

Cochise County

Annual Financial and
Single Audit Reports

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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ANNUAL FINANCIAL REPORT



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2021, 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 did not audit the financial statements of the Housing Authority and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures of the opinion units affected.

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ Expenditures
Government-wide statements				
Business-type activities				
Housing Authority	7%	12%	36%	40%
Discretely presented component unit				
Cochise Private Industry Council, Inc.	100%	100%	100%	100%
Fund statements				
Aggregate remaining fund information				
Housing Authority	1%	19%	1%	1%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports. 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note 2 to the financial statements, for the year ended June 30, 2021, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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 a-1 through a-10, budgetary comparison schedules on pages 46 through 48, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 49, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 50 and 51, and schedule of County pension contributions on pages 52 and 53 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 and the other auditors 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 information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. 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 authorized transportation purposes referred to above, 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 County's Board of Supervisors and 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 have also issued our report dated April 18, 2022, 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. 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.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 18, 2022

Cochise County

Management's Discussion and Analysis

June 30, 2021

As management of Cochise County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Cochise County for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- Cochise County's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$123.3 million (net position). Of the net position amount, \$130.6 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$21.8 million is restricted for specific purposes (restricted net position); and \$(29.1) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2021, total assets were \$246.7 million, an increase of \$21.4 million or 9.5 percent in comparison with the prior fiscal year's balance of \$225.3 million.
- At June 30, 2021, total liabilities were \$141.5 million, an increase of \$20.7 million or 17.1 percent in comparison with the prior fiscal year's balance of \$120.8 million.
- At June 30, 2021, the County reported total deferred outflows of resources related to pensions and other postemployment benefits (OPEB) of \$19.6 million and deferred inflows of resources related to pensions/OPEB of \$1.5 million.
- At June 30, 2021, the governmental funds reported combined fund balances of \$82.5 million, an increase of \$14.3 million or 21.0 percent in comparison with the prior year's combined fund balances of \$68.2 million.
- At June 30, 2021, \$21.8 million or 26.5 percent of governmental fund balances were restricted, \$23.9 million or 29.0 percent were assigned, and \$36.7 million or 44.5 percent were unassigned. 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 language 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.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a similar manner to a private sector business.

Cochise County

Management's Discussion and Analysis

June 30, 2021

The *Statement of Net Position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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.

The *Statement of Activities* presents information showing how net position changed during the 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 (full accrual accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish the County's functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). The County's governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, and education. The business-type activities include the Cochise County Solid Waste Operations, the Bisbee-Douglas International Airport, and the Cochise County Housing Authority.

The government-wide statements not only include Cochise County itself (the primary government) but also the legally separate Flood Control District, Library District, and various other special assessment districts. These districts function for all practical purposes as departments of the County, and therefore have been included as an integral part of the County.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the County's funds can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on near-term inflows and outflows of spendable resources as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial position.

Because the focus of governmental funds statements is narrower than the government-wide statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Cochise County

Management's Discussion and Analysis

June 30, 2021

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and those funds designated as major funds including the Highway and Streets Fund and the Capital Projects Fund. Data for the other governmental funds are combined into a single, aggregated presentation.

The Highway and Streets Fund provides for the construction and maintenance of the County's surface transportation system in a reasonably safe and cost-effective manner. The primary source of revenue for the fund is the Arizona highway user revenue fund.

The Capital Projects Fund provides resources for the acquisition or construction of major facilities and automation and communications projects. The major source of revenue for the fund is the County's local excise tax.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary funds include two types. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Cochise County Solid Waste Operations, the Bisbee-Douglas International Airport, and the Cochise County Housing Authority. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the County's employees. Because these services predominately benefit governmental rather than business-type activities, the net result of the operations has been included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Operations Fund and the Bisbee-Douglas International Airport Fund are major funds. The Housing Authority Fund is the only other enterprise fund. The internal service funds are also presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 7 through 11 of this report.

Fiduciary funds are used to account for resources the County holds for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 12 and 13 of this report.

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 financial statements can be found on pages 14 through 44 of this report.

Cochise County

Management's Discussion and Analysis

June 30, 2021

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds and the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 46 through 55 of this report.

Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. The net increase of \$26.4 million in current and other assets was primarily due to \$12 million of Coronavirus Aid, ARPA program funding that was received in the fiscal year. The net increase in total liabilities of \$20.7 million was primarily due to the increase of \$11.7 million in net pension and other postemployment liabilities and the increase of \$10.4 million in unearned revenues related to ARPA funds, offset by a reduction in accounts payable.

Statement of Net Position—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, Cochise County's assets and deferred outflows exceeded liabilities and deferred inflows by \$123.3 million.

Governmental and Business-type Activities Summary Comparison Statement of Net Position June 30, 2020 and 2021

	Governmental Activities		Business-type Activities		Total	
	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021
Assets:						
Current and other assets	\$ 84,758,268	\$108,239,631	\$ 4,819,498	\$ 7,763,129	\$ 89,577,766	\$116,002,760
Capital assets, net	<u>128,154,987</u>	<u>123,454,400</u>	<u>7,590,883</u>	<u>7,202,515</u>	<u>135,745,870</u>	<u>130,656,915</u>
Total assets	<u>212,913,255</u>	<u>231,694,031</u>	<u>12,410,381</u>	<u>14,965,644</u>	<u>225,323,636</u>	<u>246,659,675</u>
Deferred outflows	17,460,746	19,126,930	303,516	519,505	17,764,262	19,646,435
Liabilities:						
Other liabilities	9,191,590	17,991,717	252,208	490,378	9,443,798	18,482,095
Long-term liabilities	<u>104,818,478</u>	<u>115,763,790</u>	<u>6,516,768</u>	<u>7,208,123</u>	<u>111,335,246</u>	<u>122,971,913</u>
Total liabilities	<u>114,010,068</u>	<u>133,755,507</u>	<u>6,768,976</u>	<u>7,698,501</u>	<u>120,779,044</u>	<u>141,454,008</u>
Deferred inflows	5,271,466	1,447,997	249,362	66,381	5,520,828	1,514,378
Net position:						
Net investment in capital assets	128,154,987	123,454,400	7,590,883	7,202,515	135,745,870	130,656,915
Restricted	16,814,388	21,789,837	64,490	14,565	16,878,878	21,804,402
Unrestricted	<u>(33,876,908)</u>	<u>(29,626,780)</u>	<u>(1,959,814)</u>	<u>503,187</u>	<u>(35,836,722)</u>	<u>(29,123,593)</u>
Total net position	<u>\$111,092,467</u>	<u>\$115,617,457</u>	<u>\$ 5,695,559</u>	<u>\$ 7,720,267</u>	<u>\$116,788,026</u>	<u>\$123,337,724</u>

A large portion of Cochise County's net position (105.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). This amount is presented less accumulated depreciation and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Cochise County

Management's Discussion and Analysis

June 30, 2021

At the end of the fiscal year, unrestricted net assets were negative in governmental activities primarily due to the County's net pension/OPEB liability.

Statement of Activities—The County's total net position increased by \$6.5 million during the fiscal year, primarily due to an increase in revenues. The following table summarizes the results of operations and accounts for the changes in net position for governmental and business-type activities:

Governmental and Business-type Activities Summary Comparison Statement of Activities Years Ended June 30, 2020 and 2021

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Revenues						
Program revenues:						
Charges for services	\$ 7,987,319	\$ 9,227,710	\$ 5,583,114	\$5,789,017	\$ 13,570,433	\$ 15,016,727
Operating grants and contributions	31,227,117	30,465,671	4,104,379	3,697,310	35,331,496	34,162,981
Capital grants and contributions	368,101				368,101	
General revenues:						
Property taxes	30,742,462	31,797,529			30,742,462	31,797,529
State shared sales tax	13,909,014	17,756,205			13,909,014	17,756,205
State shared unrestricted vehicle license tax	3,572,574	4,787,559			3,572,574	4,787,559
County excise tax	7,602,878	10,422,635	412,808	565,910	8,015,686	10,988,545
Other	<u>6,057,669</u>	<u>4,582,337</u>	<u>188,590</u>	<u>90,251</u>	<u>6,246,259</u>	<u>4,672,588</u>
Total revenues	<u>101,467,134</u>	<u>109,039,646</u>	<u>10,288,891</u>	<u>10,142,488</u>	<u>111,756,025</u>	<u>119,182,134</u>
Expenses						
General government	46,885,923	55,648,436			46,885,923	55,648,436
Public safety	25,311,511	29,105,446			25,311,511	29,105,446
Highways and streets	13,217,518	10,848,671			13,217,518	10,848,671
Sanitation	521,295	476,003			521,295	476,003
Health and welfare	11,195,361	5,595,530			11,195,361	5,595,530
Culture and recreation	1,128,648	1,286,745			1,128,648	1,286,745
Education	606,599	818,825			606,599	818,825
Solid waste operations			4,356,494	4,530,350	4,356,494	4,530,350
Airport			596,605	744,979	596,605	744,979
Housing authority			<u>3,548,630</u>	<u>3,577,451</u>	<u>3,548,630</u>	<u>3,577,451</u>
Total expenses	<u>98,866,855</u>	<u>103,779,656</u>	<u>8,501,729</u>	<u>8,852,780</u>	<u>107,368,584</u>	<u>112,632,436</u>
Increase/(decrease) in net position before transfers	2,600,279	5,259,990	1,787,162	1,289,708	4,387,441	6,549,698
Transfers	<u>241,995</u>	<u>(735,000)</u>	<u>(241,995)</u>	<u>735,000</u>		
Increase/(decrease) in net position	<u>\$ 2,842,274</u>	<u>\$ 4,524,990</u>	<u>\$ 1,545,167</u>	<u>\$2,024,708</u>	<u>\$ 4,387,441</u>	<u>\$ 6,549,698</u>

Cochise County

Management's Discussion and Analysis

June 30, 2021

Overall, revenues increased \$7.4 million or 6.6 percent and expenses increased by \$5.3 million or 4.9 percent in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- State-shared tax revenue increased by \$3.8 million or 27.7 percent and County excise tax revenue increased by \$3.0 million or 37.1 percent in the current year primarily due to an increase in retail sales.
- General government expenses increased by \$8.8 million or 18.7 percent and public safety expenses increased by \$3.8 million or 15.0 percent because of increases in employee salaries and employer related expenses and in overall pension expense incurred by the County.

Financial Analysis of the County's Funds

The County reported three major governmental funds for this fiscal year; the General Fund, Capital Projects Fund and Highway and Streets Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$82.5 million, which is an increase of \$14.3 million or 20.9 percent. Of the total, \$21.8 million constitutes restricted fund balances.

For governmental funds, overall revenues increased by \$7.3 million or 7.2 percent and expenditures decreased by \$6.8 million or 6.7 percent. Governmental revenues exceeded expenditures by \$14.9 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2021, the total fund balance was \$37.1 million. None of the General Fund balance is restricted for any purpose. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. As of June 30, 2021, the fund balance represents 59.8 percent of total General Fund expenditures.

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

General Fund

- Cash and investments held by County Treasurer increased by \$25.5 million or 114.1 percent in the current year largely due to the receipt of ARPA money during fiscal 2021.
- Property tax receivable decreased by \$120 thousand or 18.3 percent in the current year largely due to an increase in both real and personal property taxes paid by taxpayers for the prior tax year.
- Accounts receivable decreased by \$828 thousand or 60.5 percent in the current year largely due to less revenue being due to several departments at fiscal year-end.
- Due from other funds decreased by \$526 thousand or 86.7 percent in the current year largely due to the timing of other departments reimbursing the general fund for their share of expenses that are paid centrally, i.e., phones, credit cards, etc.

Cochise County

Management's Discussion and Analysis

June 30, 2021

- Due from other governments decreased by \$6.0 million or 76.1 percent primarily due to receipt of CARES program intergovernmental revenue recognized last fiscal year.
- Accounts payable decreased by \$39 thousand or 2.8 percent in the current year largely due to invoices being paid prior to fiscal year end.

Capital Projects Fund

- Due from other governments decreased by \$29 thousand or 10.0 percent in the current year largely due to receipt of half cent excise tax revenue that was due to the County from the State of Arizona.
- Accounts payable increased by \$124 thousand or 244.5 percent in the current year largely due to expenses on projects being paid in the next fiscal year.
- Tax revenue increased by \$967 thousand or 37.1 percent in the current year largely due to a increase in the County's half cent excise tax received for capital projects.
- Expenditures for capital outlay decreased by \$508 thousand or 74.8 percent in the current year largely due to the projects winding down until next fiscal year.

Highways and Streets Fund

- Cash and investments held by the County Treasurer increased by \$1.6 million or 15.0 percent in the current year largely due to an increase in Highway User Revenue Fund (HURF) revenue received prior to fiscal year-end.
- Accounts payable decreased by \$2.3 million or 99.0 percent in the current year largely due to the winding down of road projects until next fiscal year.
- Intergovernmental revenues increased by \$2.0 million or 17.1 percent in the current year largely due to an increase in HURF revenues.
- Current expenditures for highways and streets decreased by \$3.7 million or 26.7 percent in the current year largely due to the winding down of road improvement work throughout the County.

Proprietary Funds

For proprietary funds, the County reported two major funds for this fiscal year, Solid Waste Operations and Bisbee-Douglas International Airport. Other funds considered proprietary funds include Housing Authority of Cochise County and the internal service funds used to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the County's employees. At the end of the current fiscal year, the County's proprietary funds reported combined net position of \$22.2 million, which is an increase of \$882 thousand or 4.1 percent. Of the total, \$5.7 million constitutes unrestricted net position.

Cochise County

Management's Discussion and Analysis

June 30, 2021

For proprietary funds, overall revenues decreased by \$2.1 million or 8.9 percent and expenses decreased by \$1.5 million or 6.4 percent. Proprietary operating expenses exceeded operating revenues by \$581 thousand in the current fiscal year.

The following provides an explanation of the major fund activities that changed significantly over the prior year.

Solid Waste Operations

- Accounts receivables decreased by \$154 thousand or 34.7 percent in the current year due to an increase in accounts collected for services provided.
- Net capital assets decreased by \$203 thousand or 6.7 percent largely due to depreciation expense in that amount.
- Deferred outflows of resources related to pensions/OPEB increased by \$166 thousand or 67.0 percent in the current year due to the increase in the estimated amount needed in the future for employee pensions, and other postemployment benefits.
- Due to other funds increased by \$104 thousand or 1,622.5 percent in the current year due to an increase in the amount owed to the other funds for meeting expenses.
- Long-term landfill closure and postclosure care costs payable increased by \$231 thousand or 6.0 percent in the current year due to an increase in the future costs for closure and postclosure of landfill sites.
- Deferred inflows of resources related to pensions/OPEB decreased by \$140 thousand or 73.4 percent in the current year due to the decrease in the estimated amount needed for future employee pension and other postemployment benefits payouts.
- Net position increased by \$1.2 million or 162.3 percent in the current year due to an increase in revenue collected to deliver those services.

Bisbee-Douglas International Airport

- Cash and investments held by County Treasurer increased by \$949 thousand or 364.8 percent in the current year largely because of a transfer in from the Capital Projects Fund.
- Net capital assets decreased by \$185 thousand, or 4.1 percent, due to recognized depreciation during the fiscal year.

Cochise County

Management's Discussion and Analysis

June 30, 2021

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2021, totaled \$130.7 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 governmental capital assets during the current fiscal year.

- Construction in progress decreased by \$3.6 million for progress made on new infrastructure.
- Equipment increased \$1.4 million because of new purchases while accumulated depreciation increased by \$3.2 million.
- Infrastructure increased \$4.2 million for completed infrastructure projects while accumulated depreciation increased by \$1.7 million.
- Accumulated depreciation increased by \$7.1 million in annual depreciation expense.

Additional information on the County's capital assets can be found in Note 6 on pages 23 through 25 of this report.

Long-term Debt

At June 30, 2021, the County had no long-term debt outstanding and the County had no general obligation or revenue bonds outstanding.

Budgetary Comparison—General Fund

For the General Fund, actual revenues were less than final budgeted amounts by \$15.2 million, and the actual expenditures were \$24.3 million less than the final budgeted amounts. The budget variance for revenues was due to a decrease in budgeted miscellaneous revenue. Increases in intergovernmental revenues and property taxes were experienced. The budget variance for expenses was due to conservative spending and vacancy savings. Most of the favorable variance is due to unspent general government contingency funds.

Economic Factors

Cochise County continues to lag in growth recovery from the significant downturn in the national and state economies that began in the later part of 2008. While the U.S. and the State are experiencing an increase in economic activity, Cochise County continues a slow recovery in property valuations leading to sluggish property tax revenue. However, the County is beginning to see an increase in revenue from its sales and excise taxes. The County closely monitors revenues, expenditures and certain economic indicators to ensure that the County remains fiscally strong.

Cochise County

Management's Discussion and Analysis

June 30, 2021

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 Cochise County Finance Department, 1415 Melody Lane, Building G, Bisbee, AZ 85603.

Cochise County
Statement of net position
June 30, 2021

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	
Assets				
Cash in bank and on hand	\$ 1,289,529	\$ 733,035	\$ 2,022,564	\$ 148,685
Cash and investments held by County Treasurer	96,548,014	6,131,148	102,679,162	
Receivables (net of allowances for uncollectibles):				
Property taxes	693,341		693,341	
Accounts	782,623	405,984	1,188,607	
Internal balances	108,723	(108,723)		
Due from other governments	6,697,972	312,578	7,010,550	130,713
Cash—restricted		262,550	262,550	
Prepaid items		6,320	6,320	
Other assets	1,191,996	9,270	1,201,266	14,454
Net other postemployment benefits asset	927,433	10,967	938,400	
Capital assets, not being depreciated	2,733,785	1,599,900	4,333,685	
Capital assets, being depreciated, net	120,720,615	5,602,615	126,323,230	14,636
Total assets	<u>231,694,031</u>	<u>14,965,644</u>	<u>246,659,675</u>	<u>308,488</u>
Deferred outflows of resources				
Deferred outflows related to pensions and other postemployment benefits	<u>19,126,930</u>	<u>519,505</u>	<u>19,646,435</u>	
Liabilities				
Accounts payable	2,618,303	158,323	2,776,626	51,438
Accrued payroll and employee benefits	4,110,964	117,882	4,228,846	
Due to other governments	194,435	71,431	265,866	
Due to related party				61,982
Unearned revenue	10,703,969	141,142	10,845,111	
Deposits held for others	364,046	1,600	365,646	
Noncurrent liabilities				
Due within 1 year	3,829,043	237,173	4,066,216	
Due in more than 1 year	111,934,747	6,970,950	118,905,697	42,112
Total liabilities	<u>133,755,507</u>	<u>7,698,501</u>	<u>141,454,008</u>	<u>155,532</u>
Deferred inflows of resources				
Deferred inflows related to pensions and other postemployment benefits	<u>1,447,997</u>	<u>66,381</u>	<u>1,514,378</u>	
Net position				
Net investment in capital assets	123,454,400	7,202,515	130,656,915	14,636
Restricted for:				
Education	431,112		431,112	
Flood	5,430,440		5,430,440	
Highways and streets	3,688,513		3,688,513	
Health	1,880,634		1,880,634	
Judicial	4,383,528		4,383,528	
Public safety	1,954,428		1,954,428	
Library	1,493,349		1,493,349	
Other	2,527,833	14,565	2,542,398	
Workforce development				80,379
Unrestricted (deficit)	<u>(29,626,780)</u>	<u>503,187</u>	<u>(29,123,593)</u>	<u>57,941</u>
Total net position	<u>\$ 115,617,457</u>	<u>\$ 7,720,267</u>	<u>\$ 123,337,724</u>	<u>\$ 152,956</u>

See accompanying notes to financial statements.

Cochise County
Statement of activities
Year ended June 30, 2021

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 55,648,436	\$ 6,722,711	\$ 9,183,328		\$ (39,742,397)		\$ (39,742,397)	
Public safety	29,105,446	1,476,340	2,558,711		(25,070,395)		(25,070,395)	
Highways and streets	10,848,671	74,889	13,947,256		3,173,474		3,173,474	
Sanitation	476,003	269,904	246,187		40,088		40,088	
Health and welfare	5,595,530	680,222	3,975,952		(939,356)		(939,356)	
Culture and recreation	1,286,745		69,413		(1,217,332)		(1,217,332)	
Education	818,825	3,644	484,824		(330,357)		(330,357)	
Total governmental activities	<u>103,779,656</u>	<u>9,227,710</u>	<u>30,465,671</u>		<u>(64,086,275)</u>		<u>(64,086,275)</u>	
Business-type activities:								
Bisbee-Douglas International Airport	744,979	623,677	145,588			\$ 24,286	24,286	
Solid Waste Operations	4,530,350	5,117,414	950			588,014	588,014	
Housing Authority	3,577,451	47,926	3,550,772			21,247	21,247	
Total business-type activities	<u>8,852,780</u>	<u>5,789,017</u>	<u>3,697,310</u>			<u>633,547</u>	<u>633,547</u>	
Total primary government	<u>\$ 112,632,436</u>	<u>\$ 15,016,727</u>	<u>\$ 34,162,981</u>		<u>(64,086,275)</u>	<u>633,547</u>	<u>(63,452,728)</u>	
Component unit:								
Cochise Private Industry Council, Inc.	\$ 2,094,425		\$ 2,014,031					\$ (80,394)
General revenues:								
Taxes								
Property taxes, levied for general purposes					28,213,408		28,213,408	
Property taxes, levied for flood control					2,181,822		2,181,822	
Property taxes, levied for library					1,402,299		1,402,299	
County excise taxes					10,422,635	565,910	10,988,545	
Share of state sales taxes					17,756,205		17,756,205	
Share of state unrestricted vehicle license tax					4,787,559		4,787,559	
Grants and contributions not restricted to specific programs					3,571,207		3,571,207	
Investment income					90,477	23,541	114,018	
Gain on disposal of capital assets					294,464	1,582	296,046	
Miscellaneous					626,189	65,128	691,317	79,788
Transfers					(735,000)	735,000		
Total general revenues and transfers					<u>68,611,265</u>	<u>1,391,161</u>	<u>70,002,426</u>	<u>79,788</u>
Change in net position					4,524,990	2,024,708	6,549,698	(606)
Net position, July 1, 2020					<u>111,092,467</u>	<u>5,695,559</u>	<u>116,788,026</u>	<u>153,562</u>
Net position, June 30, 2021					<u>\$ 115,617,457</u>	<u>\$ 7,720,267</u>	<u>\$ 123,337,724</u>	<u>\$ 152,956</u>

See accompanying notes to financial statements.

Cochise County
Balance sheet
Governmental funds
June 30, 2021

	Major Funds				Total governmental funds
	General Fund	Capital Projects Fund	Highway and Streets Fund	Other governmental funds	
Assets					
Cash in bank and on hand	\$ 926,459			\$ 362,870	\$ 1,289,329
Cash and investments held by County Treasurer	47,927,539	\$ 13,497,935	\$ 12,085,036	17,117,004	90,627,514
Receivables (net of allowances for uncollectibles):					
Property taxes	535,425			157,916	693,341
Accounts	540,748		7,227	227,773	775,748
Due from:					
Other funds	80,354			39,581	119,935
Other governments	1,873,794	261,993	2,059,569	2,502,413	6,697,769
Other assets	1,056,750			135,246	1,191,996
Total assets	<u>\$ 52,941,069</u>	<u>\$ 13,759,928</u>	<u>\$ 14,151,832</u>	<u>\$ 20,542,803</u>	<u>\$ 101,395,632</u>
Liabilities					
Accounts payable	\$ 1,369,267	\$ 174,941	\$ 23,148	\$ 931,830	\$ 2,499,186
Accrued payroll and employee benefits	2,906,980		305,473	835,500	4,047,953
Due to:					
Other funds	185,116	7,271	268,128	59,902	520,417
Other governments	3,795			190,640	194,435
Deposits held for others	352,437			11,609	364,046
Unearned revenue	10,703,969				10,703,969
Total liabilities	<u>15,521,564</u>	<u>182,212</u>	<u>596,749</u>	<u>2,029,481</u>	<u>18,330,006</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	304,797			306,070	610,867
Fund balances					
Restricted			3,688,513	18,101,324	21,789,837
Assigned		13,577,716	9,866,570	504,780	23,949,066
Unassigned	37,114,708			(398,852)	36,715,856
Total fund balances	<u>37,114,708</u>	<u>13,577,716</u>	<u>13,555,083</u>	<u>18,207,252</u>	<u>82,454,759</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,941,069</u>	<u>\$ 13,759,928</u>	<u>\$ 14,151,832</u>	<u>\$ 20,542,803</u>	<u>\$ 101,395,632</u>

See accompanying notes to financial statements.

Cochise County
Reconciliation of the governmental funds balance sheet to the
government-wide statement of net position
June 30, 2021

Fund balances—total governmental funds		\$ 82,454,759
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.		114,218,800
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		610,867
Long-term liabilities, such as net pension/OPEB liabilities and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net pension/OPEB liabilities	(108,972,915)	
Compensated absences payable	<u>(5,297,351)</u>	(114,270,266)
Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.		
Net OPEB asset		921,950
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions/OPEB	18,619,223	
Deferred inflows of resources related to pensions/OPEB	<u>(1,414,806)</u>	17,204,417
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		<u>14,476,930</u>
Net position of governmental activities		<u>\$ 115,617,457</u>

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2021

	<u>Major funds</u>			<u>Other governmental funds</u>	<u>Total governmental funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Highway and Streets Fund</u>		
Revenues:					
Taxes	\$ 38,830,181	\$ 3,574,574		\$ 4,611,938	\$ 47,016,693
Licenses and permits	18,636				18,636
Fees, fines, and forfeits	1,527,300			42,043	1,569,343
Intergovernmental	24,429,580		\$ 13,947,256	13,461,171	51,838,007
Charges for services	3,795,377		74,821	3,352,305	7,222,503
Investment income	71,156	(44,795)	9,817	42,875	79,053
Miscellaneous	650,950		13,568	49,148	713,666
Total revenues	<u>69,323,180</u>	<u>3,529,779</u>	<u>14,045,462</u>	<u>21,559,480</u>	<u>108,457,901</u>
Expenditures:					
Current:					
General government	39,753,765	1,091,728		9,336,074	50,181,567
Public safety	19,322,028		1,015,073	5,570,403	25,907,504
Highways and streets			9,082,251		9,082,251
Sanitation	352,153			123,850	476,003
Health and welfare	2,132,805			3,452,054	5,584,859
Culture and recreation				1,246,410	1,246,410
Education	451,833			366,338	818,171
Capital outlay	71,008	171,046		49,318	291,372
Total expenditures	<u>62,083,592</u>	<u>1,262,774</u>	<u>10,097,324</u>	<u>20,144,447</u>	<u>93,588,137</u>
Excess of revenues over expenditures	<u>7,239,588</u>	<u>2,267,005</u>	<u>3,948,138</u>	<u>1,415,033</u>	<u>14,869,764</u>
Other financing sources (uses):					
Sale of capital assets	134,023	86	425	11,383	145,917
Transfers in	1,767,730	265,000		213,216	2,245,946
Transfers out	(97,216)	(2,316,000)		(567,730)	(2,980,946)
Total other financing sources and uses	<u>1,804,537</u>	<u>(2,050,914)</u>	<u>425</u>	<u>(343,131)</u>	<u>(589,083)</u>
Net change in fund balances	9,044,125	216,091	3,948,563	1,071,902	14,280,681
Fund balances, July 1, 2020	<u>28,070,583</u>	<u>13,361,625</u>	<u>9,606,520</u>	<u>17,135,350</u>	<u>68,174,078</u>
Fund balances, June 30, 2021	<u>\$ 37,114,708</u>	<u>\$ 13,577,716</u>	<u>\$ 13,555,083</u>	<u>\$ 18,207,252</u>	<u>\$ 82,454,759</u>

See accompanying notes to financial statements.

Cochise County

Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities Year ended June 30, 2021

Net change in fund balances—total governmental funds \$ 14,280,681

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	2,521,971	
Depreciation expense	<u>(5,431,480)</u>	(2,909,509)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 363,334

County pension/OPEB 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/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for the changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.

County pension/OPEB contributions	7,845,641	
Pension OPEB expense	<u>(14,187,867)</u>	(6,342,226)

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.

Decrease in compensated absences		274,972
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The net expense of internal service funds is reported with governmental activities in the statement of activities.

	<u>(1,142,262)</u>
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Change in net position of governmental activities \$ 4,524,990

Cochise County
Statement of net position
Proprietary funds
June 30, 2021

	Business-type activities—enterprise funds			Governmental activities— Internal service funds	
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		Total
Assets					
Current assets:					
Cash in bank and on hand	\$ 2,350		\$ 730,685	\$ 733,035	\$ 200
Cash and investments held by County Treasurer	4,922,401	\$ 1,208,747		6,131,148	5,920,500
Restricted cash			262,550	262,550	
Receivables (net of allowances for uncollectibles):					
Accounts	289,663	116,321		405,984	6,875
Prepaid items			6,320	6,320	
Due from:					
Other funds	3,425			3,425	512,828
Other governments	256,849		55,729	312,578	203
Total current assets	<u>5,474,688</u>	<u>1,325,068</u>	<u>1,055,284</u>	<u>7,855,040</u>	<u>6,440,606</u>
Noncurrent assets:					
Net other postemployment benefits asset	8,408	731	1,828	10,967	5,483
Insurance deposit			9,270	9,270	
Capital assets, net of accumulated depreciation, where applicable:					
Land	24,900	1,575,000		1,599,900	
Infrastructure, net		2,065,817		2,065,817	
Buildings, net	2,521,001	5,965		2,526,966	92,893
Improvements other than buildings, net	267,049	691,083		958,132	
Equipment, net	20,911	30,789		51,700	9,142,707
Total net capital assets	<u>2,833,861</u>	<u>4,368,654</u>		<u>7,202,515</u>	<u>9,235,600</u>
Total noncurrent assets	<u>2,842,269</u>	<u>4,369,385</u>	<u>11,098</u>	<u>7,222,752</u>	<u>9,241,083</u>
Total assets	<u>8,316,957</u>	<u>5,694,453</u>	<u>1,066,382</u>	<u>15,077,792</u>	<u>15,681,689</u>
Deferred outflows of resources					
Deferred outflows related to pensions/OPEB	<u>414,518</u>	<u>23,229</u>	<u>81,758</u>	<u>519,505</u>	<u>507,707</u>

(Continued)

Cochise County
Statement of net position
Proprietary funds
June 30, 2021
(Concluded)

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
Liabilities					
Current liabilities:					
Accounts payable	\$ 28,579	\$ 5,986	\$ 123,758	\$ 158,323	\$ 119,117
Accrued payroll and employee benefits	116,222		1,660	117,882	63,011
Due to:					
Other funds	110,894	1,254		112,148	3,623
Other governments			71,431	71,431	
Compensated absences payable, current portion	211,630		4,923	216,553	108,285
Landfill closure and postclosure care costs payable, current portion	20,620			20,620	
Deposits held for others		1,600		1,600	
Unearned revenue			141,142	141,142	
Total current liabilities	<u>487,945</u>	<u>8,840</u>	<u>342,914</u>	<u>839,699</u>	<u>294,036</u>
Noncurrent liabilities:					
Compensated absences payable	70,543		44,304	114,847	36,095
Landfill closure and postclosure care costs payable	4,050,969			4,050,969	
Funds held for others			106,843	106,843	
Net pension liability/OPEB	<u>2,068,690</u>	<u>179,886</u>	<u>449,715</u>	<u>2,698,291</u>	<u>1,349,144</u>
Total noncurrent liabilities	<u>6,190,202</u>	<u>179,886</u>	<u>600,862</u>	<u>6,970,950</u>	<u>1,385,239</u>
Total liabilities	<u>6,678,147</u>	<u>188,726</u>	<u>943,776</u>	<u>7,810,649</u>	<u>1,679,275</u>
Deferred inflows of resources					
Deferred inflows related to pensions/OPEB	<u>50,892</u>	<u>4,425</u>	<u>11,064</u>	<u>66,381</u>	<u>33,191</u>
Net position					
Net investment in capital assets	2,833,861	4,368,654		7,202,515	9,235,600
Restricted			14,565	14,565	
Unrestricted (deficit)	<u>(831,425)</u>	<u>1,155,877</u>	<u>178,735</u>	<u>503,187</u>	<u>5,241,330</u>
Total net position	<u>\$ 2,002,436</u>	<u>\$ 5,524,531</u>	<u>\$ 193,300</u>	<u>\$ 7,720,267</u>	<u>\$ 14,476,930</u>

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2021

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
Operating revenues:					
Charges for services	\$ 5,117,414	\$ 623,677	\$ 47,926	\$ 5,789,017	\$ 4,574,320
Charges for health insurance					7,392,136
Intergovernmental	950	145,588	3,550,772	3,697,310	
Other					64,565
Total operating revenues	<u>5,118,364</u>	<u>769,265</u>	<u>3,598,698</u>	<u>9,486,327</u>	<u>12,031,021</u>
Operating expenses:					
Personal services	2,208,703	36,364	530,668	2,775,735	918,735
Professional services	1,522,259	425,817	46,195	1,994,271	7,839,787
Supplies	71,877	60,342	5,303	137,522	2,097,008
Landfill closure and postclosure care costs	236,169			236,169	
Housing assistance payments			2,995,285	2,995,285	
Depreciation	203,039	185,329		388,368	2,390,247
Other	288,303	37,127		325,430	
Total operating expenses	<u>4,530,350</u>	<u>744,979</u>	<u>3,577,451</u>	<u>8,852,780</u>	<u>13,245,777</u>
Operating income (loss)	588,014	24,286	21,247	633,547	(1,214,756)
Nonoperating revenues (expenses):					
County excise taxes	565,910			565,910	
Investment income	18,976	3,091	1,474	23,541	11,424
Miscellaneous	64,398	80	650	65,128	(87,477)
Gain on disposal of capital assets	1,582			1,582	148,547
Total nonoperating revenues	<u>650,866</u>	<u>3,171</u>	<u>2,124</u>	<u>656,161</u>	<u>72,494</u>
Income (loss) before contributions and transfers	1,238,880	27,457	23,371	1,289,708	(1,142,262)
Transfers in		1,000,000		1,000,000	
Transfers out		(265,000)		(265,000)	
Increase (decrease) in net position	1,238,880	762,457	23,371	2,024,708	(1,142,262)
Total net position, July 1, 2020	<u>763,556</u>	<u>4,762,074</u>	<u>169,929</u>	<u>5,695,559</u>	<u>15,619,192</u>
Total net position, June 30, 2021	<u>\$ 2,002,436</u>	<u>\$ 5,524,531</u>	<u>\$ 193,300</u>	<u>\$ 7,720,267</u>	<u>\$ 14,476,930</u>

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2021

	<u>Business-type activities—enterprise funds</u>			<u>Total</u>	<u>Governmental activities— Internal service funds</u>
	<u>Major fund Solid Waste Operations Fund</u>	<u>Major fund BDI Airport Fund</u>	<u>Other enterprise fund—Housing Authority Fund</u>		
Cash flows from operating activities:					
Receipts from customers	\$ 5,058,205	\$ 623,677	\$ 22,834	\$ 5,704,716	
Operating grants		145,588	3,539,812	3,685,400	\$ 64,565
Receipts from other funds for goods and services provided			78,650	78,650	11,748,332
Other receipts			48,576	48,576	
Payments to suppliers and providers of goods and services	(1,768,152)	(522,639)	(3,001,632)	(5,292,423)	(9,896,330)
Payments to employees	(2,149,305)	(36,108)	(511,515)	(2,696,928)	(1,158,328)
Net cash provided by operating activities	<u>1,140,748</u>	<u>210,518</u>	<u>176,725</u>	<u>1,527,991</u>	<u>758,239</u>
Cash flows from noncapital financing activities:					
Miscellaneous receipts (payments)	630,308	80		630,388	(87,477)
Cash transfers from other funds		1,000,000		1,000,000	
Cash transfers to other funds		(265,000)		(265,000)	
Net cash provided by (used for) noncapital financing activities	<u>630,308</u>	<u>735,080</u>		<u>1,365,388</u>	<u>(87,477)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	1,582			1,582	187,395
Purchases of capital assets					(638,017)
Net cash provided by (used for) capital and related financing activities	<u>1,582</u>			<u>1,582</u>	<u>(450,622)</u>
Cash flows from investing activities:					
Investment income received on cash and investments held by County Treasurer	<u>18,976</u>	<u>3,091</u>	<u>1,474</u>	<u>23,541</u>	<u>11,424</u>
Net cash provided by (used for) investing activities	<u>18,976</u>	<u>3,091</u>	<u>1,474</u>	<u>23,541</u>	<u>11,424</u>
Net increase in cash and cash equivalents	1,791,614	948,689	178,199	2,918,502	231,564
Cash and cash equivalents, July 1, 2020	<u>3,133,137</u>	<u>260,058</u>	<u>815,036</u>	<u>4,208,231</u>	<u>5,689,136</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 4,924,751</u>	<u>\$ 1,208,747</u>	<u>\$ 993,235</u>	<u>\$ 7,126,733</u>	<u>\$ 5,920,700</u>

(Continued)

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2021
(Concluded)

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 588,014	\$ 24,286	\$ 21,247	\$ 633,547	\$ (1,214,756)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	203,039	185,329		388,368	2,390,247
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Net pension/OPEB liability	339,573	29,528	73,820	442,921	221,460
Deferred outflows-pension/OPEB	(166,370)	(13,720)	(35,899)	(215,989)	(329,963)
Deferred inflows-pension/OPEB	(140,285)	(12,200)	(30,496)	(182,981)	(91,490)
Net OPEB asset	(5,141)	(447)	(1,117)	(6,705)	(3,352)
Accounts receivable	154,057		22,834	176,891	(6,845)
Due from other funds	(2,131)			(2,131)	(211,076)
Due to/from other governments	(211,135)		54,866	(156,269)	(203)
Deposits held for others			(14,544)	(14,544)	
Accounts payable	14,025	(76)	70,137	84,086	42,204
Accrued payroll and employee benefits	10,708	(2,760)	1,660	9,608	(1,236)
Unearned revenue	-		78,650	78,650	
Due to other funds	104,456	723	(66,998)	38,181	(1,739)
Insurance deposit			(9,270)	(9,270)	
Miscellaneous revenue			650	650	
Compensated absences payable	20,913	(145)	11,185	31,953	(35,012)
Landfill closure and postclosure care costs payable	231,025			231,025	
Net cash provided by operating activities	<u>\$ 1,140,748</u>	<u>\$ 210,518</u>	<u>\$ 176,725</u>	<u>\$ 1,527,991</u>	<u>\$ 758,239</u>
Cash and cash equivalents, June 30, 2020, consisted of:					
Cash in bank and on hand	2,350		730,685	733,035	200
Cash—restricted			262,550	262,550	
Cash and investments held by County Treasurer	4,922,401	1,208,747		6,131,148	5,920,500
Total cash and cash equivalents	<u>\$ 4,924,751</u>	<u>\$ 1,208,747</u>	<u>\$ 993,235</u>	<u>\$ 7,126,733</u>	<u>\$ 5,920,700</u>

Noncash capital financing activities:

The Solid waste operations fund sold a fully depreciated capital asset.
The Internal Service Funds disposed of capital assets with a net book value of \$38,848.

Cochise County
Statement of fiduciary net position
Fiduciary funds
June 30, 2021

		<u>Custodial funds</u>	
	<u>Private-purpose trust funds</u>	<u>External investment pool</u>	<u>Other</u>
Assets			
Cash in bank and on hand			\$ 1,083,647
Cash and investments held by County Treasurer	\$ 961,976	\$ 102,669,519	
Property tax receivable			5,375,076
Interest receivable		62,532	
Total assets	<u>961,976</u>	<u>102,732,051</u>	<u>6,458,723</u>
Net Position			
Restricted for:			
Pool participants		102,732,051	
Individuals, organizations, and other governments	<u>961,976</u>		<u>6,458,723</u>
Total net position	<u>\$ 961,976</u>	<u>\$ 102,732,051</u>	<u>\$ 6,458,723</u>

See accompanying notes to financial statements.

Cochise County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2021

		<u>Custodial funds</u>	
	<u>Private-purpose trust funds</u>	<u>External investment pool</u>	<u>Other</u>
Additions:			
Contributions from pool participants		\$ 241,800,509	
Contributions from other governments			\$ 90,705,538
Property tax collections for other governments			97,483,124
Fines and fees collected for other governments		3,448,213	2,280,480
Investment earnings		1,404,255	129
Inmate collections			436,627
Other	\$ 1,242,047		160,564
Total additions	<u>1,242,047</u>	<u>246,652,977</u>	<u>191,066,462</u>
Deductions:			
Distributions to pool participants		234,958,396	
Distributions to other governments			90,705,538
Property tax distributions to other governments			92,108,048
Fines and fees distributions to other governments		3,570,897	2,089,918
Payments to inmates			377,445
Other	1,117,416		242,142
Total deductions	<u>1,117,416</u>	<u>238,529,293</u>	<u>185,523,091</u>
Net increase in fiduciary net position	124,631	8,123,684	5,543,371
Net position, July 1, 2020, as restated	<u>837,345</u>	<u>94,608,367</u>	<u>915,352</u>
Net position, June 30, 2021	<u>\$ 961,976</u>	<u>\$ 102,732,051</u>	<u>\$ 6,458,723</u>

See accompanying notes to financial statements.

Cochise County
Notes to financial statements
June 30, 2021

Note 1 - Summary of significant accounting policies

Cochise County’s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2021, the County implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. As a result, the County’s fiduciary fund financial statements have been modified to reflect the implementation of this new guidance, including reclassifying activities previously reported in agency funds to custodial or governmental funds, as applicable.

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 and discretely presented component unit discussed below has a June 30 year-end.

The following table describes the County’s component units:

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Cochise 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
Cochise County Library District	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
Cochise Private Industry Council, Inc.	Administers and coordinates Workforce Investment Act programs; the County’s Board of Supervisors appoints all governing board members and is able to impose its will on the Private Industry Council, but the Private Industry Council does not provide services entirely to the County.	Discrete	Cochise Private Industry Council 900 Carmelita Dr. Sierra Vista, AZ 85635

Cochise County

Notes to financial statements

June 30, 2021

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 activities. They also distinguish between the County's governmental and business-type activities and between the County and its discretely presented component unit. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided.
- Operating grants and contributions.
- Capital grants and contributions.

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, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as charges for services, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as County excise taxes, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment income and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

Cochise County

Notes to financial statements

June 30, 2021

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 Capital Projects Fund accounts for resources to be used for the acquisition or construction of major facilities and automation and communications projects other than those financed by proprietary funds. The Fund's most significant revenue source is the County's local excise tax.

The Highway and Streets Fund accounts for the construction and maintenance of the County's surface transportation system in a cost-effective manner. The Fund's most significant revenue source is highway user revenue fees.

The County reports the following major enterprise funds:

The Solid Waste Operations Fund accounts for the management of solid waste. The services include the operation of a regional solid waste landfill and transfer stations.

The *BDI Airport Fund* accounts for the management of County airport operations. The services include the operation of the general aviation airport facilities and the water resources station.

The County also reports the following fund types:

The internal service funds account for health insurance, automotive and machinery maintenance and operation, telecommunications, and information technology services provided to the County's departments on a cost-reimbursement basis.

The *fiduciary funds* consist of private-purpose trust funds, which account for assets the County's Public Fiduciary holds in trust for the benefit of various parties; and custodial funds, including the pooled assets the County Treasurer holds and invests on behalf of other governmental entities that are not held in trust, the County Treasurer's receipt and distribution of taxes for other governmental entities, and other non-pooled assets.

C. Basis of accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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.

Cochise County
Notes to financial statements
June 30, 2021

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County’s major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for 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.

D. Cash and investments

For the statement of cash flows, the County’s cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer’s local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

E. 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 2 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.

F. Capital assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization threshold	Depreciation method	Estimated useful life
Land	All	N/A	N/A
Buildings and improvements	\$10,000	Straight-line	15-50 years
Improvements other than buildings	10,000	Straight-line	10-45 years
Equipment	10,000	Straight-line	5-25 years
Infrastructure	50,000	Straight-line	10-50 years

Cochise County

Notes to financial statements

June 30, 2021

G. Deferred outflows and 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.

H. 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 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.

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 Administrator to make assignments of resources for specific purposes.

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, it is the County's policy to use restricted fund balances first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned fund balance.

I. Investment income

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

Cochise County

Notes to financial statements

June 30, 2021

J. Compensated absences

Compensated absences payable consist of personal leave and a calculated amount of sick leave employees earn based on services already rendered.

Employees may accumulate up to 2,080 personal leave hours. Employees who separate from County service after completing their initial probation for reasons other than retirement are paid up to 280 hours of unused personal leave. County court employees who separate because of retirement and were hired before April 1, 2012, are paid up to 340 hours of personal leave at 100 percent and 50 percent of all remaining hours up to 2,080. All remaining employees who separate because of retirement are paid up to 280 hours of unused personal leave at 100 percent and (1) 50 percent of unused remaining hours between 281 and 2,080 if hired prior to April 1, 2012 or (2) 35 percent of unused remaining hours between 281 and 2,080 if hired between April 1, 2012 and December 15, 2018, or (3) 30 percent of unused remaining hours between 281 and 2,080 if hired after December 15, 2018, as applicable. In addition, the maximum payment upon retirement is \$20,000 for employees hired after December 15, 2018. Personal leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements.

Regular full-time employees receive 40 hours of sick leave each calendar year. Any sick leave hours remaining at calendar year-end are converted to personal leave hours. Regular part-time and temporary employees accrue 1 hour of sick leave for every 30 hours worked up to 40 hours of sick leave each calendar year. Any sick leave hours remaining at calendar year-end are carried over into the next calendar year. Upon separation of employment, any remaining unused hours of sick leave are forfeited. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements, except for an estimate of full-time employee sick leave at fiscal year-end that will be converted to personal leave at calendar year-end.

In addition, because personal and sick leave used by employees within the first 2 months after fiscal year-end is paid for with current financial resources, a compensated absences liability for these amounts is reported in the governmental funds' financial statements within accrued payroll and employee benefits.

K. Postemployment benefits

For purposes of measuring the net pension liability and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

Note 2 – Change in accounting principle

Net position as of July 1, 2020, has been restated as follows for the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Cochise County
Notes to financial statements
June 30, 2021

	<u>Investment Trust funds</u>	<u>Private- purpose Trust fund</u>	<u>Custodial Funds</u>	
			<u>External investment pool</u>	<u>Other</u>
Net position as previously reported at June 30, 2020	\$ 95,445,712			
Prior period adjustment – implementation of GASB 84:				
Reclassification of investment pool	(95,445,712)	\$837,345	\$94,608,367	
Reclassification of agency fund activities				<u>\$915,352</u>
Net position as restated, July 1, 2020	<u>\$ 0</u>	<u>\$837,345</u>	<u>\$94,608,367</u>	<u>\$915,352</u>

Note 3 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2021, were as follows:

	<u>General fund</u>	<u>Capital projects fund</u>	<u>Highway and streets fund</u>	<u>Other governmental funds</u>	<u>Total</u>
Restricted for:					
Flood control				\$ 5,430,440	\$ 5,430,440
Highways and streets			\$ 3,688,513		3,688,513
Health services				1,880,634	1,880,634
Judicial services				4,383,528	4,383,528
Library services				1,493,349	1,493,349
Law enforcement				1,954,428	1,954,428
Education services				431,112	431,112
Other services				<u>2,527,833</u>	<u>2,527,833</u>
Total restricted			<u>3,688,513</u>	<u>18,101,324</u>	<u>21,789,837</u>
Assigned to:					
Capital projects		\$13,577,716			\$13,577,716
Highways and streets			\$ 9,866,570		9,866,570
Health services				\$ 13,831	13,831
Judicial services				60,209	60,209
Law enforcement				195,716	195,716
Other				<u>235,024</u>	<u>235,024</u>
Total assigned		<u>13,577,716</u>	<u>9,866,570</u>	<u>504,780</u>	<u>23,949,066</u>
Unassigned:	<u>\$37,114,708</u>			<u>(398,852)</u>	<u>36,715,856</u>
Total fund balances	<u>\$37,114,708</u>	<u>\$13,577,716</u>	<u>\$13,555,083</u>	<u>\$18,207,252</u>	<u>\$82,454,759</u>

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

Cochise County
Notes to financial statements
June 30, 2021

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 2 ratings by a nationally recognized rating agency.
2. Specified 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 2 nationally recognized rating agencies.
3. Fixed income securities must carry 1 of the 2 highest ratings by Moody's investors service and Standard and Poor's rating service. If only 1 of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits and certificates of deposit at 102 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

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

Interest rate risk

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

Foreign currency risk

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

Deposits—At June 30, 2021, the carrying amount of the County's deposits was \$36,668,743, and the bank balance was \$39,745,552. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of \$173,003,121 at June 30, 2021. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

	Fair value measurement using		
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investment by fair value level			
Certificates of deposit	\$ 2,003,091		\$ 2,003,091
U.S. agency securities	<u>86,000,030</u>	_____	<u>86,000,030</u>
Total investments by fair value level	<u>\$88,003,121</u>	_____	<u>\$88,003,121</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 a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County also had

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investments of \$85,000,000 in the State Treasurer's investment pool 7 measured at fair value. Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal policy with respect to credit risk.

At June 30, 2021, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
State Treasurer's investment pool 7	Unrated	Not applicable	\$ 85,000,000
Certificates of deposit	Unrated	Not applicable	2,003,091
U.S. agency securities	AA+	Standard & Poor's	59,135,510
U.S. agency securities	Unrated	Not applicable	<u>26,864,520</u>
Total			<u>\$173,003,121</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The County does not have a formal policy with respect to custodial credit risk.

Concentration of credit risk—Concentration of credit risk is the risk of loss associated with the significance of investments in a single issuer. The County does not have a formal policy with respect to concentration of credit risk.

Five percent or more of the County's investments at June 30, 2021, were in debt securities of various U.S. agencies as follows:

U.S. agency	Amount	Percent of county investments
Federal Home Loan Bank	\$48,054,440	27.8
Federal Agriculture Mortgage Corporation	11,933,310	6.9
Federal Farm Credit Bank	10,041,930	5.8

Interest rate risk—Interest rate risk is the risk that changes in the interest rates will adversely affect an investment's fair value. The County does not have a formal policy with respect to interest rate risk.

At June 30, 2021, maturities of the County's investments were as follows:

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Investment type	Amount	Investment maturities	
		Less than 1 Year	1-5 Years
State Treasurer's investment pool 7	\$ 85,000,000	\$85,000,000	
Certificates of deposit	2,003,091	2,003,091	
U.S. agency securities	<u>86,000,030</u>	<u>11,125,900</u>	<u>\$74,874,130</u>
Total	<u>\$173,003,121</u>	<u>\$98,128,991</u>	<u>\$74,874,130</u>

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

Cash, deposits, and investments:	
Cash on hand	\$ 7,554
Amount of deposits	36,668,743
Amount of investments	<u>173,003,121</u>
Total	<u>\$209,679,418</u>

	Statement of net position		Statement of fiduciary net position			
	Governmental activities	Business-type activities	Private-purpose trust funds	Custodial funds		Total
			External investment pool	Other		
Cash in bank and on hand	\$ 1,289,529	\$ 733,035			\$1,083,647	\$ 3,106,211
Cash and investments held by County Treasurer	96,548,014	6,131,148	\$961,976	\$102,669,519		206,310,657
Cash—restricted		<u>262,550</u>				<u>262,550</u>
Total	<u>\$97,837,543</u>	<u>\$7,126,733</u>	<u>\$961,976</u>	<u>\$102,669,519</u>	<u>\$1,083,647</u>	<u>\$209,679,418</u>

Note 5 - Due from other governments

Due from other governments totaling \$7,010,550 at June 30, 2021, included \$1,944,375 in state-shared revenue from highway user fees, \$880,624 in state-shared sales taxes, \$315,690 in state-shared vehicle license taxes, and \$805,391 in county excise taxes. The remaining balance of \$3,064,470 represents amounts receivable from various state and federal government grantor agencies.

Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2021, was as follows:

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	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,557,210			\$ 2,557,210
Construction in progress	<u>3,796,078</u>	<u>\$ 958,267</u>	<u>\$4,577,770</u>	<u>176,575</u>
Total capital assets not being depreciated	<u>6,353,288</u>	<u>958,267</u>	<u>4,577,770</u>	<u>2,733,785</u>
Capital assets being depreciated:				
Buildings	49,900,302			49,900,302
Improvements other than buildings	12,791,076			12,791,076
Equipment	56,045,839	2,619,407	1,156,488	57,508,758
Infrastructure	<u>113,825,886</u>	<u>4,160,083</u>		<u>117,985,969</u>
Total capital assets being depreciated	<u>232,563,103</u>	<u>6,779,490</u>	<u>1,156,488</u>	<u>238,186,105</u>
Less accumulated depreciation for:				
Buildings	\$ 22,343,629	\$ 1,258,311		\$ 23,601,940
Improvements other than buildings	3,836,576	538,223		4,374,799
Equipment	36,259,359	4,342,865	\$1,117,641	39,484,583
Infrastructure	<u>48,321,840</u>	<u>1,682,328</u>		<u>50,004,168</u>
Total accumulated depreciation	<u>110,761,404</u>	<u>7,821,727</u>	<u>1,117,641</u>	<u>117,465,490</u>
Total capital assets being depreciated, net	<u>121,801,699</u>	<u>(1,042,237)</u>	<u>38,847</u>	<u>120,720,615</u>
Governmental activities, capital assets, net	<u>\$128,154,987</u>	<u>\$ (83,970)</u>	<u>\$4,616,617</u>	<u>\$123,454,400</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,599,900			\$ 1,599,900
Total capital assets not being depreciated	<u>1,599,900</u>			<u>1,599,900</u>
Capital assets being depreciated:				
Buildings	4,559,025			4,559,025
Improvements other than buildings	7,089,517			7,089,517
Equipment	2,800,357		\$ 19,783	2,780,574
Infrastructure	<u>2,259,884</u>			<u>2,259,884</u>
Total	<u>16,708,783</u>		<u>19,783</u>	<u>16,689,000</u>
Less accumulated depreciation for:				
Buildings	\$ 1,944,674	\$ 87,385		\$ 2,032,059
Improvements other than buildings	5,904,191	227,194		6,131,385
Equipment	2,731,366	17,291	\$ 19,783	2,728,874
Infrastructure	<u>137,569</u>	<u>56,498</u>		<u>194,067</u>
Total accumulated depreciation	<u>10,717,800</u>	<u>388,368</u>	<u>19,783</u>	<u>11,086,385</u>
Total capital assets being depreciated, net	<u>5,990,983</u>	<u>(388,368)</u>		<u>5,602,615</u>
Business-type activities capital assets, net	<u>\$ 7,590,883</u>	<u>\$ (388,368)</u>	<u>\$</u>	<u>\$ 7,202,515</u>

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Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$3,032,677
Public safety	619,050
Highways and streets	1,730,555
Health and welfare	25,580
Education	23,618
Internal service funds	<u>2,390,247</u>
Total governmental activities depreciation expense	<u>\$7,821,727</u>
Business-type activities:	
Solid Waste Operations	\$ 203,039
Bisbee-Douglas International Airport	<u>185,329</u>
Total business-type activities depreciation expense	<u>\$ 388,368</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, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within 1 year
Governmental activities					
Net pension/OPEB liabilities	\$ 99,066,763	\$11,255,296		\$110,322,059	
Compensated absences payable	<u>5,751,715</u>	<u>2,662,282</u>	<u>\$2,972,266</u>	<u>5,441,731</u>	<u>\$3,829,043</u>
Total governmental activities long-term liabilities	<u>\$104,818,478</u>	<u>\$13,917,578</u>	<u>\$2,972,266</u>	<u>\$115,763,790</u>	<u>\$3,829,043</u>
Business-type activities					
Net pension/OPEB liabilities	\$ 2,255,370	\$ 442,921		\$ 2,698,291	
Landfill closure and postclosure care costs payable	3,840,564	231,025		4,071,589	\$ 20,620
Compensated absences payable	299,447	186,075	\$ 154,122	331,400	216,553
Funds held for others-Housing	<u>121,387</u>	<u> </u>	<u>14,544</u>	<u>106,843</u>	<u> </u>
Total business-type activities long-term liabilities	<u>\$ 6,516,768</u>	<u>\$ 860,021</u>	<u>\$ 168,666</u>	<u>\$ 7,208,123</u>	<u>\$ 237,173</u>

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its solid waste landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfill. These costs will be paid from solid waste fees in the Solid Waste Operations Fund. At June 30, 2021, the County reported closure and postclosure care costs for 2 landfills discussed below.

At June 30, 2021, the County has reported landfill closure and postclosure care liabilities totaling \$4,071,589. This total consists of the cumulative amounts reported to date for the County's Eastern Regional and Western Regional landfills and was based on landfill capacity used at June 30, 2021. The liability reported

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for the Eastern Regional landfill of \$515,288 is based on 100 percent use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of \$3,556,301 is based on the use of 30.11 percent of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of \$8,254,727 as the remaining estimated capacity is filled. The County expects to close this landfill in 2065. The landfills' closure and postclosure care costs were based on what it would cost to perform all closure and postclosure care in fiscal year 2021. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

According to State and federal laws and regulations, the County must comply with the local government financial test requirements that ensure that the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2021, the County paid for compensated absences as follows: 72.81 percent from the General Fund, 7.30 percent from the Highway and Streets Fund, 4.19 percent from the enterprise funds, and 15.70 percent from other funds.

Note 8 - Risk management

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; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by 3 public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Cochise Combined Trust, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 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; cyber security; 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 \$25,000 per occurrence for property claims and \$75,000 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 13 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk-management services. The County is responsible for paying a premium, based on an experience-rating formula, that allocates pool expenditures and liabilities among the members.

The County provides health, prescription, vision, dental, life, and short-term disability benefits to its employees and their dependents through the Cochise Combined Trust (Trust) currently composed of 3 member entities. The Trust provides the benefits through a self-funding agreement with its participants and has contracted with a third party to administer the program. The County is responsible for paying the

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premium. If it withdraws from the Trust, the County is responsible for a proportional share of any claims run-out costs, including administrative costs, that exceed trust fund reserves.

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. The Cochise Combined Trust receives an independent audit annually. All 3 pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit. If a pool were to become insolvent, the County would be assessed an additional contribution.

Note 9 - Pensions and other postemployment benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan—Detention Officers (CORP), the Corrections Officer Retirement Plan—Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System (PSPRS), the Public Safety Personnel Defined Contribution Retirement plan (PSPDCRP), the Elected Officials Retirement Plan (EORP), and the Elected Officials Defined Contribution Retirement System (EODCRS). The plans are component units of the State of Arizona.

At June 30, 2021, the County reported the following aggregate amounts related to pension and other post-employment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 927,433	\$ 10,967	\$ 938,400
Net pension and OPEB liability	110,322,059	2,698,291	113,020,350
Deferred outflows of resources related to pensions and OPEB	19,126,930	519,505	19,646,435
Deferred inflows of resources related to pensions and OPEB	1,447,997	66,381	1,514,378
Pension and OPEB expense	14,315,240	254,746	14,569,986

The County's accrued payroll and employee benefits includes \$412,731 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2021. Also, the County reported \$7,845,641 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS, and EORP pension plans are described below. The PSPDCRP, EODCRS pension plans and all OPEB plans are not described due to their relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan descriptions—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to

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the provisions of A.R.S. Title 38, Chapter 5, Article 2. 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 and survivor benefits. State statute establishes benefits 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 earnings. 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.04 percent of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.65 percent of the active members’ annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.14 percent 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 ASRS pension plan for the year ended June 30, 2021 were \$3,320,577.

During fiscal year 2021, the County paid for ASRS pension contributions as follows: 58 percent from the General Fund, 15 percent from major funds, and 27 percent from other funds.

Liability—At June 30, 2021, the County reported the following liability for its proportionate share of the ASRS’ net pension liability.

ASRS	Net pension liability
Pension	\$44,775,193

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The net pension liability was measured as of June 30, 2020. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The County's proportion of the net 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, 2020. The County's proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

ASRS	Proportion	Decrease from
	June 30, 2020	June 30, 2019
Pension	0.26%	0.00

Expense—For the year ended June 30, 2021, the County recognized the following pension expense.

ASRS	Pension expense
Pension	\$4,125,100

Deferred outflows/inflows of resources—At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 405,069	
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments	4,318,620	
Changes in proportion and differences between County contributions and proportionate share of contributions	117,632	\$734,786
County contributions subsequent to the measurement date	<u>3,320,577</u>	
Total	<u>\$8,161,898</u>	<u>\$734,786</u>

The \$3,320,577 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 ended June 30, 2022. 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	
2022	\$ (171,260)
2023	1,379,978
2024	1,562,091
2025	1,335,726

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

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ASRS

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 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 expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS	Target allocation	Long-term expected geometric real rate of return
Asset class		
Equity	50%	6.39%
Fixed income-credit	20%	5.44%
Fixed Income-interest rate sensitive	10%	0.22%
Real estate	<u>20%</u>	5.85%
Total	<u>100%</u>	

Discount rate—The discount rate used to measure the ASRS total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$61,229,469	\$44,775,193	\$31,020,264

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

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

Plan descriptions—County sheriff employees 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. A 9-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. Employees who were PSPRS members before July 1, 2017, participate in the agent plan, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool) which is not further disclosed because of its relative insignificance to the County's financial statements.

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 for county detention officers (agent plan), which was closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan for AOC officers (cost sharing plan). Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP. 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 the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, 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 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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
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%	1.5% to 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	

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PSPRS

Initial membership date:

Before January 1, 2012

**On or after January 1, 2012 and
before July 1, 2017**

Retirement and disability

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
and before July 1, 2018**

**AOC probation and
surveillance officers:
On or after July 1, 2018**

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

10 years, age 52.5*
10 or more years, age 55

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

2.5% per year of credited service, not to exceed 80%

1.25% 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

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.

*With actuarially reduced benefits.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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, 2021, the following employees were covered by the agent pension plans' benefit terms:

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	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	70	38
Inactive employees entitled to but not yet receiving benefits	29	36
Active employees	<u>68</u>	<u>38</u>
Total	<u>167</u>	<u>112</u>

Contributions—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 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. Contribution rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member— pension	County—pension
PSPRS Sheriff	7.65%-11.65%	50.15%
CORP Detention	8.41%	31.37%
CORP AOC	8.41%	33.58%

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	Pension
PSPRS Sheriff	38.67%
CORP Detention	24.13%
CORP AOC	27.84%

The County's contributions to the plans for the year ended June 30, 2021, were:

	Pension
PSPRS Sheriff	\$2,571,735
CORP Detention	723,172
CORP AOC	653,064

During fiscal year 2021, the County paid for PSPRS and CORP pension contributions as follows: 80 percent from the General Fund and 20 percent from other nonmajor funds.

Pension liability—At June 30, 2021, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	\$38,272,921
CORP Detention	7,280,736
CORP AOC (County's proportionate share)	8,624,824

Cochise County
Notes to financial statements
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The net pension liabilities were measured as of June 30, 2020, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

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, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP	Target	Long-term
Asset class	allocation	expected geometric real
		rate of return
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global Private Equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	<u>1%</u>	(0.60)%
Total	<u>100%</u>	

Discount rates—At June 30, 2020, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate 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 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.

Cochise County
Notes to financial statements
June 30, 2021

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, 2020	<u>\$55,208,407</u>	<u>\$19,177,112</u>	<u>\$36,031,295</u>
Changes for the year:			
Service cost	886,465		886,465
Interest on the total pension liability	3,992,588		3,992,588
Differences between expected and actual experience in the measurement of the pension liability	838,018		838,018
Contributions—employer		2,841,950	(2,841,950)
Contributions—employee		396,947	(396,947)
Net investment income		257,546	(257,546)
Benefit payments, including refunds of employee contributions	(2,803,785)	(2,803,785)	
Administrative expense		(20,998)	20,998
Net changes	<u>2,913,286</u>	<u>671,660</u>	<u>2,241,626</u>
Balances at June 30, 2021	<u>\$58,121,693</u>	<u>\$19,848,772</u>	<u>\$38,272,921</u>

Changes in the net pension liability CORP-Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2020	<u>\$12,979,893</u>	<u>\$6,472,507</u>	<u>\$6,507,386</u>
Changes for the year:			
Service cost	256,408		256,408
Interest on the total pension liability	941,529		941,529
Differences between expected and actual experience in the measurement of the pension liability	464,133		464,133
Contributions—employer		585,531	(585,531)
Contributions—employee		143,084	(143,084)
Net investment income		177,408	(177,408)
Benefit payments, including refunds of employee contributions	(677,291)	(677,291)	
Administrative expense		(6,866)	6,866
Other		(10,437)	10,437
Net changes	<u>984,779</u>	<u>211,429</u>	<u>773,350</u>
Balances at June 30, 2021	<u>\$13,964,672</u>	<u>\$6,683,936</u>	<u>\$7,280,736</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, 2020. The County's proportion measured as of June 30, 2020, and the changes from its proportion measured as of June 30, 2019 were:

CORP AOC	Proportion	Increase from
Pension	June 30, 2020	June 30, 2019
	1.81%	0.01

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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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
PSPRS Sheriff			
Net pension liability	\$46,029,574	\$38,272,921	\$31,934,518
CORP Detention			
Net pension liability	\$ 9,198,620	\$ 7,280,736	\$ 5,724,750
CORP AOC			
County’s proportionate share of the net pension liability	\$10,956,301	\$ 8,624,824	\$ 6,720,299

Plan fiduciary net position—Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2021, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	\$4,965,778
CORP Detention	1,096,439
CORP AOC (County’s proportionate share)	1,302,278

Pension deferred outflows/inflows of resources—At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
PSPRS—Sheriff		
Differences between expected and actual experience	\$ 844,172	\$5,324
Changes of assumptions or other inputs	762,099	
Net difference between projected and actual earnings on pension plan investments	998,711	
County contributions subsequent to the measurement date	<u>2,571,735</u>	
Total	<u>\$5,176,717</u>	<u>\$5,324</u>

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	Deferred outflows of resources	Deferred inflows of resources
CORP—Detention		
Differences between expected and actual experience	\$ 654,181	\$31,727
Changes of assumptions or other inputs	185,195	
Net difference between projected and actual earnings on pension plan investments	270,901	
County contributions subsequent to the measurement date	<u>723,172</u>	
Total	<u>\$1,833,449</u>	<u>\$31,727</u>
	Deferred outflows of resources	Deferred inflows of resources
CORP—AOC		
Differences between expected and actual experience	\$ 898,330	\$102,592
Changes of assumptions or other inputs	277,366	
Net difference between projected and actual earnings on pension plan investments	373,889	
Changes in proportion and differences between County contributions and proportionate share of contributions	305,984	24,066
County contributions subsequent to the measurement date	<u>653,064</u>	
Total	<u>\$2,508,633</u>	<u>\$126,658</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, 2022. 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	CORP Detention	CORP AOC
Year ending June 30			
2022	\$979,253	\$414,061	\$551,964
2023	885,562	405,496	545,818
2024	503,343	199,651	430,765
2025	231,500	59,342	200,364

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP) or ASRS. EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This EORP pension 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 plan. The report is available on PSPRS' website at www.psprs.com.

Benefits provided—The EORP provides retirement, 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:

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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%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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, 2021, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 39.72 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County contributions to the pension plan for the year ended June 30, 2021, was \$1,010,737.

During fiscal year 2021, the County paid for EORP pension contributions entirely from the General Fund.

Pension liability—At June 30, 2021, 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:

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County's proportionate share of the EORP net pension liability	\$13,801,851
State's proportionate share of the EORP net pension liability associated with the County	<u>1,311,756</u>
Total	<u>\$15,113,607</u>

The net pension liability was measured as of June 30, 2020, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2020. The County's proportion measured as of June 30, 2020 and the change from its proportions measured as of June 30, 2019, were:

EORP	Proportion June 30, 2020	Increase from June 30, 2019
Pension	2.04%	0.00

Expense—For the year ended June 30, 2021, the County recognized pension expense for EORP of \$3,025,725 and revenue of \$360,886 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2021, 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		\$11,328
Net difference between projected and actual earnings on pension plan investments	\$ 265,974	
Changes in proportion and differences between County contributions and proportionate share of contributions	23,874	
County contributions subsequent to the measurement date	<u>1,010,737</u>	
Total	<u>\$1,300,585</u>	<u>\$11,328</u>

The amounts 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 liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	
2022	\$48,976
2023	85,721
2024	83,865
2025	59,958

Cochise County
Notes to financial statements
June 30, 2021

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

EORP	
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on EORP plan investments was determined to be 7.3 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 geometric real rates of return for each major asset class are summarized in the following table:

EORP	Target	Long-term
Asset class	allocation	expected geometric
		real rate of return
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	<u>1%</u>	-0.60%
Total	<u>100%</u>	

Discount rate—At June 30, 2020, the discount rate used to measure the EORP total pension liability was 7.3 percent. 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 actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the 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 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 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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

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Notes to financial statements
June 30, 2021

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
EORP			
County's proportionate share of the net pension liability	\$15,745,039	\$13,801,851	\$12,140,369

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

Note 10 - Interfund transactions

Interfund receivables and payables—Interfund balances at June 30, 2021, were as follows:

<u>Payable from</u>	<u>Payable to</u>				<u>Total</u>
	<u>General Fund</u>	<u>Other governmental funds</u>	<u>Solid Waste Operations Fund</u>	<u>Internal service funds</u>	
General Fund		\$39,581	\$1,518	\$144,017	\$185,116
Capital Projects Fund	\$ 7,271				7,271
Highway and Streets Fund	7,624		1,867	258,637	268,128
Other governmental funds	57,375			2,527	59,902
Solid Waste Operations Fund	3,302			107,592	110,894
BDI Airport Fund	1,199			55	1,254
Internal service funds	<u>3,583</u>		<u>40</u>		<u>3,623</u>
Total	<u>\$80,354</u>	<u>\$39,581</u>	<u>\$3,425</u>	<u>\$512,828</u>	<u>\$636,188</u>

The interfund balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made.

Interfund transfers—Interfund transfers for the year ended June 30, 2021, were as follows:

<u>Transfers from</u>	<u>Transfers to</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other governmental funds</u>	<u>BDI Airport Fund</u>	
General Fund			\$ 97,216		\$ 97,216
Capital Projects Fund	\$1,200,000		116,000	\$1,000,000	2,316,000
Highway and Streets Fund					
Other governmental funds	567,730				567,730
BDI Airport Fund		<u>\$265,000</u>			<u>265,000</u>
Total	<u>\$1,767,730</u>	<u>\$265,000</u>	<u>\$213,216</u>	<u>\$1,000,000</u>	<u>\$3,245,946</u>

Transfers were used to move revenues between funds in accordance with external restrictions or budgetary authorizations.

Note 11 - County Treasurer's investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to

Cochise County
Notes to financial statements
June 30, 2021

administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The Treasurer allocates interest earnings to each of the pool's participants.

A majority of all deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$7,554 of cash, \$3,098,657 of deposits and \$262,550 in restricted cash. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks disclosed in Note 4.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer's investment pool 7	\$85,000,000	None stated	None stated	\$85,000,000
Certificates of deposit	1,984,000	1.14-1.34%	Up to 1 year	2,003,091
U.S. agency securities	86,000,000	.20-2.50%	Up to 5 years	86,000,030

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

Statement of fiduciary net position	
Assets	<u>\$206,310,657</u>
Net position	<u>\$206,310,657</u>
Net position held for:	
Internal participants	\$103,641,138
External participants	<u>102,669,519</u>
Total net position	<u>\$206,310,657</u>
Statement of changes in fiduciary net position	
Total additions	\$376,293,667
Total deductions	<u>338,244,536</u>
Net increase	<u>38,049,131</u>
Net position:	
July 1, 2020	<u>168,261,526</u>
June 30, 2021	<u>\$206,310,657</u>

Cochise County
Notes to financial statements
June 30, 2021

Note 12 - Discretely presented component unit—Cochise Private Industry Council, Inc.

A. Summary of significant accounting policies

Basis of accounting

The statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Capital assets

Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives ranging from 5 to 15 years as determined by management based on experience for each class of asset.

Program revenues

Reimbursement grants are recorded as receivables and revenues when the related expenses are incurred.

B. Cash

At June 30, 2021, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was \$148,385 and the bank balance was \$182,456.

The Cochise Private Industry Council does not have any formal policies as it relates to custodial credit risk applicable to its deposits.

C. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2021:

Program	Amount
<i>Cochise County, Arizona</i>	
WIOA Adult Program	\$ 37,105
WIOA Dislocated Workers	37,061
WIOA Youth Program	32,967
WIOA Rapid Response	3,818
<i>Pima County, Arizona</i>	
H-1B Job Training Grants	<u>5,432</u>
	<u>116,383</u>
Other	<u>14,330</u>
Total	<u>\$130,713</u>

Cochise County
Notes to financial statements
June 30, 2021

D. Capital assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Capital assets being depreciated:				
Furniture and equipment	\$ 124,552	\$ 5,085	\$(6,258)	\$ 123,379
Leasehold improvements	<u>13,351</u>	<u>3</u>	<u> </u>	<u>13,354</u>
Total capital assets being depreciated	137,903	5,088	(6,258)	136,733
Less accumulated depreciation:	<u>(119,704)</u>	<u>(8,651)</u>	<u>6,258</u>	<u>(122,097)</u>
Total capital assets being depreciated, net	<u>\$ 18,199</u>	<u>\$(3,563)</u>	<u>\$ </u>	<u>\$ 14,636</u>

E. Due to related party

Center for Academic Success, Inc. (CAS) is considered to be a related party of ARIZONA@WORK SEAZ because of common management as well as shared facilities and financial management systems.

During 2021, ARIZONA@WORK SEAZ paid \$360,781 as reimbursement for expenses to CAS to administer the Professional Youth Quest program funded by the Workforce Innovation and Opportunity Act–Youth Activities grant. The amount due to CAS related to this program was \$61,982 as of June 30, 2021.

Other Required Supplementary Information

Cochise County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 33,865,735	\$ 33,865,735	\$ 38,830,181	\$ 4,964,446
Licenses and permits	30,500	30,500	18,636	(11,864)
Fees, fines, and forfeits	937,373	937,373	1,527,300	589,927
Intergovernmental	17,067,926	17,120,926	24,429,580	7,308,654
Charges for services	3,046,136	3,061,136	3,795,377	734,241
Investment income	200,000	200,000	71,156	(128,844)
Donations		9,888		(9,888)
Miscellaneous	29,297,180	29,297,180	650,950	(28,646,230)
Total revenues	<u>84,444,850</u>	<u>84,522,738</u>	<u>69,323,180</u>	<u>(15,199,558)</u>
Expenditures:				
Assessor	2,185,996	2,185,996	1,947,105	238,891
Attorney	2,903,301	2,906,301	2,744,353	161,948
Board of Supervisors	3,933,514	3,982,165	3,198,800	783,365
Cochise Aging and Social Services	8,709,703	8,713,703	8,407,214	306,489
General government	29,433,892	30,309,746	9,637,675	20,672,071
Health	1,642,425	1,610,961	1,441,744	169,217
Judicial system	11,006,214	11,256,777	10,328,131	928,646
Public and legal defenders	1,822,668	1,717,330	1,548,829	168,501
Recorder	826,902	826,902	734,753	92,149
Public safety	20,582,338	21,342,960	20,639,470	703,490
School Superintendent	494,555	494,555	461,833	32,722
Treasurer	1,134,491	1,149,491	1,090,901	58,590
Total expenditures	<u>84,675,999</u>	<u>86,496,887</u>	<u>62,180,808</u>	<u>24,316,079</u>
Excess (deficiency) of revenues over expenditures	(231,149)	(1,974,149)	7,142,372	9,116,521
Other financing sources:				
Sale of capital assets	30,000	30,000	134,023	104,023
Transfers in	201,149	1,944,149	1,767,730	(176,419)
Total other financing sources	<u>231,149</u>	<u>1,974,149</u>	<u>1,901,753</u>	<u>(72,396)</u>
Net change in fund balances			9,044,125	9,044,125
Fund balances, July 1, 2020	<u>28,070,583</u>	<u>28,070,583</u>	<u>28,070,583</u>	
Fund balances, June 30, 2021	<u>\$ 28,070,583</u>	<u>\$ 28,070,583</u>	<u>\$ 37,114,708</u>	<u>\$ 9,044,125</u>

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Highway and Streets Fund
Year ended June 30, 2021

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 9,104,000	\$ 9,104,000	\$ 13,947,256	\$ 4,843,256
Charges for services	140,500	140,500	74,821	(65,679)
Investment income	35,000	35,000	9,817	(25,183)
Miscellaneous	11,202,000	11,202,000	13,568	(11,188,432)
Total revenues	<u>20,481,500</u>	<u>20,481,500</u>	<u>14,045,462</u>	<u>(6,436,038)</u>
Expenditures:				
Current:				
Highways and streets	<u>20,331,500</u>	<u>20,331,500</u>	<u>10,097,324</u>	<u>10,234,176</u>
Total expenditures	<u>20,331,500</u>	<u>20,331,500</u>	<u>10,097,324</u>	<u>10,234,176</u>
Excess (deficiency) of revenues over expenditures	150,000	150,000	3,948,138	3,798,138
Other financing sources (uses):				
Sale of capital assets			425	425
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>		<u>150,000</u>
Total other financing sources and uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>425</u>	<u>150,425</u>
Net change in fund balances			<u>3,948,563</u>	<u>3,948,563</u>
Fund balances, July 1, 2020			<u>9,606,520</u>	<u>9,606,520</u>
Fund balances, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,555,083</u>	<u>\$ 13,555,083</u>

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2021

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 to adopt the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

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 County Administrator's or Board of Supervisors' approval. With the exception of the General Fund, each fund includes only 1 department.

The General Fund's actual expenditures differ from the expenditures reported on the governmental fund's statement of revenues, expenditures and changes in fund balances because transfers out were budgeted as expenditures.

Cochise County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2021

Arizona State Retirement System	Reporting fiscal year (Measurement date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.26%	0.26%	0.27%	0.26%	0.26%	0.27%	0.29%	
County's proportionate share of the net pension liability	\$ 44,775,193	\$ 37,422,682	\$ 38,087,839	\$ 40,054,284	\$ 42,744,608	\$ 42,532,701	\$ 42,685,890	
County's covered payroll	28,791,204	27,248,793	27,317,312	25,122,131	24,779,581	25,133,395	26,034,337	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	155.5%	137.3%	139.4%	159.4%	172.5%	169.2%	163.96%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan— Administrative Office of the Courts	Reporting fiscal year (Measurement date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.81%	1.80%	1.81%	1.61%	1.58%	1.72%	1.76%	
County's proportionate share of the net pension liability	\$ 8,624,824	\$ 7,614,859	\$ 6,521,429	\$ 6,456,911	\$ 4,457,185	\$ 4,178,318	\$ 3,949,941	
County's covered payroll	2,356,028	2,253,381	2,097,458	1,828,728	1,745,725	1,912,811	1,959,540	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	366.1%	337.9%	310.9%	353.1%	255.3%	218.44%	201.57%	
Plan fiduciary net position as a percentage of the total pension liability	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan	Reporting fiscal year (Measurement date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	2.04%	2.04%	1.66%	1.78%	1.95%	1.84%	1.87%	
County's proportionate share of the net pension liability	\$ 13,801,851	\$ 13,512,989	\$ 10,482,318	\$ 21,749,157	\$ 18,427,509	\$ 14,367,585	\$ 12,532,950	
State's proportionate share of the net pension liability associated with the County	<u>1,311,756</u>	<u>1,270,081</u>	<u>1,796,077</u>	<u>4,513,931</u>	<u>3,804,807</u>	<u>4,479,215</u>	<u>3,842,719</u>	Information not available
Total	<u>\$ 15,113,607</u>	<u>\$ 14,783,070</u>	<u>\$ 12,278,395</u>	<u>\$ 26,263,088</u>	<u>\$ 22,232,316</u>	<u>\$ 18,846,800</u>	<u>\$ 16,375,669</u>	
County's covered payroll	\$ 1,727,778	\$ 2,067,858	\$ 1,499,119	\$ 1,291,276	\$ 1,357,975	\$ 1,544,807	\$ 1,722,405	
County's proportionate share of the net pension liability as a percentage of its covered payroll	798.8%	653.5%	699.2%	1684.3%	1357.0%	930.06%	727.64%	
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2021

Public Safety Personnel Retirement System— Sheriff	Reporting fiscal year (Measurement date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								
Service cost	\$ 886,465	\$ 988,563	\$ 949,321	\$ 1,037,941	\$ 912,659	\$ 897,651	\$ 864,164	
Interest on the total pension liability	3,992,588	3,809,328	3,575,183	3,282,075	3,306,647	3,212,596	2,633,247	
Changes of benefit terms				705,650	344,258		1,126,739	
Differences between expected and actual experience in the measurement of the pension liability	838,018	54,071	1,034,834	(187,240)	(1,789,290)	(213,315)	273,161	
Changes of assumptions or other inputs		1,377,328		2,581,911	1,605,977		5,093,748	
Benefit payments, including refunds of employee contributions	(2,803,785)	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	
Net change in total pension liability	2,913,286	3,209,844	2,760,554	4,571,610	1,619,422	1,245,104	7,387,767	
Total pension liability—beginning	55,208,407	51,998,563	49,238,009	44,666,399	43,046,977	41,801,873	34,414,106	
Total pension liability—ending (a)	<u>\$ 58,121,693</u>	<u>\$ 55,208,407</u>	<u>\$ 51,998,563</u>	<u>\$ 49,238,009</u>	<u>\$ 44,666,399</u>	<u>\$ 43,046,977</u>	<u>\$ 41,801,873</u>	
Plan fiduciary net position								
Contributions—employer	\$ 2,841,950	\$ 2,774,136	\$ 2,321,111	\$ 2,447,945	\$ 3,414,120	\$ 2,816,097	\$ 1,590,648	
Contributions—employee	396,947	403,241	416,973	572,902	542,026	533,148	480,171	
Net investment income	257,546	1,027,398	1,159,997	1,994,903	95,788	479,555	1,625,439	
Benefit payments, including refunds of employee contributions	(2,803,785)	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	Information not available
Hall/Parker settlement			(702,104)					
Pension plan administrative expense	(20,998)	(18,846)	(18,355)	(18,052)	(14,183)	(12,070)		
Other changes		(15,619)	(130,940)	(45,634)	133,030	11,916	(884,905)	
Net change in plan fiduciary net position	671,660	1,150,864	247,898	2,103,337	1,409,952	1,176,818	208,061	
Plan fiduciary net position—beginning	19,177,112	18,026,247	17,778,349	15,675,012	14,265,060	13,088,242	12,880,181	
Plan fiduciary net position—ending (b)	<u>\$ 19,848,772</u>	<u>\$ 19,177,111</u>	<u>\$ 18,026,247</u>	<u>\$ 17,778,349</u>	<u>\$ 15,675,012</u>	<u>\$ 14,265,060</u>	<u>\$ 13,088,242</u>	
County's net pension liability—ending (a) - (b)	\$ 38,272,921	\$ 36,031,296	\$ 33,972,316	\$ 31,459,660	\$ 28,991,387	\$ 28,781,917	\$ 28,713,631	
Plan fiduciary net position as a percentage of the total pension liability	34.15%	34.74%	34.67%	36.11%	35.09%	33.14%	31.31%	
Covered payroll	\$ 5,698,159	\$ 5,323,875	\$ 5,288,422	\$ 4,783,431	\$ 4,745,782	\$ 4,885,979	\$ 4,681,028	
County's net pension liability as a percentage of covered payroll	671.67%	676.79%	642.39%	657.68%	610.89%	589.07%	613.40%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2021
(Concluded)

Corrections Officer Retirement Plan—Detention	Reporting fiscal year (Measurement date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
Total pension liability								
Service cost	\$ 256,408	\$ 317,614	\$ 342,971	\$ 330,614	\$ 297,814	\$ 292,414	\$ 282,410	
Interest on the total pension liability	941,529	875,544	840,121	724,260	742,741	666,802	574,310	
Changes of benefit terms			(647,977)	1,384,226	13,188		133,007	
Differences between expected and actual experience in the measurement of the pension liability	464,133	277,148	513,693	(331,887)	(636,880)	512,038	(165,636)	
Changes of assumptions or other inputs		312,821		301,101	362,499		798,887	
Benefit payments, including refunds of employee contributions	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	
Net change in total pension liability	984,779	1,148,547	250,893	1,769,602	216,814	1,020,658	1,174,077	
Total pension liability—beginning	12,979,893	11,831,346	11,580,453	9,810,851	9,594,037	8,573,379	7,399,302	
Total pension liability—ending (a)	\$ 13,964,672	\$ 12,979,893	\$ 11,831,346	\$ 11,580,453	\$ 9,810,851	\$ 9,594,037	\$ 8,573,379	
Plan fiduciary net position								
Contributions—employer	\$ 585,531	\$ 527,420	\$ 469,110	\$ 448,799	\$ 400,307	\$ 268,393	\$ 222,257	
Contributions—employee	143,084	154,457	195,131	184,017	197,513	171,671	141,534	
Net investment income	177,408	331,548	396,107	648,996	32,454	182,577	617,823	Information not available
Benefit payments, including refunds of employee contributions	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	
Administrative expense	(6,866)	(6,617)	(6,693)	(6,077)	(4,989)	(4,869)		
Other changes	(10,437)		(118)	(33)	36,666	(25,999)	(497,992)	
Net change in plan fiduciary net position	211,429	372,228	255,622	636,990	99,403	141,177	34,721	
Plan fiduciary net position—beginning	6,472,507	6,100,279	5,844,657	5,207,667	5,108,264	4,967,087	4,932,366	
Plan fiduciary net position—ending (b)	\$ 6,683,936	\$ 6,472,507	\$ 6,100,279	\$ 5,844,657	\$ 5,207,667	\$ 5,108,264	\$ 4,967,087	
County's net pension liability—ending (a) - (b)	\$ 7,280,736	\$ 6,507,386	\$ 5,731,067	\$ 5,735,796	\$ 4,603,184	\$ 4,485,773	\$ 3,606,292	
Plan fiduciary net position as a percentage of the total pension liability	47.86%	49.87%	51.56%	50.47%	53.08%	53.24%	57.94%	
Covered payroll	\$ 2,715,762	\$ 2,318,248	\$ 2,477,913	\$ 2,268,355	\$ 2,239,735	\$ 2,168,765	\$ 1,960,381	
County's net pension liability as a percentage of covered payroll	268.09%	280.70%	222.31%	252.86%	205.52%	206.84%	183.96%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2021

	Reporting fiscal year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Arizona State Retirement System									
Statutorily required contribution	\$ 3,320,577	\$ 3,176,996	\$ 2,945,070	\$ 2,965,840	\$ 2,701,331	\$ 2,688,971	\$ 2,738,453	\$ 2,774,744	
County's contributions in relation to the statutorily required contribution	<u>3,320,577</u>	<u>3,176,996</u>	<u>2,945,070</u>	<u>2,965,840</u>	<u>2,701,331</u>	<u>2,688,971</u>	<u>2,738,453</u>	<u>2,774,744</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
County's covered payroll	\$ 28,176,928	\$ 28,791,204	\$ 27,248,793	\$ 27,317,312	\$ 25,122,131	\$ 24,779,581	\$ 25,133,395	\$ 26,034,337	
County's contributions as a percentage of covered payroll	11.78%	11.03%	10.81%	10.86%	10.75%	10.85%	10.90%	10.66%	
Corrections Officer Retirement Plan— Administrative Office of the Courts									
Statutorily required contribution	\$ 653,064	\$ 684,566	\$ 718,941	\$ 477,270	\$ 363,649	\$ 332,346	\$ 284,626	\$ 273,752	
County's contributions in relation to the statutorily required contribution	<u>653,064</u>	<u>684,566</u>	<u>718,941</u>	<u>477,270</u>	<u>363,649</u>	<u>332,346</u>	<u>284,626</u>	<u>273,752</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
County's covered payroll	\$ 2,108,805	\$ 2,356,028	\$ 2,253,381	\$ 2,097,458	\$ 1,828,728	\$ 1,745,725	\$ 1,912,811	\$ 1,959,540	
County's contributions as a percentage of covered payroll	30.97%	29.06%	31.90%	22.75%	19.89%	19.04%	14.88%	13.97%	
Elected Officials Retirement Plan									
Statutorily required contribution	\$ 1,010,737	\$ 998,444	\$ 975,743	\$ 314,179	\$ 303,450	\$ 319,124	\$ 363,029	\$ 398,234	
County's contributions in relation to the statutorily required contribution	<u>1,010,737</u>	<u>998,444</u>	<u>975,743</u>	<u>13,397</u>	<u>303,450</u>	<u>319,124</u>	<u>363,029</u>	<u>398,234</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 300,782	\$ -	\$ -	\$ -	\$ -	Information not available
County's covered payroll	\$ 1,785,558	\$ 1,727,778	\$ 2,067,858	\$ 1,499,119	\$ 1,291,276	\$ 1,357,975	\$ 1,544,807	\$ 1,722,405	
County's contributions as a percentage of covered payroll	56.61%	57.79%	47.19%	0.89%	23.50%	23.50%	23.50%	23.12%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2021
(Concluded)

Public Safety Personnel Retirement System—Sheriff	Reporting fiscal year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 2,571,735	\$ 2,927,213	\$ 2,763,453	\$ 2,359,040	\$ 2,411,458	\$ 2,413,915	\$ 1,854,142	\$ 1,590,648	
County's contributions in relation to the actuarially determined contribution	<u>2,571,735</u>	<u>2,927,213</u>	<u>2,763,453</u>	<u>1,724,096</u>	<u>2,411,458</u>	<u>3,413,915</u>	<u>2,854,142</u>	<u>1,590,648</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 634,944	\$ -	\$ (1,000,000)	\$ (1,000,000)	\$ -	Information not available
County's covered payroll	\$ 5,416,350	\$ 5,698,159	\$ 5,323,875	\$ 5,288,422	\$ 4,783,431	\$ 4,745,782	\$ 4,885,979	\$ 4,681,028	
County's contributions as a percentage of covered payroll	47.48%	51.37%	51.91%	32.60%	50.41%	71.94%	58.41%	33.98%	
Corrections Officer Retirement Plan— Detention	Reporting fiscal year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 723,172	\$ 614,285	\$ 547,986	\$ 516,924	\$ 437,766	\$ 384,058	\$ 268,394	\$ 222,257	
County's contributions in relation to the actuarially determined contribution	<u>723,172</u>	<u>614,285</u>	<u>547,986</u>	<u>516,924</u>	<u>437,766</u>	<u>384,058</u>	<u>268,394</u>	<u>222,257</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
County's covered payroll	\$ 2,600,893	\$ 2,715,762	\$ 2,318,249	\$ 2,577,913	\$ 2,268,355	\$ 2,239,735	\$ 2,168,765	\$ 1,960,381	
County's contributions as a percentage of covered payroll	27.80%	22.62%	23.64%	20.05%	19.30%	17.15%	12.38%	11.34%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Notes to pension plan schedules
June 30, 2021

Note 1 – Actuarially determined contribution rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30, 2 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 percentage-of-pay, closed
Remaining amortization period as of the 2019 actuarial valuation	27 years for PSPRS; 17 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS and from 4.0%–7.25% to 3.5%–6.5% for CORP. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Cochise County
Required supplementary information
Notes to pension plan schedules
June 30, 2021

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP-AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-, CORP-, and CORP-AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-, CORP-, and CORP-AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

SINGLE AUDIT REPORT



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

We have audited, 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, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 18, 2022. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority and Cochise Private Industry Council, Inc., as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We and the other auditors did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-01 and 2021-02, that we consider to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 18, 2022



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report on compliance for each major federal program and report on internal control over compliance

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on compliance for each major federal program

We have audited Cochise County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021, except for the Housing Voucher Cluster (Assistance Listing number 14.871), a major federal program administered by the County's Housing Authority. The major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that major federal program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Cochise County's basic financial statements include the operations of the Cochise Private Industry Council, Inc., which was reported as a discretely presented component unit and expended \$2,014,031 in federal awards that are not included in Cochise County's schedule of expenditures of federal awards for the year ended June 30, 2021. Our audit, described below, did not include the operations of the Cochise Private Industry Council, Inc. because it engaged other auditors to perform its audit.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on each major federal program

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on internal control over compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

April 18, 2022



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	No

Identification of major programs

Assistance Listings number	Name of federal program or cluster	
14.871	Housing Voucher Cluster	
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	
21.019	COVID-19 - Coronavirus Relief Fund	
Dollar threshold used to distinguish between Type A and Type B programs		\$750,000
Auditee qualified as low-risk auditee?		No

Financial statement findings

2021-01

The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies

Condition—The County did not appropriately limit and restrict employee access to payroll processing records because 9 employees could change their own pay rates in the County's system without independent approval. We noted no instances of fraud or misuse of public monies for these 9 employees' or any other payroll transactions we tested.

Effect—The County was exposed to an increased risk of fraud and misuse of public monies because employees could overpay themselves without detection.

Cause—The County did not develop written policies and procedures to monitor the activities of employees who were assigned incompatible roles when it outsourced its payroll processing to a third-party servicer and was unable to prevent certain employees from changing their own pay rates because the third party-party service provider's system could not prevent it.

Criteria—Separating the responsibilities for processing and approving payroll amounts to be paid to employees, to the extent possible, and monitoring the activities of individuals having incompatible roles is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.

Recommendations—The County should develop and implement written policies and procedures for processing payroll that:

1. Limit incompatible roles being assigned to employees in the payroll system to the extent possible, such as eliminating the ability for employees to change their own pay rates without an independent review and approval.
2. Require that continual monitoring of employees' activities be performed, especially when incompatible role assignments cannot be avoided, to help protect County monies and reduce the risk of fraud and the potential misuse of public monies.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2020-01.

2021-02

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition—The County's control procedures were not sufficiently developed and implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

Cause—The County did not prioritize developing and implementing a sufficient process for assigning and reviewing account access and did not fully develop and implement its policies and procedures for logging and monitoring key users.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains, as follows:

- **Restrict access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Recommendations—The County should:

1. Make it a priority to develop and implement comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Restrict access—To restrict access to its IT systems and data, develop and implement processes to:

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.

Secure systems and data—To secure IT systems and data, develop and implement processes to:

3. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2020-04.

Federal award findings and questioned costs

None reported.

COUNTY SECTION

COCHISE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR0404363		\$622,840	\$622,840	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$161,873	\$319,058	\$319,058	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$319,058
WATERSHED PROTECTION AND FLOOD PREVENTION	10.904					\$56,592	\$56,592	N/A	\$0
NATIONAL FOREST SYSTEM-LAW ENFORCEMENT	10.U01	18-LE-11030500-003				\$7,588	\$7,588	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE					\$161,873	\$1,006,078			
DEPARTMENT OF DEFENSE									
FOREST PRODUCT SALES	12.U02	10 USC 2665			\$4,234	\$4,234	\$4,234	N/A	\$0
TOTAL DEPARTMENT OF DEFENSE					\$4,234	\$4,234			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241					\$212,632	\$212,632	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$3,246,795	\$3,246,795	HOUSING VOUCHER CLUSTER	\$3,246,795
FAMILY SELF-SUFFICIENCY PROGRAM	14.896					\$46,195	\$46,195	N/A	\$0
EMERGENCY HOUSING VOUCHER	14.U03	UNKNOWN				\$45,150	\$45,150	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$3,550,772			
DEPARTMENT OF THE INTERIOR									
DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENTS	15.227				\$5,079	\$5,079	\$5,079	N/A	\$0
TOTAL DEPARTMENT OF THE INTERIOR					\$5,079	\$5,079			
DEPARTMENT OF JUSTICE									
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-015 ACESF-21-016		\$35,681	\$35,681	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2016-VA-GX-0046 2018-V2-GX-0012		\$105,810	\$105,810	N/A	\$0
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606					\$19,552	\$19,552	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-21-003 DC-21-021		\$75,404	\$75,404	N/A	\$0
ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES	16.U04	SW-AZT-0908				\$9,055	\$9,055	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$245,502			
DEPARTMENT OF TRANSPORTATION									
AIRPORT IMPROVEMENT PROGRAM	20.106					\$153,674	\$153,674	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-AL-015 2020-PTS-015 2021-AL-012 2021-PTS-014		\$22,791	\$22,791	HIGHWAY SAFETY CLUSTER	\$32,606
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-CIOT-005 2021-CIOT-006		\$9,815	\$9,815	HIGHWAY SAFETY CLUSTER	\$32,606
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703		ARIZONA EMERGENCY RESPONSE COMMISSION	693JK3194003HMPEP		\$42,247	\$42,247	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION						\$228,527			
DEPARTMENT OF TREASURY									
CORONAVIRUS RELIEF FUND	21.019	COVID-19	ARIZONA OFFICE OF THE GOVERNOR	ERMT-20-025 ERMT-CRF-21-1002 ERMT-EP-21-035		\$282,362	\$282,362	N/A	\$0
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19				\$1,525,467	\$1,525,467	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$1,807,829			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
GRANTS TO STATES	45.310	COVID-19	ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS	2020-0010-CAP-04 2020-0260-04 2020-0720-13		\$44,130	\$44,130	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						\$44,130			
ENVIRONMENTAL PROTECTION AGENCY									
BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	66.818					\$366,659	\$366,659	N/A	\$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY						\$366,659			
DEPARTMENT OF EDUCATION									
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013		ARIZONA DEPARTMENT OF EDUCATION	21FLCCCL-113161-02A 21FSECBG-110784-09A 21FSECBG-113402-09A		\$6,179	\$6,179	N/A	\$0
SPECIAL EDUCATION GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	21FSECBG-113402-09A		\$2,644	\$2,644	SPECIAL EDUCATION CLUSTER (IDEA)	\$2,644
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365		ARIZONA DEPARTMENT OF EDUCATION	20FELENG-0131161-66A61-66A	\$18,425	\$18,425	\$18,425	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425D	ARIZONA DEPARTMENT OF EDUCATION	20FERNT-013161-01A		\$8,525	\$8,525	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					\$18,425	\$35,773			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION									
2018 HAVA ELECTION SECURITY GRANTS	90.404		ARIZONA SECRETARY OF STATE'S OFFICE	AZ20101001		\$19,378	\$19,378	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION						\$19,378			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
SPECIAL PROGRAMS FOR THE AGING TITLE III, PART B GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044		SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION	107-21		\$176,632	\$176,632	AGING CLUSTER	\$176,632
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133164 A8		\$170,090	\$170,090	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-180472 A2 & A3		\$61,319	\$61,319	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177676 A2-A5		\$84,206	\$84,206	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-074 IGA2021-055		\$520,926	\$520,926	N/A	\$0

<i>PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE</i>	93.354	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133164 A7 & A8	\$244,122	\$244,122	N/A	\$0
<i>CHILD SUPPORT ENFORCEMENT</i>	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002163	\$42,193	\$42,193	N/A	\$0
<i>OPIOID STR</i>	93.788		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-180472 A3	\$44,403	\$44,403	N/A	\$0
<i>PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS</i>	93.977		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040475	\$12,804	\$12,804	N/A	\$0
<i>PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT</i>	93.991		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-015	\$25,876	\$25,876	N/A	\$0
<i>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</i>	93.994		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-038	\$104,608	\$104,608	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>\$1,487,179</u>			
EXECUTIVE OFFICE OF THE PRESIDENT								
<i>HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM</i>	95.001		CITY OF TUCSON	HT-21-2909 HT-20-2909 HT-20-2912 HT-19-2934	\$218,705	\$218,705	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					<u>\$218,705</u>			
DEPARTMENT OF HOMELAND SECURITY								
<i>EMERGENCY MANAGEMENT PERFORMANCE GRANTS</i>	97.042		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2020-EP-00009 EMF-2016-EP-00009-A22 EMF-2019-EP-00010	\$488,897	\$488,897	N/A	\$0
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	18-AZDOHS-OPSG-180401-04 19-AZDOHS-OPSG-190411-01 20-AZDOHS-OPSG-200412-01 20-AZDOHS-HSGP-200400-01 20-AZDOHS-HSGP-200400-02 20-AZDOHS-HSGP-200400-03 0531-HSGP 17-AZDOHS-HSGP-170400-02	\$462,701	\$462,701	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>\$951,598</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$189,611</u>	<u>\$9,971,443</u>		

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

COCHISE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Cochise County's federal grant activity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings. When no Federal Assistance Listings number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word unknown were used.

Donated personal protective equipment (PPE)

At the time of receipt, the fair market value of donated personal protective equipment purchased with federal assistance funds for the year ended June 30, 2021 was \$1,528,592.

COUNTY RESPONSE



Cochise County Finance Department

Public Programs...Personal Service
www.cochise.az.gov

Keith Buonocore
Finance Director

March 28, 2022

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Keith Buonocore
Cochise County Finance Director

Financial statement findings

2021-01

The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies

Contact: Jennifer Graeme

Anticipated completion date: April 1, 2022

Corrective Action:

On Tuesday, March 29, 2022, our ADP Optimization Representative, Kellie Dobbert will remove five (5) of the nine (9) individuals currently able to make pay rate changes, in a scheduled Zoom meeting, allowing for full transparency. In addition, the four (4) remaining members of the Human Resources department will have an "exception" attached to their permissions preventing them from taking any action on their personal employment information, to include pay rate.

The HR Director and/or the Associate Director will review any pay rate changes made by the HR staff each pay period by the Friday before payroll week (no later than the Monday of payroll week). This control will be in place to ensure only the appropriate pay rate changes have been made per the Personnel Action Forms (PAF) approved for each payroll cycle.

2021-02

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Contact: Joe Casey

Anticipated completion date: 1 and 2) June 30, 2022; 3) September 12, 2021

Corrective Action:

The County will make it a priority to develop and implement processes to ensure the procedures are consistently followed. The IT department staff will work with Finance to conduct a workflow analysis to identify and grant appropriate system access based on "roles" that are compatible with job responsibilities rather than individual access and restrict user access where appropriate.

Additionally, the County has fully implemented and installed the Varonis administrative software on September 12, 2021, which analyzes and generates reports to identify and ensure proactive key user and system activity logging and log monitoring for all users.



Cochise County Finance Department

Public Programs...Personal Service
www.cochise.az.gov

Keith Buonocore
Finance Director

March 28, 2022

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Keith Buonocore
Cochise County Finance Director

Cochise County

Summary schedule of prior audit findings

Year ended June 30, 2021

Status of financial statement findings

The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies

Finding number: 2020-01

This finding initially occurred in fiscal year 2019.

Status: Partially corrected

The Human Resources department has recently hired two more employees that will supplement the system workflow changes and act as backups for the original two employees. This step was necessary prior to implementation of the correction. The department director and associate director will act in the administrative capacity to periodically review the work of the employees and make adjustments as deemed necessary.

County departments did not prepare and retain appropriate payroll records to document that employee pay rate increases were authorized, increasing the risk of fraud and potential misuse of public monies

Finding number: 2020-02

This finding initially occurred in fiscal year 2020.

Status: Fully corrected

The County's deficiencies in its process for managing and documenting its risk may put its operations and IT systems and data at unintended and unnecessary risk

Finding number: 2020-03

This finding initially occurred in fiscal year 2017.

Status: Fully corrected

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Finding number: 2020-04

This finding initially occurred in fiscal year 2017.

Status: Partially corrected

The Information Technology and Finance departments needed to make available the resources to address the years of individual employee "role" assignments and convert them to "profile" assignments based on similar or matching workflows. Resources are now available to address this system change. These "profiles" will be monitored and adjusted in the future based on system changes or workflow changes.

