# Cochise County

Annual Financial and Single Audit Reports

Year Ended June 30, 2023

A Report to the Arizona Legislature


**Lindsey A. Perry**
Auditor General


ARIZONA Auditor General

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

## The Joint Legislative Audit Committee



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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 audit of the financial statements

### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2023, 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.

We did not audit the financial statements of the Housing Authority, Accommodation School District, 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 for the opinion units affected as of June 30, 2023.

| Opinion units affected | Assets and deferred outflows | Liabilities and deferred inflows | Revenues | Expenses/ Expenditures |
|---|---|---|---|---|
| **Government-wide statements** | | | | |
| **Governmental activities** | | | | |
| Accommodation School District | 0% | 0% | 2% | 3% |
| **Business-type activities** | | | | |
| Housing Authority | 9% | 10% | 40% | 43% |
| **Discretely presented component unit** | | | | |
| Cochise Private Industry Council, Inc. | 100% | 100% | 100% | 100% |
| **Fund statements** | | | | |
| **Aggregate remaining fund information** | | | | |
| Accommodation School District | 1% | 4% | 1% | 1% |
| Housing Authority | 1% | 6% | 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.

### *Basis for opinions*

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 U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors’ responsibilities for the audit of the financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of matters*

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

### *Other matters*

*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.

### *Management’s responsibilities for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-11, budgetary comparison schedules on pages 51 through 55, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 56, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 57 through 58, and schedule of County pension contributions on pages 59 through 60 be presented to supplement the basic financial statements. Such information is management's responsibility and, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information 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. The 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 reports of the other auditors, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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

March 29, 2024

# Cochise County
## Management's Discussion and Analysis
## June 30, 2023

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, 2023. 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 $156.6 million (net position). Of the net position amount, $125.8 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure, intangible right-to-use lease assets, subscription-based information technology arrangement assets and construction in progress); $36.3 million is restricted for specific purposes (restricted net position); and $(5.5) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2023, total assets were $287.6 million, an increase of $21.2 million, or 8.0%, in comparison with the prior fiscal year's balance of $266.4 million.
- At June 30, 2023, total liabilities were $143.5 million, an increase of $11.9 million, or 9.0%, in comparison with the prior fiscal year's balance of $131.7 million.
- At June 30, 2023, other liabilities were $29.6 million, decrease of $833 thousand, or (2.7)%, in comparison with the prior fiscal year's balance of $30.5 million.
- At June 30, 2023, the County reported total deferred outflows of resources related to leases, pensions and other postemployment benefits (OPEB) of $16.8 million and deferred inflows of resources related to pensions/OPEB of $4.3 million.
- At June 30, 2023, the governmental funds reported combined fund balances of $104.0 million, an increase of $18.0 million, or 20.9%, in comparison with the prior year's combined fund balances of $86.3 million.
- At June 30, 2023, $32.1 million, or 30.9%, of governmental fund balances were restricted, $27.4 million, or 26.3%, were assigned, $653 thousand, or 0.6%, were nonspendable, and $43.9 million, or 42.2%, 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 nonspendable fund balances are legally or contractually required to be maintained intact. 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.

The *Statement of Net Position* presents information on all 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 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 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*.

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, Border Security Trust Fund, the DPS Agreements 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 Border Security Trust Fund accounts for the maintenance of the County's Department of Emergency and Military Affairs (DEMA) awarded grants in a cost-effective and responsible manner as set forth in each respective grant award document. The Fund's most significant revenue source is intergovernmental grant funding.

The DPS Agreements Fund accounts for the acquisition of the County Sheriff's Fusion building, which will house various law enforcement entities to enhance collaboration across entities. The source of revenue for the fund is an intergovernmental grant awarded by the Arizona Department of Public Safety.

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 49 of this report.

**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 51 through 62 of this report.

### Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. The net increase of $22.4 million in current and other assets was primarily due to $2.9 million in LATCF federal funds received, $474 thousand in County Attorney Rural Diversion program state funding received, $714 thousand in Cochise County Sheriff's Office Legacy Foundation Mental Health Support Award grant funding received, $4.4 million in Cochise County Sheriff's office Fusion Center building funding received from the state, $672 thousand in Opioid Settlement funds received, and $1.5 million in State School Interoperability Safety Program grant funding and accounts receivable for opioid settlements in the governmental funds that was received in the fiscal year. The net increase in total liabilities of $11.9 million was primarily due to the increase of $562 thousand in landfill closure and postclosure care costs payable, the increase of $21.3 million in unearned revenue, the increase of $300 thousand in subscription liabilities payable, the increase of $1.9 million in accrued payroll and employee benefits, the increase of $1.4 million in accounts payable, and $8.1 million in unspent ARPA funds, offset by a reduction in compensated absences 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 $156.6 million.

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2022 and 2023

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | June 30, 2022 (as restated) | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 |
| Assets: | | | | | | |
| Current and other assets | $128,674,132 | $149,586,428 | $10,058,870 | $11,594,496 | $138,733,002 | $161,180,924 |
| Capital assets, net | 120,684,018 | 119,056,321 | 7,000,151 | 7,392,205 | 127,684,169 | 126,448,526 |
| Total assets | 249,358,150 | 268,642,749 | 17,059,021 | 18,986,701 | 266,417,171 | 287,629,450 |
| Deferred outflows | 20,307,677 | 16,482,920 | 508,651 | 356,946 | 20,816,328 | 16,839,866 |
| Liabilities: | | | | | | |
| Other liabilities | 30,158,167 | 29,345,274 | 301,332 | 281,315 | 30,459,499 | 29,626,589 |
| Long-term liabilities | 94,331,964 | 105,940,012 | 6,876,243 | 7,981,659 | 101,208,207 | 113,921,671 |
| Total liabilities | 124,490,131 | 135,285,286 | 7,177,575 | 8,262,974 | 131,667,706 | 143,548,260 |
| Deferred inflows | | | | | | |
| Related to pensions and OPEB | 19,277,943 | 4,017,482 | 740,259 | 173,677 | 20,018,202 | 4,191,159 |
| Related to leases | | | 193,140 | 141,971 | 193,140 | 141,971 |
| Total deferred inflows | 19,277,943 | 4,017,482 | 933,399 | 315,648 | 20,211,342 | 4,333,130 |
| Net position: | | | | | | |
| Net investment in capital assets | $120,132,013 | $118,398,234 | $ 7,000,151 | $ 7,377,371 | $127,132,164 | $125,775,605 |
| Restricted | 25,498,361 | 36,309,911 | 6,320 | 6,320 | 25,504,681 | 36,316,231 |
| Unrestricted | (19,732,621) | (8,885,245) | 2,450,227 | 3,381,334 | (17,282,394) | (5,503,911) |
| Total net position | $125,897,753 | $145,822,900 | $ 9,456,698 | $10,765,025 | $135,354,451 | $156,587,925 |

A large portion of Cochise County's net position (80.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, intangible right-to-use lease assets, subscription-based information technology arrangements, and equipment). This amount is presented less accumulated depreciation/amortization 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.

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 $21.2 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, 2022 and 2023

| | Governmental Activities Fiscal Year | | Business-type Activities Fiscal Year | | Total Fiscal Year | |
|---|---|---|---|---|---|---|
| | 2021-22 (as restated) | 2022-23 | 2021-22 | 2022-23 | 2021-22 (as restated) | 2022-23 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 8,577,102 | $ 12,566,440 | $ 5,495,226 | $ 6,087,181 | $ 14,522,328 | $ 18,653,621 |
| Operating grants and contributions | 39,140,763 | 53,310,049 | 5,383,832 | 5,287,276 | 44,524,595 | 58,597,325 |
| Capital grants and contributions | | 5,031 | | | | 5,031 |
| General revenues: | | | | | | |
| Property taxes | 32,433,708 | 33,391,603 | | | 32,433,708 | 33,391,603 |
| State shared sales tax | 18,254,473 | 19,246,382 | | | 18,254,473 | 19,246,382 |
| State shared unrestricted vehicle license tax | 4,543,761 | 4,699,280 | | | 4,543,761 | 4,699,280 |
| County excise tax | 9,187,482 | 9,943,294 | 676,326 | 748,364 | 9,863,808 | 10,691,658 |
| Other | 1,199,955 | 6,101,087 | 703,867 | 348,729 | 1,903,822 | 6,449,816 |
| Total revenues | 113,337,244 | 139,263,166 | 12,709,251 | 12,471,550 | 126,046,495 | 151,734,716 |
| Expenses | | | | | | |
| General government | $ 53,695,500 | $ 56,908,598 | | | $ 53,695,500 | $ 56,908,598 |
| Public safety | 25,792,280 | 33,450,598 | | | 25,792,280 | 33,450,598 |
| Highways and streets | 11,672,047 | 14,107,334 | | | 11,672,047 | 14,107,334 |
| Sanitation | 628,539 | 789,298 | | | 628,539 | 789,298 |
| Health and welfare | 6,943,703 | 8,759,703 | | | 6,943,703 | 8,759,703 |
| Culture and recreation | 1,415,459 | 1,303,776 | | | 1,415,459 | 1,303,776 |
| Education | 2,994,195 | 3,871,071 | | | 2,994,195 | 3,871,071 |
| Solid waste operations | | | 5,120,561 | 5,575,647 | 5,120,561 | 5,575,647 |
| Airport | | | 2,200,963 | 846,969 | 2,200,963 | 846,969 |
| Housing authority | | | 3,614,546 | 4,888,249 | 3,614,546 | 4,888,249 |
| Total expenses | 103,141,723 | 119,190,378 | 10,936,070 | 11,310,865 | 114,077,793 | 130,501,243 |
| Increase/(decrease) in net position before transfers | 10,579,870 | 20,072,788 | 1,156,567 | 1,160,685 | 11,736,437 | 21,233,473 |
| Transfers | (616,614) | (147,642) | 616,614 | 147,642 | | |
| Increase/(decrease) in net position | $ 9,963,256 | $ 19,925,146 | $ 1,773,181 | $ 1,308,327 | $ 11,736,437 | $ 21,233,473 |

Overall, revenues increased $25.7 million or 20.4%, and expenses increased by $16.4 million, or 14.4%, in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- State-shared tax revenue increased by $992 thousand, or 5.4%, and County excise tax revenue increased by $828 thousand, or 8.4%, in the current year primarily due to an increase in retail sales.
- Charges for service increased 4.1 million or 28.4% due to opioid settlement revenues received.

- Operating grants and contributions increased $14 million, largely due to the receipt of various state and federal funding in FY23.
- Other revenue increased $4.5 million, or 238.8% due to a less investment income loss compared to FY22 ($365 thousand in FY23 compared to $3 million in FY22).
- General government expenses increased $3.2 million, or 6.0%, largely due to increases in employee salaries and employer related expenses and in overall pension expense incurred by the County.
- Public safety expenses increased $7.7 million, or 29.7%, largely due to professional services expenses and equipment purchases.
- Highways & Streets expenses increased $2.4 million, or 20.9%, largely due to an increase in costs of materials and overall spending.
- Health and welfare expenses increased $1.8 million, or 26.2%, largely due to an increase in personnel services and benefits.

<u>**Financial Analysis of the County's Funds**</u>

The County reported five major governmental funds for this fiscal year: the General Fund, Border Security Trust Fund, DPS Agreements 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 $104.0 million, which is an increase of $17.7 million, or 20.9%. Of the total, $32.1 million constitutes restricted fund balances.

For governmental funds, overall revenues increased $23.3 million, or 21.2%, and expenditures increased by $10.4 million, or 9.9%. Governmental revenues exceeded expenditures by $17.0 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2023, the total fund balance was $44.4 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, 2023, the fund balance represents 62.3% 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 decreased by $1.4 million, or (2.6)%, in the current year largely due to more invoices being paid in FY 2023 prior to fiscal year end.
- Property tax receivable increased by $92 thousand, or 14.8%, 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 increased by $295 thousand, or 54.6%, in the current year largely due to more revenue being due to several departments at fiscal year-end.
- Accounts payable increased by $623 thousand, or 54.5%, in the current year largely due to invoices being incurred prior to fiscal year end.

Capital Projects Fund

- Due from other governments increased by $28 thousand, or 11.2%, in the current year largely due to accrual of half cent excise tax revenue that was due to the County from the State of Arizona.
- Accounts payable increased by $104 thousand, or 300.1%, in the current year largely due to expenses on projects being paid in the next fiscal year.
- Tax revenue increased by $224 thousand, or 7.6%, in the current year largely due to the increase in the County's half cent excise tax received for capital projects.
- Expenditures for capital outlay decreased by $1.4 million, or (65.2)%, in the current year largely due to an decrease in capital outlay purchases/remodel/construction projects in FY23.

Highways and Streets Fund

- Cash and investments held by the County Treasurer increased by $901 thousand, or 6.2%, in the current year largely due to an increase in Highway User Revenue Fund (HURF) revenue received prior to fiscal year-end.
- Accounts payable increased by $736 thousand, or 154.0%, in the current year largely due to materials for road projects in the current fiscal year paid in the next fiscal year.
- Current expenditures for highways and streets increased by $2.3 million, or 21.3%, in the current year largely due to the cost of materials used in road maintenance/improvement work throughout the County.

Border Security Trust Fund

- Cash and investments held by the County Treasurer decreased by $169 thousand, or (3.3)%, in the current year as a result of spending in the current fiscal year.
- Total assets increased by $779 thousand or 12.0% as a result of DEMA funding for grants received in the fiscal year.
- Unearned revenue and total liabilities decreased by $2.2 million or (13.8)% as a result of more intergovernmental grant revenue being recognized at fiscal year end.
- Unavailable revenue and deferred inflows of resources increased by $1.1 million or 136%, as a result of timing differences.
- Intergovernmental revenues increased by $5.0 million, or 326.9%, in the current year as a result of an increase of grant reimbursements received during the fiscal year.
- Total current expenditures increased by $4.3 million, or 736.3%, in the current fiscal year as a result of the spending on grants received in the fiscal year.

DPS Agreements Fund

- Cash and investments held by the County Treasurer increased by $4.4 million, in the current year as a result of new funding received in the current fiscal year.
- Total assets increased by $4.4 million as a result of state funding received in the fiscal year.
- Unearned revenue and total liabilities increased by $4.4 million as a result of the deferment of intergovernmental grant revenue at fiscal year end.
- Total current expenditures increased by $70 thousand, in the current fiscal year as a result of the spending on grants received in the fiscal year.

**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 a combined net position of $25.3 million, which is an increase of $2.3 million, or 10.1%. Of the total, $9.3 million constitutes unrestricted net position.

For proprietary funds, overall revenues increased by $2.1 million, or 15.0%, and expenses increased by $708 thousand, or 4.9%. Proprietary operating revenues exceeded operating expenses by $1.4 million 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 $151 thousand, or (38.2)%, in the current year due to an increase in accounts collected for services provided.
- Net capital assets decreased by $179 thousand, or (6.3)%, largely due to depreciation expense in that amount.
- Deferred outflows of resources related to pensions/OPEB decreased by $118 thousand, or (29.2)%, in the current year due to the decrease in the estimated amount needed in the future for employee pensions, and other postemployment benefits.
- Long-term landfill closure and postclosure care costs payable increased by $560 thousand, or 12.6%, 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 $434 thousand, or (76.5)%, 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 $693 thousand, or 24.0%, in the current year due to an increase in charges for services revenue collected to deliver those services.

Bisbee-Douglas International Airport

- Cash and investments held by County Treasurer decreased by $658 thousand, or (35.1)%, in the current year due to an increase in expenses.
- Net capital assets increased by $571 thousand, or 13.1%, due to recognized depreciation during the fiscal year offset by the completion of the BDI terminal construction in progress.

Housing Authority

- In 2022, Douglas Housing Authority's Section 8 program was transferred to Cochise County Housing Authority which impacted their 2023 financial statements. This program transfer contributed $263,356 in Section 8 Housing Voucher program capital. The net effect was an increase in changes in net position.

## Capital and Debt Administration

### Capital Assets

The County's investment in capital assets as of June 30, 2023, totaled $126.4 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, intangible right-to-use lease assets, subscription-based information technology agreements, and machinery and equipment. The following provides the major changes in governmental capital assets during the current fiscal year.

- Construction in progress increased by $2.1 million for progress made on new infrastructure.
- Equipment increased by $4.4 million while accumulated depreciation increased by $4.0 million.
- Intangible right-to-use lease equipment remained the same while accumulated amortization increased by $170 thousand.
- Intangible right-to-use lease land remained the same while accumulated amortization increased by $28 thousand.
- Subscription-based information technology arrangement assets increased by $1.3 million due to the implementation of GASB 96, while accumulated amortization increased by $495 thousand.
- Infrastructure decreased by $24 thousand while accumulated depreciation increased by $2.7 million.
- Accumulated depreciation increased by $8.9 million in annual depreciation expense.
- Accumulated amortization increased by $423 thousand in annual amortization expense.

Additional information on the County's capital assets can be found in Note 6 on pages 25 through 27 of this report.

### Long-term Debt

At June 30, 2023, the County had no general obligation or revenue bonds outstanding.

The County made lease and subscription payments sufficient to pay principal and interest on outstanding obligations. Further detail pertaining to the County's long-term obligations is available in Note 7 to the financial statements.

### Budgetary Comparison—General Fund

For the General Fund, actual revenues were less than the final budgeted amounts by $34.8 million, and the actual expenditures were $51.9 million less than the final budgeted amounts. The budget variance for revenues was a decrease in budgeted miscellaneous revenue, related to budgeted cash carry forward that is not reflected in actual revenue. Decrease in intergovernmental and increase in 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.

### 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, 2023

| | Primary government | | | |
|---|---|---|---|---|
| | Governmental activities | Business-type activities | Total | Component unit |
| **Assets** | | | | |
| Cash in bank and on hand | $ 698,331 | $ 1,088,119 | $ 1,786,450 | $ 95,049 |
| Cash and investments held by County Treasurer | 130,182,834 | 8,747,649 | 138,930,483 | |
| Receivables (net of allowances for uncollectibles): | | | | |
| Property taxes | 855,256 | | 855,256 | |
| Accounts | 4,249,914 | 361,569 | 4,611,483 | |
| Leases | | 148,255 | 148,255 | |
| Due from other governments | 9,248,999 | 855,345 | 10,104,344 | 239,207 |
| Cash—restricted | | 305,386 | 305,386 | |
| Prepaid items | 652,986 | 6,320 | 659,306 | |
| Other assets | 1,185,995 | | 1,185,995 | 910 |
| Net other postemployment benefits asset | 2,512,113 | 81,853 | 2,593,966 | |
| Capital assets, not being depreciated/amortized | 7,853,240 | 1,599,900 | 9,453,140 | |
| Capital assets, being depreciated/amortized, net | 111,203,081 | 5,792,305 | 116,995,386 | 388,585 |
| Total assets | 268,642,749 | 18,986,701 | 287,629,450 | 723,751 |
| **Deferred outflows of resources** | | | | |
| Deferred outflows related to pensions and other postemployment benefits | 16,482,920 | 356,946 | 16,839,866 | |
| **Liabilities** | | | | |
| Accounts payable | 4,213,351 | 118,830 | 4,332,181 | 118,069 |
| Lease interest payable | 15,279 | 889 | 16,168 | |
| Accrued payroll and employee benefits | 2,184,209 | 35,450 | 2,219,659 | |
| Due to other governments | 827,307 | 68,673 | 895,980 | |
| Due to related party | | | | 37,448 |
| Unearned revenue | 21,683,794 | 55,873 | 21,739,667 | |
| Deposits held for others | 421,334 | 1,600 | 422,934 | |
| Noncurrent liabilities | | | | |
| Due within 1 year | 4,009,984 | 228,812 | 4,238,796 | 117,718 |
| Due in more than 1 year | 101,930,028 | 7,752,847 | 109,682,875 | 318,832 |
| Total liabilities | 135,285,286 | 8,262,974 | 143,548,260 | 592,067 |
| **Deferred inflows of resources** | | | | |
| Deferred inflows related to pensions and other postemployment benefits | 4,017,482 | 173,677 | 4,191,159 | |
| Deferred inflows related to leases | | 141,971 | 141,971 | |
| Total deferred inflows of resources | 4,017,482 | 315,648 | 4,333,130 | |
| **Net position** | | | | |
| Net investment in capital assets | 118,398,234 | 7,377,371 | 125,775,605 | |
| Restricted for: | | | | |
| Education | 921,487 | | 921,487 | |
| Flood | 7,016,906 | | 7,016,906 | |
| Highways and streets | 6,506,605 | | 6,506,605 | |
| Health | 5,589,848 | | 5,589,848 | |
| Judicial | 5,254,754 | | 5,254,754 | |
| Public safety | 4,572,550 | | 4,572,550 | |
| Library | 1,628,752 | | 1,628,752 | |
| Other | 4,819,009 | 6,320 | 4,825,329 | |
| Workforce development | | | | 72,707 |
| Unrestricted (deficit) | (8,885,245) | 3,381,334 | (5,503,911) | 58,977 |
| Total net position | $ 145,822,900 | $ 10,765,025 | $ 156,587,925 | $ 131,684 |

See accompanying notes to financial statements.

# Cochise County
## Statement of activities
## Year ended June 30, 2023

| Functions/programs | Expenses | Program revenues: Charges for services | Program revenues: Operating grants and contributions | Program revenues: Capital grants and contributions | Net (expense) revenue and changes in net position: Primary government: Governmental activities | Business-type activities | Total | Component unit |
|---|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | $ 56,908,598 | $ 6,553,466 | $ 16,921,146 | $ 5,031 | $ (33,428,955) | | $ (33,428,955) | |
| Public safety | 33,450,598 | 789,471 | 13,681,076 | | (18,980,051) | | (18,980,051) | |
| Highways and streets | 14,107,334 | 414,406 | 13,639,777 | | (53,151) | | (53,151) | |
| Sanitation | 789,298 | 397,506 | 304,227 | | (87,565) | | (87,565) | |
| Health and welfare | 8,759,703 | 4,303,145 | 5,318,394 | | 961,836 | | 961,836 | |
| Culture and recreation | 1,303,776 | 2,514 | 40,430 | | (1,260,832) | | (1,260,832) | |
| Education | 3,871,071 | 5,932 | 3,404,999 | | (460,140) | | (460,140) | |
| Total governmental activities | 119,190,378 | 12,566,440 | 53,310,049 | 5,031 | (53,308,858) | | (53,308,858) | |
| Business-type activities: | | | | | | | | |
| Bisbee-Douglas International Airport | 846,969 | 651,109 | 375,987 | | | 180,127 | 180,127 | |
| Solid Waste Operations | 5,575,647 | 5,346,340 | | | | (229,307) | (229,307) | |
| Housing Authority | 4,888,249 | 89,732 | 5,174,645 | | | 376,128 | 376,128 | |
| Total business-type activities | 11,310,865 | 6,087,181 | 5,550,632 | | | 326,948 | 326,948 | |
| Total primary government | $ 130,501,243 | $ 18,653,621 | $ 58,860,681 | $ 5,031 | $ (53,308,858) | $ 326,948 | $ (52,981,910) | |
| **Component unit:** | | | | | | | | |
| Cochise Private Industry Council, Inc. | $ 2,680,234 | | $ 2,602,179 | | | | | $ (78,055) |
| General revenues: | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes, levied for general purposes | | | | | $ 29,749,018 | | $ 29,749,018 | |
| Property taxes, levied for flood control | | | | | 2,187,669 | | 2,187,669 | |
| Property taxes, levied for library | | | | | 1,454,916 | | 1,454,916 | |
| County excise taxes | | | | | 9,943,294 | $ 748,364 | 10,691,658 | |
| Share of state sales taxes | | | | | 19,246,382 | | 19,246,382 | |
| Share of state unrestricted vehicle license tax | | | | | 4,699,280 | | 4,699,280 | |
| Grants and contributions not restricted to specific programs | | | | | 3,451,165 | | 3,451,165 | |
| Investment income | | | | | (469,149) | (2,174) | (471,323) | |
| Gain on disposal of capital assets | | | | | 349,105 | | 349,105 | |
| Miscellaneous | | | | | 2,769,966 | 87,547 | 2,857,513 | $ 81,317 |
| Transfers | | | | | (147,642) | 147,642 | | |
| Total general revenues and transfers | | | | | 73,234,004 | 981,379 | 74,215,383 | 81,317 |
| Change in net position | | | | | 19,925,146 | 1,308,327 | 21,233,473 | 3,262 |
| Net position, July 1, 2022, as restated | | | | | 125,897,754 | 9,456,698 | 135,354,452 | 128,422 |
| Net position, June 30, 2023 | | | | | $ 145,822,900 | $ 10,765,025 | $ 156,587,925 | $ 131,684 |

See accompanying notes to financial statements.

# Cochise County
## Balance sheet
## Governmental funds
## June 30, 2023

| | Major Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Capital Projects Fund | Highway and Streets Fund | Border Security Trust Fund | DPS Agreements Fund | Other governmental funds | Total governmental funds |
| **Assets** | | | | | | | |
| Cash in bank and on hand | $ 120,809 | | | | | $ 577,322 | $ 698,131 |
| Cash and investments held by County Treasurer | 52,239,311 | $ 16,887,081 | $ 15,432,021 | $ 4,870,527 | $ 4,351,751 | 29,050,726 | 122,831,417 |
| Receivables (net of allowances for uncollectibles): | | | | | | | |
| Property taxes | 714,654 | | | | | 140,602 | 855,256 |
| Accounts | 787,154 | | 3,280 | | | 3,451,060 | 4,241,494 |
| Due from: | | | | | | | |
| Other governments | 1,865,919 | 277,679 | 2,228,954 | 1,969,950 | | 2,906,498 | 9,249,000 |
| Prepaid items | 215,486 | | | 437,500 | | | 652,986 |
| Other assets | 1,050,749 | | | | | 135,246 | 1,185,995 |
| Total assets | $ 56,994,082 | $ 17,164,760 | $ 17,664,255 | $ 7,277,977 | $ 4,351,751 | $ 36,261,454 | $ 139,714,279 |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 1,765,290 | $ 138,853 | $ 1,214,197 | $ 56,668 | | $ 820,308 | $ 3,995,316 |
| Accrued payroll and employee benefits | 1,338,644 | | 130,862 | 49,338 | | 646,547 | 2,165,391 |
| Due to: | | | | | | | |
| Other governments | | | | | | 827,307 | 827,307 |
| Deposits held for others | 409,726 | | | | | 11,609 | 421,335 |
| Unearned revenue | 8,244,265 | | | 2,876,300 | $ 4,430,000 | 6,133,229 | 21,683,794 |
| Total liabilities | 11,757,925 | 138,853 | 1,345,059 | 2,982,306 | 4,430,000 | 8,439,000 | 29,093,143 |
| **Deferred inflows of resources** | | | | | | | |
| Unavailable revenue | 847,060 | 5,031 | | 1,969,950 | | 3,807,362 | 6,629,403 |
| **Fund balances** | | | | | | | |
| Restricted | | | 6,506,605 | 1,888,221 | | 23,697,708 | 32,092,354 |
| Assigned | | 17,020,876 | 9,812,591 | | | 530,891 | 27,364,358 |
| Nonspendable | 215,486 | | | 437,500 | | | 652,986 |
| Unassigned | 44,173,611 | | | | (78,249) | (213,507) | 43,881,855 |
| Total fund balances (deficit) | 44,389,097 | 17,020,876 | 16,319,196 | 2,325,721 | (78,249) | 24,015,092 | 103,991,733 |
| Total liabilities, deferred inflows of resources and fund balances | $ 56,994,082 | $ 17,164,760 | $ 17,664,255 | $ 7,277,977 | $ 4,351,751 | $ 36,261,454 | $ 139,714,279 |

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, 2023

| | | |
|---|---|---|
| Fund balances—total governmental funds | | $ 103,991,733 |
| 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. | | 110,467,286 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | | 6,629,403 |
| Long-term liabilities, such as net pension/OPEB liabilities, leases payable 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 | (98,826,557) | |
| Leases payable | (358,831) | |
| Subscriptions liability | (299,256) | |
| Compensated absences payable | (5,141,983) | (104,626,627) |
| 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 | | 2,471,188 |
| 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 | 16,299,073 | |
| Deferred inflows of resources related to pensions/OPEB | (3,930,644) | |
| Accrued lease interest payable | (15,279) | 12,353,150 |
| 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. | | 14,536,767 |
| Net position of governmental activities | | $ 145,822,900 |

See accompanying notes to financial statements.

# Cochise County
## Statement of revenues, expenditures, and changes in fund balances
## Governmental funds
## Year ended June 30, 2023

| | Major funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Capital Projects Fund | Highway and Streets Fund | Border Security Trust Fund | DPS Agreements Fund | Other governmental funds | Total governmental funds |
| Revenues: | | | | | | | |
| Taxes | $ 39,450,844 | $ 3,182,068 | | | | $ 4,701,921 | $ 47,334,833 |
| Licenses and permits | 23,560 | | | | | | 23,560 |
| Fees, fines, and forfeits | 1,337,339 | | | | | 617 | 1,337,956 |
| Intergovernmental | 36,854,309 | 187,381 | $ 13,639,777 | $ 6,567,484 | $ 70,000 | 18,135,183 | 75,454,134 |
| Charges for services | 3,179,287 | | 63,625 | | | 3,866,292 | 7,109,204 |
| Investment income | 305,667 | (194,709) | 8,176 | (27,112) | (167,339) | (406,815) | (482,132) |
| Miscellaneous | 162,665 | 228,048 | 1,382 | 57,810 | 89,089 | 2,038,800 | 2,577,794 |
| Total revenues | 81,313,671 | 3,402,788 | 13,712,960 | 6,598,182 | (8,250) | 28,335,998 | 133,355,349 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 43,478,712 | 1,209,647 | (1) | 26,705 | | 10,510,467 | 55,225,530 |
| Public safety | 21,550,413 | | 1,813,981 | 4,415,425 | 69,999 | 4,414,107 | 32,263,925 |
| Highways and streets | | | 11,381,430 | | | | 11,381,430 |
| Sanitation | 645,785 | | | | | 143,513 | 789,298 |
| Health and welfare | 4,148,418 | | | | | 4,528,097 | 8,676,515 |
| Culture and recreation | | | | | | 1,303,776 | 1,303,776 |
| Education | 483,220 | | | | | 3,387,851 | 3,871,071 |
| Capital outlay | 1,341,367 | 752,766 | 172,610 | 419,050 | | 579,263 | 3,265,056 |
| Total expenditures | 71,647,915 | 1,962,413 | 13,368,020 | 4,861,180 | 69,999 | 24,867,074 | 116,776,601 |
| Excess (deficiency) of revenues over expenditures | 9,665,756 | 1,440,375 | 344,940 | 1,737,002 | (78,249) | 3,468,924 | 16,578,749 |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | | 896,637 | | | | | 896,637 |
| Lease agreements | 202,324 | | | | | | 202,324 |
| Subscription-based information technology agreements | 180,525 | | | | | | 180,525 |
| Transfers in | | 402,452 | | | | 2,174,156 | 2,576,608 |
| Transfers out | (2,341,001) | (84,918) | | | | (298,331) | (2,724,250) |
| Total other financing sources and (uses) | (1,958,152) | 1,214,171 | | | | 1,875,825 | 1,131,844 |
| Net change in fund balances | 7,707,604 | 2,654,546 | 344,940 | 1,737,002 | (78,249) | 5,344,749 | 17,710,592 |
| Fund balances, July 1, 2022, as restated | 36,681,493 | 14,366,330 | 15,974,256 | 588,719 | | 18,670,343 | 86,281,141 |
| Fund balances (deficit), June 30, 2023 | $ 44,389,097 | $ 17,020,876 | $ 16,319,196 | $ 2,325,721 | $ (78,249) | $ 24,015,092 | $ 103,991,733 |

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, 2023

| | | |
|---|---|---|
| Net change in fund balances—total governmental funds | | $ 17,710,592 |
| 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/amortization expense. | | |
| Capital outlay | 4,060,453 | |
| Depreciation/amortization expense | (6,688,015) | |
| | | (2,627,562) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | 4,261,273 |
| In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. | | (529,476) |
| 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 | 9,859,605 | |
| Pension/OPEB expense | (10,118,790) | (259,185) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities. | | |
| Leases incurred | (202,324) | |
| Subscription-based information technology arrangements incurred | (180,525) | |
| Lease payments | 395,498 | |
| Subscription-based information technology arrangement's payments | 327,515 | 340,164 |
| 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 | | 24,236 |
| 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. | | 1,005,104 |
| Change in net position of governmental activities | | $ 19,925,146 |

See accompanying notes to financial statements.

# Cochise County
## Statement of net position
## Proprietary funds
## June 30, 2023

| | 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 | | $ 1,085,769 | $ 1,088,119 | $ 200 |
| Cash and investments held by County Treasurer | 7,531,836 | $ 1,215,813 | | 8,747,649 | 7,351,417 |
| Restricted cash | | | 305,386 | 305,386 | |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Accounts | 245,032 | 116,537 | | 361,569 | 8,421 |
| Leases | | 46,080 | | 46,080 | |
| Prepaid items | | | 6,320 | 6,320 | |
| Due from: | | | | | |
| Other governments | 325,025 | 325,388 | 204,932 | 855,345 | |
| Total current assets | 8,104,243 | 1,703,818 | 1,602,407 | 11,410,468 | 7,360,038 |
| Noncurrent assets: | | | | | |
| Net other postemployment benefits asset | 62,754 | 5,457 | 13,642 | 81,853 | 40,926 |
| Leases receivable | | 102,175 | | 102,175 | |
| Capital assets, net of accumulated depreciation/amortization, where applicable: | | | | | |
| Land | 24,900 | 1,575,000 | | 1,599,900 | |
| Infrastructure, net | | 1,952,824 | | 1,952,824 | |
| Buildings, net | 2,347,115 | 688,062 | | 3,035,177 | 86,487 |
| Improvements other than buildings, net | 65,297 | 439,230 | | 504,527 | |
| Equipment, net | 1,291 | 282,516 | | 283,807 | 8,502,547 |
| Lease asset, net | 15,970 | | | 15,970 | |
| Total net capital assets | 2,454,573 | 4,937,632 | | 7,392,205 | 8,589,034 |
| Total noncurrent assets | 2,517,327 | 5,045,264 | 13,642 | 7,576,233 | 8,629,960 |
| Total assets | 10,621,570 | 6,749,082 | 1,616,049 | 18,986,701 | 15,989,998 |
| **Deferred outflows of resources** | | | | | |
| Deferred outflows related to pensions/OPEB | 284,858 | 15,628 | 56,460 | 356,946 | 183,847 |

(Continued)

# Cochise County
## Statement of net position
## Proprietary funds
## June 30, 2023
## (Concluded)

| | 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 | |
| **Liabilities** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 32,055 | $ 35,443 | $ 51,333 | $ 118,831 | $ 218,037 |
| Accrued payroll and employee benefits | 34,433 | 1,016 | | 35,449 | 18,818 |
| Due to: | | | | | |
| Other governments | | | 68,673 | 68,673 | |
| Compensated absences payable, current portion | 195,433 | 4,509 | 4,606 | 204,548 | 88,295 |
| Landfill closure and postclosure care costs payable, current portion | 23,088 | | | 23,088 | |
| Deposits held for others | | 1,600 | | 1,600 | |
| Unearned revenue | | | 55,873 | 55,873 | |
| Leases payable | 1,176 | | | 1,176 | |
| Leases interest payable | 889 | | | 889 | |
| Total current liabilities | 287,074 | 42,568 | 180,485 | 510,127 | 325,150 |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 65,145 | 1,503 | 41,451 | 108,099 | 29,432 |
| Landfill closure and postclosure care costs payable | 4,990,261 | | | 4,990,261 | |
| Funds held for others | | | 249,513 | 249,513 | |
| Net pension/OPEB liability | 1,833,342 | 159,421 | 398,553 | 2,391,316 | 1,195,658 |
| Leases payable | 13,658 | | | 13,658 | |
| Total noncurrent liabilities | 6,902,406 | 160,924 | 689,517 | 7,752,847 | 1,225,090 |
| Total liabilities | 7,189,480 | 203,492 | 870,002 | 8,262,974 | 1,550,240 |
| **Deferred inflows of resources** | | | | | |
| Deferred inflows related to pensions/OPEB | 133,154 | 11,577 | 28,946 | 173,677 | 86,838 |
| Deferred inflows related to leases | | 141,971 | | 141,971 | |
| Total deferred inflows of resources | 133,154 | 153,548 | 28,946 | 315,648 | 86,838 |
| **Net position** | | | | | |
| Net investment in capital assets | 2,439,739 | 4,937,632 | | 7,377,371 | 8,589,034 |
| Restricted | | | 6,320 | 6,320 | 12,694 |
| Unrestricted | 1,144,055 | 1,470,038 | 767,241 | 3,381,334 | 5,935,039 |
| Total net position | $ 3,583,794 | $ 6,407,670 | $ 773,561 | $ 10,765,025 | $ 14,536,767 |

See accompanying notes to financial statements.

# Cochise County
## Statement of revenues, expenses, and changes in fund net position
## Proprietary funds
## Year ended June 30, 2023

| | 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 | |
| Operating revenues: | | | | | |
| Charges for services | $ 5,346,340 | $ 651,109 | $ 89,732 | $ 6,087,181 | $ 8,235,934 |
| Charges for health insurance | | | | | 7,912,895 |
| Intergovernmental | | 375,987 | 5,174,645 | 5,550,632 | |
| Other | | | | | 75,996 |
| Total operating revenues | 5,346,340 | 1,027,096 | 5,264,377 | 11,637,813 | 16,224,825 |
| Operating expenses: | | | | | |
| Personal services | 2,301,039 | 69,138 | 583,388 | 2,953,565 | 1,290,892 |
| Professional services | 2,133,879 | 432,239 | 86,345 | 2,652,463 | 8,020,206 |
| Supplies | 86,126 | 119,003 | 7,956 | 213,085 | 3,895,085 |
| Landfill closure and postclosure care costs | 564,658 | | | 564,658 | |
| Housing assistance payments | | | 4,210,560 | 4,210,560 | |
| Depreciation/amortization | 196,436 | 226,471 | | 422,907 | 2,225,026 |
| Other | 293,509 | 118 | | 293,627 | 7,160 |
| Total operating expenses | 5,575,647 | 846,969 | 4,888,249 | 11,310,865 | 15,438,369 |
| Operating income (loss) | (229,307) | 180,127 | 376,128 | 326,948 | 786,455 |
| Nonoperating revenues (expenses): | | | | | |
| County excise taxes | 731,203 | 17,161 | | 748,364 | |
| Investment income | (31,902) | 24,097 | 5,631 | (2,174) | 12,982 |
| Miscellaneous | 84,755 | 69 | 2,723 | 87,547 | 167,119 |
| Gain on disposal of capital assets | | | | | 38,548 |
| Total nonoperating revenues | 784,056 | 41,327 | 8,354 | 833,737 | 218,649 |
| Income (loss) before contributions and transfers | 554,749 | 221,454 | 384,482 | 1,160,685 | 1,005,104 |
| Transfers in | 138,499 | 151,918 | | 290,417 | |
| Transfers out | | (142,775) | | (142,775) | |
| Increase (decrease) in net position | 693,248 | 230,597 | 384,482 | 1,308,327 | 1,005,104 |
| Total net position, July 1, 2022 | 2,890,546 | 6,177,073 | 389,079 | 9,456,698 | 13,531,663 |
| Total net position, June 30, 2023 | $ 3,583,794 | $ 6,407,670 | $ 773,561 | $ 10,765,025 | $ 14,536,768 |

See accompanying notes to financial statements.

# Cochise County
## Statement of cash flows
## Proprietary funds
## Year ended June 30, 2023

| | 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 | |
| Cash flows from operating activities: | | | | | |
| Receipts from customers | $ 5,468,530 | $ 340,699 | | $ 5,860,398 | |
| Operating grants | | 375,987 | $ 5,175,847 | 5,551,834 | $ 75,996 |
| Other receipts | | | 92,455 | 41,286 | |
| Payments from other funds for goods and services provided | | | 29,514 | 29,514 | 16,199,661 |
| Payments to employees | (2,297,095) | (68,520) | (587,298) | (2,952,913) | (1,324,228) |
| Payments to suppliers and providers of goods and services | (2,502,306) | (558,998) | (4,241,644) | (7,302,948) | (12,059,540) |
| Net cash provided by (used for) operating activities | 669,129 | 89,168 | 468,874 | 1,227,171 | 2,891,889 |
| Cash flows from noncapital financing activities: | | | | | |
| Miscellaneous receipts | 815,955 | 17,231 | | 833,186 | 167,117 |
| Cash transfers from other funds | 138,499 | 151,918 | | 290,417 | |
| Cash transfers to other funds | | (142,775) | | (142,775) | |
| Net cash provided by noncapital financing activities | 954,454 | 26,374 | | 980,828 | 167,117 |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from sale of capital assets | | | | | 56,598 |
| Purchases of capital assets | (17,234) | (797,727) | | (814,961) | (3,172,584) |
| Net cash provided by (used for) used for capital and related financing activities | (17,234) | (797,727) | | (814,961) | (3,115,986) |
| Cash flows from investing activities: | | | | | |
| Interest received on investments | (31,902) | 24,097 | 5,631 | (2,174) | 12,982 |
| Net cash provided by (used for) investing activities | (31,902) | 24,097 | 5,631 | (2,174) | 12,982 |
| Net increase (decrease) in cash and cash equivalents | 1,574,447 | (658,088) | 475,505 | 1,390,864 | (43,998) |
| Cash and cash equivalents, July 1, 2022 | 5,959,739 | 1,873,901 | 916,650 | 8,750,290 | 7,395,615 |
| Cash and cash equivalents, June 30, 2023 | $ 7,534,186 | $ 1,215,813 | $ 1,391,155 | $ 10,141,154 | $ 7,351,617 |

(Continued)

See accompanying notes to financial statements.

# Cochise County
## Statement of cash flows
## Proprietary funds
## Year ended June 30, 2023
## (Concluded)

| | 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 | |
| Reconciliation of operating income (loss) to net cash provided (used for) by operating activities: | | | | | |
| Operating income (loss) | $ (229,307) | $ 180,127 | $ 376,128 | $ 63,592 | $ 786,455 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation/amortization | 196,436 | 226,471 | | 422,907 | 2,225,026 |
| Miscellaneous income | | | 2,723 | 2,723 | |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | 323,553 | 28,135 | 70,339 | 422,027 | 211,014 |
| Funds held for others | | | 111,552 | 111,552 | |
| Deferred outflows-pension/OPEB | 117,661 | 9,164 | 24,880 | 151,705 | 71,170 |
| Deferred inflows-pension/OPEB | (434,377) | (37,773) | (94,430) | (566,580) | (283,291) |
| Other current liabilities | | | (29,060) | | |
| Deferred inflows-leases | | (51,169) | | (51,169) | |
| Prepaid items | | | | | 12,694 |
| Net OPEB asset | (6,835) | (594) | (1,486) | (8,915) | (4,457) |
| Accounts receivable | 151,212 | 65,970 | | 217,182 | 38,002 |
| Due from other governments | (29,022) | (325,210) | 1,520 | (352,712) | 136 |
| Accounts payable | (1,795) | (7,640) | (19,593) | (29,028) | (137,090) |
| Accrued payroll and employee benefits | 6,462 | 187 | | 6,649 | 2,895 |
| Unearned revenue | | | 30,211 | 30,211 | |
| Lease interest payable | 15,723 | | | 15,723 | |
| Compensated absences payable | (2,518) | 1,500 | (3,910) | (4,928) | (30,665) |
| Landfill closure and postclosure care costs payable | 561,936 | | | 561,936 | |
| Net cash provided by (used for) operating activities | $ 669,129 | $ 89,168 | $ 468,874 | $ 963,815 | $ 2,891,889 |
| Cash and cash equivalents, June 30, 2023, consisted of: | | | | | |
| Cash in bank and on hand | 2,350 | | 1,085,769 | 1,088,119 | 200 |
| Cash—restricted | | | 305,386 | 305,386 | |
| Cash and investments held by County Treasurer | 7,531,836 | 1,215,813 | | 8,747,649 | 7,351,417 |
| Total cash and cash equivalents | $ 7,534,186 | $ 1,215,813 | $ 1,391,155 | $ 10,141,154 | $ 7,351,617 |

Noncash capital financing activities:

The Internal Service Funds disposed of capital assets with a net book value of $18,051.

See accompanying notes to financial statements.

# Cochise County
## Statement of fiduciary net position
## Fiduciary funds
## June 30, 2023

| | | Custodial funds | |
|---|---|---|---|
| | Private-purpose trust funds | External investment pool | Other |
| **Assets** | | | |
| Cash in bank and on hand | | | $ 1,086,238 |
| Cash and investments held by County Treasurer | $ 1,006,965 | $ 131,841,458 | 245,271 |
| Property tax receivable | | | 3,058,017 |
| Interest receivable | | 416,962 | |
| Total assets | 1,006,965 | 132,258,420 | 4,389,526 |
| **Net Position** | | | |
| Restricted for: | | | |
| Pool participants | | 132,258,420 | |
| Individuals, organizations, and other governments | 1,006,965 | | 4,389,526 |
| Total net position | $ 1,006,965 | $ 132,258,420 | $ 4,389,526 |

See accompanying notes to financial statements.

# Cochise County
## Statement of changes in fiduciary net position
## Fiduciary funds
## Year ended June 30, 2023

| | | Custodial funds | |
|---|---|---|---|
| | Private-purpose trust funds | External investment pool | Other |
| **Additions:** | | | |
| Contributions from pool participants | | $ 300,832,258 | |
| Contributions from other governments | | | $ 105,309,903 |
| Property tax collections for other governments | | | 86,622,456 |
| Fines and fees collected for other governments | | 3,210,130 | 4,961 |
| Investment earnings | | (216,257) | 2,025,227 |
| Inmate collections | | | 603,222 |
| Opioid settlements | | | 245,271 |
| Other | $ 1,253,514 | | 182,344 |
| Total additions | 1,253,514 | 303,826,131 | 194,993,384 |
| **Deductions:** | | | |
| Distributions to pool participants | | 286,946,918 | |
| Distributions to other governments | | | 105,312,383 |
| Property tax distributions to other governments | | | 86,627,307 |
| Fines and fees distributions to other governments | | 3,240,476 | 2,028,859 |
| Payments to inmates | | | 420,970 |
| Other | 1,065,073 | | 413,010 |
| Total deductions | 1,065,073 | 290,187,394 | 194,802,529 |
| Net increase in fiduciary net position | 188,441 | 13,638,737 | 190,855 |
| Net position, July 1, 2022 as restated | 818,524 | 118,619,683 | 4,198,671 |
| Net position, June 30, 2023 | $ 1,006,965 | $ 132,258,420 | $ 4,389,526 |

See accompanying notes to financial statements.

## 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, 2023, the County implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the County's financial statements have been modified to reflect the implementation of this new standard.

### 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<br>900 Carmelita Dr.<br>Sierra Vista, AZ 85635 |

## 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/amortization on capital assets. Other expenses, such as interest expense, are considered non operating expenses.

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 Border Security Trust Fund* accounts for the maintenance of the County's Department of Emergency and Military Affairs (DEMA) awarded grants in a cost-effective and responsible manner as set forth in each respective grant award document. The Fund's most significant revenue source is intergovernmental grant funding.

The *DPS Agreements Fund* accounts for the acquisition of the County Sheriff's Fusion building, which will house various law enforcement entities to enhance collaboration across entities. The source of revenue for the fund is an intergovernmental grant awarded by the Arizona Department of Public Safety.

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.

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. Issuances of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

## 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), are depreciated or amortized using the straight-line method over the following estimated useful lives in the government- wide statements and proprietary funds as follows:

| | Capitalization threshold | Depreciation/ Amortization 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 |
| Intangibles: | | | |
| Right-to-use subscription assets | 10,000 | Straight-line | Varies |
| Right-to-use lease assets: | | | |
| Land | 10,000 | Straight-line | Varies |
| Equipment | 10,000 | Straight-line | Varies |

Intangible right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease or useful life of the underlying asset, unless the lease contains a purchase option that the County is reasonably certain of being exercised - then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

## G. 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.

## H. Investment income

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

## I. Compensated absences

Compensated absences payable consists 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 hours of unused personal leave at 100 percent and (1) 50 percent of unused remaining hours between 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.

### J. Postemployment benefits

For purposes of measuring the net pension 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.

### K. Leases and subscription-based information technology arrangements

#### Leases

As lessee, the County recognizes lease liabilities with an initial, individual value of $10,000 or more. The County is a lessee for noncancellable leases of equipment, and land. The County uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The County's estimated incremental borrowing rate is based on a combination of an applicable market rate and a credit spread based on market data points as of the most recent quarter end as compared to the lease commencement date.

As lessor, the County recognizes lease receivables with an initial, individual value of $10,000 or more. The County leases ground and building space to third-parties. If there is no stated rate in the lease contract (or if the stated rate is not the rate the County charges the lessee) and the implicit rate cannot be determined, the County uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The County's estimated incremental borrowing rate is calculated as described above.

During the fiscal year ended June 30, 2023, the County recognized total lease-related revenues of $51,169.

#### Subscription-based information technology arrangements

The County recognizes subscription liabilities with an initial, individual value of $10,000 or more. The County uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The County's estimated incremental borrowing rate is calculated as described above.

## Note 2 – Correction of a misstatement - prior period adjustment

In June 2023, subsequent to the issuance of the County's fiscal year 2022 Annual Financial and Single Audit Reports, the County discovered the Cochise County Accommodation School District had inadvertently been reflected as custodial rather than as a County financial activity, which impacts the Other Governmental funds. Additionally, the County discovered an omission of additional original cost pertaining to a capital infrastructure asset from fiscal year 2018. The County evaluated these items and determined that the amounts are not material to the County's financial statements and therefore, would not require the reissuance of the fiscal year 2022 Annual Financial and Single Audit Reports. However, the County has restated beginning net position/fund balance as of July 1, 2022 as follows:

| | Governmental Activities | Other governmental funds | External investment pool |
|---|---|---|---|
| Net position/fund balance as previously reported at June 30, 2022 | $125,580,713 | $18,438,078 | $118,816,476 |
| Prior period adjustment: | | | |
| Additional Infrastructure roads asset original cost | 84,776 | | |
| Reclassification of the Cochise County Accommodation School District from the External Investment Pool to the Other Governmental Funds | 232,265 | 232,265 | (196,793) |
| Net position/fund balance as restated, July 1, 2022 | $125,897,754 | $18,670,343 | $118,619,683 |

## Note 3 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2023, were as follows:

| | General fund | Capital projects fund | Highway and streets fund | Border security trust fund | DPS agreements | Other governmental funds | Total |
|---|---|---|---|---|---|---|---|
| **Restricted for:** | | | | | | | |
| Flood control | | | | | | $ 7,016,906 | $ 7,016,906 |
| Highways and streets | | | $ 6,506,605 | | | | 6,506,605 |
| Health services | | | | | | 2,337,180 | 2,337,180 |
| Judicial services | | | | | | 5,254,754 | 5,254,754 |
| Library services | | | | | | 1,628,752 | 1,628,752 |
| Law enforcement | | | | $1,888,221 | | 1,719,620 | 3,607,841 |
| Education services | | | | | | 921,487 | 921,487 |
| Other services | | | | | | 4,819,009 | 4,819,009 |
| Total restricted | | | 6,506,605 | 1,888,221 | | 23,697,708 | 32,092,534 |
| **Assigned to:** | | | | | | | |
| Capital projects | | $17,020,876 | | | | | 17,020,876 |
| Highways and streets | | | $ 9,812,591 | | | | 9,812,591 |
| Health services | | | | | | 118,935 | 118,935 |
| Judicial services | | | | | | 57,680 | 57,680 |
| Law enforcement | | | | | | 35,868 | 35,868 |
| Other | | | | | | 318,408 | 318,408 |
| Total assigned | | 17,020,876 | 9,812,591 | | | 530,891 | 27,364,358 |
| **Nonspendable:** | | | | | | | |
| Prepaid items | $ 215,486 | | | $ 437,500 | | | 652,986 |
| **Unassigned:** | 44,173,611 | | | | $(78,249) | (213,507) | 43,881,855 |
| Total fund balances | $44,389,097 | $17,020,876 | $16,319,196 | $2,325,721 | $(78,249) | $24,015,092 | $103,991,733 |

## Note 4 - Deposits and investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified State and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United

States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk
Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top 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 these 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% 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, 2023, the carrying amount of the County's deposits was $41,733,415, and the bank balance was $43,287,096. The County does not have a formal policy with respect to custodial credit risk.

**Investments—**The County had total investments of $233,463,065 at June 30, 2023. 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** | | | |
| U.S. agency securities | $173,438,240 | | $173,438,240 |
| Money market mutual funds | 24,825 | $24,825 | |
| Total investments categorized by fair value level | $173,463,065 | $24,825 | $173,438,240 |

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 investments of $60,000,000 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, 2023, 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 | $ 60,000,000 |
| Money market mutual funds | AAA | Standard & Poor's | 24,825 |
| U.S. agency securities | AA+ | Standard & Poor's | 131,995,110 |
| U.S. agency securities | Unrated | Not applicable | 41,443,130 |
| Total | | | $233,463,065 |

***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, 2023, were in debt securities of various U.S. agencies as follows:

| U.S. agency | Amount | Percent of county investments |
|---|---|---|
| Federal Home Loan Bank | $123,627,840 | 45.4% |
| Federal Agriculture Mortgage Corporation | 15,433,580 | 5.7% |
| Federal Home Loan Mortgage Corporation | 25,856,970 | 9.5% |

***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, 2023, maturities of the County's investments were as follows:

| | | Investment maturities | |
|---|---|---|---|
| Investment type | Amount | Less than 1 Year | 1-5 Years |
| State Treasurer's investment pool 7 | $ 60,000,000 | $60,000,000 | |
| Money market mutual funds | 24,825 | 24,825 | |
| U.S. agency securities | 173,438,240 | 34,266,360 | $139,171,880 |
| Total | $233,463,065 | $94,291,185 | $139,171,880 |

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 | $ 5,771 |
| Amount of deposits | 41,733,415 |
| Amount of investments | 233,463,065 |
| Total | $275,202,251 |

| | Statement of net position | | Statement of fiduciary net position | | | |
|---|---|---|---|---|---|---|
| | | | | Custodial funds | | |
| | Governmental activities | Business-type activities | Private-purpose trust funds | External investment pool | Other | Total |
| Cash in bank and on hand | $ 698,331 | $ 1,088,119 | | | $1,086,238 | $ 2,872,688 |
| Cash and investments held by County Treasurer | 130,182,834 | 8,747,649 | $1,006,965 | $131,841,458 | 245,271 | 272,024,177 |
| Cash—restricted | | 305,386 | | | | 305,386 |
| Total | $130,881,165 | $10,141,154 | $1,006,965 | $131,841,458 | $1,331,509 | $275,202,251 |

## Note 5 - Due from other governments

Due from other governments totaling $10,104,344 at June 30, 2023, included $2,121,540 in state-shared revenue from highway user fees, $801,622 in state-shared sales taxes, $321,886 in state-shared vehicle license taxes, and $914,618 in county excise taxes. The remaining balance of $5,944,678 represents amounts receivable from various state and federal government grantor agencies.

## Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Balance (Restated) July 1, 2022* | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 2,557,210 | | | $ 2,557,210 |
| Construction in progress | 3,216,483 | $ 2,079,547 | | 5,296,030 |
| Total capital assets not being depreciated | 5,773,693 | 2,079,547 | | 7,853,240 |
| Capital assets being depreciated: | | | | |
| Buildings | 49,884,894 | 175,927 | $ 912,146 | 49,148,675 |
| Improvements other than buildings | 13,143,462 | 24,068 | 439,563 | 12,727,967 |
| Equipment | 55,859,217 | 4,263,265 | 91,271 | 60,031,211 |
| Infrastructure | 118,070,743 | | 24,068 | 118,046,675 |
| Total capital assets being depreciated | 236,958,316 | 4,463,260 | 1,467,048 | 239,954,528 |
| Intangible right-to-use assets, being amortized: | | | | |
| Equipment | 596,479 | | | 596,479 |
| Land | 143,709 | | | 143,709 |
| Subscription assets | 713,459 | 600,526 | | 1,313,985 |
| Total intangible right-to-use assets being amortized | 1,453,647 | 600,526 | | 2,054,173 |
| Less accumulated depreciation for: | | | | |
| Buildings | $ 24,848,524 | $ 979,787 | $ 538,269 | $ 25,290,042 |
| Improvements other than buildings | 4,901,646 | 516,605 | 294,644 | 5,123,607 |
| Equipment | 41,241,987 | 4,081,155 | 62,688 | 45,260,454 |
| Infrastructure | 51,598,812 | 2,643,332 | | 54,242,144 |
| Total accumulated depreciation | 122,590,969 | 8,220,879 | 895,601 | 129,916,247 |
| Less accumulated amortization for: | | | | |
| Intangible right-to-use leased equipment | 169,662 | 169,662 | | 339,324 |
| Intangible right-to-use leased land | 27,549 | 27,549 | | 55,098 |
| Right-to-use subscriptions assets | | 494,951 | | 494,951 |
| Total accumulated amortization | 197,211 | 692,162 | | 889,373 |
| Total capital assets being depreciated/ amortized net | 115,623,783 | 3,849,255 | 571,447 | 111,203,081 |
| Governmental activities, capital assets, net | $121,397,476 | $(1,769,708) | $ 571,447 | $119,056,321 |

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,599,900 | | | $ 1,599,900 |
| Construction in progress | 183,051 | $ 527,566 | $ 710,617 | |
| Total capital assets not being depreciated | 1,782,951 | 527,566 | 710,617 | 1,599,900 |
| Capital assets being depreciated: | | | | |
| Buildings | 4,559,025 | 710,617 | | 5,269,642 |
| Improvements other than buildings | 7,089,517 | | | 7,089,517 |
| Equipment | 2,780,574 | 270,161 | | 3,050,735 |
| Infrastructure | 2,259,884 | | | 2,259,884 |
| Total | 16,689,000 | 980,778 | | 17,669,778 |
| Intangible right-to-use assets, being amortized: | | | | |
| Leased land | | 17,234 | | 17,234 |
| Total intangible right-to-use assets being amortized | | 17,234 | | 17,234 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,119,445 | 115,020 | | 2,234,465 |
| Improvements other than buildings | 6,358,579 | 226,410 | | 6,584,989 |
| Equipment | 2,743,213 | 23,716 | | 2,766,929 |
| Infrastructure | 250,563 | 56,497 | | 307,060 |
| Total accumulated depreciation | 11,471,800 | 421,643 | | 11,893,443 |
| Less intangible accumulated amortization for: | | | | |
| Right-to-use leased land | | 1,264 | | 1,264 |
| Total intangible accumulated amortization | | 1,264 | | 1,264 |
| Total capital assets being depreciated/amortized, net | 5,217,200 | 575,105 | | 5,792,305 |
| Business-type activities capital assets, net | $ 7,000,151 | $ 1,102,671 | $ 710,617 | $ 7,392,205 |

*Due to implementation of GASB Statement No. 96 for subscription-based information technology arrangements, the County's governmental activities beginning intangible right-to-use subscription assets were restated from fiscal year 2022. Although there was a minimal impact to net position, beginning balances were not restated on the financial statements. Due to a restatement (see note 2) the beginning balance for infrastructure was impacted.

Depreciation/amortization expense was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 3,356,406 |
| Public safety | 594,557 |
| Highways and streets | 2,706,047 |
| Health and welfare | 31,005 |
| Internal service funds | 2,225,026 |
| Total governmental activities depreciation expense/amortization | $8,913,041 |
| | |
| Business-type activities: | |
| Solid Waste Operations | $ 196,436 |
| Bisbee-Douglas International Airport | 226,471 |
| Total business-type activities depreciation/amortization expense | $ 422,907 |

## Note 7 - Receivables

Accounts receivable as of year-end for the County's individual major funds and nonmajor funds in the aggregate are shown as follows: Settlements receivable includes an allowance for uncollectible amounts of $145,940.

| | General fund | Highways and streets fund | Other governmental funds | Total |
|---|---|---|---|---|
| Accounts receivable: | | | | |
| General | $787,154 | $3,280 | $ 198,392 | $ 988,826 |
| Settlements | | | 3,252,668 | 3,252,668 |
| Total accounts receivable | $787,154 | $3,280 | $3,451,060 | $4,241,494 |

## Note 8 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2023:

| | Balance July 1, 2022* (Restated) | Additions | Reductions | Balance June 30, 2023 | Due within 1 year |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Net pension/OPEB liabilities | $88,465,348 | $11,556,867 | | $100,022,215 | |
| Compensated absences payable | 5,314,611 | 3,382,748 | $3,437,649 | 5,259,710 | $3,699,926 |
| Leases payable | 552,055 | 202,324 | 395,498 | 358,831 | 202,324 |
| Subscriptions liability | 446,246 | 180,525 | 327,515 | 299,256 | 107,734 |
| Total governmental activities long-term liabilities | $94,778,260 | $15,322,464 | $4,160,662 | $105,940,012 | $4,009,984 |

| | Balance July 1, 2022* (Restated) | Additions | Reductions | Balance June 30, 2023 | Due within 1 year |
|---|---|---|---|---|---|
| **Business-type activities** | | | | | |
| Net pension/OPEB liabilities | $ 1,969,293 | $ 422,023 | | $ 2,391,316 | |
| Landfill closure and postclosure care costs payable | 4,451,414 | 563,542 | $ 1,607 | 5,013,349 | $ 23,088 |
| Compensated absences payable | 317,575 | 196,595 | 201,523 | 312,647 | 204,548 |
| Leases payable | | 17,234 | 2,400 | 14,834 | 1,176 |
| Funds held for others-Housing | 137,961 | 111,552 | | 249,513 | |
| Total business-type activities long-term liabilities | $ 6,876,243 | $ 1,310,946 | $ 205,530 | $ 7,981,659 | $ 228,812 |

*Due to implementation of GASB Statement No. 96 for subscription-based information technology arrangements, the County's governmental activities beginning subscriptions liability was restated from fiscal year 2022. Although there was a minimal impact to net position, beginning balances were not restated on the financial statements.

**Lease payable**—This note provides information for leases where Cochise County is the lessee. For leases where Cochise County is the lessor, see the Note 1 Section K.

The County is obligated under right-to-use leases covering land and certain machinery, and IT equipment.

Most leases have initial terms of up to 5 years, and contain one or more renewals at the County's option, generally for 3 or 5-year periods. The County has generally included these renewal periods in the lease term when it is reasonably certain that it will exercise the renewal option. The County's lease arrangements do not contain any material residual value guarantees.

The total amount of lease assets and the related accumulated amortization are as follows as of June 30, 2023:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| **Intangible right-of-use lease assets** | | |
| Equipment | $ 596,479 | |
| Land | 143,709 | $17,234 |
| Less: accumulated amortization | (394,422) | (1,264) |
| Carrying value | $ 345,766 | $15,970 |

The future principal and interest lease payments as of June 30, 2023, were as follows:

| | Governmental activities | | Business-type activities | |
|---|---|---|---|---|
| **Fiscal Year** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2024 | $202,325 | $12,540 | $ 1,176 | $ 1,224 |
| 2025 | 111,859 | 3,980 | 1,270 | 1,130 |
| 2026 | 31,900 | 1,500 | 1,378 | 1,022 |
| 2027 | 8,269 | 434 | 1,492 | 908 |
| 2028 | 2,187 | 213 | 1,615 | 785 |
| 2029-2033 | 2,291 | 109 | 7,903 | 1,697 |
| Total | $358,831 | $18,776 | $14,834 | $6,766 |

**Subscription-based information technology arrangements (SBITAs) payable—**The County has obtained the right to use these SBITA software arrangements under the provisions of various subscription-based information technology arrangements such as enterprise applications, cloud platforms, departmental operating systems, etc.

Most subscriptions have initial terms of up to 5 years, and contain one or more renewals at the County's option, generally for 1, 3 or 5-year periods.

The total amount of subscription assets and the related accumulated amortization are as follows as of June 30, 2023:

| | Governmental activities |
|---|---|
| Intangible right-of-use assets | |
| Subscription assets | $1,313,985 |
| Less: accumulated amortization | (494,951) |
| Carrying value | $ 819,034 |

The future principal and interest subscription-based information technology arrangements (SBITAs) payments as of June 30, 2023, were as follows:

| | Governmental Activities | |
|---|---|---|
| Fiscal year | Principal | Interest |
| 2024 | $110,823 | $24,117 |
| 2025 | 80,003 | 15,590 |
| 2026 | 83,039 | 8,945 |
| 2027 | 25,253 | 2,095 |
| 2028 | 138 | 11 |
| Total | $299,256 | $50,758 |

**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 post-closure care costs in the Solid Waste Operations Fund in each period that the County operates the landfills. The County reported closure and postclosure care costs for 2 landfills discussed below.

At June 30, 2023, the County has reported landfill closure and postclosure care liabilities totaling $5,013,349. 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, 2023. The liability reported for the Eastern Regional landfill of $596,369 is based on 100.0% use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of $4,416,980 is based on the use of 33.40% of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of $8,807,511 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

2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The remaining closure costs will primarily be funded with Solid Waste Operations Fund monies.

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 2023, the County paid for compensated absences as follows: 60.86% from the General Fund, 6.84% from the Highway and Streets Fund, 2.90% from the Border Security Fund, 5.54% from the enterprise funds, and 23.86% from other funds.

## Note 9 - Risk management

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 three 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 three 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 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 three 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 10 - 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, 2023, 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 | $ 2,512,113 | $ 81,853 | $ 2,593,966 |
| Net pension and OPEB liability | 100,022,215 | 2,391,316 | 102,413,531 |
| Deferred outflows of resources related to pensions and OPEB | 16,482,920 | 356,946 | 16,839,866 |
| Deferred inflows of resources related to pensions and OPEB | 4,017,482 | 173,677 | 4,191,159 |
| Pension and OPEB expense | 10,642,100 | 203,423 | 10,845,523 |

The County's accrued payroll and employee benefits includes $548,411 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the County reported $9,859,605 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 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<br>10 years, age 62<br>5 years, age 50*<br>any years, age 65 | 30 years, age 55<br>25 years, age 60<br>10 years, age 62<br>5 years, age 50*<br>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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03% of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.92% of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.62% 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, 2023 were $3,635,380.

During fiscal year 2023, the County paid for ASRS pension contributions as follows: 66% from the General Fund, 14% from major funds, and 20% from other funds.

**Liability—**At June 30, 2023, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

| ASRS | Net pension liability |
|---|---|
| Pension | $39,832,748 |

The net pension liability was measured as of June 30, 2022. The total liability used to calculate the net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. 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, 2022. The County's proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

| ASRS | Proportion June 30, 2022 | Decrease from June 30, 2021 |
|---|---|---|
| Pension | 0.24% | (0.01) |

**Expense**—For the year ended June 30, 2023, the County recognized the following pension expense.

| ASRS | Pension expense |
|---|---|
| Pension | $3,480,671 |

**Deferred outflows/inflows of resources**—At June 30, 2023, 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 | $ 339,399 | |
| Changes of assumptions or other inputs | 1,976,976 | |
| Net difference between projected and actual earnings on pension plan investments | | $1,049,233 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | | 978,697 |
| County contributions subsequent to the measurement date | 3,635,380 | |
| Total | $5,951,755 | $2,027,930 |

The $3,635,380 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, 2024. 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 | |
|---|---|
| 2024 | $1,165,535 |
| 2025 | (734,722) |
| 2026 | (1,821,715) |
| 2027 | 1,679,347 |

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

| ASRS | |
|---|---|
| Actuarial valuation date | June 30, 2021 |
| Actuarial roll forward date | June 30, 2022 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.0% |
| Projected salary increases | 2.9-8.4% |
| Inflation | 2.3% |
| Permanent benefit increase | Included |
| Mortality rates | 2017 SRA Scale U-MP |

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% 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. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

| **ASRS**<br>**Asset class** | **Target allocation** | **Long-term expected geometric real rate of return** |
|---|---|---|
| Equity | 50% | 3.90% |
| Fixed income-credit | 20% | 5.30% |
| Fixed Income-interest rate sensitive | 10% | (0.20%) |
| Real estate | 20% | 6.00% |
| Total | 100% | |

**Discount rate—**At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0%. 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 7.0%, 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 one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

| **ASRS** | **1% Decrease (6.0%)** | **Current discount rate (7.0%)** | **1% Increase (8.0%)** |
|---|---|---|---|
| County's proportionate share of the net pension liability | $58,772,036 | $39,832,748 | $24,040,341 |

**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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. 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<br>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 | |
| **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 | |

| PSPRS | Initial membership date: Before January 1, 2012 | On or after January 1, 2012 and before July 1, 2017 |
|---|---|---|
| **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<br>20 years, any age<br>10 years, age 62 | 25 years, age 52.5<br>10 years, age 62 | 10 years, age 52.5*<br>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 80% | 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, 2023, the following employees were covered by the agent pension plans' benefit terms:

| | PSPRS Sheriff | CORP Detention |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 75 | 39 |
| Inactive employees entitled to but not yet receiving benefits | 35 | 32 |
| Active employees | 49 | 32 |
| Total | 159 | 103 |

**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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll. During the fiscal year, the County contributed an additional $520,482 to PSPRS to reduce the unfunded accrued liability. The additional contributions are reflected in the table below.

| | Active member—pension | County—pension |
|---|---|---|
| PSPRS Sheriff | 7.65%-11.65% | 55.76% |
| CORP Detention | 8.41% | 31.55% |
| CORP AOC | 8.41% | 36.70% |

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 | 45.19% |
| CORP Detention | 25.69% |
| CORP AOC | 32.79% |

The County's contributions to the plans for the year ended June 30, 2023, were:

| | Pension |
|---|---|
| PSPRS Sheriff | $3,710,332 |
| CORP Detention | 833,495 |
| CORP AOC | 688,296 |

During fiscal year 2023, the County paid for PSPRS and CORP pension contributions as follows: 77% from the General Fund and 23% from other nonmajor funds.

**Pension liability—**At June 30, 2023, the County reported the following net pension liabilities:

| | Net pension liability |
|---|---|
| PSPRS Sheriff | $33,669,029 |
| CORP Detention | 6,867,255 |
| CORP AOC (County's proportionate share) | 7,521,413 |

The net pension liabilities were measured as of June 30, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3% to 7.2%, changing the wage inflation from 3.5% to a range of 3.0% - 6.25%, and increasing the cost-of-living adjustment from 1.75% to 1.85%.

**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, 2022 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.2% |
| Wage inflation | 3.0% - 6.25% |
| Price inflation | 2.50% |
| Cost-of-living adjustment | 1.85% |
| Mortality rates | PubS-2010 tables |

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.2% 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**<br>**Asset class** | **Target allocation** | **Long-term expected geometric real rate of return** |
|---|---|---|
| U.S. public equity | 24% | 3.49% |
| International public equity | 16% | 4.47% |
| Global Private Equity | 20% | 7.18% |
| Other assets (capital appreciation) | 7% | 4.83% |
| Core bonds | 2% | 0.45% |
| Private credit | 20% | 5.10% |
| Diversifying strategies | 10% | 2.68% |
| Cash - Mellon | 1% | (0.35%) |
| Total | 100% | |

**Discount rates—**At June 30, 2022, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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.

| 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, 2022 | $58,357,979 | $25,572,416 | $32,785,563 |
| Changes for the year: | | | |
| Service cost | 729,072 | | 729,072 |
| Interest on the total pension liability | 4,200,279 | | 4,200,279 |
| Differences between expected and actual experience in the measurement of the pension liability | 2,187,123 | | 2,187,123 |
| Changes of assumptions | 778,952 | | 778,952 |
| Contributions—employer | | 7,797,601 | (7,797,601) |
| Contributions—employee | | 357,854 | (357,854) |
| Net investment income | | (1,123,266) | 1,123,266 |
| Benefit payments, including refunds of employee contributions | (3,097,952) | (3,097,952) | |
| Administrative expense | | (20,229) | 20,229 |
| Net changes | 4,797,474 | 3,914,008 | 883,466 |
| Balances at June 30, 2023 | $63,155,453 | $29,486,424 | $33,669,029 |

| 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, 2022 | $14,483,538 | $8,594,461 | $5,889,077 |
| Changes for the year: | | | |
| Service cost | 234,928 | | 234,928 |
| Interest on the total pension liability | 1,046,853 | | 1,046,853 |
| Differences between expected and actual experience in the measurement of the pension liability | 132,845 | | 132,845 |
| Changes of assumptions | 147,594 | | 147,594 |
| Contributions—employer | - | 779,165 | (779,165) |
| Contributions—employee | - | 134,305 | (134,305) |
| Net investment income | - | (323,491) | 323,491 |
| Benefit payments, including refunds of employee contributions | (756,026) | (756,026) | |
| Administrative expense | | (5,937) | 5,937 |
| Net changes | 806,194 | (171,984) | 978,178 |
| Balances at June 30, 2023 | $15,289,732 | $8,422,477 | $6,867,255 |

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, 2022. The County’s proportion measured as of June 30, 2022, and the changes from its proportion measured as of June 30, 2021 were:

| CORP AOC | Proportion June 30, 2022 | Increase from June 30, 2021 |
|---|---|---|
| Pension | 1.69% | (0.03) |

**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 7.2%, as well as what the

County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 %) or one percentage point higher (8.2 %) than the current rate:

| | 1% Decrease (6.2%) | Current discount rate (7.2%) | 1% Increase (8.2%) |
|---|---|---|---|
| PSPRS Sheriff | | | |
| Net pension liability | $41,935,194 | $33,669,029 | $26,898,827 |
| CORP Detention | | | |
| Net pension liability | $8,971,740 | $6,867,255 | $5,159,926 |
| CORP AOC | | | |
| County's proportionate share of the net pension liability | $9,877,925 | $7,521,413 | $5,593,572 |

**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, 2023, the County recognized the following pension expense:

| | Pension expense |
|---|---|
| PSPRS Sheriff | $3,659,988 |
| CORP Detention | 965,395 |
| CORP AOC (County's proportionate share) | 865,474 |

**Pension deferred outflows/inflows of resources—**At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| **PSPRS—Sheriff** | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between expected and actual experience | $1,667,587 | $618,040 |
| Changes of assumptions or other inputs | 519,302 | |
| Net difference between projected and actual earnings on pension plan investments | 432,603 | |
| County contributions subsequent to the measurement date | 3,710,332 | |
| Total | $6,329,824 | $618,040 |

| **CORP—Detention** | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between expected and actual experience | $ 204,597 | $678 |
| Changes of assumptions or other inputs | 98,396 | |
| Net difference between projected and actual earnings on pension plan investments | 105,253 | |
| County contributions subsequent to the measurement date | 833,495 | |
| Total | $1,241,741 | $678 |

| CORP—AOC | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between expected and actual experience | $ 399,696 | $111,108 |
| Changes of assumptions or other inputs | 244,820 | |
| Net difference between projected and actual earnings on pension plan investments | 127,286 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 1,316 | 321,526 |
| County contributions subsequent to the measurement date | 688,296 | |
| Total | $1,461,414 | $432,634 |

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30 | PSPRS Sheriff | CORP Detention | CORP AOC |
|---|---|---|---|
| 2024 | $ 631,489 | $216,462 | $ 232,948 |
| 2025 | 977,686 | 76,153 | 18,203 |
| 2026 | (242,506) | (76,330) | (168,868) |
| 2027 | 634,783 | 191,283 | 258,201 |

## 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:

| 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<br>10 years, age 62<br>5 years, age 65<br>5 years, any age*<br>any years and age if disabled | 10 years, age 62<br>5 years, age 65<br>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 |

| EORP | Initial membership date: Before January 1, 2012 | On or after January 1, 2012 |
|---|---|---|
| **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<br>40% with 5 to 10 years of service<br>20% with less than 5 years of service | 75% with 10 or more years of service<br>37.5% with 5 to 10 years of service<br>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, 2023, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 70.42% of all active EORP members' annual covered payroll. Also, statute required the County to contribute 58.39% 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 64.42% 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, 2023, was $1,187,729. During fiscal year 2023, the County paid for EORP pension contributions entirely from the General Fund.

**Pension liability—**At June 30, 2023, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County were as follows:

| | |
|---|---|
| County's proportionate share of the EORP net pension liability | $14,494,353 |
| State's proportionate share of the EORP net pension liability associated with the County | 1,411,278 |
| Total | $15,905,631 |

The net pension liability was measured as of June 30, 2022, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3% to

7.2%, decreasing the wage inflation from 3.75% to 3.25%, and increasing the cost-of-living adjustment from 1.75% to 1.85%. 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, 2022. The County's proportion measured as of June 30, 2022 and the change from its proportions measured as of June 30, 2021, were:

| EORP | Proportion June 30, 2022 | Increase from June 30, 2021 |
|---|---|---|
| Pension | 2.15% | 0.09 |

**Expense**—For the year ended June 30, 2023, the County recognized pension expense for EORP of $2,214,736 and revenue of $412,590 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, 2023, 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 |
|---|---|---|
| Net difference between projected and actual earnings on pension plan investments | $ 130,891 | |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 277,561 | |
| County contributions subsequent to the measurement date | 1,187,729 | |
| Total | $1,596,181 | |

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, 2024. 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 | |
|---|---|
| 2024 | $303,918 |
| 2025 | 1,257 |
| 2026 | (61,693) |
| 2027 | 164,970 |

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

| EORP | |
|---|---|
| Actuarial valuation date | June 30, 2022 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.20% |
| Wage inflation | 3.25% |
| Price inflation | 2.5% |
| Cost-of-living adjustment | 1.85% |
| Mortality rates | PubG-2010 tables |

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP plan investments was determined to be 7.2% 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<br>Asset class | Target allocation | Long-term expected geometric real rate of return |
|---|---|---|
| U.S. public equity | 24% | 3.49% |
| International public equity | 16% | 4.47% |
| Global private equity | 20% | 7.18% |
| Other assets (capital appreciation) | 7% | 4.83% |
| Core bonds | 2% | 0.45% |
| Private credit | 20% | 5.10% |
| Diversifying strategies | 10% | 2.68% |
| Cash - Mellon | 1% | (0.35%) |
| Total | 100% | |

**Discount rate—**At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.20%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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 7.20%, 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 one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

| EORP | 1% Decrease (6.2%) | Current discount rate (7.2%) | 1% Increase (8.2%) |
|---|---|---|---|
| County's proportionate share of the net pension liability | $16,547,340 | $14,494,353 | $12,735,827 |

**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 11 - Interfund transactions

**Interfund transfers**—Interfund transfers for the year ended June 30, 2023, were as follows:

| | Transfer to | | | | |
|---|---|---|---|---|---|
| **Transfer from** | **Capital Projects Fund** | **Other governmental funds** | **BDI Airport Fund** | **Solid Waste Fund** | **Total** |
| **General Fund** | $ 99,845 | $2,174,156 | $ 67,000 | | $2,341,001 |
| **Capital Projects Fund** | | | 84,918 | | 84,918 |
| **Other governmental funds** | 159,832 | | | $138,499 | 298,331 |
| **BDI Airport Fund** | 142,775 | | | | 142,775 |
| **Total** | $402,452 | $2,174,156 | $151,918 | $138,499 | $2,867,025 |

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

## Note 12 - County Treasurer's investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under 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 $5,771 of cash, $2,866,917 of deposits and $305,386 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 | $ 60,000,000 | None stated | None stated | $ 60,000,000 |
| Money market mutual funds | 24,825 | None stated | None stated | 24,825 |
| U.S. agency securities | 184,000,000 | 0.40%-5.50% | Up to 5 years | 173,438,240 |

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

| | |
|---|---|
| **Statement of fiduciary net position** | |
| Assets | $272,024,177 |
| Net position | $272,024,177 |
| | |
| Net position held for: | |
| Internal participants | $140,182,719 |
| External participants | 131,841,458 |
| Total net position | $272,024,177 |
| | |
| **Statement of changes in fiduciary net position** | |
| Total additions | $441,089,633 |
| Total deductions | 408,572,459 |
| Net increase | 32,517,174 |
| Net position: | |
| July 1, 2022 | 239,507,003 |
| June 30, 2023 | $272,024,177 |

## Note 13 - Subsequent events

The County is a participant in the One Arizona Distribution of Opioid Settlement Funds Agreement, which is part of the nationwide Opioid Settlement. The nationwide settlements were reached to resolve opioid litigation brought by state and local political subdivisions against pharmaceutical distributors and manufacturers. The pharmaceutical industry is expected to pay more than $1.1 billion to Arizona over the next 18 years for opioid treatment, prevention, and education. As of June 30, 2023, agreements have been finalized with three defendants resulting in the County recording a net receivable of $3.25 million. Five settlements have occurred since June 30, 2023, and the County will recognize approximately $638,000 in revenue in fiscal year 2024.

## Note 14 - 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, which include intangible right-to-use lease and subscription 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 20 years as determined by management based on experience for each class of asset. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Leases and Subscription-Based Information Technology Arrangements

Lessee and subscription liabilities are recognized with an initial, individual value of $1,000 or more. An estimated incremental borrowing rate to measure lease and subscription liabilities is utilized unless it can readily determine the interest rate implicit in the agreement. The estimated incremental borrowing rate is based on a related party's current borrowing rate.

Lessor receivables are recognized with an initial, individual value of $1,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate it charges the lessee) and the implicit rate cannot be determined, Cochise Private Industry Council, Inc.'s own estimated incremental borrowing rate is used as the discount rate to measure lease receivables. The estimated incremental borrowing rate is calculated as described above. Deferred inflows related to leases are recognized as revenue ratably over the term of the lease.

Program revenues

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

## B. Cash

At June 30, 2023, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was $94,749, and the bank balance was $115,744.

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

## C. Lease

At June 30, 2023, Cochise Private Industry Council recognized total lease-related revenues of $30,924.

The lease contract includes other payments for operating expenses, which are not included in the lease receivable. At June 30, 2023, Cochise Private Industry Council recognized revenues of $27,758 for other payments not included in the measurement of lease receivables.

## D. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2023:

| Program | Amount |
|---|---|
| *Cochise County, Arizona* | |
| WIOA Adult Program | $ 89,592 |
| WIOA Dislocated Workers | 56,031 |
| WIOA Youth Program | 59,082 |
| | 204,705 |
| Other | 34,502 |
| Total | $239,207 |

## E. Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance at July 1, 2022 | Increases | Decreases | Balance at June 30, 2023 |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Furniture and equipment | $ 107,515 | $ 6,870 | | $114,385 |
| Leasehold improvements | 13,354 | | | 13,354 |
| Intangibles: | | | | |
| Right-to use lease assets: | | | | |
| Buildings | 564,507 | | | 564,507 |
| Right-to use lease assets: | | | | |
| Subscription assets | | 27,622 | | 27,622 |
| Total capital assets being depreciated/amortized | 685,376 | 34,492 | | 719,868 |
| Less accumulated depreciation/amortization: | (209,898) | (121,385) | | (331,283) |
| Total capital assets being depreciated/amortized, net | $ 475,478 | $ (86,893) | $ | $ 388,585 |

## F. Due to related party

Center for Academic Success, Inc. (CAS) is considered to be a related party of Cochise Private Industry Council's because of common management as well as shared facilities and financial management systems.

During 2023, Cochise Private Industry Council's paid $319,962 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 $37,448 as of June 30, 2023.

## G. Long-term liabilities

The following schedule details Cochise Private Industry Council's long-term liabilities and obligation activity for the year ended June 30, 2023:

| | Balance at July 1, 2022 | Increases | Decreases | Balance at June 30, 2023 | Due Within 1 Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Leases payable | $477,568 | | $106,950 | $370,618 | $112,423 |
| Subscription liability | | $27,622 | 4,750 | 22,872 | 5,295 |
| Compensated absences | 46,480 | 43,060 | 46,480 | 43,060 | |
| Total governmental activities long-term liabilities | $524,048 | $70,682 | $158,180 | $436,550 | $117,718 |

**Leases**—Cochise Private Industry Council's has acquired the right to use buildings under the provisions of various lease agreements. The total amount of lease assets and the related accumulated amortization is as follows:

| | |
|---|---|
| Total intangible right-to-use lease assets | $ 564,507 |
| Less: accumulated amortization | (211,882) |
| Carrying value | $ 352,625 |

The following schedule details minimum lease payments to maturity for Cochise Private Industry Council's leases payable at June 30, 2023:

| | Governmental activities | | |
|---|---|---|---|
| **Year ending June 30,** | **Principal** | **Interest** | **Total** |
| 2024 | $112,423 | $15,977 | $128,400 |
| 2025 | 118,174 | 10,226 | 128,400 |
| 2026 | 124,220 | 4,180 | 128,400 |
| 2027 | 15,801 | 199 | 16,000 |
| Total | $370,618 | $30,582 | $401,200 |

**Subscription-based information technology arrangements**—Cochise Private Industry Council's has acquired the right to use accounting software under the provisions of a subscription-based information technology arrangement. The total amount of the subscription asset and the related accumulated amortization are as follows:

| | |
|---|---|
| Total intangible right-to-use accounting software | $27,622 |
| Less: accumulated amortization | (5,064) |
| Carrying value | $22,558 |

The following schedule details minimum subscription payments to maturity for Cochise Private Industry Council's subscription payable at June 30, 2023:

| | Governmental activities | | |
|---|---|---|---|
| | **Principal** | **Interest** | **Total** |
| 2024 | $ 5,295 | $1,027 | $ 6,322 |
| 2025 | 5,569 | 753 | 6,322 |
| 2026 | 5,854 | 468 | 6,322 |
| 2027 | 6,154 | 168 | 6,322 |
| Total | $22,872 | $2,416 | $25,288 |

# Other Required Supplementary Information

# Cochise County
## Required supplementary information
## Budgetary comparison schedule
## General Fund
## Year ended June 30, 2023

| | Budgeted amounts | | Actual amounts | Variance with final budget |
|---|---|---|---|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | $ 39,099,115 | $ 38,551,692 | $ 39,450,844 | $ 899,152 |
| Licenses and permits | 17,500 | 17,500 | 23,560 | 6,060 |
| Fees, fines, and forfeits | 1,130,208 | 1,130,208 | 1,337,339 | 207,131 |
| Intergovernmental | 41,680,623 | 40,026,467 | 36,854,309 | (3,172,158) |
| Charges for services | 3,116,111 | 3,131,111 | 3,179,287 | 48,176 |
| Investment income | 200,000 | 200,000 | 305,667 | 105,667 |
| Donations | | - | 40,603 | 40,603 |
| Miscellaneous | 33,010,940 | 33,032,639 | 122,062 | (32,910,577) |
| Total revenues | 118,254,497 | 116,089,617 | 81,313,671 | (34,775,946) |
| Expenditures: | | | | |
| Assessor | 2,282,627 | 2,316,563 | 2,002,150 | 314,413 |
| Attorney | 3,126,723 | 3,302,091 | 3,330,595 | (28,504) |
| Board of Supervisors | 4,536,249 | 4,584,561 | 3,925,509 | 659,052 |
| Cochise Aging and Social Services | 1,098,809 | 1,006,150 | 723,118 | 283,032 |
| General government | 64,094,440 | 69,255,518 | 22,530,522 | 46,724,996 |
| Health | 3,707,958 | 4,247,484 | 4,100,364 | 147,120 |
| Judicial system | 13,404,781 | 13,849,221 | 11,346,366 | 2,502,855 |
| Public and legal defenders | 1,934,972 | 2,088,847 | 1,848,900 | 239,947 |
| Recorder | 804,846 | 807,960 | 639,904 | 168,056 |
| Public safety | 21,755,220 | 22,321,460 | 21,621,176 | 700,284 |
| School Superintendent | 505,842 | 513,355 | 493,220 | 20,135 |
| Treasurer | 1,166,247 | 1,238,014 | 1,044,243 | 193,771 |
| Total expenditures | 118,418,714 | 125,531,224 | 73,606,067 | 51,925,157 |
| Excess (deficiency) of revenues over expenditures | (164,217) | (9,441,607) | 7,707,604 | 17,149,211 |
| Other financing sources: | | | | |
| Sale of capital assets | 30,000 | 30,000 | | (30,000) |
| Transfers in | 134,217 | 9,411,607 | | (9,411,607) |
| Total other financing sources | 164,217 | 9,441,607 | | (9,441,607) |
| Net change in fund balances | | | 7,707,604 | 7,707,604 |
| Fund balances, July 1, 2022 | 37,114,708 | 37,114,708 | 36,681,493 | (433,215) |
| Fund balances, June 30, 2023 | $ 37,114,708 | $ 37,114,708 | $ 44,389,097 | $ 7,274,389 |

See accompanying notes to budgetary comparison schedule.

# Cochise County
## Required supplementary information
## Budgetary comparison schedule
## Highway and Streets Fund
## Year ended June 30, 2023

| | Budgeted amounts | | Actual | Variance with final |
|---|---|---|---|---|
| | Original | Final | amounts | budget |
| Revenues: | | | | |
| Intergovernmental | $ 12,950,000 | $ 12,950,000 | $ 13,639,777 | $ 689,777 |
| Charges for services | 115,000 | 115,000 | 63,625 | (51,375) |
| Investment income | 80,000 | 80,000 | 8,176 | (71,824) |
| Miscellaneous | 13,608,216 | 13,608,535 | 1,382 | (13,607,153) |
| Total revenues | 26,753,216 | 26,753,535 | 13,712,960 | (13,040,575) |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and streets | 26,753,216 | 26,753,535 | 13,368,020 | 13,385,515 |
| Total expenditures | 26,753,216 | 26,753,535 | 13,368,020 | 13,385,515 |
| Excess (deficiency) of revenues over expenditures | 150,000 | 150,000 | 344,940 | 194,940 |
| Other financing sources (uses): | | | | |
| Transfers out | (150,000) | (150,000) | | 150,000 |
| Total other financing sources and uses | (150,000) | (150,000) | | 150,000 |
| Net change in fund balances | | | 344,940 | 344,940 |
| Fund balances, July 1, 2022 | 13,193,216 | 13,193,216 | 15,974,256 | 2,781,040 |
| Fund balances, June 30, 2023 | $ 13,193,216 | $ 13,193,216 | $ 16,319,196 | $ 3,125,980 |

See accompanying notes to budgetary comparison schedule.

# Cochise County
## Required supplementary information
## Budgetary comparison schedule
## Border Security Trust Fund
## Year ended June 30, 2023

| | Budgeted amounts | | Actual amounts | Variance with final budget |
|---|---|---|---|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | $ 4,490,111 | $ 17,959,752 | $ 6,567,484 | $ 11,392,268 |
| Investment income | | | (27,112) | 27,112 |
| Miscellaneous | | | 57,810 | (57,810) |
| Total revenues | 4,490,111 | 17,959,752 | 6,598,182 | 11,361,570 |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 4,490,111 | 17,959,752 | 4,861,180 | 13,098,572 |
| Total expenditures | 4,490,111 | 17,959,752 | 4,861,180 | 13,098,572 |
| Excess (deficiency) of revenues over expenditures | | | 1,737,002 | (1,737,002) |
| Other financing sources (uses): | | | | |
| Transfers out | | | | |
| Total other financing sources and uses | | | | |
| Net change in fund balances | | | 1,737,002 | (1,737,002) |
| Fund balances, July 1, 2022 | 588,719 | 588,719 | 588,719 | |
| Fund balances, June 30, 2023 | $ 588,719 | $ 588,719 | $ 2,325,721 | $ (1,737,002) |

See accompanying notes to budgetary comparison schedule.

# Cochise County
## Required supplementary information
## Budgetary comparison schedule
## DPS Agreements Fund
## Year ended June 30, 2023

| | Budgeted amounts | | Actual amounts | Variance with final budget |
|---|---|---|---|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | | $ 5,000,000 | $ 70,000 | $ 4,930,000 |
| Investment income | | | (167,339) | 167,339 |
| Miscellaneous | | | 89,089 | (89,089) |
| Total revenues | | 5,000,000 | (8,249) | 5,008,250 |
| Expenditures: | | | | |
| Current: | | | | |
| Capital outlay | | 5,000,000 | 70,000 | 4,930,000 |
| Total expenditures | | 5,000,000 | 70,000 | 4,930,000 |
| Excess (deficiency) of revenues over expenditures | | | (78,249) | 78,250 |
| Other financing sources (uses): | | | | |
| Transfers out | | | | |
| Total other financing sources and uses | | | | |
| Net change in fund balances | | | (78,249) | 78,249 |
| Fund balances, July 1, 2022 | | | | |
| Fund balances, June 30, 2023 | | $ - | $ (78,249) | $ 78,249 |

See accompanying notes to budgetary comparison schedule.

# Cochise County
## Required supplementary information
## Notes to budgetary comparison schedules
## June 30, 2023

## 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, 2023

### Arizona State Retirement System

| | Reporting fiscal year (Measurement date) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| County's proportion of the net pension liability | 0.24% | 0.25% | 0.26% | 0.26% | 0.27% | 0.26% | 0.26% | 0.27% | 0.29% | |
| County's proportionate share of the net pension liability | $ 39,832,748 | $ 32,770,053 | $ 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 | 29,593,679 | 28,176,928 | 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 | 134.6% | 116.3% | 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 | 74.26% | 78.58% | 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) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| County's proportion of the net pension liability | 1.69% | 1.72% | 1.81% | 1.80% | 1.81% | 1.61% | 1.58% | 1.72% | 1.76% | |
| County's proportionate share of the net pension liability | $ 7,521,413 | $ 6,394,939 | $ 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 | 2,008,628 | 2,108,805 | 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 | 374.5% | 303.2% | 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 | 57.52% | 62.53% | 50.07% | 51.99% | 53.72% | 49.21% | 54.81% | 57.89% | 58.59% | |

### Elected Officials Retirement Plan

| | Reporting fiscal year (Measurement date) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| County's proportion of the net pension liability | 2.15% | 2.06% | 2.04% | 2.04% | 1.66% | 1.78% | 1.95% | 1.84% | 1.87% | |
| County's proportionate share of the net pension liability | $ 14,494,353 | $ 12,543,558 | $ 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 | 1,411,278 | 1,260,831 | 1,311,756 | 1,270,081 | 1,796,077 | 4,513,931 | 3,804,807 | 4,479,215 | 3,842,719 | |
| Total | $ 15,905,631 | $ 13,804,389 | $ 15,113,607 | $ 14,783,070 | $ 12,278,395 | $ 26,263,088 | $ 22,232,316 | $ 18,846,800 | $ 16,375,669 | Information not available |
| County's covered payroll | $ 1,781,783 | $ 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 proportionate share of the net pension liability as a percentage of its covered payroll | 813.5% | 702.5% | 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 | 32.01% | 36.28% | 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, 2023

| | Reporting fiscal year (Measurement date) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Public Safety Personnel Retirement System—Sheriff** | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| Total pension liability | | | | | | | | | | |
| Service cost | $ 729,072 | $ 862,586 | $ 886,465 | $ 988,563 | $ 949,321 | $ 1,037,941 | $ 912,659 | $ 897,651 | $ 864,164 | |
| Interest on the total pension liability | 4,200,279 | 4,197,460 | 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 | 2,187,123 | (1,854,119) | 838,018 | 54,071 | 1,034,834 | (187,240) | (1,789,290) | (213,315) | 273,161 | |
| Changes of assumptions or other inputs | 778,952 | | | 1,377,328 | | 2,581,911 | 1,605,977 | | 5,093,748 | |
| Benefit payments, including refunds of employee contributions | (3,097,952) | (2,969,641) | (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 | 4,797,474 | 236,286 | 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 | 58,357,979 | 58,121,693 | 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) | $ 63,155,453 | $ 58,357,979 | $ 58,121,693 | $ 55,208,407 | $ 51,998,563 | $ 49,238,009 | $ 44,666,399 | $ 43,046,977 | $ 41,801,873 | |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions—employer | $ 7,797,601 | $ 2,525,213 | $ 2,841,950 | $ 2,774,136 | $ 2,321,111 | $ 2,447,945 | $ 3,414,120 | $ 2,816,097 | $ 1,590,648 | |
| Contributions—employee | 357,854 | 363,655 | 396,947 | 403,241 | 416,973 | 572,902 | 542,026 | 533,148 | 480,171 | |
| Net investment income | (1,123,266) | 5,831,472 | 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 | (3,097,952) | (2,969,641) | (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 | (20,229) | (27,055) | (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 | 3,914,008 | 5,723,644 | 671,660 | 1,150,864 | 247,898 | 2,103,337 | 1,409,952 | 1,176,818 | 208,061 | |
| Plan fiduciary net position—beginning | 25,572,416 | 19,848,772 | 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) | $ 29,486,424 | $ 25,572,416 | $ 19,848,772 | $ 19,177,111 | $ 18,026,247 | $ 17,778,349 | $ 15,675,012 | $ 14,265,060 | $ 13,088,242 | |
| County's net pension liability—ending (a) - (b) | $ 33,669,029 | $ 32,785,563 | $ 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 | 46.69% | 43.82% | 34.15% | 34.74% | 34.67% | 36.11% | 35.09% | 33.14% | 31.31% | |
| Covered payroll | $ 5,424,610 | $ 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 net pension liability as a percentage of covered payroll | 620.67% | 605.31% | 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, 2023
## (Concluded)

| | Reporting fiscal year (Measurement date) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Corrections Officer Retirement Plan—Detention** | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| Total pension liability | | | | | | | | | | |
| Service cost | $ 234,928 | $ 242,051 | $ 256,408 | $ 317,614 | $ 342,971 | $ 330,614 | $ 297,814 | $ 292,414 | $ 282,410 | |
| Interest on the total pension liability | 1,046,853 | 1,010,366 | 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 | 132,845 | (1,356) | 464,133 | 277,148 | 513,693 | (331,887) | (636,880) | 512,038 | (165,636) | |
| Changes of assumptions or other inputs | 147,594 | | | 312,821 | | 301,101 | 362,499 | | 798,887 | |
| Benefit payments, including refunds of employee contributions | (756,026) | (732,195) | (677,291) | (634,580) | (797,915) | (638,712) | (562,548) | (450,596) | (448,901) | |
| Net change in total pension liability | 806,194 | 518,866 | 984,779 | 1,148,547 | 250,893 | 1,769,602 | 216,814 | 1,020,658 | 1,174,077 | |
| Total pension liability—beginning | 14,483,538 | 13,964,672 | 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) | $ 15,289,732 | $ 14,483,538 | $ 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 | $ 779,165 | $ 694,560 | $ 585,531 | $ 527,420 | $ 469,110 | $ 448,799 | $ 400,307 | $ 268,393 | $ 222,257 | |
| Contributions—employee | 134,305 | 127,642 | 143,084 | 154,457 | 195,131 | 184,017 | 197,513 | 171,671 | 141,534 | |
| Net investment income | (323,491) | 1,828,969 | 177,408 | 331,548 | 396,107 | 648,996 | 32,454 | 182,577 | 617,823 | Information not available |
| Benefit payments, including refunds of employee contributions | (756,026) | (732,195) | (677,291) | (634,580) | (797,915) | (638,712) | (562,548) | (450,596) | (448,901) | |
| Administrative expense | (5,937) | (8,451) | (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 | (171,984) | 1,910,525 | 211,429 | 372,228 | 255,622 | 636,990 | 99,403 | 141,177 | 34,721 | |
| Plan fiduciary net position—beginning | 8,594,461 | 6,683,936 | 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) | $ 8,422,477 | $ 8,594,461 | $ 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) | $ 6,867,255 | $ 5,889,077 | $ 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 | 55.09% | 59.34% | 47.86% | 49.87% | 51.56% | 50.47% | 53.08% | 53.24% | 57.94% | |
| Covered payroll | $ 2,911,523 | $ 2,600,893 | $ 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 | 235.85% | 226.43% | 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, 2023

**Arizona State Retirement System** — Reporting fiscal year

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 3,635,380 | $ 3,187,278 | $ 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 | 3,635,380 | 3,187,278 | 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 contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 32,594,104 | $ 29,593,679 | $ 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 | 11.15% | 10.77% | 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** — Reporting fiscal year

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 688,296 | $ 690,785 | $ 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 | 688,296 | 690,785 | 653,064 | 684,566 | 718,941 | 477,270 | 363,649 | 332,346 | 284,626 | 273,752 |
| County's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 2,041,983 | $ 2,008,628 | $ 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 | 33.71% | 34.39% | 30.97% | 29.06% | 31.90% | 22.75% | 19.89% | 19.04% | 14.88% | 13.97% |

**Elected Officials Retirement Plan** — Reporting fiscal year

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 1,187,729 | $ 1,011,666 | $ 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 | 1,187,729 | 1,011,666 | 1,010,737 | 998,444 | 975,743 | 13,397 | 303,450 | 319,124 | 363,029 | 398,234 |
| County's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ 300,782 | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 1,850,370 | $ 1,781,783 | $ 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 | 64.19% | 56.78% | 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, 2023
## (Concluded)

| Public Safety Personnel Retirement System—Sheriff | Reporting fiscal year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially determined contribution | $ 3,189,850 | $ 2,616,875 | $ 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 | 3,710,332 | 7,902,805 | 2,571,735 | 2,927,213 | 2,763,453 | 1,724,096 | 2,411,458 | 3,413,915 | 2,854,142 | 1,590,648 |
| County's contribution deficiency (excess) | $ (520,482) | $ (5,285,930) | $ - | $ - | $ - | $ 634,944 | $ - | $ (1,000,000) | $ (1,000,000) | $ - |
| County's covered payroll | $ 6,504,004 | $ 5,424,610 | $ 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 | 49.04% | 145.68% | 47.48% | 51.37% | 51.91% | 32.60% | 50.41% | 71.94% | 58.41% | 33.98% |

| Corrections Officer Retirement Plan—Detention | Reporting fiscal year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially determined contribution | $ 833,495 | $ 801,765 | $ 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 | 833,495 | 801,765 | 723,172 | 614,285 | 547,986 | 516,924 | 437,766 | 384,058 | 268,394 | 222,257 |
| County's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| County's covered payroll | $ 3,354,369 | $ 2,911,523 | $ 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 | 24.85% | 27.54% | 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, 2023

## 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 reported. 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 2021 actuarial valuation | 25 years for PSPRS; 15 years for CORP |
| Asset valuation method | 7-year smoothed market value; 80%/120% market corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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) |

## 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.

## Note 3 – Excess Contributions

During fiscal year 2022 and 2023 Cochise County made additional contributions to the County's Public Safety Personnel Retirement System to pay down its unfunded actuarial 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 U.S. Comptroller General, 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2024. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority, Accommodation School District 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.

## Report on 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. 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. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and recommendations as item 2023-01.

## County response to findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that 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 other 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

March 29, 2024

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

## Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

### Report on compliance for each major federal program

#### *Opinion on each major federal program*

We have audited Cochise County's compliance with the types of compliance requirements identified as subject to audit 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, 2023, except for the Housing Voucher Cluster (Assistance Listings number 14.871), a major federal program administered by the County's Housing Authority. That 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.

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the 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, 2023.

#### *Basis for opinion on each major federal program*

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 U.S. Comptroller General, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

### *Other matter—Federal expenditures not included in the compliance audit*

The County's basic financial statements include the operations of the Cochise Private Industry Council, Inc., which expended $2,415,417 in federal awards that is not included in the County's schedule of expenditures of federal awards during the year ended June 30, 2023. Our compliance audit, described in the opinion on each major federal program section, does not include the operations of Cochise Private Industry Council, Inc., because it engaged other auditors to perform its audit.

### *Management's responsibilities for compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

### *Auditors' responsibilities for the audit of compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

March 29, 2024

# 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** |
| Is a going concern emphasis-of-matter paragraph included in the auditors' report? | **No** |
| **Internal control over financial reporting** | |
| Material weaknesses identified? | **No** |
| Significant deficiencies identified? | **None reported** |
| **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 | COVID-19 Housing Voucher Cluster |
| 14.871 | Housing Voucher Cluster |
| 21.027 | COVID-19 Coronavirus State and Local Fiscal Recovery Funds |
| 93.391 | Activities to support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises |

| | |
|---|---|
| **Dollar threshold used to distinguish between Type A and Type B programs** | **$750,000** |
| **Auditee qualified as low-risk auditee?** | **No** |

# Financial statement findings

## 2023-01

### The County paid for purchasing card purchases totaling $12,049 without complying with its policies and procedures and documenting how $3,683 of these purchases were necessary to serve a public purpose and to benefit the County and its residents, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution

**Condition—**The County paid for purchasing card purchases totaling $12,049 without complying with its policies and procedures and failed to ensure that $3,683 of purchases had documentation to demonstrate they were for authorized County business purposes before it paid for the purchasing card expenditures. Specifically, for 33 of 70 fiscal year 2023 purchasing card transactions we tested, the County paid for:

- 21 transactions totaling $6,948 for which the purchasing cardholder did not sign and/or date the itemized receipt, as required by County policies.
- 4 transactions totaling $2,863 for restroom sink replacements for jail renovations when purchases for construction, renovations, and maintenance were prohibited by County policies and required a different procurement process.
- 2 transactions totaling $1,087 to purchase a refrigerator, for which the purchase was split into 2 separate transactions to circumvent the $1,000 purchasing card transaction limit for individual purchases established by County policies.
- 2 transactions totaling $944 to purchase uniforms, which were prohibited by County policies and required a different procurement process.
- 4 transactions totaling $207 from Walmart, Lazy Dog Restaurant, and Grand Ballroom, that lacked required supporting documentation demonstrating the County business purpose, such as itemized receipts.

Additionally, during our review of purchasing card transactions, we identified $2,976 the County spent on food, beverages, and entertainment for an employee appreciation event and $500 on gift cards for an employee recognition program without any documentation to demonstrate the County business purpose or public purpose to comply with the Arizona Constitution.

**Effect—**The County's noncompliant purchasing card expenditures put public monies at risk of being misspent or being misused and those lacking public purpose documentation possibly violated the Arizona Constitution's ban on gifts or loans of public monies. Further, when public monies are misspent or misused, less monies are available for uses that benefit the County and its residents.

**Cause—**Although the County's purchasing card policies prohibit certain purchases and require purchasing cardholders to sign and date all itemized receipts, the purchasing card administrator and County department employees responsible for reviewing and approving purchasing card transactions did not identify violations of the policies and procedures.[1] Further, the County's purchasing card policies and procedures do not require purchasing cardholders to prepare and retain documentation to support the County business purpose or public purpose for purchases of food, beverages, entertainment, and gift cards.

**Criteria—**The County's purchasing card policies require purchasing cardholders to retain, sign, and date an itemized receipt for all purchasing card transactions and to reimburse the County for transactions without this documentation.[1] In addition, the policies and procedures prohibit using purchasing cards for certain purchases, such as uniforms, household appliances, and construction, renovations, and maintenance, since the County requires these purchases to follow another County procurement process, including competitive purchasing procedures involving the consideration of verbal or written cost bids and proposals. Further, the policies and procedures specifically prohibit the splitting of purchases to circumvent the purchasing card individual purchase limits or any required competitive purchasing procedures. Finally, State law bans gifts or loans of public monies by counties to individuals, which could potentially include purchasing card expenditures that are not reviewed and approved and not authorized by County policies (Arizona Constitution, Art. IX, Sec. 7).

**Recommendations—**The County should:

1. Update its existing policies and procedures to specify the circumstances, if any, for which purchases of food, beverages, entertainment, and gift cards are authorized and require purchasing cardholders to prepare and retain documentation to support that such purchases are for an authorized purposes necessary for official County business and the public purpose and benefit to the County and its constituents.
2. Require department supervisors responsible for reviewing and approving purchasing card transactions to approve only those transactions that are supported by documentation that evidence purchases are for an authorized County business purpose, including the public purpose to comply with the Arizona Constitution, and to do so prior to the County's paying for them.
3. Require its Procurement Department to develop and implement a process to monitor County departments' compliance with the County's policies to help ensure that the County does not pay for purchases that do not have the required itemized receipts, invoices, or other documentation supporting that they are for authorized County business.
4. Train all County employees who are purchasing cardholders and department supervisors on its policies and procedures for using purchasing cards and reviewing and approving or denying purchases. Training should address detailed instructions for how to submit documentation for review and approval, what documentation to provide, and purchases requiring another procurement process, such as uniforms, household appliances, and construction, renovations, and maintenance, that may be subject to the County's competitive purchasing procedures.

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.

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[1] Cochise County. (2018). Cochise County Purchasing Card Policy. Retrieved on 1/30/2024 from https://www.cochise.az.gov/DocumentCenter/View/2412/Purchasing-Card-Pcard-Policy-PDF.

## Federal award findings and questioned costs

None reported.

COUNTY SECTION

**COCHISE COUNTY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**Fiscal Period 7/1/2022 - 6/30/2023**

| 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 | CTR040363 A4-A6 | | $681,788 | $681,788 | N/A | $0 |
| SCHOOLS AND ROADS - GRANTS TO STATES | 10.665 | | | | | $358,423 | $358,423 | FOREST SERVICE SCHOOLS AND ROADS CLUSTER | $358,423 |
| NATIONAL FOREST SYSTEM-LAW ENFORCEMENT | 10.U01 | 18-LE-11030500-003 & 23-LE-11030500-048 | | | | $4,980 | $4,980 | N/A | $0 |
| **TOTAL DEPARTMENT OF AGRICULTURE** | | | | | | $1,045,191 | | | |
| **DEPARTMENT OF DEFENSE** | | | | | | | | | |
| READINESS AND ENVIRONMENTAL PROTECTION INTEGRATION (REPI) PROGRAM | 12.017 | | | | | $94,845 | $94,845 | N/A | $0 |
| FOREST PRODUCT SALES | 12.U02 | 10 USC 2665 | | | | $366 | $366 | N/A | $0 |
| **TOTAL DEPARTMENT OF DEFENSE** | | | | | | $95,211 | | | |
| **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | | | | | | |
| HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS | 14.241 | | | | | $255,215 | $255,215 | N/A | $0 |
| SECTION 8 HOUSING CHOICE VOUCHERS | 14.871 | | | | | $4,415,948 | $4,673,953 | HOUSING VOUCHER CLUSTER | $4,673,953 |
| COVID-19 SECTION 8 HOUSING CHOICE VOUCHERS | 14.871 | COVID-19 | | | | $258,005 | $4,673,953 | HOUSING VOUCHER CLUSTER | $4,673,953 |
| FAMILY SELF-SUFFICIENCY PROGRAM | 14.896 | | | | | $69,120 | $69,120 | N/A | $0 |
| **TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | | | $4,998,288 | | | |
| **DEPARTMENT OF THE INTERIOR** | | | | | | | | | |
| DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENTS | 15.227 | | | | | $4,856 | $4,856 | N/A | $0 |
| **TOTAL DEPARTMENT OF THE INTERIOR** | | | | | | $4,856 | | | |
| **DEPARTMENT OF JUSTICE** | | | | | | | | | |
| CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM | 16.034 | COVID-19 | ARIZONA CRIMINAL JUSTICE COMMISSION | ACESF-22-001 | | $4,302 | $4,302 | N/A | $0 |
| CRIME VICTIM ASSISTANCE | 16.575 | | ARIZONA DEPARTMENT OF PUBLIC SAFETY | 2020-140 | | $113,056 | $113,056 | N/A | $0 |
| CRIME VICTIM COMPENSATION | 16.576 | COVID-19 | ARIZONA CRIMINAL JUSTICE COMMISSION | VC-23-0002 | | $14,000 | $14,000 | N/A | $0 |
| EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM | 16.738 | | ARIZONA CRIMINAL JUSTICE COMMISSION | DC-23-003, DC-23-021 | | $95,965 | $95,965 | N/A | $0 |
| **TOTAL DEPARTMENT OF JUSTICE** | | | | | | $227,323 | | | |
| **DEPARTMENT OF TRANSPORTATION** | | | | | | | | | |
| AIRPORT IMPROVEMENT PROGRAM | 20.106 | | | | | $324,626 | $324,626 | N/A | $0 |
| HIGHWAY PLANNING AND CONSTRUCTION | 20.205 | | ARIZONA DEPARTMENT OF TRANSPORTATION | JPA/IGA 11-121-1-A2 | | $56,018 | $56,018 | N/A | $0 |
| STATE AND COMMUNITY HIGHWAY SAFETY | 20.600 | | ARIZONA GOVERNORS'S OFFICE OF HIGHWAY SAFETY | 2023-PTS-015, 2023-AL-012, 2022-PTS-016, 2022-AL-012 | | $97,909 | $97,909 | HIGHWAY SAFETY CLUSTER | $103,869 |
| NATIONAL PRIORITY SAFETY PROGRAMS | 20.616 | | ARIZONA GOVERNORS'S OFFICE OF HIGHWAY SAFETY | 2023-CIOT-006 | | $5,960 | $5,960 | HIGHWAY SAFETY CLUSTER | $103,869 |
| **TOTAL DEPARTMENT OF TRANSPORTATION** | | | | | | $484,153 | | | |
| **DEPARTMENT OF TREASURY** | | | | | | | | | |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | COVID-19 | ARIZONA SUPREME COURT | 220200CB01 | | $8,000 | $11,012,350 | N/A | $0 |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | COVID-19 | | | $761,800 | $11,004,350 | $11,012,350 | N/A | $0 |
| **TOTAL DEPARTMENT OF TREASURY** | | | | | $761,800 | $11,012,350 | | | |
| **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 | 2021-ARPA11 | | $15,250 | $15,250 | N/A | $0 |
| **TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES** | | | | | | $6,551 | | | |
| **DEPARTMENT OF EDUCATION** | | | | | | | | | |
| SPECIAL EDUCATION_GRANTS TO STATES | 84.027 | | ARIZONA DEPARTMENT OF EDUCATION | 23FSESCBG-310784-09A, 23FESCBG-31082509A | | $7,602 | $7,602 | SPECIAL EDUCATION CLUSTER (IDEA) | $7,602 |
| ENGLISH LANGUAGE ACQUISITION STATE GRANTS | 84.365 | | ARIZONA DEPARTMENT OF EDUCATION | 22FELENG-213161-66A, 21FELENG-113161-66A | | $13,465 | $13,465 | N/A | $0 |
| EDUCATION STABILIZATION FUND | 84.425 | COVID-19, 84.425D | ARIZONA DEPARTMENT OF EDUCATION | 21FEIINT-110825-01A, IGA 23-14-ED | | $76,135 | $76,135 | N/A | $0 |
| **TOTAL DEPARTMENT OF EDUCATION** | | | | | | $97,202 | | | |
| **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 | | $3,402 | $3,402 | N/A | $0 |
| **TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION** | | | | | | $3,402 | | | |
| **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 GOVERNMNENTS ORGANIZATION | 107-23 | | $60,096 | $60,096 | AGING CLUSTER | $60,096 |
| PUBLIC HEALTH EMERGENCY PREPAREDNESS | 93.069 | | ARIZONA DEPARTMENT OF HEALTH SERVICES | CTR055207 A1 & A2 | | $300,140 | $300,140 | N/A | $0 |
| MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS | 93.110 | | ARIZONA DEPARTMENT OF HEALTH SERVICES | CTR050594 | | $38,326 | $38,326 | N/A | $0 |
| INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS | 93.136 | | ARIZONA DEPARTMENT OF HEALTH SERVICES | ADHS18-180472 A5 | | $245,444 | $245,444 | N/A | $0 |
| IMMUNIZATION COOPERATIVE AGREEMENTS | 93.268 | | ARIZONA DEPARTMENT OF HEALTH SERVICES | CTR060269 | | $37,037 | $398,499 | N/A | $0 |
| COVID-19 IMMUNIZATION COOPERATIVE AGREEMENTS | 93.268 | COVID-19 | ARIZONA DEPARTMENT OF HEALTH SERVICES | CTR060269 | | $361,462 | $398,499 | N/A | $0 |
| EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) | 93.323 | COVID-19 | ARIZONA DEPARTMENT OF HEALTH SERVICES | IGA 2021-074 A1 & CTR058657 | | $8,696 | $8,696 | N/A | $0 |
| PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE | 93.354 | COVID-19 | ARIZONA DEPARTMENT OF HEALTH SERVICES | ADHS17-133164 A8, CTR055207 A1 | | $217,932 | $217,932 | N/A | $0 |
| ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES | 93.391 | COVID-19 | ARIZONA DEPARTMENT OF HEALTH SERVICES | CTR055990 A1 | | $974,584 | $974,584 | N/A | $0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *CHILD SUPPORT ENFORCEMENT* | *93.563* | | *ARIZONA DEPARTMENT OF ECONOMIC SECURITY* | *DI18-002162, DI-002171* | | *$14,294* | *$14,294* | *N/A* | *$0* |
| *CHILD CARE AND DEVELOPMENT BLOCK GRANT* | *93.575* | | *EARLY CHILDHOOD HEALTH AND DEVELOPMENT BOARD* | *GRA-STATE-19-0968-01-Y5* | | *$14,400* | *$14,400* | *CCDF CLUSTER* | *$14,400* |
| *GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS* | *93.597* | | *ARIZONA DEPARTMENT OF ECONOMIC SECURITY* | *DI16-002163 A2* | | *$39,001* | *$39,001* | | |
| *FOSTER CARE_TITLE IV-E* | *93.658* | | *ADMINISTRATIVE OFFICE OF THE COURTS* | *TITLEIVEFY23Q1, TITLEIVEFY23Q2, TITLEIVEFY23Q3, TITLEIVEFY23Q4, TITLEIVEFY23* | | *$90,805* | *$90,805* | *N/A* | *$0* |
| *OPIOID STR* | *93.788* | | *ARIZONA DEPARTMENT OF HEALTH SERVICES* | *ADHS18-180472 A5, CTR063847* | | *$179,110* | *$179,110* | *N/A* | *$0* |
| *PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS* | *93.977* | | *ARIZONA DEPARTMENT OF HEALTH SERVICES* | *CTR40475 A2* | | *$35,347* | *$35,347* | *N/A* | *$0* |
| *PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT* | *93.991* | | *ARIZONA DEPARTMENT OF HEALTH SERVICES* | *CTR055256 A2* | | *$40,242* | *$40,242* | | |
| *MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES* | *93.994* | | *ARIZONA DEPARTMENT OF HEALTH SERVICES* | *CTR055256 A2* | | *$103,044* | *$103,044* | *N/A* | *$0* |
| **TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | | | $2,759,960 | | | |
| | | | | | | | | | |
| **EXECUTIVE OFFICE OF THE PRESIDENT** | | | | | | | | | |
| *HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM* | *95.001* | | *CITY OF TUCSON* | *HT-21-2909, HT-22-2909, HT-21-2912, HT-22-2912* | | *$206,023* | *$206,023* | *N/A* | *$0* |
| **TOTAL EXECUTIVE OFFICE OF THE PRESIDENT** | | | | | | $206,023 | | | |
| | | | | | | | | | |
| **DEPARTMENT OF HOMELAND SECURITY** | | | | | | | | | |
| *EMERGENCY MANAGEMENT PERFORMANCE GRANTS* | *97.042* | | *ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS* | *EMF-2022-EP-00009-S01* | | *$114,048* | *$114,048* | *N/A* | *$0* |
| *HOMELAND SECURITY GRANT PROGRAM* | *97.067* | | *ARIZONA DEPARTMENT OF HOMELAND SECURITY* | *21-AZDOHS-OPSG-210420-02, 21-AZDOHS-OPSG-210420-01, 20-AZDOHS-OPSG-200412-01 A1, 19-AZDOHS-HSGP-190400-05, 21-AZDOHS-HSGP-210400-3, 21-AZDOHS-HSGP-210400-01, 22-AZDOHS-HSGP-220400-01* | | *$544,148* | *$544,148* | *N/A* | *$0* |
| HOMELAND SECURITY UNKNOWN | 97.U04 | Payment IDs: 101036152054200 & 101036153055573 | | | | $5,456 | $5,456 | N/A | $0 |
| **TOTAL DEPARTMENT OF HOMELAND SECURITY** | | | | | | $663,642 | | | |
| | | | | | | | | | |
| **TOTAL EXPENDITURE OF FEDERAL AWARDS** | | | | | $761,800 | $21,613,221 | | | |

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 7/1/2022 - 6/30/2023**

**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, 2023. 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 2023 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.

**Coronavirus State & Local Fiscal Recovery Funds Revenue Loss**

The County elected to claim the $10 million revenue loss standard allowance rather than using the calculated revenue loss option. The expenditure amount reported on this schedule is the aggregate expenditure amount for all four eligible use categories and not the result of the revenue loss calculation or standard allowance.

# COUNTY RESPONSE

**Cochise County**
**Finance Department**

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

**Monica Miranda**
Finance Director

March 29, 2024

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,

Monica Miranda
Cochise County Finance Director

1415 Melody Lane, Building G
Bisbee, Arizona 85603
520-432-8376
520-432-8398 fax
mmiranda@cochise.az.gov

**Cochise County**

**Corrective Action Plan**

**Year ended June 30, 2023**

# Financial statement findings

## 2023-01

**The County paid for purchasing card purchases totaling $12,049 without complying with its policies and procedures and documenting how $3,683 of these purchases were necessary to serve a public purpose and to benefit the County and its residents, resulting in an elevated risk of misuse of public monies and possible violation of the Arizona Constitution**

**Contact: Monica Miranda**

Anticipated completion date: June 30, 2024

***Corrective Action:***

*Cochise County understands that we have a fiduciary duty to manage public funds responsibly and ethically, and we place great importance on this responsibility.*

*The Cochise County Finance department will continue to screen and monitor purchasing card (Pcard) purchases every month, and will advise the Procurement Department Contracts Administrator, who is the Pcard Administrator, of any unauthorized transactions that violate the Cochise County Purchasing Card Policy, the Cochise County Procurement Policy, and the State of Arizona Procurement Code. Effective immediately, the P-card Administrator will ensure that compliance with the Pcard policy is enforced and will submit to Finance documented proof that violations have been addressed for Finance records per the policy.*

*Finance met with Administration and Procurement staff and determined that the Pcard policy will be amended to have Pcard holders date the receipt only in the event the itemized receipt does not include a date of transaction. Additionally, the current Pcard policy identifies a "two-strike" method for Pcard violations. The revised policy will include clear steps/actions for each "strike", and the Procurement department will be required to provide documentation of the Pcard Administrator's response to violations to Finance.*

*In addition to the amendment of the current Pcard policy, the Pcard Administrator will hold a mandatory annual Pcard policy refresher training for all cardholders, Directors, and Elected Officials. The training will review the responsibility of each role outlined in the Pcard policy (Pcard holder, Pcard Department Liaison, Supervisor, Director, Pcard Administrator and Finance), authorized and unauthorized transactions, as well as emphasis on what is considered appropriate uses and documentation for the food and beverage request (emphasizing the need for clear documentation that supports the County or public business purpose for the request). Additionally, staff will be advised that any violations of the Pcard policy will be enforced by the Pcard Administrator without exception.*

*Finally, the County understands the importance of appreciating our most valuable asset: our employees. To that end, the County will work to identify methods and adopt a policy that demonstrates appreciation of employees for exemplary performance, volunteering within the Cochise County community, and cybersecurity vigilance and awareness. The County will ensure these methods adhere to the Arizona statutes pertaining to appropriate uses of public funds and Article IX, §7 of the Arizona Constitution - Gift Clause.*

**Cochise County**
**Finance Department**

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

**Monica Miranda**
Finance Director

March 28, 2024

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

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,

Monica Miranda
Cochise County Finance Director

1415 Melody Lane, Building G
Bisbee, Arizona 85603
520-432-8370
520-432-8398 fax
mmiranda@cochise.az.gov

## Status of financial statement findings

Finding number 2022-01 Fiscal year finding initially occurred: 2019

Status: Corrected

**The County allowed 3 employees the ability to change pay rates—including their own—without independent review and approval and without monitoring their payroll processing activities, increasing the risk of fraud and potential misuse of public monies**

Finding number 2022-02 Fiscal year finding initially occurred: 2017

Status: 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 2022-03 Fiscal year finding initially occurred: 2022

Status: Corrected

**The County failed to provide key financial information to auditors timely and issued its Annual Financial Report late, resulting in untimely financial information to decision makers and potential misuse of public monies**

## Federal award findings and questioned costs

Finding number 2022-101 Fiscal year finding initially occurred: 2022

Status: Corrected

**Contrary to federal regulation, the County did not submit its June 30, 2022, Single Audit Report to the federal audit clearinghouse until May 26, 2023, which was nearly 2 months later than required**

ARIZONA
Auditor General
Making a Positive Difference