasury money market funds that were uninsured, not registered in the County's name and held by the counterparty's trust department or agent but not in the County's name.

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, 2017, of 5 percent or more in U.S. Treasury, Federal National Mortgage Association, Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank securities. These investments were 29.38 percent, 23.98 percent, 21.52 percent, 14.52 percent, and 10.59 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, 2017, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (in years)
U.S. agency securities	\$120,118,169	1.360
U.S. Treasury securities	49,925,529	1.114
U.S. Treasury money market funds	<u>10,000</u>	0.003
	<u>\$170,053,698</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

Cash, deposits, and investments:

Cash on hand	\$ 10,169
Amount of deposits	48,553,032
Amount of investments	<u>170,053,698</u>
Total	<u>\$218,616,899</u>

	Governmental activities	Investment trust funds	Agency funds	Total
Statement of net position				
Cash and investments	<u>\$28,972,318</u>	<u>\$186,986,704</u>	<u>\$2,657,877</u>	<u>\$218,616,899</u>

Navajo County
Notes to Financial Statements
June 30, 2017

Note 5 - Due From Other Governments

Amounts due from other governments at June 30, 2017, are shown as follows:

	General Fund	Public Works/ HURF Fund	Public Health District Fund	Other Governmental Funds	Total
State-shared sales tax	\$1,503,086				\$1,503,086
County sales tax	1,172,624				1,172,624
State-shared vehicle license tax	96,635	\$105,342			201,977
Highway user revenue		795,592			795,592
Grants and contributions from Local, state and federal governments	512,264	43,343	\$737,292	\$ 863,536	2,156,435
Reimbursements for services provided for governmental units	21,992	97		159,636	181,725
Timberland Acres Domestic Water Improvement District loan				6,970	6,970
	<u>\$3,306,601</u>	<u>\$944,374</u>	<u>\$737,292</u>	<u>\$1,030,142</u>	<u>\$6,018,409</u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,701,286			\$ 5,701,286
Construction in progress	<u>3,248,675</u>	<u>\$ 372,502</u>		<u>3,621,177</u>
Total capital assets not being depreciated	<u>8,949,961</u>	<u>372,502</u>		<u>9,322,463</u>
Capital assets being depreciated:				
Buildings and improvements	50,163,460			50,163,460
Infrastructure	77,615,605	49,598		77,665,203
Machinery and equipment	<u>31,522,131</u>	<u>1,253,478</u>	<u>\$315,262</u>	<u>32,460,347</u>
Total	<u>159,301,196</u>	<u>1,303,076</u>	<u>315,262</u>	<u>160,289,010</u>
Less accumulated depreciation for:				
Buildings and improvements	20,607,590	1,357,053		21,964,643
Infrastructure	42,369,724	2,152,972		44,522,696
Machinery and equipment	<u>27,049,876</u>	<u>1,638,658</u>	<u>310,644</u>	<u>28,377,890</u>
Total	<u>90,027,190</u>	<u>5,148,683</u>	<u>310,644</u>	<u>94,865,229</u>
Total capital assets being depreciated, net	<u>69,274,006</u>	<u>(3,845,607)</u>	<u>4,618</u>	<u>65,423,781</u>
Governmental activities capital assets, net	<u>\$ 78,223,967</u>	<u>\$ (3,473,105)</u>	<u>\$ 4,618</u>	<u>\$ 74,746,244</u>

Navajo County
Notes to Financial Statements
June 30, 2017

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$1,046,624
Public safety	1,207,403
Highways and streets	2,545,703
Health and welfare	230,283
Education and economic opportunity	<u>118,670</u>
Total governmental activities depreciation expense	<u>\$5,148,683</u>

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2017:

Governmental activities	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Pledged revenue obligations payable	\$15,840,000		\$1,180,000	\$14,660,000	\$1,200,000
Special assessment debt with governmental commitment	352,575		222,575	130,000	63,000
Capital leases payable	172,822		157,473	15,349	15,349
Installment purchase contracts payable		\$ 101,341	6,869	94,472	18,193
Net pension liability	64,322,078	5,204,054	87,047	69,439,085	33,307
Landfill closure and post-closure care costs payable	246,801		1,150	245,651	1,150
Compensated absences payable	1,684,597	1,213,722	1,269,960	1,628,359	1,348,306
Incurred but not reported healthcare claims payable	1,166,750	6,646,200	6,579,414	1,233,536	1,233,536
Claims and judgments payable	<u>70,362</u>	<u>866,847</u>	<u>53,448</u>	<u>883,761</u>	<u>608,752</u>
Total	<u>\$83,855,985</u>	<u>\$14,032,164</u>	<u>\$9,557,936</u>	<u>\$88,330,213</u>	<u>\$4,521,593</u>

Pledged revenue and pledged revenue refunding obligations—The County has issued pledged revenue obligations that are generally callable with interest payable semiannually. The Series 2013 pledged revenue and pledged revenue refunding obligations were originally issued for an amount of \$10,625,000 to be used for construction projects and refunding the Series 2008 Navajo County pledged revenue obligations. These obligations were allocated as follows: \$1,215,000 to complete the detention facilities, \$4,550,000 to construct a public works complex in Holbrook and \$4,860,000 to refund the outstanding principal balance of \$4,780,000 relating to the Series 2008 Navajo County pledged revenue obligations. The Series 2012A pledged revenue refunding obligations were originally issued for an amount of \$4,100,000 to refund the outstanding principal balance of \$4,345,000 relating to the Series 2000 Jail Facility certificate of participation. The Series 2012B pledged revenue obligations, originally issued in the amount of \$4,400,000, were issued to construct and remodel jail facilities.

Navajo County
Notes to Financial Statements
June 30, 2017

Pledged revenue and pledged revenue refunding obligations outstanding at June 30, 2017, were as follows:

Description	Original amount issued	Maturity ranges	Interest rates	Outstanding principal
Navajo County Pledged Revenue and Pledged Revenue Refunding Obligations, Series 2013	\$10,625,000	2018 – 2024	2.17%	\$ 6,605,000
Navajo County Pledged Revenue Refunding Obligations, Series 2012A	4,100,000	2018 – 2027	3.24%	3,655,000
Navajo County Pledged Revenue Obligations, Series 2012B	4,400,000	2018 – 2032	3.24%	<u>4,400,000</u>
		Total		<u>\$14,660,000</u>

The following schedule details debt service requirements to maturity for the County's pledged revenue obligations payable at June 30, 2017:

	Governmental activities	
	Principal	Interest
Year ending June 30		
2018	\$ 1,200,000	\$ 401,800
2019	1,230,000	373,858
2020	1,255,000	345,348
2021	1,290,000	316,133
2022	1,320,000	286,214
2023-2027	3,965,000	1,026,116
2028-2032	<u>4,400,000</u>	<u>365,472</u>
Total	<u>\$14,660,000</u>	<u>\$3,114,941</u>

The County has pledged a portion of its general county and state sales tax revenues toward the payment of debt related to revenue obligations outstanding at June 30, 2017. At June 30, 2017, future pledged revenues through final maturity at July 1, 2031 totaled \$17,774,941, consisting of \$14,660,000 for principal and \$3,114,941 for interest. Future principal and interest payments are expected to require approximately 7 percent of pledged sales tax revenues. Total principal and interest paid for the current year and total current-year pledged revenues were \$1,328,731 and \$17,897,143, respectively.

Special assessment debt with governmental commitment—Special assessment debt is 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 \$524,000 in special assessment debt. The proceeds were used to finance the construction or improvement of Bucking Horse Road. At June 30, 2017, future pledged revenues through final maturity at July 1, 2019, totaled \$141,327 consisting of \$130,000 for principal and \$11,327 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 special assessment revenues were \$242,265 and \$226,853, respectively. While there is no legal obligation for the County to

Navajo County
Notes to Financial Statements
June 30, 2017

further secure the special assessment debt of the districts below, the County has made a moral commitment to take steps necessary to prevent default.

Special assessment debt currently outstanding for governmental activities is as follows:

Description	Original amount issued	Maturity ranges	Interest rates	Outstanding principal
Bucking Horse Road	\$524,000	2018-2019	5.75%	\$130,000

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		
2018	\$ 63,000	\$ 7,475
2019	<u>67,000</u>	<u>3,852</u>
Total	<u>\$130,000</u>	<u>\$11,327</u>

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2017, the County paid for compensated absences as follows: 62 percent from the General Fund, 12 percent from the Public Works/HURF Fund, 8 percent from the Public Health District Fund, and 18 percent from the Other Governmental Funds.

Incurred but not reported healthcare claims payable—On July 1, 2014, Navajo County implemented a self-insured health benefits program as described in Note 8. The liability for medical, dental and pharmacy claims is based on fiscal year 2017 actuarial report. Changes in incurred but not reported (IBNR) healthcare claims payable for the years ended June 30, 2016 and 2017, were as follows:

	2016	2017
IBNR healthcare claims payable beginning of year	\$ 759,809	\$1,166,750
Current-year claims and changes in estimates	5,605,979	6,646,200
Claim payments	<u>5,199,038</u>	<u>6,579,414</u>
IBNR healthcare claims payable, end of year	<u>\$1,166,750</u>	<u>\$1,233,536</u>

Claims and judgments payable—Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. At June 30, 2017, the total claims and judgments payable of \$883,761 consists of \$183,372 of deductible reserves on reported claims and \$700,389 of refunds for PSPRS and EORP employee contributions.

Note 8 - 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

Navajo County
Notes to Financial Statements
June 30, 2017

covered by two public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 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.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as law requires, 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. If a pool were to become insolvent, the County would be assessed an additional contribution.

Self-insured employee benefits program—On July 1, 2014, Navajo County implemented a self-insured health benefits program in partnership with Summit Healthcare and the Aetna Network. The program offers one comprehensive medical plan. The uninsured risk of loss per individual is \$250,000 per plan year. In addition, the County established an onsite health care facility named High Desert Health Care clinic in the County's Holbrook complex. Under the program, the County contracts directly with healthcare providers to deliver healthcare services to its eligible employees and their dependents. The County pays for the services using premiums it receives from employees and county contributions. Health benefits program expenditures are recorded in the General Fund and employee premiums and county contributions are recorded in the applicable governmental funds through payroll deductions and transferred to the General Fund. However, the county contributions are considered as internal activities, and therefore, are eliminated at the government-wide level of the financial statements. The liability for incurred but not reported healthcare claims payable at June 30, 2017, is actuarial valued and disclosed in Note 7.

Navajo County
Notes to Financial Statements
June 30, 2017

Note 9 - Operating Lease

The County leases 25 percent of a newly purchased and renovated public safety building from City of Show Low under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. The lease will allow for more efficient use of space and resources for jail, inmate holding facilities, regional dispatch, locker rooms, conference rooms and break rooms to save money for Navajo County and City of Show Low.

The noncancelable lease term is 20 years and may be extended for additional 5 years with any additions to the monthly rental rate to be negotiated between the parties at that time. The lease requires the County to prepay four \$225,000 rental payments, totaling \$900,000, on or before June 30, 2017. The County did not incur any rental expenditures for the year ended 2017 because it did not move into the leased property until August 16, 2017. Therefore, \$900,000 is reported in the General Fund as prepaid items at June 30, 2017. In addition, the lease requires the County to pay its proportionate share of 25 percent of the operational costs for the leased property including its parking lot. Operational costs include all utility and maintenance costs such as cleaning, insurance, snow removal and landscaping.

Note 10 - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2017, were as follows:

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable:						
Prepaid items	\$ 900,000					\$ 900,000
Inventories		\$ 919,164				919,164
Total nonspendable	<u>900,000</u>	<u>919,164</u>				<u>1,819,164</u>
Restricted for:						
Highways and streets		9,860,563			\$ 626,029	10,486,592
Flood control projects			\$6,732,715			6,732,715
Health				\$ 776,913		776,913
Judicial activities					3,131,008	3,131,008
Law enforcement					1,206,377	1,206,377
Education					824,528	824,528
Environmental and conservation					693,430	693,430
Economic stabilization and development					103,503	103,503
Social services					114,876	114,876
Library					107,675	107,675
Public safety					120,278	120,278
Recreation					127,540	127,540

Navajo County
Notes to Financial Statements
June 30, 2017

	General Fund	Public Works/ HURF Fund	Flood Control District Fund	Public Health District Fund	Other Governmental Funds	Total
Debt service					\$ 74,217	\$ 74,217
Road projects					178,382	178,382
Capital projects					225,199	225,199
Other purposes					<u>25,461</u>	<u>25,461</u>
Total restricted		<u>\$ 9,860,563</u>	<u>\$6,732,715</u>	<u>\$ 776,913</u>	<u>7,558,503</u>	<u>24,928,694</u>
Assigned to:						
Health insurance reserve	1,042,396					1,042,396
Economic stabilization and development	401,616					401,616
Judicial activities	9,000				2,821	11,821
Law enforcement	603,658				35,525	639,183
Education					1,212,082	1,212,082
Debt service					831,519	831,519
Other capital projects	64,631				117	64,748
Other purposes	<u>613,135</u>				<u>100,572</u>	<u>713,707</u>
Total assigned	<u>2,734,436</u>				<u>2,182,636</u>	<u>4,917,072</u>
Unassigned	<u>4,884,457</u>			<u>(973,004)</u>	<u>(1,421,737)</u>	<u>2,489,716</u>
Total fund balances	<u>\$8,518,893</u>	<u>\$10,779,727</u>	<u>\$6,732,715</u>	<u>\$(196,091)</u>	<u>\$8,319,402</u>	<u>\$34,154,646</u>

Note 11 - Pensions and Other Postemployment Benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2017, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities
Net pension liabilities	\$69,439,085
Deferred outflows of resources	14,741,687
Deferred inflows of resources	6,905,432
Pension expense	8,216,704

The County's accrued payroll and employee benefits includes \$44,769 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported \$4,189,220 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers

Navajo County
Notes to Financial Statements
June 30, 2017

a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance

Navajo County
Notes to Financial Statements
June 30, 2017

premium benefit and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2017, were \$2,171,922. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30		
2017	\$112,832	\$28,056
2016	96,268	23,334
2015	113,693	23,124

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 50 percent from the General Fund, 16 percent from the Public Works/HURF Fund, 10 percent from the Public Health District Fund, and 24 percent from other governmental funds.

Pension liability—At June 30, 2017, the County reported a liability of \$33,707,260 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was 0.208830 percent, which was a decrease of 0.00215 from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for ASRS of \$1,510,886. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Navajo County
Notes to Financial Statements
June 30, 2017

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 204,837	\$2,318,813
Changes of assumptions or other inputs		1,783,382
Net difference between projected and actual earnings on pension plan investments	3,652,745	
Changes in proportion and differences between county contributions and proportionate share of contributions	566,083	749,470
County contributions subsequent to the measurement date	<u>2,171,922</u>	<u> </u>
Total	<u>\$6,595,587</u>	<u>\$4,851,665</u>

The \$2,171,922 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$(1,655,134)
2019	(1,263,382)
2020	1,466,295
2021	1,024,221

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the

Navajo County
Notes to Financial Statements
June 30, 2017

expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
Total	<u>100%</u>	

Discount rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
County's proportionate share of the net pension liability	\$42,979,316	\$33,707,260	\$26,273,098

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Navajo County
Notes to Financial Statements
June 30, 2017

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees and county attorney investigators who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years

Navajo County
Notes to Financial Statements
June 30, 2017

PSPRS		Initial membership date:	
		Before January 1, 2012	On or after January 1, 2012
Benefit percent			
Normal retirement		50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement		50% or normal retirement, whichever is greater	
Catastrophic disability retirement		90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement		Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit			
Retired members		80% to 100% of retired member's pension benefit	
Active members		80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
CORP		Initial membership date:	
		Before January 1, 2012	On or after January 1, 2012
Retirement and disability			
Years of service and age required to receive benefit		Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on		Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent			
Normal retirement		2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement		50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service

Navajo County
Notes to Financial Statements
June 30, 2017

Total and permanent disability retirement 50% or normal retirement if more than 25 years of credited service

Ordinary disability retirement 2.5% per year of credited service

Survivor benefit

Retired members 80% of retired member's pension benefit

Active members 40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP
Inactive employees or beneficiaries currently receiving benefits	30	1	11
Inactive employees entitled to but not yet receiving benefits	23		29
Active employees	<u>49</u>	-	<u>47</u>
Total	<u><u>102</u></u>	<u><u>1</u></u>	<u><u>87</u></u>

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

Navajo County
Notes to Financial Statements
June 30, 2017

	PSPRS Sheriff	CORP	CORP AOC
Active members—Pension			
PSPRS members with an initial membership date on or before July 19, 2011			
July 2016 through April 2017	11.65%	n/a	n/a
April 2017 through June 2017	7.65%	n/a	n/a
PSPRS members with an initial membership date after July 19, 2011, and all CORP members	11.65%	8.41%	8.41%
County			
Pension	44.11%	8.42%	20.08%
Health insurance premium benefit	0%	0%	0.80%

The County was required to contribute \$38,721 for the PSPRS Attorney Investigators Pension Plan based on the estimated actuarially required contribution for an inactive member.

In addition, statute required the County to contribute at the actuarially determined rate of 19.65 percent for the PSPRS of annual covered payroll of a retired member who worked for the County in a position that an employee who contributes to the PSPRS would typically fill.

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP Detention
Pension			
Contributions made	\$1,091,146	\$38,721	\$144,735
Health Insurance Premium Benefit			
Annual OPEB cost	\$0	\$0	\$0
Contributions made	\$0	\$0	\$0

Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were \$379,356. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC

	Health Insurance Fund
Year ended June 30	
2017	\$15,114
2016	16,341
2015	23,306

Navajo County
Notes to Financial Statements
June 30, 2017

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 82 percent from the General Fund and 18 percent from the other governmental funds.

Pension liability—At June 30, 2017, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	\$11,647,813
PSPRS Attorney Investigators	482,165
CORP	1,040,040
CORP AOC (County's proportionate share)	4,896,487

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

Pension actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS and CORP—pension

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Navajo County
Notes to Financial Statements
June 30, 2017

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

Pension discount rates—At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 percent from the discount rate used as of June 30, 2015.

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Navajo County
Notes to Financial Statements
June 30, 2017

Changes in the Net Pension Liability

PSPRS Sheriff

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	<u>\$17,254,367</u>	<u>\$ 5,340,226</u>	<u>\$11,914,141</u>
Changes for the year:			
Service cost	468,580		468,580
Interest on the total pension liability	1,327,262		1,327,262
Changes of benefit terms	(615,741)		(615,741)
Differences between expected and actual experience in the measurement of the pension liability	(777,000)		(777,000)
Changes of assumptions or other inputs	641,504		641,504
Contributions—employer		1,205,254	(1,205,254)
Contributions—employee		295,080	(295,080)
Net investment income		31,020	(31,020)
Benefit payments, including refunds of employee contributions	(1,161,727)	(1,161,727)	
Administrative expense		(4,864)	4,864
Other changes		(215,557)	215,557
Net changes	<u>(117,122)</u>	<u>149,206</u>	<u>(266,328)</u>
Balances at June 30, 2017	<u>\$17,137,245</u>	<u>\$ 5,489,432</u>	<u>\$11,647,813</u>

PSPRS Attorney Investigators

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	<u>\$590,475</u>	<u>\$21,263</u>	<u>\$569,212</u>
Changes for the year:			
Interest on the total pension liability	44,961		44,961
Changes of benefit terms	(78,488)		(78,488)
Differences between expected and actual experience in the measurement of the pension liability	(13,833)		(13,833)
Changes of assumptions or other inputs	25,702		25,702
Contributions—employer		65,456	(65,456)
Net investment income		390	(390)
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	
Administrative expense		(456)	456
Other changes		(1)	1
Net changes	<u>(57,109)</u>	<u>29,938</u>	<u>(87,047)</u>
Balances at June 30, 2017	<u>\$533,366</u>	<u>\$51,201</u>	<u>\$482,165</u>

Navajo County
Notes to Financial Statements
June 30, 2017

CORP	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) – (b)
Balances at June 30, 2016	<u>\$3,945,690</u>	<u>\$3,303,418</u>	<u>\$ 642,272</u>
Changes for the year:			
Service cost	226,516		226,516
Interest on the total pension liability	307,215		307,215
Changes of benefit terms	9,571		9,571
Differences between expected and actual experience in the measurement of the pension liability	(31,895)		(31,895)
Changes of assumptions or other inputs	160,139		160,139
Contributions—employer		137,367	(137,367)
Contributions—employee		130,513	(130,513)
Net investment income		19,994	(19,994)
Benefit payments, including refunds of employee contributions	(290,765)	(290,765)	
Administrative expense		(3,227)	3,227
Other changes		(10,869)	10,869
Net changes	<u>380,781</u>	<u>(16,987)</u>	<u>397,768</u>
Balances at June 30, 2017	<u>\$4,326,471</u>	<u>\$3,286,431</u>	<u>\$1,040,040</u>

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was 1.735399 percent, which was an increase of 0.045517 from its proportion measured as of June 30, 2015.

Sensitivity of the County's net pension liability to changes in the discount rate—
The following table presents the County's net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
PSPRS Sheriff			
Net pension liability	\$13,686,259	\$11,647,813	\$9,958,400
PSPRS Attorney Investigators			
Net pension liability	\$550,805	\$482,165	\$425,968
CORP			
Net pension liability	\$1,613,989	\$1,040,040	\$569,736
CORP AOC			
County's proportionate share of the net pension liability	\$6,293,033	\$4,896,487	\$3,742,998

Navajo County
Notes to Financial Statements
June 30, 2017

Pension plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2017, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$1,002,022
PSPRS Attorney Investigators	(53,388)
CORP	185,885
CORP AOC (County's proportionate share)	744,493

Pension deferred outflows/inflows of resources—At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS Sheriff	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$1,137,775
Changes of assumptions or other inputs	\$1,566,610	
Net difference between projected and actual earnings on pension plan investments	333,166	
County contributions subsequent to the measurement date	<u>1,091,146</u>	
Total	<u>\$2,990,922</u>	<u>\$1,137,775</u>
PSPRS Attorney Investigators	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,710	
County contributions subsequent to the measurement date	<u>38,721</u>	
Total	<u>\$40,431</u>	<u>\$</u>

Navajo County
Notes to Financial Statements
June 30, 2017

CORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$261,278
Changes of assumptions or other inputs	\$230,713	
Net difference between projected and actual earnings on pension plan investments	202,713	
County contributions subsequent to the measurement date	<u>144,735</u>	
Total	<u>\$578,161</u>	<u>\$261,278</u>
 CORP AOC	 Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,118	\$246,563
Changes of assumptions or other inputs	664,602	
Net difference between projected and actual earnings on pension plan investments	369,770	
Changes in proportion and differences between county contributions and proportionate share of contributions	76,757	59,916
County contributions subsequent to the measurement date	<u>379,356</u>	
Total	<u>\$1,594,603</u>	<u>\$306,479</u>

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP Detention	CORP AOC
Year ending June 30				
2018	\$311,206	\$220	\$15,487	\$264,870
2019	311,207	219	15,486	264,870
2020	98,818	784	73,234	249,277
2021	42,016	487	67,804	121,869
2022	(1,246)	-	-	7,882

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the

Navajo County
Notes to Financial Statements
June 30, 2017

June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status 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 for the health insurance premium benefit 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 the County and plans' members understand them 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 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 PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

PSPRS and CORP—OPEB contribution requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4 %–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

Agent plan OPEB trend information—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Sheriff			
2017	\$ 0	0%	\$0
2016	0	0	0
2015	31,455	100	0

Navajo County
Notes to Financial Statements
June 30, 2017

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Attorney Investigators			
2017	\$ 0	0%	\$0
2016	0	0	0
2015	0	0	0
CORP			
2017	\$ 0	0%	\$0
2016	0	0	0
2015	14,526	100	0

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP Detention
Actuarial value of assets (a)	\$ 628,925	\$ 6,059	\$ 348,466
Actuarial accrued liability (b)	338,940	34,136	125,473
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(289,985)	28,077	(222,993)
Funded ratio (a)/(b)	185.56%	17.80%	277.72%
Annual covered payroll (c)	2,452,015	0	1,576,314
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(11.8)%	0%	(14.1)%

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS and CORP—OPEB funded status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

Navajo County
Notes to Financial Statements
June 30, 2017

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Navajo County
Notes to Financial Statements
June 30, 2017

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 2017 and 7 percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension plan for the year ended June 30, 2017, were \$363,340. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2017, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$17,665,320
State's proportionate share of the EORP net pension liability associated with the County	<u>3,647,430</u>
Total	<u>\$21,312,750</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

Navajo County
Notes to Financial Statements
June 30, 2017

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was 1.8698352 percent, which was an increase of 0.0493442 from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's proportionate share of the collective net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for EORP of \$4,826,806 and revenue of \$973,316 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$332,203
Changes of assumptions or other inputs	\$1,983,377	
Net difference between projected and actual earnings on pension plan investments	409,216	
Changes in proportion and differences between county contributions and proportionate share of contributions	186,187	16,042
County contributions subsequent to the measurement date	<u>363,340</u>	
Total	<u>\$2,942,120</u>	<u>\$348,235</u>

The \$363,340 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$1,497,752
2019	502,118
2020	148,701
2021	81,974

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

Navajo County
Notes to Financial Statements
June 30, 2017

EORP

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

EORP		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

Discount rate—At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan

Navajo County
Notes to Financial Statements
June 30, 2017

investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease (2.68%)	Current discount rate (3.68%)	1% Increase (4.68%)
County's proportionate share of the net pension liability	\$20,563,304	\$17,665,320	\$15,246,239

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan—Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2017, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. In addition, statute required active EODCRS members and the County to each contribute at the actuarially determined rate of 0.125 percent of the members' annual covered payroll to the EODCDP plan. For the year ended June 30, 2017, the County recognized pension expense of \$18,428. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	EODCDP Disability Fund
Year ended June 30	
2017	\$381
2016	367
2015	88

Navajo County
Notes to Financial Statements
June 30, 2017

Note 12 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2017, were as follows:

Payable from	Payable To				Total
	General Fund	Public Works/ HURF Fund	Public Health District Fund	Other Governmental Funds	
General Fund			\$335	\$ 466	\$ 801
Flood Control District Fund		\$2,550			2,550
Public Health District Fund	\$ 729,990				729,990
Other Governmental Funds	<u>301,016</u>			<u>69,565</u>	<u>370,581</u>
Total	<u>\$1,031,006</u>	<u>\$2,550</u>	<u>\$335</u>	<u>\$70,031</u>	<u>\$1,103,922</u>

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, 2017, were as follows:

Transfer from	Transfers To			Total
	General Fund	Public Health District Fund	Other Governmental Funds	
General Fund		\$375,090	\$1,571,243	\$1,946,333
Public Works/HURF Fund	\$ 21,605		511,520	533,125
Flood Control District Fund	1,050,000			1,050,000
Public Health District Fund	222,310		46,674	268,984
Other Governmental Funds	<u>739,939</u>	<u>54,960</u>	<u>105,953</u>	<u>900,852</u>
Total	<u>\$2,033,854</u>	<u>\$430,050</u>	<u>\$2,235,390</u>	<u>\$4,699,294</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 13 - 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

Navajo County
Notes to Financial Statements
June 30, 2017

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.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for \$839,821 in deposits. 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 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Amount
U.S. agency securities	\$120,300,000	.73% - 1.50%	08/17 – 09/19	\$120,118,169
U.S. Treasury securities	50,000,000	.50% - .1.125%	07/17 – 06/19	49,925,529
U.S. Treasury money market funds	10,000	.02%	N/A	10,000

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

Statement of Net Position

Assets	\$217,766,909
Liabilities	<u>1,860,577</u>
Net position	<u>\$215,906,332</u>

Net position held in trust for:

Internal participants	\$ 28,919,628
External participants	<u>186,986,704</u>
Total net position held in trust	<u>\$215,906,332</u>

Statement of Changes in Net Position

Total additions	\$317,456,436
Total deductions	<u>298,344,296</u>
Net increase	19,112,140
Net position held in trust:	
July 1, 2016	<u>196,794,192</u>
June 30, 2017	<u>\$215,906,332</u>





OTHER REQUIRED SUPPLEMENTARY INFORMATION

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 7,759,129	\$ 7,536,306	\$ (222,823)
County sales taxes	6,488,000	6,534,686	46,686
Licenses and permits	425,033	438,370	13,337
Fines and forfeits	762,250	684,282	(77,968)
Intergovernmental	18,061,029	18,043,647	(17,382)
Charges for services	7,716,528	7,434,503	(282,025)
Investment earnings	43,118	38,721	(4,397)
Miscellaneous	715,426	661,072	(54,354)
Total revenues	<u>41,970,513</u>	<u>41,371,587</u>	<u>(598,926)</u>
Expenditures:			
General government			
Board of Supervisors/Administration	3,180,922	2,329,245	851,677
Facilities Management	2,089,019	1,915,053	173,966
Elections	767,241	517,961	249,280
Planning and Zoning	424,505	317,344	107,161
Recorder	259,594	200,302	59,292
Voter Registration	228,112	177,887	50,225
Assessor	1,318,465	1,195,899	122,566
Information Technology	1,041,250	1,063,278	(22,028)
Treasurer	489,188	487,453	1,735
Personnel Commission	15,000	3,771	11,229
Fleet Management	50,000	5,324	44,676
County-wide	8,304,725	10,232,727	(1,928,002)
Legal Defender	249,511	258,219	(8,708)
County Attorney	2,351,056	2,278,128	72,928
Superior Court	2,732,613	2,723,538	9,075
Public Defender	663,966	596,854	67,112
Clerk of Court	1,421,451	1,249,071	172,380
Holbrook Justice Court	348,655	334,909	13,746
Winslow Justice Court	345,840	329,743	16,097
Snowflake Justice Court	405,826	394,154	11,672
Show Low Justice Court	284,406	243,072	41,334
Pinetop Justice Court	362,451	352,599	9,852

(Continued)

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017
(Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Kayenta Justice Court	\$ 116,948	\$ 106,820	\$ 10,128
Kayenta Constable	22,081	20,752	1,329
Pinetop Constable	72,569	70,222	2,347
Snowflake Constable	59,698	45,598	14,100
Holbrook Constable	42,727	43,630	(903)
Winslow Constable	33,172	35,050	(1,878)
Show Low Constable	67,861	66,676	1,185
Total general government	<u>27,748,852</u>	<u>27,595,279</u>	<u>153,573</u>
Public safety			
Juvenile Detention	1,268,716	1,065,421	203,295
Juvenile Probation	433,554	383,999	49,555
Adult Probation	584,195	552,208	31,987
Jail Operations	6,535,550	4,995,216	1,540,334
Sheriff	5,765,860	5,587,269	178,591
Total public safety	<u>14,587,875</u>	<u>12,584,113</u>	<u>2,003,762</u>
Health and welfare			
Public Fiduciary	444,796	431,214	13,582
Indigent Health	2,588,200	2,588,200	-
Total health and welfare	<u>3,032,996</u>	<u>3,019,414</u>	<u>13,582</u>
Education			
School Superintendent	<u>353,299</u>	<u>294,449</u>	<u>58,850</u>
Capital outlay	<u>1,068,664</u>	<u>262,219</u>	<u>806,445</u>
Contingency	<u>4,200,000</u>	<u>-</u>	<u>4,200,000</u>
Total expenditures	<u>50,991,686</u>	<u>43,755,474</u>	<u>7,236,212</u>

(Continued)

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017
(Continued)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Excess (deficiency) of revenues over expenditures	<u>\$ (9,021,173)</u>	<u>\$ (2,383,887)</u>	<u>\$ 6,637,286</u>
Other financing sources (uses):			
Sale of capital assets		14,218	14,218
Transfers in	3,725,350	3,910,224	184,874
Transfers out	<u>(3,350,141)</u>	<u>(1,946,333)</u>	<u>1,403,808</u>
Total other financing sources and uses	<u>375,209</u>	<u>1,978,109</u>	<u>1,602,900</u>
Net change in fund balances	(8,645,964)	(405,778)	8,240,186
Fund balances as restated, July 1, 2016	<u>8,645,964</u>	<u>8,924,671</u>	<u>278,707</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 8,518,893</u>	<u>\$ 8,518,893</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works/HURF Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 11,297,993	\$ 12,173,466	\$ 875,473
Charges for services	10,000	25,304	15,304
Investment earnings	36,017	45,108	9,091
Miscellaneous	54,028	80,751	26,723
Total revenues	<u>11,398,038</u>	<u>12,324,629</u>	<u>926,591</u>
Expenditures:			
Highways and streets	<u>15,982,390</u>	<u>8,820,738</u>	<u>7,161,652</u>
Total expenditures	<u>15,982,390</u>	<u>8,820,738</u>	<u>7,161,652</u>
Excess (deficiency) of revenues over expenditures	<u>(4,584,352)</u>	<u>3,503,891</u>	<u>8,088,243</u>
Other financing uses:			
Transfers out	<u>(1,367,654)</u>	<u>(1,366,671)</u>	<u>983</u>
Total other financing sources and uses	<u>(1,367,654)</u>	<u>(1,366,671)</u>	<u>983</u>
Net change in fund balances	(5,952,006)	2,137,220	8,089,226
Fund balances, July 1, 2016	5,952,006	8,342,938	2,390,932
Increase in reserve for inventories		299,569	299,569
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 10,779,727</u>	<u>\$ 10,779,727</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Flood Control District Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 1,814,523	\$ 1,789,574	\$ (24,949)
Intergovernmental		1,311	1,311
Investment earnings	42,450	40,913	(1,537)
Miscellaneous		4	4
Total revenues	<u>1,856,973</u>	<u>1,831,802</u>	<u>(25,171)</u>
Expenditures:			
Public safety	<u>7,910,622</u>	<u>862,665</u>	<u>7,047,957</u>
Total expenditures	<u>7,910,622</u>	<u>862,665</u>	<u>7,047,957</u>
Excess (deficiency) of revenues over expenditures	<u>(6,053,649)</u>	<u>969,137</u>	<u>7,022,786</u>
Other financing uses:			
Transfers out	<u>(1,345,502)</u>	<u>(1,395,502)</u>	<u>(50,000)</u>
Total other financing uses	<u>(1,345,502)</u>	<u>(1,395,502)</u>	<u>(50,000)</u>
Net change in fund balances	(7,399,151)	(426,365)	6,972,786
Fund balances, July 1, 2016	<u>7,399,151</u>	<u>7,159,080</u>	<u>(240,071)</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 6,732,715</u>	<u>\$ 6,732,715</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Budgetary Comparison Schedule
Public Health District Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 2,007,656	\$ 2,005,944	\$ (1,712)
Licenses and permits	100,000	129,581	29,581
Intergovernmental	3,197,642	2,582,609	(615,033)
Charges for services	150,750	189,924	39,174
Investment earnings	920		(920)
Contributions	20,140	38,784	18,644
Miscellaneous		19,423	19,423
Total revenues	<u>5,477,108</u>	<u>4,966,265</u>	<u>(510,843)</u>
Expenditures:			
Health and welfare	<u>6,362,645</u>	<u>5,048,767</u>	<u>1,313,878</u>
Total expenditures	<u>6,362,645</u>	<u>5,048,767</u>	<u>1,313,878</u>
Excess (deficiency) of revenues over expenditures	<u>(885,537)</u>	<u>(82,502)</u>	<u>803,035</u>
Other financing sources (uses):			
Transfers in	1,511,175	430,050	(1,081,125)
Transfers out	<u>(490,018)</u>	<u>(733,562)</u>	<u>(243,544)</u>
Total other financing sources and uses	<u>1,021,157</u>	<u>(303,512)</u>	<u>(1,324,669)</u>
Net change in fund balances	135,620	(386,014)	(521,634)
Fund balances, July 1, 2016	<u>(135,620)</u>	<u>189,923</u>	<u>325,543</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ (196,091)</u>	<u>\$ (196,091)</u>

See accompanying note to budgetary comparison schedules.

Navajo County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

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. In addition, the County budgets its expenditures by function.

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.

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the indirect costs were budgeted in transfers in and out and the present value of net minimum installment purchase contract payments were not budgeted.

The following schedule reconciles the excess/(deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules:

Navajo County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

	General Fund	Public Works Fund	Flood Control Fund	Public Health Fund
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ (517,772)	\$2,670,345	\$623,635	\$(547,080)
Indirect costs budgeted in transfers in/(out)	(1,876,370)	833,546	345,502	464,578
Present value of net minimum installment purchase contract payments	<u>10,255</u>	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures from the Budgetary comparison schedules	<u><u>\$(2,383,887)</u></u>	<u><u>\$3,503,891</u></u>	<u><u>\$969,137</u></u>	<u><u>\$ (82,502)</u></u>

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/Fund	Excess
Information Technology – General Fund	\$ 22,028
County-wide - General Fund	1,928,002
Holbrook Constable – General Fund	903
Winslow Constable – General Fund	1,878
NARDC – Capital Projects Fund	2,681
Housing	33,825
Sheriff's Office	130,610

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County closely monitors departmental spending and discusses the overage with the departments in subsequent budget meetings with the County Manager and Finance.

Specifically, the County experienced higher than anticipated claims costs in its self-insured healthcare plan that resulted in an over expended the final budget amount of \$1,928,002 for the General Fund County-wide line item. To address these increased healthcare costs, the County is aggressively implementing a strategy to reduce structural costs and promote healthier lifestyles for its employees. In addition, the County performed a comprehensive review each of its health plan vendors and associated contracts, and is moving forward with different partners with lower administrative costs. Further, the County has established new, lower-cost relationships for providers and air ambulance services. To complement the structural changes in the health plan, the County is implementing a new Wellness Program to educate, support, and incentivize employees to make healthier lifestyle choices; become aware of and correct potential chronic issues; and properly address existing chronic issues.

Navajo County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	0.21%	0.21%	0.21%	Information
County's proportionate share of the net pension liability	\$ 33,707,260	\$ 32,861,924	\$ 30,957,928	not available
County's covered payroll	\$ 19,429,032	\$ 19,400,464	\$ 18,778,977	
County's proportionate share of the net pension liability as a percentage of its covered payroll	173.49%	169.39%	164.85%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

**Corrections Officer Retirement
Plan—Administrative Office of the Courts**

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	1.74%	1.69%	1.74%	Information
County's proportionate share of the net pension liability	\$ 4,896,487	\$ 4,108,278	\$ 3,902,859	not available
County's covered payroll	\$ 1,891,207	\$ 1,879,552	\$ 1,854,011	
County's proportionate share of the net pension liability as a percentage of its covered payroll	258.91%	218.58%	210.51%	
Plan fiduciary net position as a percentage of the total pension liability	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	1.87%	1.82%	1.84%	Information
County's proportionate share of the net pension liability	\$ 17,665,320	\$ 14,226,251	\$ 12,307,206	not available
State's proportionate share of the net pension liability associated with the County	3,647,430	4,435,153	3,773,504	
Total	<u>\$ 21,312,750</u>	<u>\$ 18,661,404</u>	<u>\$ 16,080,710</u>	
County's covered payroll	\$ 1,532,182	\$ 1,551,376	\$ 1,704,339	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1152.95%	917.01%	722.11%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios
Agent Pension Plans
June 30, 2017

PSPRS Sheriff

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				Information not available
Service cost	\$ 468,580	\$ 397,350	\$ 426,843	
Interest on the total pension liability	1,327,262	1,309,258	1,092,844	
Changes of benefit terms	(615,741)		586,447	
Differences between expected and actual experience in the measurement of the pension liability	(777,000)	(377,151)	(668,752)	
Changes of assumptions or other inputs	641,504		2,472,745	
Benefit payments, including refunds of employee contributions	(1,161,727)	(1,109,711)	(1,167,336)	
Net change in total pension liability	(117,122)	219,746	2,742,791	
Total pension liability—beginning	17,254,367	17,034,621	14,291,830	
Total pension liability—ending (a)	<u>\$17,137,245</u>	<u>\$ 17,254,367</u>	<u>\$ 17,034,621</u>	
Plan fiduciary net position				
Contributions—employer	\$ 1,205,254	\$ 790,385	\$ 691,037	
Contributions—employee	295,080	261,993	233,105	
Net investment income	31,020	191,904	675,189	
Benefit payments, including refunds of employee contributions	(1,161,727)	(1,109,711)	(1,167,336)	
Administrative expense	(4,864)	(5,044)	(5,438)	
Other changes	(215,557)	(114,224)	(8,622)	
Net change in plan fiduciary net position	149,206	15,303	417,935	
Plan fiduciary net position—beginning	5,340,226	5,324,923	4,906,988	
Plan fiduciary net position—ending (b)	<u>\$ 5,489,432</u>	<u>\$ 5,340,226</u>	<u>\$ 5,324,923</u>	
County's net pension liability—ending (a) – (b)	<u>\$11,647,813</u>	<u>\$ 11,914,141</u>	<u>\$ 11,709,698</u>	
Plan fiduciary net position as a percentage of the total pension liability	32.03%	30.95%	31.26%	
Covered payroll	\$ 2,464,986	\$ 2,365,037	\$ 2,242,753	
County's net pension liability as a percentage of covered payroll	472.53%	503.76%	522.11%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios
Agent Pension Plans
June 30, 2017

PSPRS Attorney Investigators

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				Information not available
Service cost	\$ -	\$ -	\$ -	
Interest on the total pension liability	44,961	40,906	30,804	
Changes of benefit terms	(78,488)		28,416	
Differences between expected and actual experience in the measurement of the pension liability	(13,833)	6,616	1,839	
Changes of assumptions or other inputs	25,702	(392,840)	535,143	
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	(34,741)	
Net change in total pension liability	(57,109)	(380,769)	561,461	
Total pension liability—beginning	590,475	971,244	409,783	
Total pension liability—ending (a)	<u>\$ 533,366</u>	<u>\$ 590,475</u>	<u>\$ 971,244</u>	
Plan fiduciary net position				
Contributions—employer	\$ 65,456	\$ 20,181		
Net investment income	390	744	\$ 6,765	
Benefit payments, including refunds of employee contributions	(35,451)	(35,451)	(34,741)	
Administrative expense	(456)	(308)	(54)	
Other changes	(1)	(37)	-	
Net change in plan fiduciary net position	29,938	(14,871)	(28,030)	
Plan fiduciary net position—beginning	21,263	36,134	64,164	
Plan fiduciary net position—ending (b)	<u>\$ 51,201</u>	<u>\$ 21,263</u>	<u>\$ 36,134</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 482,165</u>	<u>\$ 569,212</u>	<u>\$ 935,110</u>	
Plan fiduciary net position as a percentage of the total pension liability	9.60%	3.60%	3.72%	
Covered payroll	\$ -	\$ -	\$ -	
County's net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios
Agent Pension Plans
June 30, 2017

CORP

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				Information not available
Service cost	\$ 226,516	\$ 229,853	\$ 262,381	
Interest on the total pension liability	307,215	301,883	298,329	
Changes of benefit terms	9,571		35,245	
Differences between expected and actual experience in the measurement of the pension liability	(31,895)	(93,870)	(414,141)	
Changes of assumptions or other inputs	160,139		240,204	
Benefit payments, including refunds of employee contributions	(290,765)	(445,789)	(275,163)	
Net change in total pension liability	380,781	(7,923)	146,855	
Total pension liability—beginning	3,945,690	3,953,613	3,806,758	
Total pension liability—ending (a)	<u>\$ 4,326,471</u>	<u>\$ 3,945,690</u>	<u>\$ 3,953,613</u>	
Plan fiduciary net position				
Contributions—employer	\$ 137,367	\$ 123,062	\$ 142,344	
Contributions—employee	130,513	137,233	141,818	
Net investment income	19,994	120,952	417,329	
Benefit payments, including refunds of employee contributions	(290,765)	(445,789)	(275,163)	
Administrative expense	(3,227)	(3,354)	(3,281)	
Other changes	(10,869)	9,359	(82,179)	
Net change in plan fiduciary net position	(16,987)	(58,537)	340,868	
Plan fiduciary net position—beginning	3,303,418	3,361,955	3,021,087	
Plan fiduciary net position—ending (b)	<u>\$ 3,286,431</u>	<u>\$ 3,303,418</u>	<u>\$ 3,361,955</u>	
County's net pension liability—ending (a) – (b)	<u>\$ 1,040,040</u>	<u>\$ 642,272</u>	<u>\$ 591,658</u>	
Plan fiduciary net position as a percentage of the total pension liability	75.96%	83.72%	85.04%	
Covered payroll	\$ 1,572,955	\$ 1,632,100	\$ 1,726,328	
County's net pension liability as a percentage of covered payroll	66.12%	39.35%	34.27%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Schedule of County Pension Contributions
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year				2013-2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 2,171,922	\$ 2,128,972	\$ 2,098,505	\$ 2,009,012	Information not available
County's contributions in relation to the statutorily required contribution	2,171,922	2,128,972	2,098,505	2,009,012	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 20,130,088	\$ 19,429,032	\$ 19,400,464	\$ 18,778,977	
County's contributions as a percentage of covered payroll	10.79%	10.96%	10.82%	10.70%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting Fiscal Year				2013-2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 379,356	\$ 367,198	\$ 279,677	\$ 267,905	Information not available
County's contributions in relation to the statutorily required contribution	379,356	367,198	279,677	267,905	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,941,447	\$ 1,891,207	\$ 1,879,552	\$ 1,854,011	
County's contributions as a percentage of covered payroll	19.54%	19.42%	14.88%	14.45%	

Elected Officials Retirement Plan

	Reporting Fiscal Year				2013-2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 363,340	\$ 355,627	\$ 364,573	\$ 394,725	Information not available
County's contributions in relation to the statutorily required contribution	363,340	355,627	364,573	394,725	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,668,147	\$ 1,532,182	\$ 1,551,376	\$ 1,704,339	
County's contributions as a percentage of covered payroll	21.78%	23.21%	23.50%	23.16%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Schedule of County Pension Contributions
June 30, 2017

PSPRS Sheriff

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	\$ 1,091,146	\$ 1,214,475	\$ 784,719	\$ 692,113	Information not available
County's contributions in relation to the actuarially determined contribution	1,091,146	1,214,475	784,719	692,113	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 2,475,549	\$ 2,464,986	\$ 2,365,037	\$ 2,242,753	
County's contributions as a percentage of covered payroll	44.08%	49.27%	33.18%	30.86%	

PSPRS Attorney Investigators

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	\$ 38,721	\$ 35,878	\$ 49,759	\$ -	Information not available
County's contributions in relation to the actuarially determined contribution	38,721	35,878	49,759	-	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ -	\$ -	\$ -	\$ -	
County's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

CORP

	Reporting Fiscal Year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	\$ 144,735	\$ 138,748	\$ 123,060	\$ 146,738	Information not available
County's contributions in relation to the actuarially determined contribution	144,735	138,748	123,060	146,738	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,668,947	\$ 1,572,955	\$ 1,632,100	\$ 1,726,328	
County's contributions as a percentage of covered payroll	8.67%	8.82%	7.54%	8.50%	

See accompanying notes to pension plan schedules.

Navajo County
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

Note 1 - Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 - Factors that affect trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS, CORP, and CORP-AOC changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' and CORP's changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the County's net pension liability and related ratios. These changes also increased the PSPRS, CORP, and CORP-AOC's required contributions beginning in fiscal year 2016 in the schedule of county pension contributions.

Navajo County
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

Health insurance premium benefit

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)
PSPRS Sheriff						
6/30/16	\$628,925	\$338,940	\$ (289,985)	185.56%	\$2,452,015	(11.8)%
6/30/15	602,123	351,023	(251,100)	171.53	2,324,267	(10.8)
6/30/14	553,923	293,122	(260,801)	188.97	2,080,280	(12.5)
PSPRS						
Attorney Investigators						
6/30/16	\$ 6,059	\$ 34,136	\$ 28,077	17.80%	\$ -	0%
6/30/15	7,274	18,907	11,633	38.47%	-	0
6/30/14	7,930	-	(7,930)	-	-	0
CORP						
6/30/16	\$348,466	\$125,473	\$ (222,993)	277.72%	\$1,576,314	(14.1)%
6/30/15	329,954	129,078	(200,876)	255.62	1,493,854	(13.4)
6/30/14	302,076	138,877	(163,199)	217.51	1,618,686	(10.1)





SUPPLEMENTARY INFORMATION

Navajo County
Nonmajor Governmental Funds
June 30, 2017

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 include federal and state grants and a secondary property tax levy.
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.
Recreation District	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, 2017

Special Revenue Funds

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 Innovation and Opportunity Act (WIOA)

Accounts for administration of the federal Workforce Innovation and Opportunity Act (WIOA) program. Funding is from federal grants.

Capital Projects Funds

Other

Accounts for miscellaneous construction projects and funding sources include county revenues and investment earnings.

Debt Service Funds

General Government

Accounts for the accumulation of resources for payment of principal and interest on the 2012 and 2013 Series Pledged Revenue Obligations for construction of the Public Works Complex in Holbrook and construction and remodel of jail facilities.

Special Districts

Accounts for the accumulation of resources for the payment of principal and interest on bonds and other debt instruments of the Bucking Horse Improvement District. 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, 2017

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Assets				
Cash and investments	\$ 606,396	\$ 748,331	\$ 1,237,206	\$ 690,467
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	1,740	2,310	128	
Special assessments				
Due from:				
Other funds		69,556		
Other governments	110,647	265,527	9,067	
Total assets	<u>\$ 718,783</u>	<u>\$ 1,085,724</u>	<u>\$ 1,246,401</u>	<u>\$ 690,467</u>
Liabilities				
Accounts payable	\$ 5,771	\$ 17,968	\$ 15,233	\$ 1,766
Accrued payroll and employee benefits	9,379	-	8,734	2,854
Due to:				
Other funds	25,759	9	69,556	
Other governments	1,164	14,315	8,349	59
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>42,073</u>	<u>32,292</u>	<u>101,872</u>	<u>4,679</u>
Deferred Inflows of Resources				
Unavailable revenue—property taxes				
Unavailable revenue—special assessments				
Unavailable revenue—intergovernmental				
Total deferred inflows of resources				
Fund balances				
Restricted	652,823	1,408,027	1,449,074	693,430
Assigned	100,572	2,821		
Unassigned	(76,685)	(357,416)	(304,545)	(7,642)
Total fund balances (deficits)	<u>676,710</u>	<u>1,053,432</u>	<u>1,144,529</u>	<u>685,788</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 718,783</u>	<u>\$ 1,085,724</u>	<u>\$ 1,246,401</u>	<u>\$ 690,467</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Assets				
Cash and investments		\$ 140,549	\$ 666,906	\$ 276,077
Receivables (net of allowance for uncollectibles):				
Property taxes		29,079		
Accounts receivable				
Special assessments				
Due from:				
Other funds	\$ 22			
Other governments	213,504			5,849
Total assets	<u>\$ 213,526</u>	<u>\$ 169,628</u>	<u>\$ 666,906</u>	<u>\$ 281,926</u>
Liabilities				
Accounts payable		\$ 38,319	\$ 25,837	\$ 4,726
Accrued payroll and employee benefits		3,455	19,959	288
Due to:				
Other funds	\$ 231,897			
Other governments		553	54,668	3,005
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>231,897</u>	<u>42,327</u>	<u>100,464</u>	<u>8,019</u>
Deferred Inflows of Resources				
Unavailable revenue—property taxes		19,649		
Unavailable revenue—special assessments				
Unavailable revenue—intergovernmental				
Total deferred inflows of resources		<u>19,649</u>		
Fund balances				
Restricted		107,675	596,321	273,907
Assigned				
Unassigned	(18,371)	(23)	(29,879)	
Total fund balances (deficits)	<u>(18,371)</u>	<u>107,652</u>	<u>566,442</u>	<u>273,907</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 213,526</u>	<u>\$ 169,628</u>	<u>\$ 666,906</u>	<u>\$ 281,926</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Recreation District	Sheriff's Office	Special Districts	Superintendent of Schools
Assets				
Cash and investments	\$ 123,160	\$ 106,986	\$ 618,435	\$ 1,892,189
Receivables (net of allowance for uncollectibles):				
Property taxes				
Accounts receivable	610	5,446		11,656
Special assessments	39,065		5,251	
Due from:				
Other funds		453		
Other governments		146,505	6,970	115,887
Total assets	<u>\$ 162,835</u>	<u>\$ 259,390</u>	<u>\$ 630,656</u>	<u>\$ 2,019,732</u>
Liabilities				
Accounts payable		\$ 943	\$ 2,736	\$ 115,670
Accrued payroll and employee benefits	\$ 160	11,475		1,057
Due to:				
Other funds		126		
Other governments	3	34,970		
Pledged revenue obligations payable				
Interest payable				
Total liabilities	<u>163</u>	<u>47,514</u>	<u>2,736</u>	<u>116,727</u>
Deferred Inflows of Resources				
Unavailable revenue—property taxes				
Unavailable revenue—special assessments	35,132		3,591	
Unavailable revenue—intergovernmental		36,112		
Total deferred inflows of resources	<u>35,132</u>	<u>36,112</u>	<u>3,591</u>	
Fund balances				
Restricted	127,540	610,056	626,029	824,528
Assigned		35,525		1,212,082
Unassigned		(469,817)	(1,700)	(133,605)
Total fund balances (deficits)	<u>127,540</u>	<u>175,764</u>	<u>624,329</u>	<u>1,903,005</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 162,835</u>	<u>\$ 259,390</u>	<u>\$ 630,656</u>	<u>\$ 2,019,732</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2017

	<u>Special Revenue</u> <u>Workforce Innovation</u> <u>& Opportunity Act</u>	<u>Capital Projects</u> <u>Other</u>
Assets		
Cash and investments		
Receivables (net of allowance for uncollectibles):		
Property taxes		
Accounts receivable		
Special assessments		
Due from:		
Other funds		
Other governments	\$ 156,186	
Total assets	<u>\$ 156,186</u>	<u>\$ -</u>
Liabilities		
Accounts payable	\$ 4,559	
Accrued payroll and employee benefits	4,680	
Due to:		
Other funds	40,656	\$ 2,578
Other governments	3,817	
Pledged revenue obligations payable		
Interest payable		
Total liabilities	<u>53,712</u>	<u>2,578</u>
Deferred Inflows of Resources		
Unavailable revenue—property taxes		
Unavailable revenue—special assessments		
Unavailable revenue—intergovernmental		
Total deferred inflows of resources		
Fund balances		
Restricted	114,876	
Assigned		117
Unassigned	(12,402)	(2,695)
Total fund balances (deficits)	<u>102,474</u>	<u>(2,578)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 156,186</u>	<u>\$ -</u>

(continued)

Navajo County
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
Assets			
Cash and investments	\$ 1,117,010	\$ 66,099	\$ 8,289,811
Receivables (net of allowance for uncollectibles):			
Property taxes			29,079
Accounts receivable			21,890
Special assessments		112,788	157,104
Due from:			
Other funds			70,031
Other governments			1,030,142
Total assets	<u>\$ 1,117,010</u>	<u>\$ 178,887</u>	<u>\$ 9,598,057</u>
Liabilities			
Accounts payable			\$ 233,528
Accrued payroll and employee benefits			62,041
Due to:			
Other funds			370,581
Other governments			120,903
Pledged revenue obligations payable	\$ 155,000		155,000
Interest payable	130,491		130,491
Total liabilities	<u>285,491</u>		<u>1,072,544</u>
Deferred Inflows of Resources			
Unavailable revenue—property taxes			19,649
Unavailable revenue—special assessments		\$ 111,627	150,350
Unavailable revenue—intergovernmental			36,112
Total deferred inflows of resources		<u>111,627</u>	<u>206,111</u>
Fund balances			
Restricted		74,217	7,558,503
Assigned	831,519		2,182,636
Unassigned		(6,957)	(1,421,737)
Total fund balances (deficits)	<u>831,519</u>	<u>67,260</u>	<u>8,319,402</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,117,010</u>	<u>\$ 178,887</u>	<u>\$ 9,598,057</u>

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Administration	County Attorney	Courts	Environmental and Conservation
Revenues:				
Property taxes				
Special assessments				
Fines and forfeits		\$ 502,074	\$ 51,926	
Intergovernmental	\$ 552,999	1,034,731	351,161	\$ 317,752
Charges for services	107,141	71,974	619,910	
Investment earnings (loss)	3,436	4,048	7,538	3,728
Miscellaneous	329,111	9,360	946	
Total revenues	<u>992,687</u>	<u>1,622,187</u>	<u>1,031,481</u>	<u>321,480</u>
Expenditures:				
Current:				
General government	200,657	2,101,219	1,079,047	
Public safety	625,938			
Highways and streets				
Health and welfare	174,921			
Culture and recreation				
Education and economic opportunity	17,929			
Environmental and conservation				322,770
Urban redevelopment and housing				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay	32,271		14,540	
Total expenditures	<u>1,051,716</u>	<u>2,101,219</u>	<u>1,093,587</u>	<u>322,770</u>
Excess (deficiency) of revenues over expenditures	<u>(59,029)</u>	<u>(479,032)</u>	<u>(62,106)</u>	<u>(1,290)</u>
Other financing sources (uses):				
Transfers in	312,961	237,979		
Transfers out	(80,478)	(134)	(97,966)	(572)
Total other financing sources and uses	<u>232,483</u>	<u>237,845</u>	<u>(97,966)</u>	<u>(572)</u>
Net change in fund balances	173,454	(241,187)	(160,072)	(1,862)
Fund balances (deficits), July 1, 2016	<u>503,256</u>	<u>1,294,619</u>	<u>1,304,601</u>	<u>687,650</u>
Fund balances (deficits), June 30, 2017	<u>\$ 676,710</u>	<u>\$ 1,053,432</u>	<u>\$ 1,144,529</u>	<u>\$ 685,788</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Housing	Library District	Probation	Public Defense
Revenues:				
Property taxes		\$ 802,131		
Special assessments				
Fines and forfeits				
Intergovernmental	\$ 458,825	70,186	\$ 2,051,663	\$ 24,803
Charges for services			335,664	
Investment earnings (loss)		1,188	3,354	1,106
Miscellaneous		30,022	4,253	68,564
Total revenues	<u>458,825</u>	<u>903,527</u>	<u>2,394,934</u>	<u>94,473</u>
Expenditures:				
Current:				
General government				52,397
Public safety			2,340,686	
Highways and streets				
Health and welfare				
Culture and recreation		643,145		
Education and economic opportunity				
Environmental and conservation				
Urban redevelopment and housing	165,114			
Debt Service:				
Principal				
Interest and other charges				
Capital outlay	<u>293,711</u>		<u>5,397</u>	
Total expenditures	<u>458,825</u>	<u>643,145</u>	<u>2,346,083</u>	<u>52,397</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>260,382</u>	<u>48,851</u>	<u>42,076</u>
Other financing sources (uses):				
Transfers in	22		5,706	53,487
Transfers out		(200,000)		(1,549)
Total other financing sources and uses	<u>22</u>	<u>(200,000)</u>	<u>5,706</u>	<u>51,938</u>
Net change in fund balances	22	60,382	54,557	94,014
Fund balances (deficits), July 1, 2016	<u>(18,393)</u>	<u>47,270</u>	<u>511,885</u>	<u>179,893</u>
Fund balances (deficits), June 30, 2017	<u>\$ (18,371)</u>	<u>\$ 107,652</u>	<u>\$ 566,442</u>	<u>\$ 273,907</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			
	Recreation District	Sheriff's Office	Special Districts	Superintendent of Schools
Revenues:				
Property taxes				
Special assessments	\$ 157,680		\$ 104,429	
Fines and forfeits		\$ 101,042		
Intergovernmental		810,690		\$ 2,543,769
Charges for services		496,447		
Investment earnings (loss)	865	3,309	2,152	4,134
Miscellaneous	2,673	77,953	28,795	353,126
Total revenues	<u>161,218</u>	<u>1,489,441</u>	<u>135,376</u>	<u>2,901,029</u>
Expenditures:				
Current:				
General government				
Public safety		1,374,284		
Highways and streets			49,417	
Health and welfare				
Culture and recreation	160,471			
Education and economic opportunity				3,117,598
Environmental and conservation				
Urban redevelopment and housing				
Debt Service:				
Principal		5,168		
Interest and other charges				
Capital outlay		75,917		
Total expenditures	<u>160,471</u>	<u>1,455,369</u>	<u>49,417</u>	<u>3,117,598</u>
Excess (deficiency) of revenues over expenditures	<u>747</u>	<u>34,072</u>	<u>85,959</u>	<u>(216,569)</u>
Other financing sources (uses):				
Installment purchase contracts		91,086		
Transfers in	572	303		
Transfers out		(507,281)		
Total other financing sources and uses	<u>572</u>	<u>(415,892)</u>		
Net change in fund balances	1,319	(381,820)	85,959	(216,569)
Fund balances (deficits), July 1, 2016	<u>126,221</u>	<u>557,584</u>	<u>538,370</u>	<u>2,119,574</u>
Fund balances (deficits), June 30, 2017	<u>\$ 127,540</u>	<u>\$ 175,764</u>	<u>\$ 624,329</u>	<u>\$ 1,903,005</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Workforce Innovation & Opportunity Act	Capital Projects Other
Revenues:		
Property taxes		
Special assessments		
Fines and forfeits		
Intergovernmental	\$ 882,881	
Charges for services		
Investment earnings (loss)		\$ 103
Miscellaneous		
Total revenues	<u>882,881</u>	<u>103</u>
Expenditures:		
Current:		
General government		
Public safety		2,681
Highways and streets		
Health and welfare		
Culture and recreation		
Education and economic opportunity	811,889	
Environmental and conservation		
Urban redevelopment and housing		
Debt Service:		
Principal		
Interest and other charges		
Capital outlay		
Total expenditures	<u>811,889</u>	<u>2,681</u>
Excess (deficiency) of revenues over expenditures	<u>70,992</u>	<u>(2,578)</u>
Other financing sources (uses):		
Transfers in		
Transfers out	<u>(12,872)</u>	
Total other financing sources and uses	<u>(12,872)</u>	
Net change in fund balances	58,120	(2,578)
Fund balances (deficits), July 1, 2016	<u>44,354</u>	
Fund balances (deficits), June 30, 2017	<u>\$ 102,474</u>	<u>\$ (2,578)</u>

(continued)

Navajo County
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Debt Service		Total Nonmajor Governmental Funds
	General Government	Special Districts	
Revenues:			
Property taxes			\$ 802,131
Special assessments		\$ 226,853	488,962
Fines and forfeits			655,042
Intergovernmental			9,099,460
Charges for services			1,631,136
Investment earnings (loss)	\$ 3,704	1,018	39,683
Miscellaneous	4		904,807
Total revenues	<u>3,708</u>	<u>227,871</u>	<u>13,621,221</u>
Expenditures:			
Current:			
General government			3,433,320
Public safety			4,343,589
Highways and streets			49,417
Health and welfare			174,921
Culture and recreation			803,616
Education and economic opportunity			3,947,416
Environmental and conservation			322,770
Urban redevelopment and housing			165,114
Debt Service:			
Principal	1,185,000	222,575	1,412,743
Interest and other charges	429,222	27,025	456,247
Capital outlay			421,836
Total expenditures	<u>1,614,222</u>	<u>249,600</u>	<u>15,530,989</u>
Excess (deficiency) of revenues over expenditures	<u>(1,610,514)</u>	<u>(21,729)</u>	<u>(1,909,768)</u>
Other financing sources (uses):			
			91,086
Transfers in	1,624,360		2,235,390
Transfers out			(900,852)
Total other financing sources and uses	<u>1,624,360</u>		<u>1,425,624</u>
Net change in fund balances	13,846	(21,729)	(484,144)
Fund balances (deficits), July 1, 2016	<u>817,673</u>	<u>88,989</u>	<u>8,803,546</u>
Fund balances (deficits), June 30, 2017	<u>\$ 831,519</u>	<u>\$ 67,260</u>	<u>\$ 8,319,402</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Administration
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,885,453	\$ 552,999	\$ (2,332,454)
Charges for services	164,300	107,141	(57,159)
Investment earnings	2,500	3,436	936
Miscellaneous	600,000	329,111	(270,889)
Total revenues	<u>3,652,253</u>	<u>992,687</u>	<u>(2,659,566)</u>
Expenditures:			
General government	2,000,970	200,657	1,800,313
Public safety	2,136,993	658,209	1,478,784
Health and welfare	257,872	174,921	82,951
Education and economic opportunity	420,210	17,929	402,281
Total expenditures	<u>4,816,045</u>	<u>1,051,716</u>	<u>3,764,329</u>
Excess (deficiency) of revenues over expenditures	<u>(1,163,792)</u>	<u>(59,029)</u>	<u>1,104,763</u>
Other financing sources (uses):			
Transfers in	569,701	312,961	(256,740)
Transfers out	(100,500)	(80,478)	20,022
Total other financing sources and uses	<u>469,201</u>	<u>232,483</u>	<u>(236,718)</u>
Net change in fund balances	(694,591)	173,454	868,045
Fund balances, July 1, 2016	694,591	503,256	(191,335)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 676,710</u>	<u>\$ 676,710</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - County Attorney
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 192,575	\$ 502,074	\$ 309,499
Intergovernmental	1,540,198	1,034,731	(505,467)
Charges for services	41,225	71,974	30,749
Investment earnings	11,178	4,048	(7,130)
Contributions	5,000		(5,000)
Miscellaneous	220,279	9,360	(210,919)
Total revenues	<u>2,010,455</u>	<u>1,622,187</u>	<u>(388,268)</u>
Expenditures:			
General government	<u>3,650,012</u>	<u>2,101,219</u>	<u>1,548,793</u>
Total expenditures	<u>3,650,012</u>	<u>2,101,219</u>	<u>1,548,793</u>
Excess (deficiency) of revenues over expenditures	<u>(1,639,557)</u>	<u>(479,032)</u>	<u>1,160,525</u>
Other financing sources (uses):			
Transfers in	286,424	237,979	(48,445)
Transfers out	<u>(15,000)</u>	<u>(134)</u>	<u>14,866</u>
Total other financing sources and uses	<u>271,424</u>	<u>237,845</u>	<u>(33,579)</u>
Net change in fund balances	(1,368,133)	(241,187)	1,126,946
Fund balances, July 1, 2016	<u>1,368,133</u>	<u>1,294,619</u>	<u>(73,514)</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 1,053,432</u>	<u>\$ 1,053,432</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Courts
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 57,375	\$ 51,926	\$ (5,449)
Intergovernmental	372,788	351,161	(21,627)
Charges for services	740,800	619,910	(120,890)
Investment earnings	350	7,538	7,188
Miscellaneous	946	946	946
Total revenues	<u>1,171,313</u>	<u>1,031,481</u>	<u>(139,832)</u>
Expenditures:			
General government	<u>2,301,685</u>	<u>1,093,587</u>	<u>1,208,098</u>
Total expenditures	<u>2,301,685</u>	<u>1,093,587</u>	<u>1,208,098</u>
Excess (deficiency) of revenues over expenditures	<u>(1,130,372)</u>	<u>(62,106)</u>	<u>1,068,266</u>
Other financing sources (uses):			
Transfers in	3,623		(3,623)
Transfers out	<u>(200,384)</u>	<u>(97,966)</u>	<u>102,418</u>
Total other financing sources and uses	<u>(196,761)</u>	<u>(97,966)</u>	<u>98,795</u>
Net change in fund balances	(1,327,133)	(160,072)	1,167,061
Fund balances, July 1, 2016	1,327,133	1,304,601	(22,532)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 1,144,529</u>	<u>\$ 1,144,529</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Environmental and Conservation
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 140,000	\$ 317,752	\$ 177,752
Investment earnings	1,700	3,728	2,028
Total revenues	<u>141,700</u>	<u>321,480</u>	<u>179,780</u>
Expenditures:			
Environmental and conservation	653,624	322,770	330,854
Total expenditures	<u>653,624</u>	<u>322,770</u>	<u>330,854</u>
Excess (deficiency) of revenues over expenditures	<u>(511,924)</u>	<u>(1,290)</u>	<u>510,634</u>
Other financing uses:			
Transfers out	<u></u>	(572)	(572)
Total other financing uses	<u></u>	<u>(572)</u>	<u>(572)</u>
Net change in fund balances	(511,924)	(1,862)	510,062
Fund balances, July 1, 2016	511,924	687,650	175,726
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 685,788</u>	<u>\$ 685,788</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Housing
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 443,371	\$ 458,825	\$ 15,454
Total revenues	<u>443,371</u>	<u>458,825</u>	<u>15,454</u>
Expenditures:			
Urban redevelopment and housing	425,000	458,825	(33,825)
Total expenditures	<u>425,000</u>	<u>458,825</u>	<u>(33,825)</u>
Excess (deficiency) of revenues over expenditures	<u>18,371</u>		<u>(18,371)</u>
Other financing sources:			
Transfers in		22	22
Total other financing sources		<u>22</u>	<u>22</u>
Net change in fund balances	18,371	22	(18,349)
Fund balances (deficits), July 1, 2016	(18,371)	(18,393)	(22)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ (18,371)</u>	<u>\$ (18,371)</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Library District
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Property taxes	\$ 803,062	\$ 802,131	\$ (931)
Intergovernmental	150,146	70,186	(79,960)
Investment earnings		1,188	1,188
Miscellaneous		30,022	30,022
Total revenues	<u>953,208</u>	<u>903,527</u>	<u>(49,681)</u>
Expenditures:			
Culture and recreation	<u>643,804</u>	<u>410,401</u>	<u>233,403</u>
Total expenditures	<u>643,804</u>	<u>410,401</u>	<u>233,403</u>
Excess (deficiency) of revenues over expenditures	<u>309,404</u>	<u>493,126</u>	<u>183,722</u>
Other financing uses:			
Transfers out	<u>(432,744)</u>	<u>(432,744)</u>	<u>-</u>
Total other financing uses	<u>(432,744)</u>	<u>(432,744)</u>	<u>-</u>
Net change in fund balances	(123,340)	60,382	183,722
Fund balances, July 1, 2016	123,340	47,270	(76,070)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 107,652</u>	<u>\$ 107,652</u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Probation
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,899,850	\$ 2,051,663	\$ 151,813
Charges for services	321,458	335,664	14,206
Investment earnings	2,917	3,354	437
Miscellaneous	200	4,253	4,053
Total revenues	<u>2,224,425</u>	<u>2,394,934</u>	<u>170,509</u>
Expenditures:			
Public safety	<u>2,782,105</u>	<u>2,346,083</u>	<u>436,022</u>
Total expenditures	<u>2,782,105</u>	<u>2,346,083</u>	<u>436,022</u>
Excess (deficiency) of revenues over expenditures	<u>(557,680)</u>	<u>48,851</u>	<u>606,531</u>
Other financing sources (uses):			
Transfers in	2,996	5,706	2,710
Transfers out	(3,623)		3,623
Total other financing sources and uses	<u>(627)</u>	<u>5,706</u>	<u>6,333</u>
Net change in fund balances	(558,307)	54,557	612,864
Fund balances, July 1, 2016	<u>558,307</u>	<u>511,885</u>	<u>(46,422)</u>
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 566,442</u>	<u>\$ 566,442</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Public Defense
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 21,500	\$ 24,803	\$ 3,303
Investment earnings	730	1,106	376
Miscellaneous		68,564	68,564
Total revenues	<u>22,230</u>	<u>94,473</u>	<u>72,243</u>
Expenditures:			
General government	291,656	52,397	239,259
Total expenditures	<u>291,656</u>	<u>52,397</u>	<u>239,259</u>
Excess (deficiency) of revenues over expenditures	<u>(269,426)</u>	<u>42,076</u>	<u>311,502</u>
Other financing sources (uses):			
Transfers in	107,460	53,487	(53,973)
Transfers out		(1,549)	(1,549)
Total other financing sources and uses	<u>107,460</u>	<u>51,938</u>	<u>(55,522)</u>
Net change in fund balances	(161,966)	94,014	255,980
Fund balances, July 1, 2016	161,966	179,893	17,927
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 273,907</u>	<u>\$ 273,907</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Recreation District
 Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Special assessments	\$ 164,500	\$ 157,680	\$ (6,820)
Investment earnings		865	865
Miscellaneous		2,673	2,673
Total revenues	<u>164,500</u>	<u>161,218</u>	<u>(3,282)</u>
Expenditures:			
Culture and recreation	<u>320,000</u>	<u>160,471</u>	<u>159,529</u>
Total expenditures	<u>320,000</u>	<u>160,471</u>	<u>159,529</u>
Excess (deficiency) of revenues over expenditures	<u>(155,500)</u>	<u>747</u>	<u>156,247</u>
Other financing sources:			
Transfers in		<u>572</u>	<u>572</u>
Total other financing sources		<u>572</u>	<u>572</u>
Net change in fund balances	(155,500)	1,319	156,819
Fund balances, July 1, 2016	155,500	126,221	(29,279)
Fund balances, June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ 127,450</u></u>	<u><u>\$ 127,540</u></u>

Navajo County
Budgetary Comparison Schedule
Special Revenue - Sheriff's Office
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Fines and forfeits	\$ 10,000	\$ 101,042	\$ 91,042
Intergovernmental	557,633	810,690	253,057
Charges for services	547,610	496,447	(51,163)
Investment earnings	943	3,309	2,366
Miscellaneous	25,470	77,953	52,483
Total revenues	<u>1,141,656</u>	<u>1,489,441</u>	<u>347,785</u>
Expenditures:			
Public safety	1,233,673	1,364,283	(130,610)
Total expenditures	<u>1,233,673</u>	<u>1,364,283</u>	<u>(130,610)</u>
Excess (deficiency) of revenues over expenditures	<u>(92,017)</u>	<u>125,158</u>	<u>217,175</u>
Other financing sources (uses):			
Transfers in		303	303
Transfers out	(515,000)	(507,281)	7,719
Total other financing sources and uses	<u>(515,000)</u>	<u>(506,978)</u>	<u>8,022</u>
Net change in fund balances	(607,017)	(381,820)	225,197
Fund balances, July 1, 2016	607,017	557,584	(49,433)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 175,764</u>	<u>\$ 175,764</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Special Districts
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Special assessments	\$ 44,861	\$ 104,429	\$ 59,568
Investment earnings	300	2,152	1,852
Miscellaneous	19,700	28,795	9,095
Total revenues	<u>64,861</u>	<u>135,376</u>	<u>70,515</u>
Expenditures:			
Highways and streets	574,520	49,417	525,103
Total expenditures	<u>574,520</u>	<u>49,417</u>	<u>525,103</u>
Excess (deficiency) of revenues over expenditures	(509,659)	85,959	595,618
Fund balances, July 1, 2016	509,659	538,370	28,711
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 624,329</u>	<u>\$ 624,329</u>

Navajo County
 Budgetary Comparison Schedule
 Special Revenue - Workforce Innovation and Opportunity Act
 Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,120,468	\$ 882,881	\$ (1,237,587)
Total revenues	<u>2,120,468</u>	<u>882,881</u>	<u>(1,237,587)</u>
Expenditures:			
Education and economic opportunity	2,052,519	811,889	1,240,630
Total expenditures	<u>2,052,519</u>	<u>811,889</u>	<u>1,240,630</u>
Excess (deficiency) of revenues over expenditures	<u>67,949</u>	<u>70,992</u>	<u>3,043</u>
Other financing uses:			
Transfers out	<u></u>	(12,872)	(12,872)
Total other financing uses	<u></u>	<u>(12,872)</u>	<u>(12,872)</u>
Net change in fund balances	67,949	58,120	(9,829)
Fund balances (deficits), July 1, 2016	(67,949)	44,354	112,303
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 102,474</u>	<u>\$ 102,474</u>

Navajo County
Budgetary Comparison Schedule
Capital Projects - Other
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings	<u> </u>	<u>\$ 103</u>	<u>\$ 103</u>
Total revenues	<u> </u>	<u> 103</u>	<u> 103</u>
Expenditures:			
Public safety	<u> </u>	<u> 2,681</u>	<u> (2,681)</u>
Total expenditures	<u> </u>	<u> 2,681</u>	<u> (2,681)</u>
Excess (deficiency) of revenues over expenditures	<u> </u>	<u> (2,578)</u>	<u> (2,578)</u>
Other financing sources:			
Bond proceeds	<u>\$ 2,500,000</u>	<u> </u>	<u> (2,500,000)</u>
Total other financing sources	<u> 2,500,000</u>	<u> </u>	<u> (2,500,000)</u>
Net change in fund balances	2,500,000	(2,578)	(2,502,578)
Fund balances (deficits), July 1, 2016	(2,500,000)		2,500,000
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ (2,578)</u>	<u>\$ (2,578)</u>

Navajo County
Budgetary Comparison Schedule
Debt Service - General Government
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment earnings		\$ 3,704	\$ 3,704
Miscellaneous		4	4
Total revenues		3,708	3,708
Expenditures:			
Debt Service			
General government	\$ 2,714,431	1,614,222	1,100,209
Total expenditures	2,714,431	1,614,222	1,100,209
Excess (deficiency) of revenues over expenditures	(2,714,431)	(1,610,514)	1,103,917
Other financing sources:			
Transfers in	1,613,837	1,624,360	10,523
Total other financing sources	1,613,837	1,624,360	10,523
Net change in fund balances	(1,100,594)	13,846	1,114,440
Fund balances, July 1, 2016	1,100,594	817,673	(282,921)
Fund balances, June 30, 2017	\$ -	\$ 831,519	\$ 831,519

Navajo County
 Budgetary Comparison Schedule
 Debt Service - Special Districts
 Year Ended June 30, 2017

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Special assessments	\$ 270,620	\$ 226,853	\$ (43,767)
Investments earnings		1,018	1,018
Total revenues	<u>270,620</u>	<u>227,871</u>	<u>(42,749)</u>
Expenditures:			
Debt Service			
Highways and streets	433,060	249,600	183,460
Total expenditures	<u>433,060</u>	<u>249,600</u>	<u>183,460</u>
Excess (deficiency) of revenues over expenditures	(162,440)	(21,729)	140,711
Fund balances, July 1, 2016	162,440	88,989	(73,451)
Fund balances, June 30, 2017	<u>\$ -</u>	<u>\$ 67,260</u>	<u>\$ 67,260</u>



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

Navajo County
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and investments	\$ 2,939,392	\$ 13,166,934	\$ 13,448,449	\$ 2,657,877
Total Assets	<u>\$ 2,939,392</u>	<u>\$ 13,166,934</u>	<u>\$ 13,448,449</u>	<u>\$ 2,657,877</u>
Liabilities				
Due to other governments	\$ 737,492	\$ 11,915,214	\$ 11,994,465	\$ 658,241
Deposits held for other parties	2,201,900	1,251,720	1,453,984	1,999,636
Total Liabilities	<u>\$ 2,939,392</u>	<u>\$ 13,166,934</u>	<u>\$ 13,448,449</u>	<u>\$ 2,657,877</u>



STATISTICAL SECTION

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
General government	\$ 20,503,496	\$ 19,392,043	\$ 22,647,297	\$ 22,396,786
Public safety	17,570,231	19,182,119	17,566,896	16,191,164
Highways and streets	12,960,992	14,058,305	13,057,318	14,480,464
Health and welfare	6,809,907	7,219,915	9,366,578	7,129,008
Culture and recreation	472,151	510,035	747,065	814,786
Education and economic opportunity	7,119,026	5,723,104	6,307,885	5,710,417
Environmental and conservation	234,078	231,225	237,032	196,504
Urban redevelopment and housing	5,000		307,208	35,558
Interest on long-term debt	349,677	594,260	677,253	625,962
Total governmental activities expenses	<u>66,024,558</u>	<u>66,911,006</u>	<u>70,914,532</u>	<u>67,580,649</u>
Program Revenues:				
Charges for services:				
General government	3,746,695	3,473,303	3,531,064	3,465,053
Public Safety	541,256	765,083	517,702	672,441
Highway and streets	83,076		39,249	98,695
Health and welfare	77,965	122,462	215,494	194,090
Culture and recreation				
Operating grants and contributions:				
General government	1,851,358	3,719,202	1,735,327	2,584,222
Public Safety	3,063,868	3,599,091	3,290,457	2,916,270
Highway and streets				
Health and welfare	1,751,447	2,199,624	1,803,890	2,280,437
Culture and recreation	38,102	64,885	122,207	137,643
Education and economic opportunity	7,186,346	5,512,115	6,086,494	3,665,344
Environmental and conservation	162,086	205,884	195,574	429,653
Urban redevelopment and housing			305,647	63,162
Capital grants and contributions:				
General government				
Public Safety				
Highway and streets	12,361,020	12,393,158	15,637,667	13,170,789
Total governmental activities program revenues	<u>30,863,219</u>	<u>32,054,807</u>	<u>33,480,772</u>	<u>29,677,799</u>
Net (Expense) Revenue	\$ (35,161,339)	\$ (34,856,199)	\$ (37,433,760)	\$ (37,902,850)
General Revenues:				
Property taxes	\$ 9,707,389	\$ 10,933,578	\$ 12,494,737	\$ 12,866,253
Special assessments (see Note)				
General county sales tax	7,083,165	6,330,588	5,480,598	5,889,027
State shared revenues	13,302,354	12,017,517	10,728,725	11,405,376
Payment in lieu of taxes				
Grants and contributions not restricted to specific programs	3,922,712	6,444,858	4,902,289	4,489,096
Investment earnings	1,624,746	750,742	322,748	254,483
Capital contributions				
Gain on disposal of capital assets	11,971	23,895	115,237	5,957
Miscellaneous	1,207,819	1,466,751	1,273,310	1,822,741
Transfers			(380,236)	-
Total general revenues and transfers	<u>36,860,156</u>	<u>37,967,929</u>	<u>34,937,408</u>	<u>36,732,933</u>
Change in net position - governmental activities	<u>\$ 1,698,817</u>	<u>\$ 3,111,730</u>	<u>\$ (2,496,352)</u>	<u>\$ (1,169,917)</u>

Note: The County reclassified special assessments revenue from general revenue to program revenue beginning in FY 2016.

(Continued)

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 21,607,586	\$ 20,944,578	\$ 22,213,348	\$ 31,968,411	\$ 29,716,664	\$ 32,717,374
18,238,891	19,123,378	16,995,243	16,655,632	17,512,220	17,730,173
8,023,409	10,935,566	9,534,493	11,190,411	12,008,267	10,710,700
5,909,936	7,734,191	8,039,343	7,956,284	8,350,410	8,362,293
966,000	788,127	694,108	665,292	798,683	790,379
6,164,792	5,498,285	6,190,399	5,669,487	5,479,786	4,297,521
16,352	303,402	329,829	211,478	247,622	303,270
784	42,701	365,994	73,852	16,887	165,114
721,020	527,044	487,808	802,936	503,684	461,083
<u>61,648,770</u>	<u>65,897,272</u>	<u>64,850,565</u>	<u>75,193,783</u>	<u>74,634,223</u>	<u>75,537,907</u>
3,326,109	3,649,106	3,537,721	5,079,224	5,400,182	4,780,321
982,588	1,146,080	919,746	1,390,048	1,549,821	1,285,569
334,513	12,171	252,982	100,758	432,421	330,585
163,957	243,393	329,602	274,262	333,306	319,505
155,895				166,881	151,137
2,215,242	1,966,176	2,700,852	3,613,033	3,945,966	3,794,242
3,252,479	4,500,832	3,976,671	3,715,424	4,911,950	4,571,216
1,819,214	2,500,943	2,820,717	2,898,998	2,770,719	2,901,048
152,083	129,282	149,666	128,945	61,754	68,388
4,654,668	4,327,485	5,266,695	4,488,394	5,034,340	3,450,856
59,097	301,660	534,722	411,987	364,692	317,752
	40,823	376,628	62,860	10,000	458,825
220,229					67,306
5,000					
9,578,324	9,690,517	9,565,055	11,431,446	11,571,167	12,173,466
<u>26,919,398</u>	<u>28,508,468</u>	<u>30,431,057</u>	<u>33,595,379</u>	<u>36,553,199</u>	<u>34,670,216</u>
\$ (34,729,372)	\$ (37,388,804)	\$ (34,419,508)	\$ (41,598,404)	\$ (38,081,024)	\$ (40,867,691)
\$ 12,087,700	\$ 11,924,765	\$ 11,704,948	\$ 12,536,351	\$ 12,531,782	\$ 12,131,695
	502,434	542,526	507,456		
6,246,077	6,239,089	6,667,433	6,674,867	6,365,510	6,534,686
11,475,113	12,024,496	12,773,729	12,964,950	13,125,229	13,730,314
	1,430,914	1,538,954	1,406,936	1,547,382	1,532,361
3,175,428					
202,500	(109,711)	453,017	195,437	165,384	164,425
				6,980	
13,116	52,473	96,640	35,974	2,995	9,600
1,170,658	892,976	1,455,607	1,072,052	1,341,167	1,666,058
-					
<u>34,370,592</u>	<u>32,957,436</u>	<u>35,232,854</u>	<u>35,394,023</u>	<u>35,086,429</u>	<u>35,769,139</u>
<u>\$ (358,780)</u>	<u>\$ (4,431,368)</u>	<u>\$ 813,346</u>	<u>\$ (6,204,381)</u>	<u>\$ (2,994,595)</u>	<u>\$ (5,098,552)</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Reserved	\$ 3,957,781	\$ 2,883,159	\$ 325,096	
Unreserved	10,939,695	7,550,215	7,416,990	
Nonspendable*				
Assigned*				\$ 3,182,499
Unassigned				3,349,495
Total general fund	<u>\$ 14,897,476</u>	<u>\$ 10,433,374</u>	<u>\$ 7,742,086</u>	<u>\$ 6,531,994</u>
All other governmental funds				
Reserved	\$ 500,703	\$ 679,641	\$ 528,878	
Unreserved, reported in:				
Special revenue funds	26,620,823	25,962,952	31,118,113	
Debt service funds	1,777,950	1,824,003	1,924,862	
Capital projects funds	24,543		76,332	
Nonspendable*				\$ 543,055
Restricted				28,973,243
Assigned				1,231,112
Unassigned				(270,933)
Total all other governmental funds	<u>\$ 28,924,019</u>	<u>\$ 28,466,596</u>	<u>\$ 33,648,185</u>	<u>\$ 30,476,477</u>

(Continued)

* Due to the implementation of GASB Statement No. 54 in FY 2011, categories regarding fund balance have been redefined. See Notes for Financial Statements Note 10 for details.

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
		\$ 437,220	\$ 1,273,833	\$ 1,612,513	
					\$ 900,000
\$ 2,533,698	\$ 2,021,131	2,331,597	2,836,408	2,535,860	2,734,436
3,939,417	3,849,238	3,482,808	3,544,712	3,523,261	4,884,457
<u>\$ 6,473,115</u>	<u>\$ 5,870,369</u>	<u>\$ 6,251,625</u>	<u>\$ 7,654,953</u>	<u>\$ 7,671,634</u>	<u>\$ 8,518,893</u>
\$ 920,545	\$ 1,034,772	\$ 1,114,772	\$ 991,663	\$ 619,596	\$ 919,164
25,792,646	26,621,136	26,720,572	22,055,581	23,119,737	24,928,694
1,529,453	2,064,946	3,288,638	2,552,485	966,610	2,182,636
(39,006)	(13)	(1,048,472)	(1,686,672)	(210,456)	(2,394,741)
<u>\$ 28,203,638</u>	<u>\$ 29,720,841</u>	<u>\$ 30,075,510</u>	<u>\$ 23,913,057</u>	<u>\$ 24,495,487</u>	<u>\$ 25,635,753</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Property taxes	\$ 9,581,813	\$ 10,780,692	\$ 12,294,308	\$ 12,612,528
County sales taxes				
Licenses and permits	643,032	513,081	619,663	529,657
Fines and forfeits	1,290,001	1,563,382	1,336,602	1,317,038
Intergovernmental	50,665,504	52,104,688	49,652,453	46,350,655
Charges for services	2,515,958	2,284,384	2,347,245	2,583,583
Investment earnings	1,624,746	750,741	322,747	254,483
Special assessments		356,318	133,181	198,817
Rents and royalties				
Contributions	56,956	25,916	31,141	30,333
Miscellaneous	1,222,929	1,466,751	1,273,311	1,822,741
Total revenues	<u>67,600,939</u>	<u>69,845,953</u>	<u>68,010,651</u>	<u>65,699,835</u>
Expenditures:				
General government	22,871,415	22,160,207	21,661,752	21,894,300
Public safety	17,525,292	18,403,733	16,838,127	17,020,246
Highways and streets	14,792,747	17,778,854	10,087,829	15,462,752
Health and welfare	6,813,069	7,074,321	9,306,800	7,138,323
Culture and recreation	471,342	501,738	740,591	808,312
Education and economic opportunity	7,119,291	5,515,147	6,139,063	5,674,996
Environmental and conservation	234,078	231,225	237,032	196,504
Urban redevelopment and housing	5,000		307,208	35,558
Debt service:				
Principal	303,173	487,701	858,416	919,249
Interest and other charges	349,677	594,260	677,253	625,962
Bond Issuance Costs				
Capital outlay	6,238,140	3,030,157	81,675	274,573
Total expenditures	<u>76,723,224</u>	<u>75,777,343</u>	<u>66,935,746</u>	<u>70,050,775</u>
Excess(deficiency) of revenues over expenditures	(9,122,285)	(5,931,390)	1,074,905	(4,350,940)
Other financing sources (uses):				
Revenue bonds issued	6,600,000			
Payment to bond refunding escrow agent				
Capital lease/installment purchase agreements	77,845	6,846		18,913
Special assessment bonds issued				
Sale of capital assets	11,971	23,895	115,237	5,957
Transfers in	1,845,732	2,304,012	8,048,481	6,600,855
Transfers out	(1,845,732)	(2,304,012)	(6,789,602)	(6,600,855)
Total other financing sources and uses	<u>6,689,816</u>	<u>30,741</u>	<u>1,374,116</u>	<u>24,870</u>
Net change in fund balances	<u>\$ (2,432,469)</u>	<u>\$ (5,900,649)</u>	<u>\$ 2,449,021</u>	<u>\$ (4,326,070)</u>
Ratio of total debt service expenditures to non-capital expenditures	0.93%	1.49%	2.30%	2.21%

(Continued)

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 12,092,878	\$ 12,058,648	\$ 11,699,519	\$ 12,565,289	\$ 12,542,649	\$ 12,133,955
		6,667,433	6,674,867	6,365,510	6,534,686
397,490	469,651	606,269	522,919	604,525	567,951
1,228,579	1,539,663	1,247,497	1,789,993	1,492,927	1,339,324
42,113,926	43,050,561	39,645,165	40,045,748	42,328,108	41,900,493
2,934,743	3,041,435	3,241,520	9,698,659	10,369,286	9,280,867
202,499	(109,710)	453,017	195,437	165,384	164,425
642,688	502,434	518,762	491,734	485,708	488,962
50,540	64,512	42,650	43,061	39,962	38,784
1,170,659	892,976	1,455,607	1,072,052	1,341,167	1,666,057
60,834,002	61,510,170	65,577,439	73,099,759	75,735,226	74,115,504
20,650,249	20,746,489	21,296,099	27,228,792	27,475,209	29,089,321
17,394,177	17,515,389	17,165,782	16,762,711	18,013,055	17,667,900
9,452,610	9,583,999	8,446,932	10,245,789	9,949,660	9,187,604
7,507,775	7,987,610	7,909,342	8,323,596	8,698,408	8,676,682
962,712	785,901	691,882	702,563	812,461	803,616
6,019,533	5,326,169	6,146,055	5,491,323	5,408,227	4,241,865
16,352	303,402	347,079	223,528	266,428	322,770
784	42,701	365,994	73,852	16,887	165,114
946,316	676,779	821,698	2,737,814	1,529,333	1,571,917
721,020	527,044	461,413	802,936	503,684	461,083
	115,290	75,464			
327,361	1,469,268	7,613,324	5,207,816	2,093,691	1,608,272
63,998,889	65,080,041	71,341,064	77,800,720	74,767,043	73,796,144
(3,164,887)	(3,569,871)	(5,763,625)	(4,700,961)	968,183	319,360
	8,500,000	10,625,000			
	(4,345,000)	(4,806,395)			
354,826	146,994	488,368			101,341
68,446	78,863	98,822	64,945	2,995	14,218
10,017,167	10,157,899	7,753,432	5,625,009	4,218,192	4,699,294
(10,017,167)	(10,157,899)	(7,753,432)	(5,625,009)	(4,218,192)	(4,699,294)
423,272	4,380,857	6,405,795	64,945	2,995	115,559
\$ (2,741,615)	\$ 810,986	\$ 642,170	\$ (4,636,016)	\$ 971,178	\$ 434,919
2.62%	1.89%	2.13%	4.88%	2.80%	2.82%

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities:					
Net investment in capital assets	\$ 61,704,323	\$ 73,728,006	\$ 66,038,408	\$ 70,264,651	\$ 64,205,881
Restricted	24,374,755	19,040,878	23,034,928	27,364,617	25,830,803
Unrestricted	16,119,289	15,007,820	16,207,016	6,481,167	7,151,635
Total governmental activities net position	<u>\$ 102,198,367</u>	<u>\$ 107,776,704</u>	<u>\$ 105,280,352</u>	<u>\$ 104,110,435</u>	<u>\$ 97,188,319</u>

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental activities:					
Net investment in capital assets	\$ 58,803,447	\$ 65,059,354	\$ 63,750,745	\$ 62,361,145	\$ 60,217,341
Restricted	25,924,806	24,056,612	23,521,625	24,226,548	26,973,194
Unrestricted (deficit)	8,028,698	4,454,331	(51,230,312)	(53,540,230)	(57,988,587)
Total governmental activities net position	<u>\$ 92,756,951</u>	<u>\$ 93,570,297</u>	<u>\$ 36,042,058</u>	<u>\$ 33,047,463</u>	<u>\$ 29,201,948</u>

* Capital assets were restated for fiscal year 2012 due to certain road projects such as chip seals, slurry seals, and overlays being reclassified from capitalized road improvements to road maintenance projects expensed in the year completed.

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

PRIMARY ASSESSED VALUE							Assessed Value as a Percentage
<u>Fiscal Year</u>	<u>Residential and Vacant Property</u>	<u>Commercial Property</u>	<u>Unattached Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>*Total Direct Tax Rate</u>	<u>Estimated Actual Value</u>	<u>of Actual Value</u>
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%
2013	575,074,783	380,102,301	19,084,628	974,261,712	1.2864	8,838,891,218	11.02%
2014	513,683,811	371,638,224	18,023,142	903,345,177	1.3850	8,029,406,641	11.25%
2015	468,337,874	359,094,468	17,584,375	845,016,717	1.5615	7,573,933,720	11.16%
2016	473,702,904	344,422,319	14,676,214	832,801,437	1.5917	7,591,032,171	10.97%
2017	483,652,421	305,141,610	14,268,450	803,062,481	1.5849	7,599,284,336	10.57%

Source: Navajo County Assessor's office

* 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

County Direct Rates

Fiscal Year	Primary	Fire District Assistance Tax	Library District	Flood Control District	Public Health District	Total Direct
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
2013	0.6401	0.1000	0.0500	0.3000	0.1963	1.2864
2014	0.6995	0.1000	0.0704	0.3000	0.2151	1.3850
2015	0.8185	0.1000	0.1000	0.3000	0.2430	1.5615
2016	0.8417	0.1000	0.1000	0.3000	0.2500	1.5917
2017	0.8471	0.1000	0.1000	0.2878	0.2500	1.5849

Overlapping rates

Fiscal Year	School Equalization	School Districts	Cities	Other Special Districts	Community College District
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
2013	0.4717	2.9606-8.000	0.2789-0.9880	0.0910-3.5500	1.3515
2014	0.5123	2.8322-8.000	0.2789-1.1934	0.1131-3.550	1.4769
2015	0.5089	2.6662-8.000	1.2831-1.2831	0.1291-3.550	1.6610
2016	0.5054	2.8027-7.3012	1.3646-1.3646	0.1401-3.550	1.7423
2017	0.5010	3.5669-7.3012	1.4021-1.4021	0.1401-3.550	1.7884

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 Five Years Ago

Taxpayer	2017			2010		
	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value	Primary Assessed Value	Rank	Percentage of Total Primary Assessed Value
Arizona Public Service Company	\$135,671,176	1	16.89%	\$107,346,606	1	10.75%
PacifiCorp Electric Operations	55,275,181	2	6.88%	31,068,621	2	3.11%
Peabody Western Coal Co.	15,827,002	3	1.97%	16,669,389	3	1.67%
Transwestern Pipeline Co	12,839,040	4	1.60%	11,923,788	4	1.19%
Burlington Northern/Santa Fe Railway	7,633,285	5	0.95%	4,483,725	8	0.45%
Kinder Morgan	7,160,409	6	0.89%	9,163,477	5	0.92%
Navopache Electric Co-Op Inc.	6,417,901	7	0.80%	3,328,331	9	0.33%
Citizens Telecom of White Mountains	5,433,659	8	0.68%	6,231,982	7	0.62%
Unisource Energy Corporation	4,994,177	9	0.62%	2,821,246	10	0.28%
Smith Bagley	3,958,786	10	0.49%	N/A	N/A	N/A
TOTALS	\$255,210,616		31.78%	\$193,037,165		19.32%
Total 2017 Navajo County Assessed Value				Total 2010 Navajo County Assessed Value		
\$803,062,481				\$998,764,550		

Source: Navajo County Assessor's office

Note: Information for principle property taxpayers was not available prior to fiscal year 2010; consequently the comparison is for a 7 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
2008	\$ 4,910,224	\$ 4,684,181	95.40%	\$ 122,424	\$4,806,605	97.89%
2009	\$ 5,246,500	\$ 5,003,706	95.37%	\$ 113,842	\$5,117,548	97.54%
2010	\$ 5,579,624	\$ 5,306,931	95.11%	\$ 149,020	\$5,455,951	97.78%
2011	\$ 5,857,939	\$ 5,569,913	95.08%	\$ 176,635	\$5,746,548	98.10%
2012	\$ 6,104,482	\$ 5,887,544	96.45%	\$ 99,380	\$5,986,924	98.07%
2013	\$ 6,178,444	\$ 6,001,505	97.14%	\$ 57,562	\$6,059,067	98.07%
2014	\$ 6,265,198	\$ 6,070,355	96.89%	\$ 77,665	\$6,148,019	98.13%
2015	\$ 6,863,137	\$ 6,652,088	96.92%	\$ 91,242	\$6,743,330	98.25%
2016	\$ 6,986,971	\$ 6,748,980	96.59%	\$ 115,343	\$6,864,323	98.24%
2017	\$ 6,793,141	\$ 6,579,938	96.86%	\$ (95,792)	\$ 6,484,146	95.45%

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

Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
Fiscal Year	Revenue Bonds	Certificates of Participation	Special Assessment Bonds	Capital Leases & Installment Purchase Contracts			
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	0.43	111.38
2012	5,545,000	4,345,000	1,172,771	282,887	11,345,658	0.4	105.94
2013	13,665,000	-	985,235	320,638	14,970,873	0.52	137.73
2014	19,125,000	-	786,508	571,035	20,482,543	0.69	187.59
2015	16,845,000	-	573,542	326,188	17,744,730	0.56	163.88
2016	15,840,000	-	352,575	172,822	16,365,397	N/A (2)	N/A (3)
2017	14,660,000	-	130,000	109,821	14,899,821	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 2016 and 2017.
- (3) Population was not available for 2016 and 2017.

Navajo County
Pledged Revenue Coverage
Last Ten Fiscal Years

2013 Series Pledged Revenue Obligations						
Fiscal Year	County Excise Tax	State Shared Sales Tax	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2014	\$ 6,667,433	\$ 10,763,214	\$ 17,430,647	\$ -	\$ 83,899	207.76
2015	6,674,867	10,891,962	17,566,829	1,985,000	324,035	7.61
2016	6,365,510	10,874,837	17,240,347	1,005,000	187,488	14.46
2017	6,534,686	11,362,457	17,897,143	1,030,000	165,680	14.97
2012 Series Pledged Revenue Obligations						
Fiscal Year	County Excise Tax	State Shared Sales Tax	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2013	\$ 6,239,089	\$ 10,087,589	\$ 16,326,678	\$ -	\$ 50,368	324.15
2014	6,667,433	10,763,214	17,430,647	-	186,604	93.41
2015	6,674,867	10,891,962	17,566,829	295,000	408,402	24.97
2016	6,365,510	10,874,837	17,240,347	150,000	265,842	41.46
2017	6,534,686	11,362,457	17,897,143	150,000	260,982	43.55
2008 Series Pledged Revenue Obligations (Refunded in August 2013)						
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
2013	6,239,089	10,087,589	16,326,678	380,000	202,860	28.01
2014	6,667,433	10,763,214	17,430,647	385,000	124,500	34.21
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		
2013	248,745	187,536	74,568	0.95		
2014	251,299	198,727	54,482	0.99		
2015	231,966	212,967	43,352	0.90		
2016	224,359	220,967	39,763	0.86		
2017	226,853	222,575	19,690	0.94		

Source: Navajo County Finance Department

Navajo County
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 841,423,705
Debt limit (15% of assessed value)	126,213,556
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	<u><u>\$ 126,213,556</u></u>

	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	<u>121,847,141</u>	<u>136,253,654</u>	<u>149,814,683</u>	<u>158,850,728</u>	<u>153,920,569</u>
Total net debt applicable to the limit as a percentage of the debt	0%	0%	0%	0%	0%

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 146,139,257	\$ 135,502,778	\$ 126,937,062	\$ 126,455,560	\$ 126,213,556
Total net debt applicable to limit					
Legal debt margin	<u>146,139,257</u>	<u>135,502,778</u>	<u>126,937,062</u>	<u>126,455,560</u>	<u>126,213,556</u>
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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2008	112,348	2,539,509	\$ 22,604	9.7
2009	112,975	2,634,137	\$ 23,316	14.9
2010	107,449	2,742,716	\$ 25,526	16.0
2011	107,174	2,780,847	\$ 25,947	15.8
2012	107,094	2,826,523	\$ 26,393	15.2
2013	108,694	2,869,655	\$ 26,401	13.1
2014	109,185	2,965,679	\$ 27,162	11.2
2015	108,277	3,154,284	\$ 29,132	9.6
2016	(1)	(1)	(1)	9.4
2017	(1)	(1)	(1)	7.6

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

(1) Information is not yet available for 2016 and 2017.

Navajo County Employment by Sector and Major Employers

Employment by Sector

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Mining and Construction	2,375	1,600	1,450	1,325	1,600
Educational & Health Svcs	3,300	3,500	3,550	3,200	3,550
Financial Activities	525	475	400	425	575
Government	10,400	10,100	9,650	9,500	9,850
Leisure & Hospitality	3,475	3,150	3,500	3,625	3,600
Manufacturing	800	550	525	525	475
Information	1,000	1,075	1,150	1,150	1,175
Professional & Business Svcs	1,275	1,025	1,000	1,025	1,000
Trade, Transportation & Utilities	5,650	5,375	5,250	5,025	5,150
Other Services	850	750	700	525	950

(Continued)

Source: see next page

Major Employers⁽¹⁾

Employer

Apache Railway
APS
Arizona Department of Corrections
Algae Biosciences
Burlington Northern Santa Fe
Cellular One
Forest Energy Corp.
Hatch Auto Centers
Hondah Resort & Casino
Holiday Inn
Home Depot
Kayenta Boarding B.I.A. School
Keams Canyon Indian Hospital
K-Mart
Little Colorado Medical Center
Lowe's
Navajo Government Executive Branch
Navajo County School District
Navajo Tribal Utility Authority
Navopache Electric Cooperative, Inc.
Northland Pioneer College
NovoPower
Overseas Aircraft Support
Peabody Coal Co.
Smithfield
Pinon Unified School District #4
Safeway
Summit Healthcare
Tate's Auto Center
Wal-Mart SuperCenter
Western Moulding Co. Inc.
White Mountain Apache Tribe

Employer Type

Railroad Operation
Utilities
Prison
Pharmaceuticals
Railroad Operation
Communications
Energy
Auto Dealer
Hospitality
Hotels and Motels
Retail
Education
Medical
Retail
Medical
Retail
Government
Education
Utilities
Utilities
Education
Energy
Aircraft
Coal and Mining
Pork Production
Education
Retail
Medical
Auto Dealer
Retail
Millwork
Government

Sources: Holbrook Chamber of Commerce; 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 Employment by Sector and Major Employers (Continued)

Employment by Sector

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Mining and Construction	1,600	1,625	1,725	1,525	2,625
Educational & Health Svcs	3,575	3,575	3,900	4,125	4,400
Financial Activities	600	700	625	650	525
Government	9,675	9,325	9,775	8,925	8,850
Leisure & Hospitality	3,875	3,700	3,200	3,450	3,850
Manufacturing	125	150	175	250	275
Information	1,175	1,150	1,200	1,050	950
Professional & Business Svcs	1,175	1,425	1,150	1,325	1,300
Trade, Transportation & Utilities	5,175	4,700	4,875	5,475	5,500
Other Services	1,050	925	950	975	450

Source: Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Arizona Department of Commerce, Strategic Investment and Research.

Figures are organized under the North American Industrial Classification System (NAICS).

⁽¹⁾ The number of employees for the 10 largest employers in the County is not available due to State of Arizona non-disclosure restrictions.

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

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General government	290	284	284	294	295	278
Public safety	260	256	248	239	243	238
Highways and streets	90	90	81	81	82	78
Health and welfare	67	66	63	65	66	73
Culture and recreation	4	4	5	6	5	8
Total	<u>711</u>	<u>700</u>	<u>681</u>	<u>685</u>	<u>691</u>	<u>675</u>

Function	2014	2015	2016	2017
General government	277	278	288	266
Public safety	236	238	235	229
Highways and streets	83	91	96	72
Health and welfare	80	81	81	80
Culture and recreation	4	5	4	4
Total	<u>680</u>	<u>693</u>	<u>704</u>	<u>651</u>

Source: Navajo County Budget 2008 - 2017

Navajo County
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2008	2009	2010	2011
General Government				
Assessor				
Number of parcels assessed	84,824	85,536	85,858	86,304
Elections				
Elections	5	4	4	4
Number voting	23,687	51,626	21,379	50,969
Planning & Zoning				
Building permits issued	3,085	1,837	1,285	926
Public Fiduciary				
Guardianships/conservatorships	104	103	110	99
Public Safety				
Adult Probation				
Community service hours	50,415	51,910	49,198	40,687
Pre-sentence reports written for courts	678	594	504	637
Probationers actively supervised	1,036	1,009	1,008	1,349
Juvenile Probation				
Average length of detention (days)	12	8	10	12
Juveniles in detention	338	457	441	408
Probationers	186	199	171	182
Community restitution hours	10,504	8,740	8,939	5,173
Sheriff				
Inmate population	363	363	361	319
Highways & Streets				
Public Works				
Crack sealing (miles)	2	-	47	49
Street resurfacing (miles)	52	42	25	42
Waste Tire Program				
Waste tires collected	56,775	51,481	48,743	60,117
Health & Welfare				
Public Health District				
Certified copies of birth or death certificates	5,685	6,811	6,913	4,949
Childhood immunization visits	10,586	7,343	10,299	5,154
Restaurant inspections and re-inspections	593	608	336	709
Culture & Recreation				
Library District				
Number of items circulated	442,038	456,579	480,959	441,232
Number of library cards issued (by member libraries)	6,079	5,985	6,206	6,170
Number of prints, media and electronic items	262,997	287,552	310,602	333,901
Number of items owned by Library District	16,907	19,607	21,774	24,199
Education				
School Superintendent				
Charter schools	6	6	7	7
Charter students	818	839	471	352
District students	20,861	20,497	19,913	19,071
School districts	14	14	14	14

(continued)

Source: Navajo County departments monthly and annual performance reports

Navajo County
Operating Indicators by Function
Last Ten Fiscal Years

Fiscal Year					
2012	2013	2014	2015	2016	2017
88,148	85,773	85,752	88,306	88,527	88,363
5	4	3	1	3	3
17,330	57,960	8,569	685	32,969	57,699
994	1,023	970	981	1,009	1,061
108	109	163	160	131	116
39,135	40,306	36,388	33,793	30,408	32,460
641	566	571	828	572	453
1,270	1,313	1,181	1,101	1,086	1,098
11	12	10	9	10	14
449	336	355	339	353	276
148	122	307	297	151	210
7,346	6,401	5,252	5,093	5,061	4,715
274	283	382	364	301	268
82	59	88	102	444	264
32	13	12	30	14	20
47,962	57,742	52,623	47,184	56,331	51,038
4,678	5,031	5,353	5,341	5,595	6,525
4,592	2,165	1,096	1,250	1,068	4,076
423	621	483	503	696	632
438,916	425,272	378,584	368,114	361,865	370,800
5,406	5,054	14,303	13,957	33,223	33,883
343,659	333,193	334,866	336,617	346,632	330,600
25,837	28,827	34,214	32,149	33,577	41,422
7	7	6	6	9	4
399	630	742	829	789	664
18,606	18,495	17,090	17,575	17,803	16,360
14	13	11	13	14	14

Navajo County
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Elections										
Voting Machines	158	158	158	173	173	173	173	173	60	60
Superior Courts										
Divisions	4	4	4	4	4	4	4	4	4	4
Division - Satellite				1	1	1	1	1	1	1
Justice Courts	6	6	6	6	6	6	6	6	6	6
Public Safety										
Sheriff										
Inmate beds available		433	425	426	442	442	441	438	438	438
Jail Facilities	1	1	1	1	2	2	2	2	2	2
Stations	0	0	0	0	0	0	0	0	0	0
Improvement Districts										
Flood Warning Sites	31	31	30	31	31	31	31	26	31	43
Flood Control District Properties	8	8	9	12	12	12	13	13	14	13
Road Improvement Districts	1	1	1	1	0	0	0	0	0	0
Highways and Streets										
Public Works										
Miles of maintained roads	732.01	737.65	734.9	733.28	733.65	733.95	733.95	734.66	734.32	731.67
Bridges	14	14	14	14	15	15	15	15	15	15
Sanitation										
Landfill/Environment										
Transfer Stations	0	0	0	0	0	0	0	0	0	0
Health										
Health Care										
Public health facilities										
Heber - Owned	1	1	1	1	1	1	1	1	1	1
Show Low - Owned	1	1	1	1	1	1	1	1	1	1
Snowflake - Operated	1	1	1	1	1	1	1	1	1	1
Holbrook - Owned	1	1	1	1	1	1	1	1	1	1
Winslow - Owned	1	1	1	1	1	1	1	1	1	1
Pinetop - Owned	1	1	1	1	1	1	1	1	1	0
Culture and Recreation										
Parks & Recreation										
County Parks (Tall Timber, Heber)	1	1	1	1	1	1	1	1	1	1
Library District										
Number of facilities owned	0	0	0	0	0	0	0	0	0	0
Facilities operated	1	1	1	1	1	1	1	1	1	1
Bookmobiles	0	0	0	0	0	0	0	0	0	0
Education										
Schools	1	1	1	1	1	1	1	1	1	1

Source: Navajo County capital asset reports.