A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Cochise County

Year Ended June 30, 2015

STATE OF ARIZONA
OFFICE OF THE
AUDITOR
GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

Integrity ★ Accountability ★ Making a Difference

The Auditor General's reports are available at:

www.azauditor.gov

Printed copies of our reports may be requested by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Cochise County
Single Audit Reporting Package
Year Ended June 30, 2015

Table of Contents | Page

Financial Section

Cochise County
Single Audit Reporting Package
Year Ended June 30, 2015

Table of Contents | Page

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units of Cochise County. 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 the Housing Authority of Cochise County and Cochise Private Industry Council, Inc., are based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Cochise County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages i through xi, the Budgetary Comparison Schedules on pages 60 through 63, Schedule of the County's Proportionate Share of the Net Pension Liability—Cost-Sharing Pension Plans on page 64, Schedule of Changes in the County's Net Pension Liability and Related Ratios—Agent Pension Plans on pages 65 and 66, Schedule of County Pension Contributions on pages 67 through 69, Schedule of Agent OPEB Plans' Funding Progress on page 70, Schedule of the Housing Authority's Proportionate Share of the Net Pension Liability, and the Schedule of Housing Authority Contributions on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information—Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

March 22, 2016

(This page is left intentionally blank)

Management's Discussion and Analysis

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, 2015. We encourage readers to consider the information presented here in conjunction with the County's 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 $111,255,168 (net position), a decrease of $80,914,151 from the prior year, primarily due to the implementation of the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made subsequent to the Measurement Date* (GASB 68). Of this amount, ($31,278,700) was unrestricted net position.

- At the close of the fiscal year, Cochise County's governmental activities reported combined ending net position of $109,578,913, a decrease of $78,752,495 from the prior year's net position, primarily due to the implementation of GASB 68.

- At the end of the fiscal year, unassigned fund balance in the General Fund was $29,328,584, or 51.52 percent of total General Fund expenditures for the year.

- Cochise County's total governmental activities debt (capital leases and pension liability) increased $1,796,690 for capital leases and $88,927,551 for the net pension liability during the current fiscal year. The net increase for capital leases is attributable to the normal debt service and a new capital lease for various vehicles and heavy equipment. The net pension liability is due to the implementation of GASB 68.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Cochise 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 Cochise County's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of Cochise County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (full accrual accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the County's funds can be divided into three categories: g*overnmental 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 approximately 225 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, the Flood Control 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 Flood Control Fund provides county citizens with education on flood hazards, building requirements, (Floodplain Use Permits), and information about the National Flood Insurance Program in order to reduce flood damage and maintain the environmental benefits provided by floodplains. The Fund also undertakes flood damage reduction projects. The Fund's revenue source is a secondary property tax.

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, and the Bisbee-Douglas International Airport. *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 is considered to be a major fund and is therefore reported separately. The other proprietary fund, the Bisbee-Douglas International Airport and 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 16 through 58 of this report.

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds. This section also includes the Schedule of the County's Proportionate Share of the Net Pension Liability for Cost-Sharing Pension Plans, the Schedule of Changes in the County's Net Pension Liability and Related Ratios for Agent Pension Plans, the Schedule of County Pension Contributions, and the Schedule of Agent OPEB Plan's Funding Progress.

Required supplementary information can be found on pages 60 through 72 of this report.

Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. Capital assets, net of accumulated depreciation, had a net increase of $3,950,685. The County's main capital purchases were $956,252 for roads and culverts infrastructure, $1,171,910 for new vehicles, $2,438,306 for heavy equipment, $1,084,621 for a new election system, $619,367 for a county-wide network refresh, $1,590,416 for a firing range, $300,655 for a Bearcat, $200,050 for a remodel of Bowie court house and a net increase of construction in progress of $2,018,719, mainly for a microwave system upgrade. The current year's depreciation of capital assets totaled $6,626,031.

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 of resources exceeded liabilities and deferred inflows by $111,255,168.

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2014 and 2015

	Governmental Activities		Business-type Activities		Total	
	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015
Assets:						
Current and other assets	$ 75,874,320	$ 75,511,253	$ (373,066)	$ (221,800)	$ 75,501,254	$ 75,289,453
Capital assets	121,698,632	126,283,796	7,773,500	7,139,021	129,472,132	133,422,817
Total assets	197,572,952	201,795,049	7,400,434	6,917,221	204,973,386	208,712,270
Deferred Outflows		18,386,964		244,783		18,631,747
Liabilities:						
Other liabilities	4,838,088	5,887,402	78,289	77,680	4,916,377	5,965,082
Long-term liabilities	4,403,456	95,173,817	3,484,234	4,971,640	7,887,690	100,145,457
Total liabilities	9,241,544	101,061,219	3,562,523	5,049,320	12,804,067	106,110,539
Deferred Inflows		9,541,881		436,429		9,978,310
Net position:						
Invested in capital assets, net of related debt	121,487,828	124,276,302	7,773,500	7,139,021	129,261,328	131,415,323
Restricted	13,467,138	11,118,545			13,467,138	11,118,545
Unrestricted	53,376,442	(25,815,934)	(3,935,589)	(5,462,766)	49,440,853	(31,278,700)
Total net position	$188,331,408	$109,578,913	$ 3,837,911	$ 1,676,255	$192,169,319	$111,255,168

A large portion of Cochise County's net position (118.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). This amount is presented less accumulated depreciation and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the fiscal year, unrestricted net assets were negative in both the governmental activities and business-type activities due to the implementation of GASB 68.

Management's Discussion and Analysis

The County's total net position decreased by $80,914,151 during the fiscal year, primarily due to the implementation of GASB 68. This net position decrease is also attributable to the following factors. The governmental activities had a decrease in capital grants and contributions revenue of $3,487,102 and a decrease in property tax revenue of $1,882,248. This was offset by a combined increase in charges for services and operating grants revenue of $1,191,660, an increase in state shared sales tax revenue of $503,983, and an increase in other revenue of $278,757. GASB 68 entries accounted for an $80,082,468 decrease in net position. Total expense also increased by $4,006,207 mainly due to the implementation of GASB 68. The business-type activities had an increase in net position of $187,629 mainly due to the change in estimates for the landfill with a decrease in closure expenses of $668,510. The Bisbee-Douglas International Airport had an increase in charges for services revenues of $ 106,547. In addition, there were $39,770 more in expenses than the prior year, mainly for a water study that was reimbursed by the State. The Bisbee-Douglas International Airport had a decrease in net position of $5,462, compared to a net decrease of $72,391 in the prior year. Solid Waste had net income of $193,091, due to the change in estimates for the landfill, with a credit to closure expense of $668,510. The County has continued its ten percent reduction in salaries and benefits along with controls on expenses.

Statement of Activities—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, 2014 and 2015

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Revenues						
Program revenues:						
Charges for services	$ 7,094,313	$ 7,227,131	$4,331,283	$4,383,915	$11,425,596	$11,611,046
Operating grants and contributions	19,863,520	20,922,362			19,863,520	20,922,362
Capital grants and contributions	8,775,968	5,288,866			8,775,968	5,288,866
General revenues:						
Property taxes	32,128,353	30,246,105			32,128,353	30,246,105
State shared sales tax	11,879,983	12,383,966			11,879,983	12,383,966
Unrestricted vehicle license tax	3,449,686	3,511,377			3,449,686	3,511,377
County excise tax	6,369,441	6,630,770	322,602	280,943	6,692,043	6,911,713
Other	4,547,929	4,503,666	28,478	31,752	4,576,407	4,535,418
Total revenues	94,109,193	90,714,243	4,682,363	4,696,610	98,791,556	95,410,853
Expenses						
General government	40,428,465	38,177,988			40,428,465	38,177,988
Public safety	25,019,910	28,956,527			25,019,910	28,956,527
Highways and streets	10,616,300	11,339,111			10,616,300	11,339,111
Sanitation	538,066	505,442			538,066	505,442
Health and welfare	10,263,001	11,726,492			10,263,001	11,726,492
Culture and recreation	1,453,798	1,425,022			1,453,798	1,425,022
Education	903,887	1,099,052			903,887	1,099,052
Airport			383,272	423,042	383,272	423,042
Solid waste operations			4,881,775	4,093,078	4,881,775	4,093,078
Total expenses	89,223,427	93,229,634	5,265,047	4,516,120	94,488,474	97,745,754

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Increase (decrease) in net position before transfers	$ 4,885,766	$ (2,515,391)	$ (582,684)	$ 180,490	$ 4,303,082	$ (2,334,901)
Transfers	(315,866)	(7,139)	315,866	7,139		
Increase (decrease) in net position	$ 4,569,900	$ (2,522,530)	$ (266,818)	$ 187,629	$ 4,303,082	$ (2,334,901)

Governmental activities—Key elements of the decrease in net position of $2,522,530 are as follows:

Major Revenues:

- Charges for services: These revenues increased by $132,818, or 1.9 percent, because of an increase in public safety of $374,811 mainly for protective inspections; an increase of $131,381 in Highways mainly in I. G. A. work and an increase of $37,252 in Education mainly for school workshops. These increases were offset by a decrease in general government of $428,195 mainly consisting of judicial charges for services decrease of $313,376 for bond forfeitures, fees and fines and a decrease in trustee fees of $116,916;

- Operating grants and contributions: These revenues increased by $1,058,842, or 5.3 percent, due to increases in state and federal grant revenues. The state increase is mainly attributable to increases in HURF and VLT revenues, funds for hurricane Odile repairs, and funds for school books, with decreases in criminal justice grants, community punishment and state aid enhancement funds, juvenile surveillance grants, and city contributions for the new microwave system. Federal grant revenues increased mainly in programs associated with border security, anti-drug funds and school technology improvements, with decreases in community projects through CDBG.

- Capital grants and contributions: Capital grant revenues decreased by $3,487,102 over the previous year due to a decrease in private donations for county projects and water recharge projects.

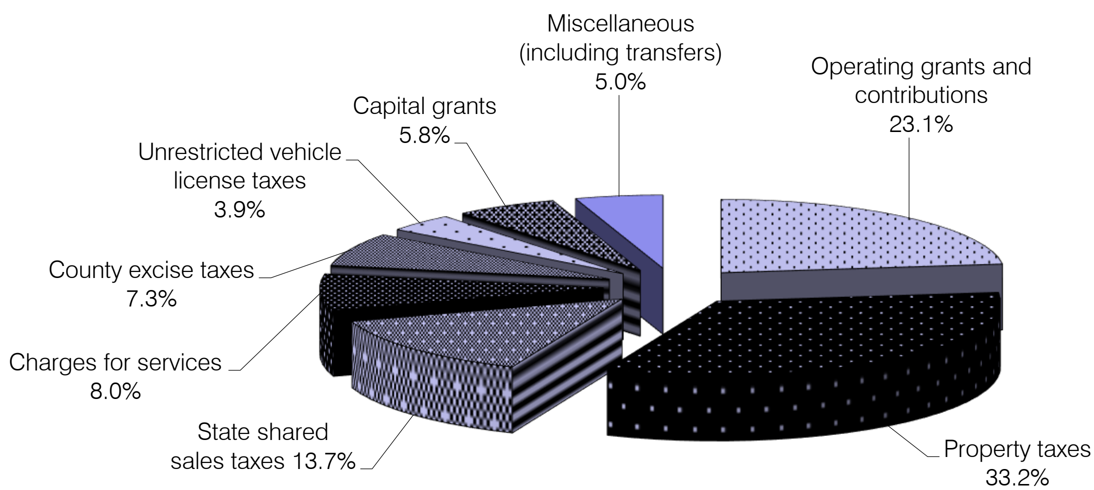
- Property taxes: The net assessed value of all taxable property in the County decreased by $50,691,881 or 5.04 percent, over the previous year. The property tax rate remained unchanged from the previous year at $2.6276 which resulted in a decrease in property tax revenues of $1,882,248, or 5.86 percent.

- State shared sales tax revenues: Sales tax revenues increased by $503,983, or 4.2 percent, from the previous year, due to modest improvements in the Arizona economy.

- Unrestricted vehicle license taxes: The county unrestricted vehicle license tax revenue increased by $61,691, or 1.8 percent. This small favorable variance shows that Cochise County lags behind the modest improvements in the Arizona economy.

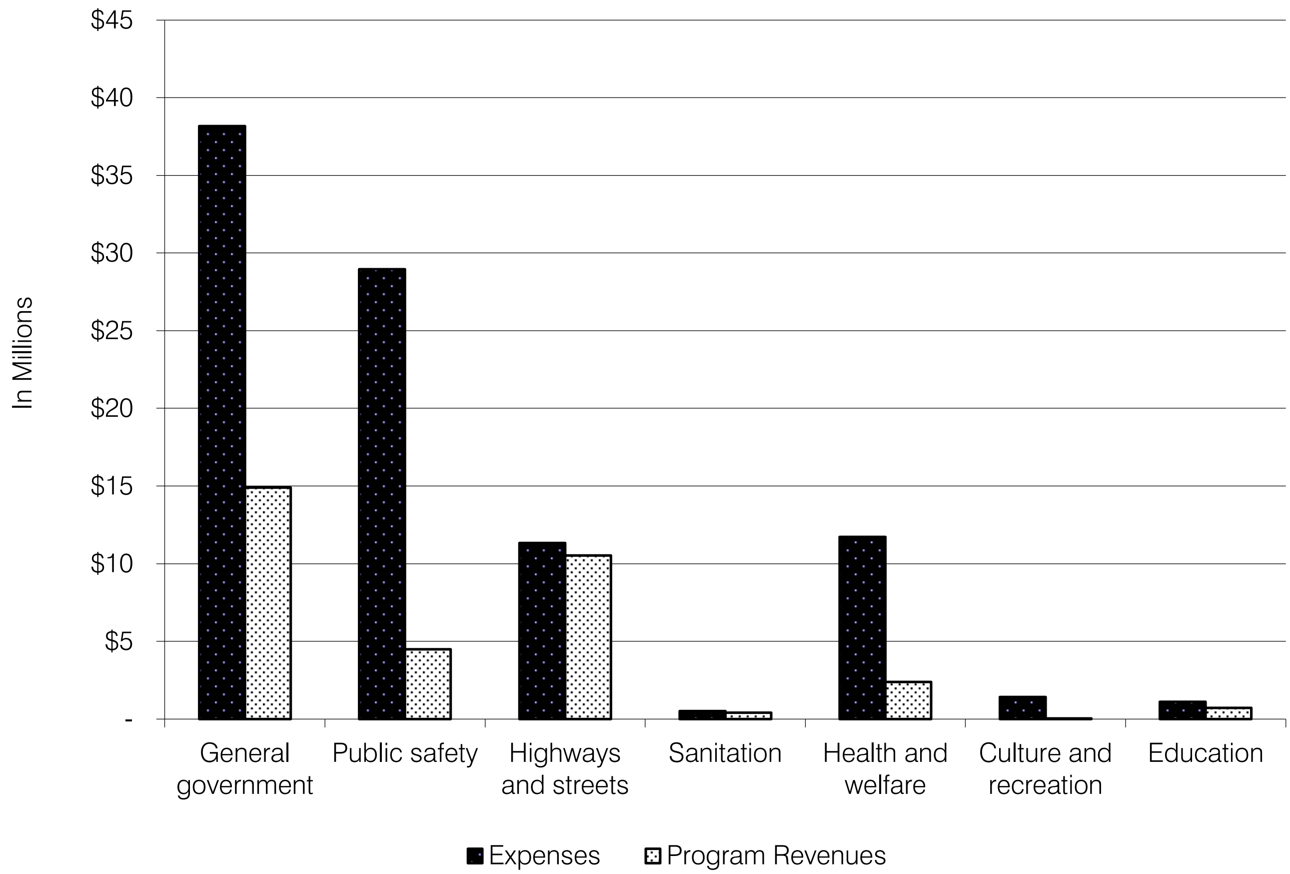
- Other revenues: Grants and contributions not restricted decreased by $947,413, or 35.18 percent, because of a decrease in Payment in Lieu of Taxes offset by the state portion of EORP pension expense shown as revenue in contributions not restricted in the amount of $1,139,027. Investment income decreased $247,404 due to a decrease in the fair market value of the County's investments held at fiscal year-end. The gain on sale of assets decrease of $230,714 is primarily dependent on the County's land sale and auction of vehicles.

Revenues and Transfers by Source—Governmental Activities
Fiscal Year Ended June 30, 2015



Expenses—Overall expenses in the governmental activities increased by $4,006,207, or 4.49 percent. This is primarily due to implementation of GASB 68 which added $5,017,433 to pension expense. Health insurance expenses decreased by $81,985. General government expenses saw a decrease with the completion of the first phase of the communication project last year resulting in a decrease of $5,800,000 in expenses offset by an almost $2 million dollar increase in pension expense. The internal service funds also had an increase in net profit of $1,342,803, offsetting general government expenses. Public safety expenses increased by almost $4 million dollars, $3 million of which was pension expense due to GASB 68. The balance of the increase was due to increases in fleet, judgments and damages, border security grants, jail medical, and protective inspection expenses. Highway and streets expense increased by almost $723,000 mainly due to increases in I.G.A. work, fleet and heavy fleet charges offset by a decrease in road materials expense. The County has offset costs where possible primarily by the County's conservative budgeting philosophy, ongoing 10 percent personnel cuts, and reduction in salary expenses due to vacant positions beyond the 10 percent cut.

Expenses vs. Revenues by Function—Governmental Activities
Fiscal Year Ended June 30, 2015



Business-type activities—The County's business-type activities include the Solid Waste Operations, and the Bisbee-Douglas International Airport.

The Solid Waste Operations provides high-quality, cost-effective, and environmentally safe solid waste management services in conformance with the terms of intergovernmental agreements between the County and participating cities. The services include the operation of a regional solid waste landfill, rural and urban transfer stations, and the hauling of solid waste between the transfer stations and the landfill.

The Bisbee-Douglas International Airport provides general aviation services to the public. Services include fuel and oil sales as well as the rental of hangar and tie-down space. Water for the Arizona Department of Corrections facilities in Douglas, Arizona, is also provided from the airport.

Detailed financial information for the business-type activities is included in the Statement of Net position for Proprietary Funds on pages 7 and 8, the Statement of Revenues, Expenses, and Changes in Fund Net Position for Proprietary Funds on page 9, and in the Statement of Cash Flows for the Proprietary Funds on pages 10 and 11.

Net position of the business-type activities increased by $187,629. This net position increase resulted from a reduction in landfill closure and post-closure costs due to a change in actuarial estimate associated with the life of the Western Regional landfill based on a new engineering study and a correction in estimate of closure costs, compared to actual costs associated with the Eastern Regional landfill closure in 2002. The Bisbee-Douglas International Airport Fund had a net loss of $5,462. Additional information on these operating losses can be found in the proprietary funds section of the following Financial Analysis of the County's Funds.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The governmental activities are accounted for in the general, special revenue, and capital projects funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2015, the total fund balance was $30,498,669. 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, 2015, the fund balance represents 53.57 percent of total General Fund expenditures.

The fund balance of the General Fund decreased by $2,312,212 during the fiscal year, compared to an increase of $2,300,634 for the prior year. Contributing factors were the FY14/15 $2 million dollar General Fund payment to the Public Safety Retirement System, a decrease in property tax revenue, fees and fines, investment income, and miscellaneous revenues, with increases in intergovernmental revenues and charges for services. There were increases in expense for long-term care costs and public safety retirement costs and decreases in capital outlay.

The fund balance of the Capital Projects Fund increased by $525,600 during the fiscal year, compared to a decrease of $3,764,362 for the prior year. Contributing factors were the decrease in revenue of $1,730,907, mainly from a decrease in private donations for county projects, with a decrease in expense of $4,448,232, mainly from decreases in capital expenditures from prior year programs.

The fund balance of the Highway and Streets Fund increased by $1,826,334 during the fiscal year, compared to an increase of $1,202,791 for the prior year. Contributing factors were a $678,721 increase in HURF and VLT revenues and a decrease of $206,000 in transfers. Highway User and Vehicle License revenue for FY14/15 is 84.6 percent of the amount received in FY07/08.

The fund balance of the Flood Control District Fund decreased by $134,500 during the fiscal year, compared to a decrease of $967,335 for the prior year. Contributing factors were increases in intergovernmental revenues and a decrease in salaries and benefits of $34,000 along with a decrease in transfers to other funds of $681,697.

Proprietary funds—The County's proprietary fund statements provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. The net position of Bisbee-Douglas International Airport Fund decreased by $5,462, compared to a decrease of $72,391 for the prior year, primarily due to a grant received for a water study in the amount of $93,500, while expenses only went up by $39,770. Of the expense increase, $2,880 is attributable to the implementation of GASB 68. The net position of the Solid Waste Operations Fund increased by $193,091, compared to a decrease of $194,427 for the prior year. This resulted from a reduction in the landfill closure and post-closure costs due to a change in actuarial estimate associated with the life of the Western Regional landfill based on a new engineering study and a correction of estimate of closure costs, compared to actual costs associated with the Eastern Regional landfill closure in 2002. Solid Waste had an increase in salary and benefits of $131,888 offset by decreases in usage and fuel charges of $137,268.

Capital Asset and Debt Administration

Capital Assets

The County's total amount invested in capital assets for governmental and business-type activities as of June 30, 2015, was $131,415,323 (net of accumulated depreciation and related debt). Major capital asset events during the current fiscal year include the following:

- Capital outlay expenditures in the Capital Projects Fund primarily consist of $1,084,621 for a new election system, $84,700 for a runway sweeper, $3,538,523 construction in progress for phase II of the communication system, $54,857 in construction in progress for the jail renovations, $97,398 for a microwave link, and $60,754 for two servers. Information Technologies also spent $619,367 for a network refresh which, was funded by a new capital lease and county excise tax.

- Capital outlay expenditures in the Highway and Streets Fund primarily consist of $956,252 for new roads and guardrail infrastructure, and $32,813 for construction in progress for roads.

- Programmed vehicle replacement and additions of new vehicles totaled $1,171,910 in Fleet Management (an Internal Service Fund), funded with a new capital lease.

- Programmed vehicle replacement and additions of new vehicles totaled $2,438,306 in Heavy Fleet Management (an Internal Service Fund), mainly funded with a new capital lease.

- Capital outlay expenditures in the General Fund consist of $52,299 for software and a tractor.

- Major capital outlay expenditures in the special revenue funds consist of $165,323 for video conferencing equipment for schools, $12,600 for a respirator fit testing kit, $37,055 for land purchases for Davis Road, $300,655 for a Bearcat vehicle, $29,493 for a forensic kit, $31,213 for fencing at Willcox jail, an additional $30,914 for remodel at Bowie courthouse (total cost was $220,050), and an additional $378,651 for the firing range (total cost was $1,590,416).

Additional information on the County's capital assets can be found in Note 6 on pages 27 and 28 of this report.

Long-term Debt

At June 30, 2015, the County had capital lease long-term liabilities outstanding of $2,007,494, as compared to a total of $210,804 in the prior year for capital lease long-term liabilities. The change in these long-term liabilities includes a new capital lease in the amount of $3,800,000 for vehicles, heavy equipment, and a network refresh and the normal annual debt service payments of $2,003,310.

Cochise County has no general obligation or revenue bonds outstanding.

Budgetary Comparison—General Fund

The favorable variance in revenues of $2,059,002 was primarily due to slightly higher than expected property tax and charges for services revenues and the state EORP contribution to intergovernmental revenues of $1,139,027, with lower than expected fines.

Most of the favorable variances in expenses were due to conservative budgeting and vacancy savings from a hiring freeze. The favorable variance of $24,701,258 in the General Fund's expenditures resulted primarily from unspent general government contingency funds and lower than expected general government, judicial, and public safety costs.

Economic Factors

Key economic factors affecting the County are:

- The County's unemployment rate as of June 30, 2015, was 7.3 percent compared to 5.9 percent state-wide and 5.3 percent nation-wide. The rate has decreased from 8.6 percent in the prior year. Within the County, the rate varies widely between the incorporated areas, ranging from a low of 4.1 percent in Tombstone to the high of 12.0 percent in Huachuca City.

- For fiscal year 2015, the county government was the second largest employer in the County. Ft. Huachuca is the County's largest employer, with 7,956 employees compared to 816 for the county government and 707 for Sierra Vista Unified School District.

- The County's primary property tax rate has either remained the same or decreased each year for the past 22 years.

- The County's budgeted expense for employee health insurance remained the same as FY13/14, and actual retirement costs went up by $2,239,515, which includes a $2 million payment to the Public Safety Personnel Retirement System to lower the unfunded liability. After the implementation of GASB 68, pension expense increased by an additional $5,017,433.

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.

Financial Statements

Cochise County
Statement of Net Position
June 30, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash in bank and on hand	$ 203,290	$ 2,200	$ 205,490	$ 330,883
Cash and investments held by County Treasurer	63,825,921	108,629	63,934,550	
Cash and investments held by trustee				105,025
Receivables (net of allowances for uncollectibles):				
Property taxes	1,643,670		1,643,670	
Accounts	1,214,149	507,149	1,721,298	
Accrued interest	28,305	929	29,234	
Internal balances	883,665	(883,665)		
Due from other governments	7,023,227	42,958	7,066,185	211,363
Cash—restricted	231,689		231,689	
Prepaid items				2,972
Other assets	457,337		457,337	6,729
Capital assets, not being depreciated	6,111,298	1,599,900	7,711,198	
Capital assets, being depreciated, net	120,172,498	5,539,121	125,711,619	39,581
Total assets	201,795,049	6,917,221	208,712,270	696,553
Deferred outflows of resources				
Deferred outflows related to pensions	18,386,964	244,783	18,631,747	40,707
Liabilities				
Accounts payable	3,472,839	35,413	3,508,252	55,853
Accrued payroll and employee benefits	1,793,678	40,667	1,834,345	
Due to other governments	599,882		599,882	66,455
Deposits held for others	21,003	1,600	22,603	61,166
Unearned revenue				6,562
Noncurrent liabilities				
Due within 1 year	4,610,970	111,957	4,722,927	1,698
Due in more than 1 year	90,562,847	4,859,683	95,422,530	572,558
Total liabilities	101,061,219	5,049,320	106,110,539	764,292
Deferred inflows of resources				
Deferred inflows related to pensions	9,541,881	436,429	9,978,310	87,285
Grant revenues received in advance of time requirements				2,881
Total deferred inflows of resources	9,541,881	436,429	9,978,310	90,166
Net Position				
Net investment in capital assets	124,276,302	7,139,021	131,415,323	39,581
Restricted for:				
Education	72,935		72,935	
Flood	4,513,932		4,513,932	
Health	552,788		552,788	
Judicial	3,077,131		3,077,131	
Public safety	1,256,417		1,256,417	
Library	735,700		735,700	
Other	909,642		909,642	
Workforce development				63,263
Unrestricted (deficit)	(25,815,934)	(5,462,766)	(31,278,700)	(220,042)
Total net position (deficit)	$ 109,578,913	$ 1,676,255	$ 111,255,168	$ (117,198)

See accompanying notes to financial statements.

Cochise County
Statement of Activities
Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
General government	$ 38,177,988	$ 4,817,240	$ 5,566,372	$ 4,516,709	$ (23,277,667)		$ (23,277,667)	
Public safety	28,956,527	1,042,515	2,680,292	772,157	(24,461,563)		(24,461,563)	
Highways and streets	11,339,111	885,563	9,632,465		(821,083)		(821,083)	
Sanitation	505,442	178,798	227,946		(98,698)		(98,698)	
Health and welfare	11,726,492	240,120	2,138,576		(9,347,796)		(9,347,796)	
Culture and recreation	1,425,022		25,815		(1,399,207)		(1,399,207)	
Education	1,099,052	62,895	650,896		(385,261)		(385,261)	
Total governmental activities	93,229,634	7,227,131	20,922,362	5,288,866	(59,791,275)		(59,791,275)	
Business-type activities:								
Bisbee-Douglas International Airport	423,042	417,170				$ (5,872)	(5,872)	
Solid Waste Operations	4,093,078	3,966,745				(126,333)	(126,333)	
Total business-type activities	4,516,120	4,383,915				(132,205)	(132,205)	
Total primary government	$ 97,745,754	$ 11,611,046	$ 20,922,362	$ 5,288,866	(59,791,275)	(132,205)	(59,923,480)	
Component units:								
Housing Authority of Cochise County	$ 2,984,842		$ 2,628,937					$ (355,905)
Cochise Private Industry Council, Inc.	1,729,215		1,712,941					(16,274)
Total component units	$ 4,714,057		$ 4,341,878					(372,179)
General revenues:								
Taxes								
Property taxes, levied for general purposes					26,780,129		26,780,129	
Property taxes, levied for flood control					2,090,278		2,090,278	
Property taxes, levied for library					1,375,698		1,375,698	
County excise taxes					6,630,770	280,943	6,911,713	
Share of state sales taxes					12,383,966		12,383,966	
Share of unrestricted vehicle license tax					3,511,377		3,511,377	
Grants and contributions not restricted to specific programs					3,640,436		3,640,436	
Investment income					406,035	10,247	416,282	813
Miscellaneous					353,301	20,364	373,665	19,023
Gain on sale of capital assets					16,394	1,141	17,535	
Capital contributions					87,500		87,500	
Transfers					(7,139)	7,139	-	
Total general revenues and transfers					57,268,745	319,834	57,588,579	19,836
Change in net position					(2,522,530)	187,629	(2,334,901)	(352,343)
Net position, as restated, July 1, 2014					112,101,443	1,488,626	113,590,069	235,145
Net position (deficit), June 30, 2015					$ 109,578,913	$ 1,676,255	$ 111,255,168	$ (117,198)

See accompanying notes to financial statements.

Cochise County
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds					
	General Fund	Flood Control	Capital Projects Fund	Highway and Streets Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash in bank and on hand	$ 113,159				$ 89,931	$ 203,090
Cash and investments held by County Treasurer	26,612,251	$ 5,009,235	$14,512,552	$5,523,345	6,711,344	58,368,727
Receivables (net of allowances for uncollectibles):						
Property taxes	1,371,138	129,240			143,292	1,643,670
Accounts	967,394	396		95,902	134,440	1,198,132
Accrued interest	11,139		6,705		7,731	25,575
Due from:						
Other funds	1,291,664	41,428		295,459	484,105	2,112,656
Other governments	3,320,229	133,542	391,192	1,874,020	1,273,979	6,992,962
Other assets		457,337				457,337
Total assets	$33,686,974	$ 5,771,178	$14,910,449	$7,788,726	$ 8,844,822	$71,002,149
Liabilities						
Accounts payable	$ 663,010	$ 800,488	$ 1,084,621	$ 420,178	$ 424,944	$ 3,393,241
Accrued payroll and employee benefits	1,208,674	31,337		117,192	407,534	1,764,737
Due to:						
Other funds	284,264	470,727	6,605	477,303	524,151	1,763,050
Other governments	31,399				568,483	599,882
Deposits held for others	9,394				11,609	21,003
Total liabilities	2,196,741	1,302,552	1,091,226	1,014,673	1,936,721	7,541,913
Deferred inflows of resources						
Unavailable revenue - property taxes	991,564	91,525			104,830	1,187,919
Fund balances						
Restricted		4,377,101			7,195,970	11,573,071
Committed	216,309		1,672,670			1,888,979
Assigned	953,776		12,146,553	6,774,053	156,670	20,031,052
Unassigned	29,328,584				(549,369)	28,779,215
Total fund balances	30,498,669	4,377,101	13,819,223	6,774,053	6,803,271	62,272,317
Total liabilities, deferred inflows of resources and fund balances	$33,686,974	$ 5,771,178	$14,910,449	$7,788,726	$ 8,844,822	$71,002,149

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, 2015

Fund balances—total governmental funds		$ 62,272,317
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.		113,984,935
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,187,919
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Net pension liability	(87,646,974)	
Capital leases payable	(417,195)	
Compensated absences payable	(4,110,586)	(92,174,755)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	18,228,199	
Deferred inflows of resources related to pensions	(9,280,024)	8,948,175
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.		15,360,322
Net position of governmental activities		$ 109,578,913

See accompanying notes to financial statements.

Cochise County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	Major Funds					
	General Fund	Flood Control	Capital Projects Fund	Highway and Streets Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$33,081,041	$ 2,090,278	$ 1,918,031	$1,300,000	$ 2,390,304	$40,779,654
Licenses and permits	35,896					35,896
Fees, fines, and forfeits	1,690,455				65,280	1,755,735
Intergovernmental	16,625,739	181,542	114,468	9,632,465	10,389,949	36,944,163
Charges for services	2,526,365	3,135		885,563	2,020,437	5,435,500
Investment income	195,484	29,500	95,670	30,129	55,252	406,035
Miscellaneous	209,823	72,770	4,555,467	5,997	800,711	5,644,768
Total revenues	54,364,803	2,377,225	6,683,636	11,854,154	15,721,933	91,001,751
Expenditures:						
Current:						
General government	28,185,008		862,354		7,028,723	36,076,085
Public safety	18,463,687	2,356,570			5,102,323	25,922,580
Highways and streets				10,034,134	308,904	10,343,038
Sanitation	317,215				192,017	509,232
Health and welfare	9,456,587				2,312,634	11,769,221
Culture and recreation					1,433,283	1,433,283
Education	345,654				571,870	917,524
Debt service:						
Principal	103,289		309,687			412,976
Interest and other charges	7,502		2,178			9,680
Capital outlay	52,299		5,540,220		985,684	6,578,203
Total expenditures	56,931,241	2,356,570	6,714,439	10,034,134	17,935,438	93,971,822
Excess (deficiency) of revenues over expenditures	(2,566,438)	20,655	(30,803)	1,820,020	(2,213,505)	(2,970,071)
Other financing sources (uses):						
Capital leases			619,367			619,367
Sale of capital assets	14,452		16,430	22,387	390	53,659
Transfers in	641,997		20,800		1,999,996	2,662,793
Transfers out	(402,223)	(155,155)	(100,194)	(16,073)	(2,042,199)	(2,715,844)
Total other financing sources and uses	254,226	(155,155)	556,403	6,314	(41,813)	619,975
Net change in fund balances	(2,312,212)	(134,500)	525,600	1,826,334	(2,255,318)	(2,350,096)
Fund balances, July 1, 2014	32,810,881	4,511,601	13,293,623	4,947,719	9,058,589	64,622,413
Fund balances, June 30, 2015	$30,498,669	$ 4,377,101	$13,819,223	$6,774,053	$ 6,803,271	$62,272,317

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, 2015

Net change in fund balances—total governmental funds		$(2,350,096)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	7,360,914	
Depreciation expense	(4,442,364)	2,918,550
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.		(37,265)
Collections of revenues in the governmental funds exceeded revenues in the Statement of Activities.		(391,402)
County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for the changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
County pension contributions	7,259,637	
Pension expense	(11,138,042)	(3,878,405)
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.		
Capital leases	(619,367)	
Principal repaid	412,976	(206,391)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences		(53,736)
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 revenue of certain internal service funds is reported with governmental activities in the Statement of Activities.		1,476,215
Change in net position of governmental activities		$(2,522,530)

See accompanying notes to financial statements.

Cochise County
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities—Enterprise Funds			Governmental Activities—
	Major Fund			
	Solid Waste Operations Fund	Other Enterprise— BDI Airport Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash in bank and on hand	$ 2,200		$ 2,200	$ 200
Cash and investments held by County Treasurer		$ 108,629	108,629	5,457,194
Receivables (net of allowances for uncollectibles):				
Accounts	432,789	74,360	507,149	16,017
Accrued interest	871	58	929	2,730
Due from:				
Other funds	5,139		5,139	574,329
Other governments	42,958		42,958	30,265
Total current assets	483,957	183,047	667,004	6,080,735
Noncurrent assets:				
Restricted cash				231,689
Capital assets, net of accumulated depreciation, where applicable:				
Land	24,900	1,575,000	1,599,900	
Buildings, net	3,042,663	8,615	3,051,278	112,112
Improvements other than buildings, net	1,258,891	801,441	2,060,332	
Equipment, net	332,851	94,660	427,511	12,186,749
Total noncurrent assets	4,659,305	2,479,716	7,139,021	12,530,550
Total assets	5,143,262	2,662,763	7,806,025	18,611,285
Deferred Outflows of Resources				
Deferred outflows related to pensions	225,519	19,264	244,783	158,765
Liabilities				
Current liabilities:				
Accounts payable	20,594	14,819	35,413	79,598
Accrued payroll and employee benefits	38,845	1,822	40,667	28,941
Due to other funds	882,738	6,066	888,804	40,270
Compensated absences payable, current portion	83,632	4,275	87,907	87,236
Landfill closure and postclosure care costs payable, current portion	24,050		24,050	
Deposits held for others		1,600	1,600	
Capital leases payable				1,590,299
Total current liabilities	1,049,859	28,582	1,078,441	1,826,344

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of Net Position
Proprietary Funds
June 30, 2015
(Concluded)

	Business-Type Activities—Enterprise Funds			Governmental Activities—
	Major Fund			
	Solid Waste Operations Fund	Other Enterprise— BDI Airport Fund	Total	Internal Service Funds
Noncurrent liabilities:				
Compensated absences payable	$ 7,279	$ 2,739	$ 10,018	$ 40,950
Landfill closure and postclosure care costs payable	2,715,371		2,715,371	
Net pension liability	1,920,865	213,429	2,134,294	1,280,577
Total noncurrent liabilities	4,643,515	216,168	4,859,683	1,321,527
Total liabilities	5,693,374	244,750	5,938,124	3,147,871
Deferred Inflows of Resources				
Deferred inflows related to pensions	392,786	43,643	436,429	261,857
Net Position				
Net investment in capital assets	4,659,305	2,479,716	7,139,021	10,708,562
Unrestricted (deficit)	(5,376,684)	(86,082)	(5,462,766)	4,651,760
Total net position (deficit)	$ (717,379)	$ 2,393,634	$ 1,676,255	$ 15,360,322

See accompanying notes to financial statements.

Cochise County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-Type Activities—Enterprise Funds			Governmental Activities—
	Major Fund			
	Solid Waste Operations Fund	Other Enterprise— BDI Airport Fund	Total	Internal Service Funds
Operating revenues:				
Charges for services	$ 3,966,745	$ 417,170	$ 4,383,915	$ 6,923,534
Charges for health insurance				7,418,372
Other				30,584
Total operating revenues	3,966,745	417,170	4,383,915	14,372,490
Operating expenses:				
Personal services	1,778,642	112,575	1,891,217	1,434,994
Professional services	1,894,590	110,358	2,004,948	7,335,049
Supplies	136,373	103,323	239,696	3,116,433
Landfill closure and postclosure care costs	(668,510)		(668,510)	
Depreciation	606,649	96,786	703,435	1,480,232
Other	345,334		345,334	8,302
Total operating expenses	4,093,078	423,042	4,516,120	13,375,010
Operating income (loss)	(126,333)	(5,872)	(132,205)	997,480
Nonoperating revenues (expenses):				
County excise taxes	280,943		280,943	200,000
Investment income	9,837	410	10,247	35,083
Miscellaneous revenue	20,364		20,364	15,943
Interest expense				(11,185)
Gain on disposal of capital assets	1,141		1,141	105,482
Total nonoperating revenues	312,285	410	312,695	345,323
Income (loss) before transfers	185,952	(5,462)	180,490	1,342,803
Capital contributions				87,500
Transfers in	7,139		7,139	45,912
Increase (decrease) in net position	193,091	(5,462)	187,629	1,476,215
Total net position (deficit), July 1, 2014, as restated	(910,470)	2,399,096	1,488,626	13,884,107
Total net position (deficit), June 30, 2015	$ (717,379)	$2,393,634	$ 1,676,255	$15,360,322

See accompanying notes to financial statements.

Cochise County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-Type Activities—Enterprise Funds			Governmental Activities—
	Major Fund			
	Solid Waste Operations Fund	Other Enterprise—BDI Airport Fund	Total	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	$ 4,053,754	$ 395,723	$ 4,449,477	
Receipts from other funds for goods and services provided				$14,336,198
Other receipts				30,584
Payments to suppliers and providers of goods and services	(3,146,127)	(200,546)	(3,346,673)	(10,513,792)
Payments to employees	(1,787,362)	(109,670)	(1,897,032)	(1,464,346)
Net cash provided by (used for) operating activities	(879,735)	85,507	(794,228)	2,388,644
Cash flows from noncapital financing activities:				
Miscellaneous receipts	301,307		301,307	215,943
Cash transfers from other funds	7,139		7,139	45,912
Loan payments received from other funds	612,360		612,360	
Net cash provided by noncapital financing activities	920,806		920,806	261,855
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	4,730		4,730	531,587
Purchases of capital assets	(55,429)	(17,116)	(72,545)	(429,583)
Transfers received for capital acquisition				87,500
Principal paid on capital leases				(1,590,334)
Interest paid on capital leases				(11,185)
Net cash used for capital and related financing activities	(50,699)	(17,116)	(67,815)	(1,412,015)
Cash flows from investing activities:				
Investment income received on cash and investments held by County Treasurer	9,678	388	10,066	34,811
Net cash provided by investing activities	9,678	388	10,066	34,811
Net increase in cash and cash equivalents	50	68,779	68,829	1,273,295
Cash and cash equivalents, July 1, 2014	2,150	39,850	42,000	4,415,788
Cash and cash equivalents, June 30, 2015	$ 2,200	$ 108,629	$ 110,829	$ 5,689,083

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015
(Concluded)

	Business-Type Activities—Enterprise Funds			Governmental Activities—
	Major Fund			
	Solid Waste Operations Fund	Other Enterprise— BDI Airport Fund	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (126,333)	$ (5,872)	$ (132,205)	$ 997,480
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	606,649	96,786	703,435	1,480,232
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Accounts receivable	74,120	(20,331)	53,789	20,259
Due from other funds	(1,772)		(1,772)	(31,309)
Due from other governments	14,661		14,661	5,342
Deferred outflows-pension plan	(100,306)	(5,351)	(105,657)	(75,289)
Accounts payable	(16,736)	8,610	(8,126)	(69,599)
Accrued payroll and employee benefits	8,903	(270)	8,633	4,166
Due to other funds	(765,819)	4,525	(761,294)	15,591
Compensated absences payable	8,602	295	8,897	(7,616)
Net pension liability	(318,705)	(35,412)	(354,117)	(212,470)
Landfill closure and postclosure care costs payable	(655,785)		(655,785)	
Unearned revenues		(1,116)	(1,116)	
Deferred inflows-pension plan	392,786	43,643	436,429	261,857
Net cash provided by (used for) operating activities	$ (879,735)	$ 85,507	$ (794,228)	$ 2,388,644
Cash and cash equivalents, June 30, 2015, consisted of:				
Cash in bank and on hand	2,200		2,200	200
Cash and investments held by County Treasurer		108,629	108,629	5,457,194
Cash—restricted				231,689
Total cash and cash equivalents	$ 2,200	$ 108,629	$ 110,829	$ 5,689,083

Noncash capital financing activities:

The Internal Service Funds sold equipment with a net book value of $426,105 and received cash of $531,587.
The Internal Service Funds obtained equipment financed by a capital lease in the amount of $3,180,633.
The Solid Waste Operations Fund sold or transferred equipment with a net book value of $3,589 and received cash of $4,730.

Cochise County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Investment Trust Funds	Agency Funds
Assets		
Cash in bank and on hand		$ 4,221,452
Cash and investments held by County Treasurer	$ 38,794,137	
Total assets	38,794,137	$ 4,221,452
Liabilities		
Due to other governments		$ 4,221,452
Total liabilities		$ 4,221,452
Net Position		
Held in trust for investment trust participants	$ 38,794,137	

See accompanying notes to financial statements.

Cochise County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Investment Trust Funds
Additions:	
Contributions from participants	$ 224,875,698
Investment income	261,343
Total additions	225,137,041
Deductions:	
Distributions to participants	226,213,836
Total deductions	226,213,836
Change in net position	(1,076,795)
Net position, July 1, 2014	39,870,932
Net position, June 30, 2015	$ 38,794,137

See accompanying notes to financial statements.

Cochise County
Combining Statement of Net Position
Component Units
June 30, 2015

	Housing Authority of Cochise County	Cochise Private Industry Council, Inc.	Total
Assets			
Cash in bank and on hand	$ 251,713	$ 79,170	$ 330,883
Cash and investments held by trustee	105,025		105,025
Due from other governments	19,946	191,417	211,363
Prepaid items	2,972		2,972
Other assets		6,729	6,729
Capital assets, being depreciated, net	5,161	34,420	39,581
Total assets	384,817	311,736	696,553
Deferred outflows of resources			
Deferred outflows related to pensions	40,707		40,707
Liabilities			
Accounts payable	22,877	32,976	55,853
Due to other governments	66,455		66,455
Due to related party		61,166	61,166
Unearned revenue	6,562		6,562
Noncurrent liabilities			
Due within 1 year	1,698		1,698
Due in more than 1 year	547,170	25,388	572,558
Total liabilities	644,762	119,530	764,292
Deferred inflows of resources			
Grant revenues received in advance of time requirements		2,881	2,881
Deferred inflows related to pensions	87,285		87,285
Total deferred inflows of resources	87,285	2,881	90,166
Net Position			
Net investment in capital assets	5,161	34,420	39,581
Restricted for workforce development		63,263	63,263
Unrestricted	(311,684)	91,642	(220,042)
Total net position	$ (306,523)	$ 189,325	$ (117,198)

See accompanying notes to financial statements.

Cochise County
Combining Statement of Activities
Component Units
Year Ended June 30, 2015

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Housing Authority of Cochise County	Cochise Private Industry Council, Inc.	Total
Component units:					
Housing Authority of Cochise County	$ 2,984,842	$ 2,628,937	$ (355,905)		$ (355,905)
Cochise Private Industry Council, Inc.	1,729,215	1,712,941		$ (16,274)	(16,274)
Total component units	4,714,057	4,341,878	(355,905)	(16,274)	(372,179)
General revenues:					
Investment income			813		813
Miscellaneous			2,954	16,069	19,023
Total general revenues			3,767	16,069	19,836
Change in net position			(352,138)	(205)	(352,343)
Net position, July 1, 2014, as restated			45,615	189,530	235,145
Net position, June 30, 2015			$ (306,523)	$ 189,325	$ (117,198)

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

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

For the year ended June 30, 2015, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 69, *Government Combinations and Disposals of Governmental Operations*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of GASB Statement No. 69 had no impact on the County's fiscal year 2014-15 financial statements, and therefore no additional note disclosures were required.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. 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

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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
Housing Authority of Cochise County	Administers and coordinates the Section 8 Rental Voucher Program. The County's Board of Supervisors appoints all governing board members and is able to impose its will on the Authority, but the Authority does not provide services entirely to the County.	Discrete	Housing Authority of Cochise County Old Bisbee High School First Floor P.O. Box 167 Bisbee, AZ 85603
Cochise Private Industry Council, Inc.	Administers and coordinates Workforce Investment Act programs. The County's Board of Supervisors appoints all governing board members and is able to impose its will on the Private Industry Council, but the Private Industry Council does not provide services entirely to the County.	Discrete	Cochise Private Industry Council 900 Carmelita Dr. Sierra Vista, AZ 85635

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 usefulness of the information.

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 financial activities of the overall government, 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 units. 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; and
- 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 generated by ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating 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 *Flood Control Fund* accounts for resources to be used to provide county citizens with education on flood hazards, building requirements (Floodplain Use Permits), and information about the National Flood Insurance Program in order to reduce flood damage and maintain the environmental benefits provided by floodplains. The Fund also undertakes flood damage reduction projects. The Fund's primary revenue source is a secondary property tax.

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 private donations.

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 state shared highway user revenue fees.

The County reports the following major enterprise fund:

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 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 *investment trust funds* account for pooled assets held and invested by the County Treasurer on behalf of the Cochise County Community College District, local school districts, and other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, special districts, and other governmental entities.

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. The agency funds are custodial in nature and do not have a measurement focus, but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, and cash and investments held by the County Treasurer to be cash equivalents. Nonparticipating interest earning investment contracts are stated at cost. Money market investments and participating interest earning investments contracts with remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other 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 two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

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 estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	**Depreciation Method**	**Estimated Useful Life**
Land	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

G. Deferred Outflows and Inflows of Resources

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

H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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 approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can be removed or changed by only the Board.

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 any of the classifications, the County will 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 amounts.

I. Investment Income

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

J. Compensated Absences

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 15 years of service and who have accumulated at least 241 hours of sick leave receive some benefit payments. Benefit payments vary based on the number of hours accumulated up to 1,040 hours. Consequently, these sick leave benefits do vest and, therefore, are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

K. Pensions

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

Note 2 - Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

	Governmental Activities	Business-type Activities	Major Enterprise Fund	Nonmajor Enterprise Fund	Internal Service Funds
Net Position as previously reported at June 30, 2014	$188,331,408	$ 3,837,911	$ 1,203,887	$2,634,024	$15,293,678
Prior period adjustment—implementation of GASB 68:					
Net pension liability (measurement date as of June 30, 2013)	(81,330,423)	(2,488,411)	(2,239,570)	(248,841)	(1,493,047)
Deferred outflows—county contributions made during fiscal year 2014	5,100,458	139,126	125,213	13,913	83,476
Total prior period adjustment	(76,229,965)	(2,349,285)	(2,114,357)	(234,928)	(1,409,571)
Net position as restated, July 1, 2014	$112,101,443	$ 1,488,626	$ (910,470)	$2,399,096	$13,884,107

Note 3 - Fund Balance Classifications of the Governmental Funds

The fund balance classifications of the governmental funds as of June 30, 2015, were as follows:

	General Fund	Flood Control Fund	Capital Projects Fund	Highway and Streets Fund	Other Governmental Funds	Total
Fund balances:						
Restricted for:						
Flood control		$4,377,101			$ 86,037	$ 4,463,138
Health services					604,680	604,680
Judicial services					3,365,988	3,365,988
Library services					742,615	742,615
Law enforcement					1,333,007	1,333,007
Education services					79,781	79,781
Other services					983,862	983,862
Total restricted		4,377,101			7,195,970	11,573,071
Committed to:						
Board of Supervisors	$ 33,654					33,654
Facilities	182,655					182,655
Capital projects			$ 1,672,670			1,672,670
Total committed	216,309		1,672,670			1,888,979
Assigned to:						
Capital projects			12,146,553			12,146,553
Highways and streets				$6,774,053		6,774,053
Health services					148,318	148,318
Education					8,352	8,352
Other	953,776					953,776
Total assigned	953,776		12,146,553	6,774,053	156,670	20,031,052
Unassigned:	29,328,584				(549,369)	28,779,215
Total fund balances	$30,498,669	$4,377,101	$13,819,223	$6,774,053	$6,803,271	$62,272,317

Note 4 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk
Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase, by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

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

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

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

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

Deposits—At June 30, 2015, the carrying amount of the County's deposits was $33,402,189, and the bank balance was $35,613,982. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County's investments at June 30, 2015, were as follows:

Investment Type	Amount
State Treasurer's investment pool 7	$22,000,000
U.S. agency securities	51,978,175
	$73,978,175

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

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, 2015, 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	$22,000,000
U.S. agency securities	AA+	Standard & Poor's	51,978,175
			$73,978,175

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2015, were in debt securities of various U.S. agencies as follows:

U.S. Agency	Amount	Percent of County Investments
Federal Home Loan Mortgage Corporation	$12,487,220	16.9
Federal Home Loan Bank	18,015,430	24.4
Federal National Mortgage Association	8,999,670	12.2
Federal Farm Credit Bank	8,468,875	11.4
	$47,971,195	

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, 2015, maturities of the County's investments in debt securities were as follows:

		Investment Maturities	
Investment Type	**Amount**	**Less than 1 Year**	**1-5 Years**
State Treasurer's investment pool 7	$22,000,000	$22,000,000	
U.S. agency securities	51,978,175	1,500,420	$50,477,755
	$73,978,175	$23,500,420	$50,477,755

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	$ 6,954
Amount of deposits	33,402,189
Amount of investments	73,978,175
Total	$107,387,318

	Statement of Net Position		Statement of Fiduciary Net Position		
	Governmental Activities	**Business-Type Activities**	**Investment Trust Funds**	**Agency Funds**	**Total**
Cash in bank and on hand	$ 203,290	$ 2,200		$4,221,452	$ 4,426,942
Cash and investments held by County Treasurer	63,825,921	108,629	$38,794,137		102,728,687
Cash—restricted	231,689				231,689
Total	$64,260,900	$110,829	$38,794,137	$4,221,452	$107,387,318

Note 5 - Due from Other Governments

Due from other governments totaling $7,066,185 at June 30, 2015, included $1,345,078 in state-shared revenue from highway user fees, $2,079,271 in state-shared sales taxes, $959,383 in state-shared vehicle license taxes, and $1,176,925 in county excise taxes received through the State. The remaining balance of $1,505,528 represents amounts receivable from various state and federal government grantor agencies.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,422,728	$ 37,055	$ 10,000	$ 2,449,783
Construction in progress	1,642,796	4,620,933	2,602,214	3,661,515
Total capital assets not being depreciated	4,065,524	4,657,988	2,612,214	6,111,298
Capital assets being depreciated:				
Buildings	50,850,936	220,050	41,500	51,029,486
Improvements other than buildings	5,461,877	1,621,628		7,083,505
Equipment	44,069,599	6,204,901	2,918,222	47,356,278
Infrastructure	101,983,595	956,252		102,939,847
Total	202,366,007	9,002,831	2,959,722	208,409,116
Less accumulated depreciation for:				
Buildings	16,320,106	1,264,582	41,500	17,543,188
Improvements other than buildings	1,865,327	252,713		2,118,040
Equipment	27,895,291	2,727,768	2,377,377	28,245,682
Infrastructure	38,652,175	1,677,533		40,329,708
Total accumulated depreciation	84,732,899	5,922,596	2,418,877	88,236,618
Total capital assets being depreciated, net	117,633,108	3,080,235	540,845	120,172,498
Governmental activities capital assets, net	$121,698,632	$7,738,223	$3,153,059	$126,283,796
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,599,900			$ 1,599,900
Total capital assets not being depreciated	1,599,900			1,599,900
Capital assets being depreciated:				
Buildings	4,559,025			4,559,025
Improvements other than buildings	6,653,580			6,653,580
Equipment	2,948,839	72,545	45,713	2,975,671
Total	14,161,444	72,545	45,713	14,188,276
Less accumulated depreciation for:				
Buildings	1,420,360	87,387		1,507,747
Improvements other than buildings	4,118,988	474,260		4,593,248
Equipment	2,448,496	141,788	42,124	2,548,160
Total	7,987,844	703,435	42,124	8,649,155
Total capital assets being depreciated, net	6,173,600	(630,890)	3,589	5,539,121
Business-type activities capital assets, net	$ 7,773,500	$ (630,890)	$ 3,589	$ 7,139,021

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$2,225,770
Public safety	381,631
Highways and streets	1,825,260
Health and welfare	6,250
Culture and recreation	2,822
Education	631
Internal service funds	1,480,232
Total governmental activities depreciation expense	$5,922,596
Business-type activities:	
Solid Waste Operations	$ 606,649
Bisbee-Douglas International Airport	96,786
Total business-type activities depreciation expense	$ 703,435

Construction commitments—At June 30, 2015, the County was involved in four construction projects. The estimated cost to complete the construction projects was $3,450,622.

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities					
Capital leases payable	$ 210,804	$ 3,800,000	$ 2,003,310	$ 2,007,494	$2,007,494
Net pension liabilities*	81,330,423	22,239,468	14,642,340	88,927,551	
Compensated absences payable	4,192,652	2,266,018	2,219,898	4,238,772	2,603,476
Total governmental activities long-term liabilities	$85,733,879	$28,305,486	$18,865,548	$95,173,817	$4,610,970
Business-type activities					
Net pension liabilities*	$ 2,488,411	$ 221,438	$ 575,555	$ 2,134,294	
Landfill closure and postclosure care costs payable	3,395,206	12,725	668,510**	2,739,421	$ 24,050
Compensated absences payable	89,028	76,889	67,992	97,925	87,907
Total business-type activities long-term liabilities	$ 5,972,645	$ 311,052	$ 1,312,057	$ 4,971,640	$ 111,957

* There was a restatement of net position as a result of the implementation of GASB Statement No. 68 (see Note 2).

** This reduction in landfill closure and postclosure costs was due to a change in actuarial estimate associated with the life of the Western Regional landfill based on a new engineering study and a change in estimate of closure costs, compared to actual costs, associated with the Eastern Regional landfill closure in 2002.

Capital leases—The County has acquired office equipment and vehicles under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	$4,685,685
Less: accumulated depreciation	549,841
Carrying value	$4,135,844

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2015:

	Governmental Activities
Year ending June 30, 2016	$2,024,176
Total minimum lease payments	2,024,176
Less amount representing interest	16,682
Present value of net minimum lease payments	$2,007,494

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its solid waste landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfill. These costs will be paid from solid waste fees in the Solid Waste Operations Enterprise Fund. At June 30, 2015, the County reported closure and postclosure care costs for two landfills discussed below.

At June 30, 2015, the County reported landfill closure and postclosure care liabilities totaling $2,739,421. 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, 2015. The liability reported for the Eastern Regional landfill of $459,398 was based on 100 percent use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of $2,280,023 was based on the use of 21.28 percent of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of $8,434,562 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 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

During the fiscal year 2014/2015, the landfill closure and postclosure care liability was reduced by $536,394 because there was a change in estimate per a new engineering study completed in November 2014 by Cornerstone Environmental and obtaining ADEQ approval of a revision to eliminate the geosynthetic clay liner from the final capping system on the Western Regional Landfill.

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 2015, the County paid for compensated absences as follows: 71.64 percent from the General Fund, 8.11 percent from the Highway and Streets Fund, 0.80 percent from the Flood Control Fund, 2.03 percent from the Enterprise Funds, and 17.42 percent from other funds.

Note 8 - Risk Management

The County is exposed to various risk 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 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants and a deductible of $25,000 per occurrence for property claims and $50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of $300 million per occurrence for property claims and $15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as 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 currently composed of two 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. During the fiscal year, employees were not required to contribute a portion of the premium, but may be required to in the future. If it withdraws from the Trust, the County is responsible for a proportional share of any claims runout costs, including administrative costs, that exceed trust fund reserves. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit.

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 a pool were to become insolvent, the County would be assessed an additional contribution.

Note 9 - Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan - Detention Officers (CORP), the Corrections Officer Retirement Plan - Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System - Sheriff (PSPRS), and the Elected Officials Retirement Plan (EORP), all described below. The plans are component units of the State of Arizona.

At June 30, 2015, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	**Governmental Activities**	**Business-Type Activities**	**Total**
Net pension liabilities	$88,927,551	$2,134,294	$91,061,845
Deferred outflows of resources	18,386,964	244,783	18,631,747
Deferred inflows of resources	9,541,881	436,429	9,978,310
Pension expense	12,344,848	112,967	12,457,815

The County's accrued payroll and employee benefits includes $162,020 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the County reported $7,259,637 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

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

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

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

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the ASRS. The County's contributions to the pension plan for the year ended June 30, 2015, were $2,719,440. The County's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS

Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$147,888	$30,079
2014	153,925	61,576
2013	170,477	62,946

During fiscal year 2015, the County paid for ASRS pension and OPEB contributions as follows: 64 percent from the General Fund, 17 percent from major funds, and 19 percent from other funds.

Pension liability—At June 30, 2015, the County reported a liability of $42,259,031 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2014, was 0.29 percent, which was a decrease of 0.01 from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the County recognized pension expense for ASRS of $2,236,741. At June 30, 2015, 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	$2,147,727	
Net difference between projected and actual earnings on pension plan investments		$7,389,800
Changes in proportion and differences between county contributions and proportionate share of contributions		1,251,483
County contributions subsequent to the measurement date	2,719,440	
Total	$4,867,167	$8,641,283

The $2,719,440 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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	
2016	$(1,457,779)
2017	(1,457,779)
2018	(1,730,549)
2019	(1,847,449)

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

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS **Asset Class**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ASRS	**1% Decrease (7%)**	**Current Discount Rate (8%)**	**1% Increase (9%)**
County's proportionate share of the net pension liability	$53,413,247	$42,259,031	$36,207,308

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 – Sheriff (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

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

PSPRS	**Initial membership date:**	
Retirement and Disability	**Before January 1, 2012**	**On or after January 1, 2012**
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
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 or normal retirement, whichever is greater	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. 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, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	65	27
Inactive employees entitled to but not yet receiving benefits	24	24
Active employees	78	59
Total	167	110

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP AOC
Active members—Pension	11.05%	8.41%	8.41%
County			
Pension	38.18%	12.69%	14.88%
Health insurance premium benefit	1.51%	1.26%	1.24%

In addition, the County was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS and 7.34 percent for the CORP of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the PSPRS or CORP.

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

Pension	PSPRS Sheriff	CORP Detention
Contributions made	$3,854,142	$268,394
Health Insurance Premium Benefit		
Annual OPEB cost	72,855	25,720
Contributions made	72,855	25,720

PSPRS Contributions include a voluntary $2 million excess contribution to reduce the unfunded liability.

Contributions to the CORP AOC pension plan for the year ended June 30, 2015, were $284,626. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC Year ended June 30	Health Insurance Fund
2015	$23,719
2014	22,143
2013	26,941

During fiscal year 2015, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 88 percent from the General Fund and 12 percent from other non-major funds.

Pension liability—At June 30, 2015, the County reported the following net pension liabilities:

	Net Pension Liability
PSPRS Sheriff	$28,713,631
CORP Detention	3,606,292
CORP AOC (County's proportionate share)	3,949,941

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

PSPRS and CORP—Pension	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rates—The following discount rates were used to measure the total pension liabilities:

	PSPRS Sheriff	CORP Detention	CORP AOC
Discount rates	7.85%	7.85%	7.85%

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

Changes in the Net Pension Liability PSPRS-Sheriff	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2014	$34,414,106	$12,880,181	$21,533,925
Changes for the year:			
Service cost	864,164		864,164
Interest on the total pension liability	2,633,247		2,633,247
Changes of benefit terms	1,126,739		1,126,739
Differences between expected and actual experience in the measurement of the pension liability	273,161		273,161
Changes of assumptions or other inputs	5,093,748		5,093,748
Contributions—employer		1,590,648	(1,590,648)
Contributions—employee		480,171	(480,171)
Net investment income		1,625,439	(1,625,439)
Benefit payments, including refunds of employee contributions	(2,603,292)	(2,603,292)	
Other changes		(884,905)	884,905
Net changes	7,387,767	208,061	7,179,706
Balances at June 30, 2015	$41,801,873	$13,088,242	$28,713,631

Changes in the Net Pension Liability CORP-Detention	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) – (b)**
Balances at June 30, 2014	$7,399,302	$4,932,366	$2,466,936
Changes for the year:			
Service cost	282,410		282,410
Interest on the total pension liability	574,310		574,310
Changes of benefit terms	133,007		133,007
Differences between expected and actual experience in the measurement of the pension liability	(165,636)		(165,636)
Changes of assumptions or other inputs	798,887		798,887
Contributions—employer		222,257	(222,257)
Contributions—employee		141,534	(141,534)
Net investment income		617,823	(617,823)
Benefit payments, including refunds of employee contributions	(448,901)	(448,901)	
Other changes		(497,992)	497,992
Net changes	1,174,077	34,721	1,139,356
Balances at June 30, 2015	$8,573,379	$4,967,087	$3,606,292

The County's proportion of the CORP AOC net pension liability as of June 30, 2013 and 2014, 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, 2014. The County's proportion measured as of June 30, 2013 and 2014, was 1.76 percent.

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 rates noted above, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Sheriff			
Rate	6.85%	7.85%	8.85%
Net pension liability	$33,603,969	$28,713,631	$24,625,243
CORP Detention			
Rate	6.85%	7.85%	8.85%
Net pension liability	$4,700,716	$3,606,292	$2,699,008
CORP AOC			
Rate	6.85%	7.85%	8.85%
County's proportionate share of the net pension liability	$5,215,805	$3,949,941	$2,898,177

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

Pension expense—For the year ended June 30, 2015, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	$4,255,572
CORP Detention	583,012
CORP AOC (County's proportionate share)	528,551

Pension deferred outflows/inflows of resources—At June 30, 2015, 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
Changes of assumptions or other inputs	$4,164,995	
Net difference between projected and actual earnings on pension plan investments		$546,540
County contributions subsequent to the measurement date	3,854,142	
Total	$8,019,137	$546,540

CORP-Detention	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$127,471
Changes of assumptions or other inputs	$614,812	
Net difference between projected and actual earnings on pension plan investments		206,732
County contributions subsequent to the measurement date	268,394	
Total	$883,206	$334,203

CORP-AOC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 187,493	
Changes of assumptions or other inputs	580,310	
Net difference between projected and actual earnings on pension plan investments		$218,669
County contributions subsequent to the measurement date	284,626	
Total	$1,052,429	$218,669

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, 2016. County contribution for PSPRS include a voluntary $2 million excess payment to reduce the unfunded liability. 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
2016	$1,065,280	$94,227	$112,990
2017	1,065,280	94,227	112,990
2018	1,065,280	94,227	112,990
2019	422,615	(2,072)	112,990
2020			97,174

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5% for PSPRS and 4.5%–7.75% for CORP
Wage growth	4.5% for PSPRS and CORP

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Sheriff			
2015	$72,855	100%	
2014	73,875	100%	
2013	77,734	51%	$37,726
CORP Detention			
2015	$25,720	100%	
2014	25,418	100%	
2013	29,577	15%	$25,171

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Sheriff	CORP Detention
Actuarial value of assets (a)	$1,180,451	$627,308
Actuarial accrued liability (b)	963,846	273,366
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(216,605)	(353,942)
Funded ratio (a)/(b)	122.5%	229.5%
Annual covered payroll (c)	$4,705,708	$2,110,883
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(4.60)%	(16.77)%

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

PSPRS and CORP—OPEB Funded Status	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

C. Elected Officials Retirement Plan

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

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

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

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, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the County was required to contribute 23.5 percent of active EORP members' annual covered payroll. In addition, the County was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the EORP. The County's contributions to the pension plan for the year ended June 30, 2015, were $363,029. No OPEB contributions were required or made for the year ended June 30, 2015.

The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EORP

Year ended June 30	Health Insurance Fund
2015	$ 0
2014	12,374
2013	28,056

During fiscal year 2015, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2015, 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	$12,532,950
State's proportionate share of the EORP net pension liability associated with the County	3,842,719
Total	$16,375,669

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The County's proportion of the net pension liability as of June 30, 2013 and 2014, was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2013 and 2014, was 1.87 percent.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the County recognized pension expense for EORP of $4,853,939 and revenue of $1,139,027 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 55,070	
Changes of assumptions or other inputs	3,391,709	
Net difference between projected and actual earnings on pension plan investments		$237,615
County contributions subsequent to the measurement date	363,029	
Total	$3,809,808	$237,615

The $363,029 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	$1,925,611
2017	1,402,361
2018	(59,404)
2019	(59,404)

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

EORP	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP **Asset Class**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent, which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

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 5.67 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

EORP	**1% Decrease (4.67%)**	**Current Discount Rate (5.67%)**	**1% Increase (6.67%)**
County's proportionate share of the net pension liability	$14,631,173	$12,532,950	$10,761,337

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

Note 10 - Interfund Transactions

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

	Payable to						
Payable from	General Fund	Flood Control Fund	Highway and Streets Fund	Other Governmental Funds	Solid Waste Operations Fund	Internal Service Funds	Total
General Fund			$ 405	$ 92,260	$ 39	$191,560	$ 284,264
Capital Projects Fund	$ 5,396					1,209	6,605
Flood Control Fund			286,716	184,011			470,727
Highway and Streets Fund	252,204					225,099	477,303
Other Governmental Funds	256,005	$41,428	8,253	207,834		10,631	524,151
Solid Waste Operations Fund	738,378		85			144,275	882,738
BDI Airport Fund	4,511					1,555	6,066
Internal Service Funds	35,170				$5,100		40,270
Total	$1,291,664	$41,428	$295,459	$484,105	$5,139	$574,329	$2,692,124

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

Interfund transfers—Interfund transfers for the year ended June 30, 2015, were as follows:

	Transfers to					
Transfers from	General Fund	Capital Projects Fund	Other Governmental Funds	Solid Waste Operations Fund	Internal Service Funds	Total
General Fund			$ 402,223			$ 402,223
Capital Projects Fund	$ 19,055		74,000	$7,139		100,194
Flood Control Fund	16,073		139,082			155,155
Highway and Streets Fund	16,073					16,073
Other Governmental Funds	590,796	$20,800	1,384,691		$45,912	2,042,199
Total	$641,997	$20,800	$1,999,996	$7,139	$45,912	$2,715,844

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

Note 11 - County Treasurer's Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to 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 $6,954 of cash and $4,651,677 of deposits. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks disclosed in Note 4.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Amount
State Treasurer's investment pool 7	$22,000,000	None stated	None stated	$22,000,000
U.S. agency securities	51,937,175	.40–2.00%	Up to 5 years	51,978,175

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

Statement of Net Position	
Assets	$102,728,687
Net position	$102,728,687
Net position held in trust for:	
Internal participants	$ 63,934,550
External participants	38,794,137
Total net position held in trust	$102,728,687
Statement of Changes in Net Position	
Total additions	$317,147,935
Total deductions	317,752,929
Net decrease	(604,994)
Net position held in trust:	
July 1, 2014	103,333,681
June 30, 2015	$102,728,687

Note 12 - Discretely Presented Component Units

A. Summary of Significant Accounting Policies

Housing Authority of Cochise County

Basis of Accounting

Based upon compelling reasons offered by HUD, the Housing Authority reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Cochise Private Industry Council, Inc.

Basis of Accounting

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

Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one 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 3 to 20 years as determined by management based on experience for each class of asset.

Program Revenues

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

B. Cash and Investments

Housing Authority of Cochise County

At June 30, 2015, the carrying amount of the Housing Authority's deposits was $356,738 and the bank balance was $390,741 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Cochise Private Industry Council, Inc.

At June 30, 2015, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was $79,170 and the bank balance was $107,546.

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

C. Due from Other Governments

Cochise Private Industry Council, Inc.
Due from other governments consists of the following grants receivable at June 30, 2015:

Program	**Amount**
Cochise County, Arizona	
WIA Adult Program	$ 36,237
WIA Dislocated Workers	48,623
WIA Youth Program	64,100
WIA Rapid Response	2,416
Pima County, Arizona	
Veterans Employment Program	12,969
Vocational Rehab	20,591
Other	6,481
Total	$191,417

D. Schedule of Changes in Noncurrent Liabilities

Housing Authority of Cochise County

	Balance at June 30, 2014, as restated		Year Ended June 30, 2015		June 30, 2015	
	Long-term Portion	Current Portion	Additions	Payments	Current Portion	Long-term Portion
Accrued compensated absences	$ 14,001	$1,949	$ 6,758	$ (5,724)	$1,698	$ 15,286
Accrued pension liability	497,682		44,287	(115,110)		426,859
Family self-sufficiency	92,653		12,372			105,025
Total	$604,336	$1,949	$63,417	$(120,834)	$1,698	$547,170

E. Pension and Other Postemployment Benefits

Housing Authority of Cochise County

The Authority Contributes to the Arizona State Retirement System (ASRS).

At June 30, 2015 the Authority reported the following aggregate amounts:

Net Pension Liabilities	$426,859
Deferred Outflows of resources	40,707
Deferred Inflows of resources	87,285
Pension Expense	22,593

The Authority accrued payroll and employee benefits include $720 of outstanding pension contribution amounts payable for the year ended June 30, 2015.

Arizona State Retirement System

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

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

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

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. 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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Authority was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the Authority was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Authority in positions that would typically be filled by an employee who contributes to the ASRS. The Authority's contributions to the pension plan for the year ended June 30, 2015, were $19,013. The Authority's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS

Year ended June 30	**Health Benefit Supplement Fund**	**Long-Term Disability Fund**
2015	$1,460	$295
2014	1,539	616
2013	1,704	629

During fiscal year 2015, the Authority paid for ASRS pension and OPEB contributions as follows: 100 percent from the public housing fund.

Pension liability—At June 30, 2015, the Authority reported a liability of $426,859 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The Authority reported liability at June 30, 2015, decreased by $70,823 from the Authority's prior year liability of $497,682 because of changes in ASRS' net pension liability and the Authority's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in net pension liability.

The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Authority's proportion measured as of June 30, 2014, was .0029 percent, which was a decrease of 0.0001 from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the Authority recognized pension expense for ASRS of $22,593. At June 30, 2015, the Authority 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	$21,694	
Net difference between projected and actual earnings on pension plan investments		$74,644
Changes in proportion and differences between authority contributions and proportionate share of contributions		12,641
Authority contributions subsequent to the measurement date	19,013	
Total	$40,707	$87,285

The $19,013 reported as deferred outflows of resources related to ASRS pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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	
2016	$(14,725)
2017	(14,725)
2018	(17,480)
2019	(18,661)

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

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS **Asset Class**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ASRS	**1% Decrease (7%)**	**Current Discount Rate (8%)**	**1% Increase (9%)**
Authority's proportionate share of the net pension liability	$539,528	$426,859	$365,730

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

F. Schedule of Changes in Net Position

Housing Authority of Cochise County

	Total
Net position as previously reported at June 30, 2014	$ 515,472
Adjustments to restate beginning net position	
To record the implementation of GASB 68	(469,857)
Net pension as restated, July 1, 2014	$ 45,615

Other Required Supplementary Information

Cochise County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Revenues:				
Taxes	$ 32,648,052	$ 32,648,052	$ 33,081,041	$ 432,989
Licenses and permits	16,000	16,000	35,896	19,896
Intergovernmental	14,970,175	15,001,375	16,625,739	1,624,364
Charges for services	2,299,449	2,299,449	2,526,365	226,916
Fees, fines, and forfeits	1,947,625	1,947,625	1,690,455	(257,170)
Investment income	200,000	200,000	195,484	(4,516)
Miscellaneous	193,300	193,300	209,823	16,523
Total revenues	52,274,601	52,305,801	54,364,803	2,059,002
Expenditures:				
Assessor	1,800,645	1,821,813	1,831,184	(9,371)
Attorney	2,121,924	2,172,128	2,069,316	102,812
Board of Supervisors	1,054,853	1,044,782	1,070,593	(25,811)
Cochise Aging and Social Services	8,672,138	8,573,638	8,428,084	145,554
General Government	11,664,171	13,640,967	11,080,720	2,560,247
General Government Contingency	22,839,001	20,284,838		20,284,838
Health	1,187,345	1,216,479	1,116,502	99,977
Judicial System	9,764,465	9,989,043	9,267,405	721,638
Public and Legal Defenders	2,313,774	2,202,295	2,220,321	(18,026)
Recorder	428,642	452,225	417,626	34,599
Public Safety	18,800,849	19,250,745	18,463,691	787,054
School Superintendent	347,366	347,366	355,654	(8,288)
Treasurer	1,039,549	1,038,403	1,012,368	26,035
Total expenditures	82,034,722	82,034,722	57,333,464	24,701,258
Excess (deficiency) of revenues over expenditures	(29,760,121)	(29,728,921)	(2,968,661)	26,760,260
Other financing sources:				
Sale of capital assets	30,000	30,000	14,452	(15,548)
Transfers in	670,767	689,822	641,997	(47,825)
Total other financing sources	700,767	719,822	656,449	(63,373)
Net change in fund balances	(29,059,354)	(29,009,099)	(2,312,212)	26,696,887
Fund balances, July 1, 2014	29,054,354	29,009,099	32,810,881	3,801,782
Fund balances, June 30, 2015	$ -	$ -	$ 30,498,669	$ 30,498,669

See accompanying notes to budgetary comparison schedule.

Cochise County
Required Supplementary Information
Budgetary Comparison Schedule
Highway and Streets Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final
Revenues				
Taxes	$ 1,300,000	$ 1,300,000	$ 1,300,000	
Intergovernmental	9,092,279	9,092,279	9,632,465	$ 540,186
Charges for services	1,127,667	1,127,667	885,563	(242,104)
Investment income	20,000	20,000	30,129	10,129
Miscellaneous	3,590,476	4,994,784	5,997	(4,988,787)
Total revenues	15,130,422	16,534,730	11,854,154	(4,680,576)
Expenditures:				
Current:				
Highways and streets	15,134,349	16,538,657	10,034,134	6,504,523
Total expenditures	15,134,349	16,538,657	10,034,134	6,504,523
Excess (deficiency) of revenues over expenditures	(3,927)	(3,927)	1,820,020	1,823,947
Other financing sources (uses):				
Sale of capital assets	20,000	20,000	22,387	2,387
Transfers out	(16,073)	(16,073)	(16,073)	
Total other financing sources and uses	3,927	3,927	6,314	2,387
Net change in fund balances			1,826,334	1,826,334
Fund balances, July 1, 2014	-	-	4,947,719	4,947,719
Fund balances, June 30, 2015	$ -	$ -	$ 6,774,053	$ 6,774,053

See accompanying notes to budgetary comparison schedule.

Cochise County
Required Supplementary Information
Budgetary Comparison Schedule
Flood Control Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final
Revenues				
Taxes	$ 2,041,650	$ 2,041,650	$ 2,090,278	$ 48,628
Intergovernmental		778,000	181,542	(596,458)
Charges for services	6,000	6,000	3,135	(2,865)
Investment income	35,000	35,000	29,500	(5,500)
Miscellaneous	4,162,086	4,463,700	72,770	(4,390,930)
Total revenues	6,244,736	7,324,350	2,377,225	(4,947,125)
Expenditures:				
Current:				
Flood control	5,924,340	6,991,388	2,356,570	4,634,818
Total expenditures	5,924,340	6,991,388	2,356,570	4,634,818
Excess of revenues over expenditures	320,396	332,962	20,655	(312,307)
Other financing uses:				
Transfers out	(320,396)	(332,962)	(155,155)	177,807
Total other financing sources and uses	(320,396)	(332,962)	(155,155)	177,807
Net change in fund balances			(134,500)	(134,500)
Fund balances, July 1, 2014	-	-	4,511,601	4,511,601
Fund balances, June 30, 2015	$ -	$ -	$ 4,377,101	$ 4,377,101

See accompanying notes to budgetary comparison schedule.

Cochise County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

Note 1 - Budgeting and Budgetary Control

A.R.S. requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

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 one 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.

Note 2 - Expenditures in Excess of Appropriations

For the year ended June 30, 2015, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	**Excess**
General Fund:	
Assessor	$ 9,371
Board of Supervisors	25,811
Public and Legal Defenders	18,026
School Superintendent	8,288
Total	$61,496

These expenditures were funded by greater than anticipated revenues.

Cochise County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	0.29%	Information not available
County's proportionate share of the net pension liability	$42,259,031	
County's covered-employee payroll	25,846,945	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.5%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	1.76%	Information not available
County's proportionate share of the net pension liability	$ 3,949,941	
County's covered-employee payroll	1,959,540	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.6%	
Plan fiduciary net position as a percentage of the total pension liability	58.59%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	1.87%	Information not available
County's proportionate share of the net pension liability	$12,532,950	
State's proportionate share of the net pension liability associated with the County	3,842,719	
Total	$16,375,669	
County's covered-employee payroll	$ 1,722,405	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	727.6%	
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

Public Safety Personnel Retirement System - Sheriff	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
Total pension liability		
Service cost	$ 864,164	
Interest on the total pension liability	2,633,247	
Changes of benefit terms	1,126,739	
Differences between expected and actual experience in the measurement of the pension liability	273,161	
Changes of assumptions or other inputs	5,093,748	
Benefit payments, including refunds of employee contributions	(2,603,292)	
Net change in total pension liability	7,387,767	
Total pension liability—beginning	34,414,106	
Total pension liability—ending (a)	$ 41,801,873	
Plan fiduciary net position		
Contributions—employer	$ 1,590,648	
Contributions—employee	480,171	Information not available
Net investment income	1,625,439	
Benefit payments, including refunds of employee contributions	(2,603,292)	
Other changes	(884,905)	
Net change in plan fiduciary net position	208,061	
Plan fiduciary net position—beginning	12,880,181	
Plan fiduciary net position—ending (b)	$ 13,088,242	
County's net pension liability—ending (a) - (b)	$ 28,713,631	
Plan fiduciary net position as a percentage of the total pension liability	31.31%	
Covered-employee payroll	$ 4,681,028	
County's net pension liability as a percentage of covered-employee payroll	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, 2015
(Continued)

Corrections Officer Retirement Plan - Detention	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability		
Service cost	$ 282,410	
Interest on the total pension liability	574,310	
Changes of benefit terms	133,007	
Differences between expected and actual experience in the measurement of the pension liability	(165,636)	
Changes of assumptions or other inputs	798,887	
Benefit payments, including refunds of employee contributions	(448,901)	
Net change in total pension liability	1,174,077	
Total pension liability—beginning	7,399,302	
Total pension liability—ending (a)	$ 8,573,379	
Plan fiduciary net position		
Contributions—employer	$ 222,257	
Contributions—employee	141,534	Information not available
Net investment income	617,823	
Benefit payments, including refunds of employee contributions	(448,901)	
Other changes	(497,992)	
Net change in plan fiduciary net position	34,721	
Plan fiduciary net position—beginning	4,932,366	
Plan fiduciary net position—ending (b)	$ 4,967,087	
County's net pension liability—ending (a) - (b)	$ 3,606,292	
Plan fiduciary net position as a percentage of the total pension liability	57.94%	
Covered-employee payroll	$ 1,960,381	
County's net pension liability as a percentage of covered-employee payroll	183.96%	

See accompanying notes to pension plan schedules.

Cochise County
Required Supplementary Information
Schedule of County Pension Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 2,719,440	$ 2,754,693	
County's contributions in relation to the statutorily required contribution	2,719,440	2,754,693	
County's contribution deficiency (excess)	-	-	Information not available
County's covered-employee payroll	$ 24,958,808	$ 25,846,945	
County's contributions as a percentage of covered-employee payroll	10.90%	10.66%	

Corrections Officer Retirement Plan - Administrative Office of the Courts

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 284,626	$ 273,752	
County's contributions in relation to the statutorily required contribution	284,626	273,752	
County's contribution deficiency (excess)	-	-	Information not available
County's covered-employee payroll	$ 1,912,811	$ 1,959,540	
County's contributions as a percentage of covered-employee payroll	14.88%	13.97%	

Elected Officials Retirement Plan

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 363,029	$ 398,234	
County's contributions in relation to the statutorily required contribution	363,029	398,234	
County's contribution deficiency (excess)	-	-	Information not available
County's covered-employee payroll	$ 1,544,807	$ 1,722,405	
County's contributions as a percentage of covered-employee payroll	23.50%	23.12%	

See accompanying notes to pension plan schedules.

Cochise County
Required Supplementary Information
Schedule of County Pension Contributions
June 30, 2015
(Continued)

Public Safety Personnel Retirement System - Sheriff	Reporting Fiscal Year 2015	2014	2013 through 2006
Actuarially determined contribution	$ 1,854,142	$ 1,590,648	
County's contributions in relation to the actuarially determined contribution	3,854,142	1,590,648	
County's contribution deficiency (excess)	(2,000,000)	-	Information not available
County's covered-employee payroll	$ 4,885,979	$ 4,681,028	
County's contributions as a percentage of covered-employee payroll	78.88%	33.98%	

Corrections Officer Retirement Plan - Detention	Reporting Fiscal Year 2015	2014	2013 through 2006
Actuarially determined contribution	$ 268,394	$ 222,257	
County's contributions in relation to the actuarially determined contribution	268,394	222,257	
County's contribution deficiency (excess)	-	-	Information not available
County's covered-employee payroll	$ 2,168,765	$ 1,960,381	
County's contributions as a percentage of covered-employee payroll	12.38%	11.34%	

See accompanying notes to pension plan schedules.

Note 1 - Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 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 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 - Factors That Affect Trends

In fiscal year 2015, the County made a $2 million excess payment to reduce the unfunded liability which significantly affected the trends in the amounts reported. Had the County only made the actuarially determined contribution, the County’s contribution as a percentage of covered-employee payroll would have been 37.9% for the 2015 fiscal year.

Cochise County
Required Supplementary Information
Schedule of Agent OPEB Plan's Funding Progress
June 30, 2015

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b)-(a)	Funded ratio (a/b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll ([b-a]/c)
PSPRS Sheriff						
6/30/15	$1,180,451	$963,846	$(216,605)	122.5%	$4,705,708	(4.60)%
6/30/14	1,060,455	867,652	(192,803)	122.2%	4,612,963	(4.18)%
6/30/13		807,377	807,377	0.0%	4,425,898	18.24%
CORP Detention						
6/30/15	627,308	273,366	(353,942)	229.5%	2,110,883	(16.77)%
6/30/14	575,122	302,219	(272,903)	190.3%	2,072,309	(13.17)%
6/30/13		283,549	283,549	0.0%	1,913,829	14.82%

See accompanying notes to schedule of agent OPEB plans' funding progress.

Note - Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

Cochise County
Required Supplementary Information
Component Unit—Housing Authority of Cochise County
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of Authority Contributions
Cost-Sharing Pension Plan
June 30, 2015

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Housing Authority's proportion of the net pension liability	0.0029%	Information not available
Housing Authority's proportionate share of the net pension liability	$426,859	
Housing Authority's covered-employee payroll	$261,080	
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.5%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Schedule of Authority Contributions
Arizona State Retirement System

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 19,013	$ 27,825	Information not available
Housing Authority's contributions in relation to the statutorily required contribution	19,013	27,825	
Housing Authority's contribution deficiency (excess)	-	-	
Housing Authority's covered-employee payroll	$ 252,109	$ 261,080	
Housing Authority's contributions as a percentage of covered-employee payroll	7.54%	10.66%	

Supplementary Information

Cochise County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 12-LE-11030518-001	National Forest System—Law Enforcement				$ 13,309	
10 555	National School Lunch Program	Child Nutrition Cluster			13,381	
10 557	Special Supplemental Nutrition Program for Women, Infants and Children		Arizona Department of Health Services	ADHS14-053052	543,900	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS14-053052	29,864	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			372,598	
10 855	Distance Learning and Telemedicine Loans and Grants				137,774	
10 923	Emergency Watershed Protection Program		National Resources Conservation Service	68-9457-14-530	48,000	
	Total Department of Agriculture				1,158,826	
Department of Housing and Urban Development						
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	135-12, 120-14, 121-14	91,777	
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	AZH110018/AZH140014	206,537	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster	Arizona Department of Housing	None	2,353,430	
	Total Department of Housing and Urban Development				2,651,744	
Department of the Interior						
15 226	Payments in Lieu of Taxes				1,951,371	
15 227	Distribution of Receipts to State and Local Governments				6,234	
	Total Department of the Interior				1,957,605	
Department of Justice						
16 523	Juvenile Accountability Block Grants (JABG)		Arizona Governor's Office for Children, Youth & Families	JB-CSG-14-4365-01	15,751	
16 606	State Criminal Alien Assistance Program (SCAAP)				18,759	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-15-021	62,922	
16 738	Edward Byrne Memorial Justice Assistance Grant Program				98,812	
	Total 16.738				161,734	
	Total Department of Justice				196,244	
Department of Labor						
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111004001	457,074	
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE101054001/DE111004001	423,400	$ 260,997

See accompanying notes to schedule.

Cochise County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
17 278	WIA—Dislocated Workers Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111004001	533,220	
	Total WIA Cluster				1,413,694	260,997
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111004001	34,120	
17 268	H-IB Job Training Grant		Pima County, Arizona	CT-13-404	12,744	
17 274	YouthBuild		Pima County, Arizona	DE111004001	100,953	52,169
17 802	Veterans' Employment Program		Pima County, Arizona	CT-13-403	75,521	
	Total Department of Labor				1,637,032	313,166
Department of Transportation						
20 106	Airport Improvement Program		Arizona Department of Transportation	3-04-0013-008-2013, 3-04-0049-004-2013, 3-04-0013-009-2014	157,115	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2014-AL-001, 2014-164-050, 2015-AL-003,	53,018	
	Total Department of Transportation				210,133	
Department of Education						
84 010	Title 1 Grants to Local Educational Agencies		Arizona Supreme Court	KR15-0005	61,221	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	H027A050007, 15FESSCG-513161-55B	6,844	
84 365	English Language Acquisition State Grants		Arizona Department of Education	15FELENG-513161-66A	35,241	
84 413	2013-Race to the Top		Arizona Department of Education	15FSERY4-513161-33A	25,834	
	Total Department of Education				129,140	
Department of Health and Human Services						
93 044	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	Aging Cluster	Southern Arizona Governments	Amendment 15-1	255,786	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007884	236,059	
93 116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Arizona Department of Health Services	ADHS13-049245	10,689	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041535	106,026	
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS-14-053682	42,782	41,375
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111155001	27,059	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071556	14,676	

See accompanying notes to schedule.

Cochise County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	ADHS14-063015	44,560	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034429	33,600	
	Total Department of Health and Human Services				771,237	41,375
Executive Office of the President of the United States						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-13-2330, HT-14-2330, HT-14-2329, HT-15-2525	314,516	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2013-EP-000024	72,021	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	12-AZDOHS-OPSG-999419-03, 13-AZDOHS-OPSG-130412-01, 13-AZDOHS-OPSG-130412-04, 14-AZDOHS-OPSG-140412-01, 14-AZDOHS-OPSG-140400-01, 14-AZDOHS-OPSG-140400-02	1,385,472	
	Total Department of Homeland Security				1,457,493	
	Total expenditures of federal awards				$ 10,483,970	$ 354,541

See accompanying notes to schedule.

Cochise County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Cochise County's federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance.* When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used.

(This page is left intentionally blank)

STATE OF ARIZONA

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2015, 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 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of Cochise County and Cochise Private Industry Council, Inc., the discretely presented component units, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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.

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Debbie Davenport
Auditor General

March 22, 2016

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Cochise County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015, except for the Section 8 Housing Choice Vouchers program (14.871) administered by the Housing Authority of Cochise County and the WIA Cluster of programs (17.258, 17.259, and 17.278) administered by the Cochise Private Industry Council, Inc. Those major federal programs were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those major federal programs' compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the reports 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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

Opinion on Each Major Federal Program

In our opinion, based on our audit and the reports of the other auditors, Cochise County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Debbie Davenport
Auditor General

March 22, 2016

Cochise County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
	Yes	**No**
Material weakness identified?	___	X
Significant deficiency identified?	___	X (None reported)
Noncompliance material to the financial statements noted?	___	X

Federal Awards

Internal control over major programs:		
Material weakness identified?	___	X
Significant deficiency identified?	___	X (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 Circular A-133 (section .510[a])?	___	X

Identification of major programs:

CFDA Number	Names of Federal Program or Cluster
10.665	Schools and Roads—Grants to States
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
17.258, 17.259, 17.278	WIA Cluster
93.069	Public Health Emergency Preparedness
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$314,519	
	Yes	**No**
Auditee qualified as low-risk auditee?	X	

Other Matters

	Yes	**No**
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		X