Cochise County

Annual Financial Report and
Single Audit Report

Year Ended June 30, 2016

A Report to the Arizona Legislature

Debra K. Davenport
Auditor General

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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 and special reviews of school districts, state agencies, and the programs they administer.

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ANNUAL FINANCIAL REPORT

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
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, 2016, 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 other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Cochise County as of June 30, 2016, 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, 2016, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. *72, Fair Value Measurement and Application.* Our opinions are not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-10, budgetary comparison schedules on pages 56 through 59, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 60, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 61 and 62, schedule of county pension contributions on pages 63 through 65, schedule of agent OPEB plans' funding progress on page 66, schedule of the Authority's proportionate share of the net pension liability and schedule of Authority contributions on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The County's schedule of expenditures of federal awards did not include $3,152,141 and $1,812,759 in federal awards expended by the Housing Authority of Cochise County and the Cochise Private Industry Council, Inc., respectively, because Cochise County engaged other auditors to perform their audits.

The schedule of expenditures of federal awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, 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 the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, 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 15, 2017

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Cochise County
Management's Discussion and Analysis
June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- Cochise County's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at the close of the fiscal year by $114.6 million (net position). Of the net position amount, $129.1 million is the net investment in capital assets (e.g., land, buildings, improvements, equipment, infrastructure and construction in progress); $15.2 million is restricted for specific purposes (restricted net position); and $(29.7) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.

- At June 30, 2016, total assets were $212.3 million, an increase of $3.6 million or 1.7 percent in comparison with the prior fiscal year's balance of $208.7 million.

- At June 30, 2016, total liabilities were $106.3 million, an increase of $.2 million or .2 percent in comparison with the prior fiscal year's balance of $106.1 million.

- At June 30, 2016, the County reported total deferred outflows of resources related to pension of $15.2 million and deferred inflows of resources related to pensions of $6.6 million.

- At June 30, 2016, the governmental funds reported combined fund balances of $70.3 million, an increase of $8.0 million or 12.9 percent in comparison with the prior year's combined fund balances of $62.3 million.

- At June 30, 2016, $15.8 million or 22.4 percent of governmental fund balances were restricted, $3.7 million or 5 percent were committed, $20.3 million or 28.9 percent were assigned, and $30.4 million or 43.3 percent were unassigned. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional language or enabling legislation. Committed fund balances are for a specific purpose determined by a formal action of the County's highest level of decision-making authority. The committed, assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

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

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

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

Both of these government-wide financial statements distinguish the County's functions that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities)*. The County's governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, and education. The business-type activities include the Cochise County Solid Waste Operations, 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 numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and those funds designated as major funds including the Highway and Streets Fund, 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 54 of this report.

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

Required supplementary information can be found on pages 55 through 67 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 decrease of $2.9 million. The County's main capital purchases were $.5 million for roads and culverts infrastructure, $.6 million for new vehicles, $.8 million for heavy equipment, $.2 million for a 911 phone system, and a net increase of construction in progress of $2.2 million, mainly for a microwave system upgrade and purchase of a building for the Southeast Arizona Communications Center. The current year's depreciation of capital assets totaled $7.1 million.

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 exceeded liabilities by $114.6 million.

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2015 and 2016

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Assets:						
Current and other assets	$ 75,511,253	$ 81,477,579	$ (221,800)	$ 340,879	$ 75,289,453	$ 81,818,458
Capital assets	126,283,796	123,959,521	7,139,021	6,515,596	133,422,817	130,475,117
Total assets	201,795,049	205,437,100	6,917,221	6,856,475	208,712,270	212,293,575
Deferred outflows	18,386,964	15,054,536	244,783	187,963	18,631,747	15,242,499
Liabilities:						
Other liabilities	5,887,402	3,934,200	77,680	86,374	5,965,082	4,020,574
Long-term liabilities	95,173,817	97,124,085	4,971,640	5,145,304	100,145,457	102,269,389
Total liabilities	101,061,219	101,058,285	5,049,320	5,231,678	106,110,539	106,289,963
Deferred inflows	9,541,881	6,303,739	436,429	303,675	9,978,310	6,607,414
Net position:						
Invested in capital assets, net of related debt	124,276,302	122,666,809	7,139,021	6,515,596	131,415,323	129,182,405
Restricted	11,118,545	15,175,873			11,118,545	15,175,873
Unrestricted	(25,815,934)	(24,713,070)	(5,462,766)	(5,006,511)	(31,278,700)	(29,719,581)
Total net position	$109,578,913	$113,129,612	$ 1,676,255	$ 1,509,085	$111,255,168	$114,638,697

A large portion of Cochise County's net position (112.7 percent) reflects its investment in capital assets (e.g., land, buildings, equipment). This amount is presented less accumulated depreciation and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the fiscal year, unrestricted net position were negative in both governmental activities and business-type activities primarily due to the County's net pension liability, and landfill closure and postclosure care costs payable.

Statement of Activities—The County's total net position increased by $3.4 million during the fiscal year, primarily due to an increase in revenue and a decrease in expenditures. 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, 2015 and 2016

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Revenues						
Program revenues:						
Charges for services	$ 7,227,131	$ 7,712,483	$4,383,915	$4,589,760	$11,611,046	$12,302,243
Operating grants and contributions	20,922,362	22,538,228			20,922,362	22,538,228
Capital grants and contributions	5,288,866	3,477,507			5,288,866	3,477,507
General revenues:						
Property taxes	30,246,105	30,987,645			30,246,105	30,987,645
State shared sales tax	12,383,966	12,444,833			12,383,966	12,444,833
Unrestricted vehicle license tax	3,511,377	3,685,515			3,511,377	3,685,515
County excise tax	6,630,770	6,175,925	280,943	285,157	6,911,713	6,461,082
Other	4,503,666	5,368,407	31,752	36,311	4,535,418	5,404,718
Total revenues	90,714,243	92,390,543	4,696,610	4,911,228	95,410,853	97,301,771
Expenses						
General government	38,177,988	36,088,885			38,177,988	36,088,885
Public safety	28,956,527	28,660,956			28,956,527	28,660,956
Highways and streets	11,339,111	9,782,988			11,339,111	9,782,988
Sanitation	505,442	519,978			505,442	519,978
Health and welfare	11,726,492	11,513,696			11,726,492	11,513,696
Culture and recreation	1,425,022	1,301,351			1,425,022	1,301,351
Education	1,099,052	971,990			1,099,052	971,990
Airport			423,042	398,280	423,042	398,280
Solid waste operations			4,093,078	4,680,118	4,093,078	4,680,118
Total expenses	93,229,634	88,839,844	4,516,120	5,078,398	97,745,754	93,918,242

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Increase (decrease) in net position before transfers	$ (2,515,391)	$ 3,550,699	$ 180,490	$ (167,170)	$ (2,334,901)	$ 3,383,529
Transfers	(7,139)		7,139			
Increase (decrease) in net position	$ (2,522,530)	$ 3,550,699	$ 187,629	$ (167,170)	$ (2,334,901)	$ 3,383,529

Overall revenues increased $1.9 million or 2 percent and expenses decreased by $3.8 million or 4 percent in the current fiscal year. The following summarizes the significant changes in both revenue and expense:

- Charges for services increased by $.7 million or 5.9 percent in the current year due to an increase in the collection of judicial fees, charges to the Arizona Department of Corrections (ADOC) for water, airport fees and fees charged for solid waste services. In particular, judicial fees increased $.3 million due to an increase in the number of citations issued and paid. Bisbee-Douglas International Airport experienced an increase of $.1 million due to an increase in the rate charged for water to ADOC and the volume of jet fuel sold. Last, Cochise County Solid Waste Operations experienced an increase in the volume of solid waste collected and processed for residents and cities which increased the charges for services by $.2 million.

- Operating grants and contributions increased by $1.6 million due to the receipt of grant money from the Arizona Department of Emergency and Military Affairs (ADEMA) for the purpose of reimbursing the County for repair of damages caused by Hurricane Odile.

- Capital grants and contributions decreased by $1.8 million or 34.2 percent in the current year due to a decrease in contributions received from a private foundation for a project to replace hand held radios throughout the County.

- General government expenses decreased by $2.1 million due to a decrease in the payments made to Public Safety Personnel Retirement System (PSPRS) in fiscal year 2016 versus fiscal year 2015.

- Highways and streets expenses decreased by $1.6 million due to the resources being dedicated to completing the projects associated with the repairs of damage caused by Hurricane Odile.

- Solid waste operations expense increased by $.6 million or 14.3 percent in the current year due to a large accounting adjustment made in fiscal year 2015 greatly reducing the expenses for landfill closure and post-closure costs. That adjustment was not made in fiscal year 2016 creating an increase between the two fiscal years of $.9 million.

Financial Analysis of the County's Funds

The County reported four major funds for this fiscal year; the General Fund, Flood Control Fund, Capital Projects Fund and Highway and Streets Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $70.3 million, which is an increase of $8.0 million or 12.9 percent. Of the total, $54.5 million constitutes unrestricted fund balances.

For governmental funds, overall revenues increased $.4 million or 0.5 percent and, expenditures decreased by $8.0 million or 8.5 percent. Governmental revenues exceeded expenditures by $5.4 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2016, the total fund balance was $32.2 million. None of the General Fund balance is restricted for any purpose. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. As of June 30, 2016, the fund balance represents 59.8 percent of total General Fund expenditures.

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

General Fund

- Accounts payable increased by $.1 million or 21.4 percent in the current year largely due to increased expenditures for conducting the Special Election in May and expenditures incurred for solar electricity that was unknown to the County until late in the fiscal year. The two items together account for substantially all of the increase with the rest attributable to other dollars obligated for normal County business prior to June 30, 2016 but were expended after June 30, 2016.

- Accrued payroll and employee benefits increased by $.2 million or 16.2 percent in the current year largely due to additional payroll days accrued at fiscal year-end.

- Due to other funds increased by $.1 million or 37.4 percent in the current year largely due to the charges for services from other funds, i.e., fleet, heavy fleet, etc., that had not yet been paid.

- Current expenditures for general government decreased by $3.6 million or 12.7 percent in the current year largely due to a decrease in employee related expenditures. The County paid an additional $2 million to PSPRS in fiscal year 2015 that was not made in fiscal year 2016.

Flood Control Fund

- Cash and investments held by the County Treasurer decreased by $1.5 million or 28.9 percent in the current year largely due to money spent by the County to repair damages caused by Hurricane Odile.

- Due from other governments increased by $1.3 million or 996.4 percent in the current year largely due to money expected from the Arizona Department of Emergency and Military Affairs (ADEMA) for reimbursement of money spent by the County on repairs for damages caused by Hurricane Odile.

- Due to other funds increased by $.8 million or 162 percent in the current year largely due to recording expenditures incurred in the highways and streets fund for the repair damages caused by Hurricane Odile that will be reimbursed by the flood control fund when reimbursement from ADEMA is received.

- Intergovernmental revenues increased by $1.1 million, or 633.0 percent, in the current year largely because of revenues received from ADEMA for repair of damages caused by Hurricane Odile.

- Current expenditures for Public Safety increased by $1.5 million or 62.8 percent in the current year largely due to the repair work done for damages caused by Hurricane Odile. Expenditures for Heavy Fleet increased $.6 million alone.

Capital Projects Fund

- Due to other funds increased by $.4 million or 5,749 percent in the current year largely due to an accounting entry to move County excise tax revenue to other funds that received less than expected revenue because the amount collected was less than what was budgeted to be collected. The recovery of the economy in Cochise County continues to lag behind the U.S. and the rest of the State of Arizona.

- Tax revenue decreased by $.4 million or 20.7 percent in the current year largely due to a decrease in the revenue collected for the County's tax. The County continues to experience an economy that lags the U.S. and the rest of the State.

- Miscellaneous revenue decreased by $3.8 million or 83.5 percent in the current year largely due to a decrease in the amount of donations received.

- Debt service principal expenditures increased by $1.1 million or 357 percent in the current year largely due to payments made for capital leases previously taken to improve the County's infrastructure.

- Expenditures for capital outlay decreased by $3.7 million or 66.7 percent in the current year largely due to the completion in fiscal year 2015 of a project to replace hand held radios throughout the County.

Highways and Streets Fund

- Cash & investments held by the County Treasurer increased by $2.4 million or 44.3 percent in the current year largely due to a slight increase in highway user revenue fund (HURF) revenues received and a decrease in expenditures by $1 million.

- Due from other funds increased by $1.0 million or 347.9 percent in the current year largely due to an increase in the amount of highway user revenue fund (HURF) dollars received from the State of Arizona, which was awaiting distribution from the general fund at fiscal year end.

- Due to other funds increased by $0.1 million, or 18.1 percent, in the current year largely because of expenditures incurred for fleet and heavy fleet that were paid after June 30, 2016.

- Current expenditures for highways and streets decreased by $1.1 million or 10.6 percent in the current year largely due to the resources being dedicated to repair damages caused by Hurricane Odile and as a result, some of the normal routine work could not be completed.

Proprietary Funds

For proprietary funds, the County reported only Solid Waste Operations as a major fund for the fiscal year. Other funds considered proprietary funds include the Bisbee-Douglas International Airport and the internal service funds used to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the

County's employees. At the end of the current fiscal year, the County's proprietary funds reported combined net position of $17.9 million, which is an increase of $.9 million or 5.0 percent. Of the total, $.2 million constitutes unrestricted net position.

For proprietary funds, overall revenues decreased $.1 million or 0.7 percent and expenses increased by $.5 million or 2.7 percent. Proprietary operating revenues exceeded operating expenses by $.3 million in the current fiscal year.

The following provides an explanation of the major fund (Solid Waste Operations) activities that changed significantly over the prior year:

- Accounts receivable increased by $.05 million or 9.9 percent largely due to an increase in the fees billed for the volume of solid waste collected and processed for residents and cities.

- Capital assets decreased by $.6 million or 12.9 percent in the current year due to depreciation expense in that amount.

- Deferred inflows of resources decreased by $.1 million or 30.2 percent in the current year due to an increase in the estimated amount needed in the future for employee pensions.

- Net position decreased by $.2 million or 30.1 percent due to the increase in expenses attributable to landfill closure and post-closure care costs.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets as of June 30, 2016, totaled $130.5 million (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings and improvements, infrastructure, and equipment. The following provides the major changes in capital assets during the current fiscal year.

- Construction in progress increased by $2.2 million for progress made on new infrastructure.

- Infrastructure increased $.5 million for completed infrastructure.

- Accumulated depreciation increased by $5.6 million due to annual depreciation expense.

Additional information on the County's capital assets can be found in Note 5 on pages 26 and 27 of this report.

Long-term debt

At June 30, 2016, the County had no long-term debt outstanding.

Budgetary comparison—General Fund

For the General Fund, actual revenues were more than final budgeted amounts by $3.4 million, and the actual expenditures were $27.1 million less than the final budgeted amounts. The budget variance for revenues was due to increased property tax collections for back taxes and interest. Increases in charges for services and fines and forfeits were also experienced. The budget variance for expenses was due to conservative budgeting and vacancy savings from a hiring freeze. $20.9 million of the favorable variance is due to unspent general government contingency funds.

Economic Factors

Cochise County continues to lag in recovering from the significant downturn in the national and state economies that began in the later part of 2008. While the U.S. and the State are experiencing a moderate recovery each year, Cochise County continues to slow which is seen in the decreased revenue collected in the County for excise tax and a decrease in population. The County closely monitors revenues, expenditures, and certain economic indicators to ensure that the County remains fiscally strong.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cochise County Finance Department, 1415 Melody Lane, Building G, Bisbee, AZ 85603.

Cochise County
Statement of net position
June 30, 2016

	Primary government			
	Governmental activities	Business-type activities	Total	Component units
Assets				
Cash in bank and on hand	$ 597,870	$ 2,200	$ 600,070	$ 414,645
Cash and investments held by County Treasurer	67,867,254	98,006	67,965,260	
Cash and investments held by trustee				39,856
Investments				70,161
Receivables (net of allowances for uncollectibles):				
Property taxes	979,670		979,670	
Accounts	1,426,997	608,810	2,035,807	
Accrued interest	31,289	1,340	32,629	
Internal balances	415,419	(415,419)		
Due from other governments	8,536,134	45,942	8,582,076	239,455
Cash—restricted	1,451,047		1,451,047	
Prepaid items	36,653		36,653	47
Other assets	135,246		135,246	7,399
Capital assets, not being depreciated	8,341,582	1,678,780	10,020,362	
Capital assets, being depreciated, net	115,617,939	4,836,816	120,454,755	44,299
Total assets	205,437,100	6,856,475	212,293,575	815,862
Deferred outflows of resources				
Deferred outflows related to pensions	15,054,536	187,963	15,242,499	29,077
Liabilities				
Accounts payable	1,456,418	33,247	1,489,665	53,798
Accrued payroll and employee benefits	2,076,476	51,527	2,128,003	
Due to other governments	376,803		376,803	66,761
Unearned revenue				24,620
Deposits held for others	24,503	1,600	26,103	52,871
Noncurrent liabilities				
Due within 1 year	3,812,792	97,105	3,909,897	1,360
Due in more than 1 year	93,311,293	5,048,199	98,359,492	538,764
Total liabilities	101,058,285	5,231,678	106,289,963	738,174
Deferred inflows of resources				
Deferred inflows related to pensions	6,303,739	303,675	6,607,414	60,736
Grant revenues received in advance of time requirements				2,881
Total deferred inflows of resources	6,303,739	303,675	6,607,414	63,617
Net position				
Net investment in capital assets	122,666,809	6,515,596	129,182,405	44,299
Restricted for:				
Education	39,767		39,767	
Flood	4,147,586		4,147,586	
Capital projects	1,451,047		1,451,047	
Highways and streets	894,938		894,938	
Health	742,189		742,189	
Judicial	3,368,870		3,368,870	
Public safety	2,747,069		2,747,069	
Library	676,556		676,556	
Other	1,107,851		1,107,851	
Housing programs				39,856
Workforce development				112,949
Unrestricted (deficit)	(24,713,070)	(5,006,511)	(29,719,581)	(153,956)
Total net position	$ 113,129,612	$ 1,509,085	$ 114,638,697	$ 43,148

See accompanying notes to financial statements.

Cochise County
Statement of activities
Year ended June 30, 2016

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net position: Primary government: Governmental activities	Primary government: Business-type activities	Primary government: Total	Component units
Primary government:								
Governmental activities:								
General government	$ 36,088,885	$ 5,187,115	$ 5,406,229	$ 750,000	$ (24,745,541)		$ (24,745,541)	
Public safety	28,660,956	1,073,766	4,048,322	2,683,587	(20,855,281)		(20,855,281)	
Highways and streets	9,782,988	968,838	10,134,166	40,320	1,360,336		1,360,336	
Sanitation	519,978	184,236	237,807		(97,935)		(97,935)	
Health and welfare	11,513,696	290,674	2,259,307		(8,963,715)		(8,963,715)	
Culture and recreation	1,301,351		24,781	3,600	(1,272,970)		(1,272,970)	
Education	971,990	7,854	427,616		(536,520)		(536,520)	
Total governmental activities	88,839,844	7,712,483	22,538,228	3,477,507	55,111,626		(55,111,626)	
Business-type activities:								
Bisbee-Douglas International Airport	398,280	445,397				$ 47,117	47,117	
Solid Waste Operations	4,680,118	4,144,363				(535,755)	(535,755)	
Total business-type activities	5,078,398	4,589,760				(488,638)	(488,638)	
Total primary government	$ 93,918,242	12,302,243	$ 22,538,228	$ 3,477,507	(55,111,626)	(488,638)	(55,600,264)	
Component units:								
Housing Authority of Cochise County	$ 3,057,491		$ 3,208,637					$ 151,146
Cochise Private Industry Council, Inc.	1,911,899		1,885,626					(26,273)
Total component units	$ 4,969,390		$ 5,094,263					124,873
General revenues:								
Taxes								
Property taxes, levied for general purposes					27,545,288		27,545,288	
Property taxes, levied for flood control					2,081,689		2,081,689	
Property taxes, levied for library					1,360,668		1,360,668	
County excise taxes					6,175,925	285,157	6,461,082	
Share of state sales taxes					12,444,833		12,444,833	
Share of unrestricted vehicle license tax					3,685,515		3,685,515	
Grants and contributions not restricted to specific programs					4,080,384		4,080,384	
Investment income					456,356	15,868	472,224	398
Miscellaneous					439,666	20,443	460,109	35,075
Gain on sale of capital assets					392,001		392,001	
Total general revenues					58,662,325	321,468	58,983,793	35,473
Change in net position					3,550,699	(167,170)	3,383,529	160,346
Net position, July 1, 2015					109,578,913	1,676,255	111,255,168	(117,198)
Net position, June 30, 2016					$ 113,129,612	$ 1,509,085	$ 114,638,697	$ 43,148

See accompanying notes to financial statements.

Cochise County
Balance sheet
Governmental funds
June 30, 2016

	Major Funds					
	General fund	Flood control fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total governmental funds
Assets						
Cash in bank and on hand	$ 202,745				$ 394,925	$ 597,670
Cash and investments held by County Treasurer	28,258,652	$ 3,563,142	$13,446,455	$ 7,967,773	8,574,508	61,810,530
Restricted cash			1,451,047			1,451,047
Receivables (net of allowances for uncollectibles):						
Property taxes	812,402	81,631			85,637	979,670
Accounts	1,154,717	190		87,574	161,857	1,404,338
Accrued interest	12,498		6,628		9,135	28,261
Due from:						
Other funds	1,476,183	7,647		1,323,301	341,755	3,148,886
Other governments	3,397,942	1,464,210	331,813	1,979,470	1,330,446	8,503,881
Prepaid items	36,653					36,653
Other assets		135,246				135,246
Total assets	$35,351,792	$ 5,252,066	$15,235,943	$ 11,358,118	$10,898,263	$78,096,182
Liabilities						
Accounts payable	$ 804,737	$ 39,044	$ 3,756	$ 421,763	$ 114,212	$ 1,383,512
Accrued payroll and employee benefits	1,404,139	29,247		159,153	446,477	2,039,016
Due to:						
Other funds	390,617	1,235,304	386,350	563,762	766,513	3,342,546
Other governments					376,803	376,803
Deposits held for others	9,394				15,109	24,503
Total liabilities	2,608,887	1,303,595	390,106	1,144,678	1,719,114	7,166,380
Deferred inflows of resources						
Unavailable revenue - property taxes	536,003	54,619			58,589	649,211
Fund balances						
Nonexpendable	36,653					36,653
Restricted		3,893,852	1,451,047	894,938	9,512,538	15,752,375
Committed	181,824		3,526,543			3,708,367
Assigned	1,019,736		9,868,247	9,318,502	138,895	20,345,380
Unassigned	30,968,689				(530,873)	30,437,816
Total fund balances	32,206,902	3,893,852	14,845,837	10,213,440	9,120,560	70,280,591
Total liabilities, deferred inflows of resources and fund balances	$35,351,792	$ 5,252,066	$15,235,943	$ 11,358,118	$10,898,263	$78,096,182

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, 2016

Fund balances—total governmental funds		$ 70,280,591
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.		112,542,733
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue the funds.		649,211
Long-term liabilities, such as net pension liabilities and capital leases payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Net pension liability	(90,518,350)	
Capital leases payable	(1,104,424)	
Compensated absences payable	(3,909,790)	(95,532,564)
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	14,924,139	
Deferred inflows of resources related to pensions	(6,121,534)	8,802,605
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, liabilities, and deferred inflows of the internal service funds are included in governmental activities in the statement of net position.		16,387,036
Net position of governmental activities		$ 113,129,612

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2016

	Major funds					
	General fund	Flood control fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total governmental funds
Revenues:						
Taxes	$34,142,070	$2,081,690	$ 1,521,012	$ 1,300,000	$ 2,343,021	$41,387,793
Licenses and permits	41,188					41,188
Fees, fines, and forfeits	1,885,677				12,513	1,898,190
Intergovernmental	15,981,950	1,330,668		10,089,166	10,456,469	37,858,253
Charges for services	2,695,955	3,435		968,838	2,104,875	5,773,103
Investment income	210,602	30,832	103,963	55,157	55,802	456,356
Miscellaneous	176,489		750,000	40,320	3,023,839	3,990,648
Total revenues	55,133,931	3,446,625	2,374,975	12,453,481	17,996,519	91,405,531
Expenditures:						
Current:						
General government	24,598,014		231,590		7,090,249	31,919,853
Public safety	18,961,470	3,836,646			4,001,324	26,799,440
Highways and streets				8,971,192	40,299	9,011,491
Sanitation	288,818				244,615	533,433
Health and welfare	9,526,254				2,139,339	11,665,593
Culture and recreation					1,327,139	1,327,139
Education	320,980				449,782	770,762
Debt service:						
Principal	107,515		1,414,159			1,521,674
Interest and other charges	3,277		13,012			16,289
Capital outlay	80,545		1,842,249	41,381	464,512	2,428,687
Total expenditures	53,886,873	3,836,646	3,501,010	9,012,573	15,757,259	85,994,361
Excess (deficiency) of revenues over expenditures	1,247,058	(390,021)	(1,126,035)	3,440,908	2,239,260	5,411,170
Other financing sources (uses):						
Capital leases			2,208,904			2,208,904
Sale of capital assets	311,760			14,552	84,888	411,200
Transfers in	616,592		20,900		1,896,050	2,533,542
Transfers out	(467,177)	(93,228)	(77,155)	(16,073)	(1,902,909)	(2,556,542)
Total other financing sources and uses	461,175	(93,228)	2,152,649	(1,521)	78,029	2,597,104
Net change in fund balances	1,708,233	(483,249)	1,026,614	3,439,387	2,317,289	8,008,274
Fund balances, July 1, 2015	30,498,669	4,377,101	13,819,223	6,774,053	6,803,271	62,272,317
Fund balances, June 30, 2016	$32,206,902	$3,893,852	$14,845,837	$10,213,440	$ 9,120,560	$70,280,591

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, 2016

Net change in fund balances—total governmental funds		$8,008,274
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	3,257,320	
Depreciation expense	(4,680,322)	(1,423,002)
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.		(19,199)
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.		(538,708)
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	6,895,432	
Pension expense	(9,912,379)	(3,016,947)
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 lease proceeds	(2,208,904)	
Principal repaid	1,521,675	(687,229)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Decrease in compensated absences		200,796
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.		1,026,714
Change in net position of governmental activities		$3,550,699

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2016

	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		$ 98,006	98,006	6,056,724
Receivables (net of allowances for uncollectibles):				
Accounts	475,508	133,302	608,810	22,659
Accrued interest	1,264	76	1,340	3,028
Due from:				
Other funds	156,227		156,227	620,443
Other governments	45,942		45,942	32,253
Total current assets	681,141	231,384	912,525	6,735,307
Noncurrent assets:				
Capital assets, net of accumulated depreciation, where applicable:				
Land	24,900	1,575,000	1,599,900	
Buildings, net	2,955,719	8,173	2,963,892	108,909
Improvements other than buildings, net	869,446	716,621	1,586,067	
Equipment, net	206,573	80,284	286,857	11,307,879
Construction in progress		78,880	78,880	
Total noncurrent assets	4,056,638	2,458,958	6,515,596	11,416,788
Total assets	4,737,779	2,690,342	7,428,121	18,152,095
Deferred outflows of resources				
Deferred outflows related to pensions	175,080	12,883	187,963	130,397
Liabilities				
Current liabilities:				
Accounts payable	27,055	6,192	33,247	72,906
Accrued payroll and employee benefits	48,384	3,143	51,527	37,460
Due to other funds	568,659	2,987	571,646	11,364
Compensated absences payable, current portion	74,148	3,995	78,143	87,034
Landfill closure and postclosure care costs payable, current portion	18,962		18,962	
Deposits held for others		1,600	1,600	
Capital leases payable, current portion				188,288
Total current liabilities	737,208	17,917	755,125	397,052

(Continued)

Cochise County
Statement of net position
Proprietary funds
June 30, 2016
(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	$ 8,785		$ 8,785	$ 40,218
Landfill closure and postclosure care costs payable	2,912,778		2,912,778	
Net pension liability	1,913,972	$ 212,664	2,126,636	1,275,981
Total noncurrent liabilities	4,835,535	212,664	5,048,199	1,316,199
Total liabilities	5,572,743	230,581	5,803,324	1,713,251
Deferred inflows of resources				
Deferred inflows related to pensions	273,308	30,367	303,675	182,205
Net position				
Net Investment in capital assets	4,056,638	2,458,958	6,515,596	11,228,500
Unrestricted (deficit)	(4,989,830)	(16,681)	(5,006,511)	5,158,536
Total net position (deficit)	$ (933,192)	$ 2,442,277	$ 1,509,085	$ 16,387,036

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2016

	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	$ 4,144,363	$ 445,397	$ 4,589,760	$ 6,707,451
Charges for health insurance				7,300,221
Other				29,259
Total operating revenues	4,144,363	445,397	4,589,760	14,036,931
Operating expenses:				
Personal services	1,639,899	77,801	1,717,700	1,421,823
Professional services	1,739,043	121,853	1,860,896	7,220,305
Supplies	126,669	98,987	225,656	2,961,302
Landfill closure and postclosure care costs	194,648		194,648	
Depreciation	602,666	99,639	702,305	1,675,423
Other	377,193		377,193	8,205
Total operating expenses	4,680,118	398,280	5,078,398	13,287,058
Operating income (loss)	(535,755)	47,117	(488,638)	749,873
Nonoperating revenues (expenses):				
County excise taxes	285,157		285,157	200,000
Investment income	15,063	805	15,868	45,721
Miscellaneous	19,722	721	20,443	(6,193)
Interest expense				(9,445)
Gain on disposal of capital assets				23,758
Total nonoperating revenues	319,942	1,526	321,468	253,841
Income (loss) before transfers	(215,813)	48,643	(167,170)	1,003,714
Transfers in				23,000
Increase (decrease) in net position	(215,813)	48,643	(167,170)	1,026,714
Total net position, July 1, 2015	(717,379)	2,393,634	1,676,255	15,360,322
Total net position, June 30, 2016	$ (933,192)	$ 2,442,277	$ 1,509,085	$ 16,387,036

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2016

	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	$ 3,947,573	$ 386,455	$ 4,334,028	
Receipts from other funds for goods and services provided				$ 13,952,928
Other receipts				29,259
Payments to suppliers and providers of goods and services	(2,870,570)	(232,546)	(3,103,116)	(10,225,410)
Payments to employees	(1,714,270)	(87,159)	(1,801,429)	(1,470,117)
Net cash provided by (used for) operating activities	(637,267)	66,750	(570,517)	2,286,660
Cash flows from noncapital financing activities:				
Miscellaneous receipts	304,879	721	305,600	193,807
Cash transfers from other funds				23,000
Loan payments received from other funds	317,718		317,718	
Net cash provided by noncapital financing activities	622,597	721	623,318	216,807
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets				339,571
Purchases of capital assets		(78,880)	(78,880)	(732,580)
Principal paid on capital leases				(1,778,595)
Interest paid on capital leases				(9,445)
Net cash used for capital and related financing activities	-	(78,880)	(78,880)	(2,181,049)
Cash flows from investing activities:				
Investment income received on cash and investments held by County Treasurer	14,670	786	15,458	45,423
Net cash provided by investing activities	14,672	786	15,458	45,423
Net increase (decrease) in cash and cash equivalents	-	(10,623)	(10,623)	367,841
Cash and cash equivalents, July 1, 2015	2,200	108,629	110,829	5,689,083
Cash and cash equivalents, June 30, 2016	$ 2,200	$ 98,006	$ 100,206	$ 6,056,924

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2016
(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)	$ (535,755)	$ 47,117	$ (488,638)	$ 749,873
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	602,666	99,639	702,305	1,675,423
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Net pension liability	(6,893)	(765)	(7,658)	(4,596)
Deferred outflows-pension plan	50,439	6,381	56,820	28,369
Deferred inflows-pension plan	(119,478)	(13,276)	(132,754)	(79,652)
Accounts receivable	(42,718)	(58,943)	(101,661)	(6,642)
Due from other funds	(129,709)		(129,709)	(31,292)
Due from other governments	(24,363)		(24,363)	(16,810)
Accounts payable	6,461	(8,626)	(2,165)	(6,692)
Accrued payroll and employee benefits	9,539	1,321	10,860	8,519
Due to other funds	(631,797)	(3,079)	(634,876)	(28,906)
Compensated absences payable	(7,978)	(3,019)	(10,997)	(934)
Landfill closure and postclosure care costs payable	192,319		192,319	
Net cash provided by (used for) operating activities	$ (637,267)	$ 66,750	$ (570,517)	$ 2,286,660
Cash and cash equivalents, June 30, 2016, consisted of:				
Cash in bank and on hand	2,200		2,200	200
Cash and investments held by County Treasurer		98,006	98,006	6,056,724
Total cash and cash equivalents	$ 2,200	$ 98,006	$ 100,206	$ 6,056,924

Noncash capital financing activities:

The Internal Service Funds sold equipment with a net book value of $315,813.

See accompanying notes to financial statements.

Cochise County
Statement of fiduciary net position
Fiduciary funds
June 30, 2016

	Investment trust funds	Agency funds
Assets		
Cash in bank and on hand		$ 1,189,788
Cash and investments held by County Treasurer	$ 46,759,757	
Interest receivable	542	
Total assets	$ 46,760,299	$ 1,189,788
Liabilities		
Due to other governments		$ 1,189,788
Total liabilities		$ 1,189,788
Net position		
Held in trust for investment trust participants	$ 46,760,299	

See accompanying notes to financial statements.

Cochise County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2016

	Investment trust funds
Additions:	
Contributions from participants	$ 237,978,307
Investment income	296,462
Total additions	238,274,769
Deductions:	
Distributions to participants	230,308,607
Total deductions	230,308,607
Change in net position	7,966,162
Net position, July 1, 2015	38,794,137
Net position, June 30, 2016	$ 46,760,299

See accompanying notes to financial statements.

Cochise County
Combining statement of net position
Component units
June 30, 2016

	Housing Authority of Cochise County	Cochise Private Industry Council, Inc.	Total
Assets			
Cash in bank and on hand	$ 374,446	$ 40,199	$ 414,645
Cash and investments held by trustee	39,856		39,856
Investments	70,161		70,161
Due from other governments	6,300	233,155	239,455
Prepaid items	47		47
Other assets		7,399	7,399
Capital assets, being depreciated, net	1,407	42,892	44,299
Total assets	492,217	323,645	815,862
Deferred outflows of resources			
Deferred outflows related to pensions	29,077		29,077
Liabilities			
Accounts payable	9,198	44,600	53,798
Due to other governments	66,761		66,761
Due to related party		52,871	52,871
Unearned revenue	24,620		24,620
Noncurrent liabilities			
Due within 1 year	1,360		1,360
Due in more than 1 year	507,726	31,038	538,764
Total liabilities	609,665	128,509	738,174
Deferred inflows of resources			
Grant revenues received in advance of time requirements		2,881	2,881
Deferred inflows related to pensions	60,736		60,736
Total deferred inflows of resources	60,736	2,881	63,617
Net position			
Invested in capital assets	1,407	42,892	44,299
Restricted for housing programs	39,856		39,856
Restricted for workforce development		112,949	112,949
Unrestricted	(190,370)	36,414	(153,956)
Total net position	$ (149,107)	$ 192,255	$ 43,148

See accompanying notes to financial statements.

Cochise County
Combining statement of activities
Component units
Year ended June 30, 2016

	Expenses	Program revenues: Operating grants and contributions	Net (expense) revenue and Changes in net position: Housing Authority of Cochise County	Net (expense) revenue and Changes in net position: Cochise Private Industry Council, Inc.	Total
Component units:					
Housing Authority of Cochise County	$ 3,057,491	$ 3,208,637	$ 151,146		$ 151,146
Cochise Private Industry Council, Inc.	1,911,899	1,885,626		$ (26,273)	(26,273)
Total component units	$ 4,969,390	$ 5,094,263	151,146	(26,273)	124,873
General revenues:					
Investment income			398		398
Miscellaneous			5,872	29,203	35,075
Total general revenues			6,270	29,203	35,473
Change in net position			157,416	2,930	160,346
Net position, July 1, 2015			(306,523)	189,325	(117,198)
Net position, June 30, 2016			$ (149,107)	$ 192,255	$ 43,148

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, 2016, the County implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and* 68; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and GASB 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. GASB Statement No. 82 changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Implementation of GASB Statement Nos. 73 and 76 had no impact on the County's June 30, 2016 financial statements.

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
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

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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 information's usefulness.

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities and between the County and its discretely presented component 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 sales taxes.

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

The County reports the following major enterprise funds:

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

The 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 held by the County 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, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. 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, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by County Treasurer, and investments in the State Treasurer's local government investment pool. All investments are stated at fair value.

E. Property tax calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in 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 acquisition value.

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

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

G. Deferred outflows and inflows of resources

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

H. Fund balance classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations the County's Board of Supervisors approved, which is the highest level of decision-making authority within the County. Only the Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from 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 fund balance

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 consist 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 any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid 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 are forfeited 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 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2016, were as follows:

	General fund	Flood control fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total
Nonspendable:						
Prepaid items	$ 36,653					$ 36,653
Fund balances:						
Restricted for:						
Flood control		$3,893,852			$ 251,148	4,145,000
Capital projects			$ 1,451,047			1,451,047
Highways and streets				$ 894,938		894,938
Health services					797,070	797,070
Judicial services					3,617,980	3,617,980
Library services					694,778	694,778
Law enforcement					2,950,200	2,950,200
Education services					42,707	42,707
Other services					1,158,655	1,158,655
Total restricted		3,893,852	1,451,047	894,938	9,512,538	15,752,375
Committed to:						
Board of Supervisors	34,055					34,055
Facilities	147,769					147,769
Capital projects			3,526,543			3,526,543
Total committed	181,824		3,526,543			3,708,367
Assigned to:						
Capital projects			9,868,247			9,868,247
Highways and streets				9,318,502		9,318,502
Health services					138,597	138,597
Education					298	298
Other	1,019,736					1,019,736
Total assigned	1,019,736		9,868,247	9,318,502	138,895	20,345,380
Unassigned:	30,968,689				(530,873)	30,437,816
Total fund balances	$32,206,902	$3,893,852	$14,845,837	$10,213,440	$9,120,560	$70,280,591

Note 3 - Deposits and investments

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

Credit risk
Statutes have the following requirements for credit risk:

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

Custodial credit risk
Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

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

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

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

Deposits—At June 30, 2016, the carrying amount of the County's deposits was $38,391,853, and the bank balance was $44,331,702. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County's investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Fair value measurement using	
	Amount	Significant other observable inputs (Level 2)
Investment by fair value level		
U.S. agency securities	$54,567,065	$54,567,065
Total investments by fair value level	$54,567,065	$54,567,065
External investment pools measured at fair value		
State Treasurer's investment pool 7	$25,000,000	
Total investments measured at fair value	$79,567,065	

The investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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

At June 30, 2016, 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	$25,000,000
U.S. agency securities	AA+	Standard & Poor's	54,567,065
Total			$79,567,065

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in 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, 2016, were in debt securities of various U.S. agencies as follows:

U.S. agency	Amount	Percent of County investments
Federal Home Loan Mortgage Corporation	$19,021,870	23.9
Federal Home Loan Bank	12,016,620	15.1
Federal Farm Credit Bank	10,508,025	13.2
Federal National Mortgage Association	9,013,180	11.3
Federal Agriculture Mortgage Corporation	4,007,370	5.0
	$54,567,065	

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, 2016, maturities of the County's investments were as follows:

		Investment maturities	
Investment type	Amount	Less than 1 Year	1-5 Years
State Treasurer's investment pool 7	$25,000,000	$25,000,000	
U.S. agency securities	54,567,065	7,515,290	$47,051,775
Total	$79,567,065	$32,515,290	$47,051,775

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

Cash, deposits, and investments:	
Cash on hand	$ 7,004
Amount of deposits	38,391,853
Amount of investments	79,567,065
Total	$117,965,922

	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	$ 597,870	$ 2,200		$1,189,788	$ 1,789,858
Cash and investments held by County Treasurer	67,867,254	98,006	$46,759,757		114,725,017
Cash—restricted	1,451,047				1,451,047
Total	$69,916,171	$100,206	$46,759,757	$1,189,788	$117,965,922

Note 4 – Due from other governments

Due from other governments totaling $8,582,076 at June 30, 2016, included $1,421,423 in state-shared revenue from highway user fees, $2,118,406 in state-shared sales taxes, $992,567 in state-shared vehicle license taxes, and $1,160,184 in county excise taxes. The remaining balance of $2,889,496 represents amounts receivable from various state and federal government grantor agencies.

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,449,783	$ 41,381		$ 2,491,164
Construction in progress	3,661,515	2,473,445	$ 284,542	5,850,418
Total capital assets not being depreciated	6,111,298	2,514,826	284,542	8,341,582
Capital assets being depreciated:				
Buildings	51,029,486			51,029,486
Improvements other than buildings	7,083,505			7,083,505
Equipment	47,356,278	1,651,721	1,602,135	47,405,864
Infrastructure	102,939,847	484,477		103,424,324
Total capital assets being depreciated	208,409,116	2,136,198	1,602,135	208,943,179
Less accumulated depreciation for:				
Buildings	$ 17,543,188	$ 1,264,948		$ 18,808,136
Improvements other than buildings	2,118,040	275,713		2,393,753
Equipment	28,245,682	3,141,635	$1,267,123	30,120,194
Infrastructure	40,329,708	1,673,449		42,003,157
Total accumulated depreciation	88,236,618	6,355,745	1,267,123	93,325,240
Total capital assets being depreciated, net	120,172,498	(4,219,547)	335,012	115,617,939
Governmental activities, capital assets, net	$126,283,796	$(1,704,721)	$ 619,554	$123,959,521
Business-type funds:				
Capital assets not being depreciated:				
Land	$ 1,599,900			$ 1,599,900
Construction in progress		$ 78,880		78,880
Total capital assets not being depreciated	1,599,900	78,880		1,678,780
Capital assets being depreciated:				
Buildings	4,559,025			4,559,025
Improvements other than buildings	6,653,580			6,653,580
Equipment	2,975,671		$ 196,882	2,778,789
Total	14,188,276		196,882	13,991,394
Less accumulated depreciation for:				
Buildings	1,507,747	87,386		1,595,133
Improvements other than buildings	4,593,248	474,265		5,067,513
Equipment	2,548,160	140,654	196,882	2,491,932
Total accumulated depreciation	8,649,155	702,305	196,882	9,154,578
Total capital assets being depreciated, net	5,539,121	(702,305)		4,836,816
Business-type activities capital assets, net	$ 7,139,021	$ (623,425)	$	$ 6,515,596

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$2,440,105
Public safety	418,332
Highways and streets	1,789,944
Health and welfare	6,250
Culture and recreation	2,074
Education	23,617
Internal service funds	1,675,423
Total governmental activities depreciation expense	$6,355,745
Business-type activities:	
Solid Waste Operations	$ 602,666
Bisbee-Douglas International Airport	99,639
Total business-type activities depreciation expense	$ 702,305

Construction commitments—At June 30, 2016, the County was involved in eight construction projects for governmental activities. The estimated cost to complete the eight construction projects was $9,723,747. At June 30, 2016, the County was involved in one construction project for the business-type activities. The estimated cost to complete that project was $31,007.

Note 6 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental activities					
Capital leases payable	$ 2,007,494	$ 2,585,488	$ 3,300,270	$ 1,292,712	$1,292,712
Net pension liabilities	88,927,551	27,102,254	24,235,474	91,794,331	
Compensated absences payable	4,238,772	2,321,892	2,523,622	4,037,042	2,520,080
Total governmental activities long-term liabilities	$95,173,817	$32,009,634	$30,059,366	$97,124,085	$3,812,792
Business-type activities					
Net pension liabilities	$ 2,134,294	$ 541,429	$ 549,087	$ 2,126,636	
Landfill closure and postclosure care costs payable	2,739,421	194,648	2,329	2,931,740	$ 18,962
Compensated absences payable	97,925	60,466	71,463	86,928	78,143
Total business-type activities long-term liabilities	$ 4,971,640	$ 796,543	$ 622,879	$ 5,145,304	$ 97,105

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	$7,271,173
Less: accumulated depreciation	1,108,013
Carrying value	$6,163,160

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2016:

	Governmental activities
Year ending June 30, 2017	$1,306,302
Total minimum lease payments	1,306,302
Less amount representing interest	13,590
Present value of net minimum lease payments	$1,292,712

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 Enterprise Fund. At June 30, 2016, the County reported closure and postclosure care costs for two landfills discussed below.

At June 30, 2016, the County has reported landfill closure and postclosure care liabilities totaling $2,931,740. 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, 2016. The liability reported for the Eastern Regional landfill of $465,490 is based on 100 percent use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of $2,466,250 is based on the use of 22.71 percent of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of $8,395,124 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 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2016, the County paid for compensated absences as follows: 69.91 percent from the General Fund, 0.88 percent from the Flood Control Fund, 8.32 percent from the Highway and Streets Fund, 1.89 percent from the Enterprise Funds, and 19.00 percent from other funds.

Note 7 - Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by 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. If the pool were to become insolvent, the County would be assessed an additional contribution.

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 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 run-out 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.

Note 8 - Pension and other postemployment benefits

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

At June 30, 2016, 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	$91,794,331	$2,126,636	$93,920,967
Deferred outflows of resources	15,054,536	187,963	15,242,499
Deferred inflows of resources	6,303,739	303,675	6,607,414
Pension expense	10,157,271	46,341	10,203,612

The County's accrued payroll and employee benefits includes $220,326 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported $6,895,432 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 website at www.azasrs.gov.

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

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

* With actuarially reduced benefits.

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

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 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 9.36 percent (9.17 percent for retirement, 0.13 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 an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2016, were $2,671,500. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS

Year ended June 30	Health benefit supplement fund	Long-term disability fund
2016	$121,700	$29,345
2015	147,888	30,079
2014	153,925	61,576

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 63 percent from the General Fund, 18 percent from major funds, and 19 percent from other funds.

Pension liability—At June 30, 2016, the County reported a liability of $42,107,374 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. 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, 2015. The County's proportion measured as of June 30, 2015, was 0.27 percent, which was a decrease of 0.02 from its proportion measured as of June 30, 2014.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2016, the County recognized pension expense for ASRS of $937,982. At June 30, 2016, 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	$1,149,017	$2,206,470
Net difference between projected and actual earnings on pension plan investments		1,349,448
Changes in proportion and differences between county contributions and proportionate share of contributions		2,456,856
County contributions subsequent to the measurement date	2,671,500	
Total	$3,820,517	$6,012,774

The $2,671,500 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, 2017. 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	
2017	$(2,232,955)
2018	(2,470,772)
2019	(1,134,160)
2020	974,130

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

ASRS	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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, 2014, 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 arithmetic real rate of return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
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	$55,175,048	$42,107,374	$33,151,734

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

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

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan 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 issues a publicly available financial report that include their financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

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

PSPRS	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012**
Retirement and disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
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	
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 earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	65	33
Inactive employees entitled to but not yet receiving benefits	29	20
Active employees	80	58
Total	174	111

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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP AOC
Active members—Pension	11.65%	8.41%	8.41%
County			
Pension	51.31%	17.51%	19.10%
Health insurance premium benefit	0.08%	0.00%	0.85%

In addition, statute required the County to contribute at the actuarially determined rate of 28.62 percent for the PSPRS and 11.33 percent for the CORP of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

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, 2016, were:

Pension	**PSPRS Sheriff**	**CORP Detention**
Contributions made	$3,413,915	$384,058
Health insurance premium benefit		
Annual OPEB cost	3,722	-
Contributions made	3,722	-

Contributions to the CORP AOC pension plan for the year ended June 30, 2016, were $332,346. 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**
2016	$14,720
2015	23,719
2014	22,143

During fiscal year 2016, 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, 2016, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$28,781,917
CORP Detention	4,485,773
CORP AOC (County's proportionate share)	4,178,318

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustments is not known.

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

PSPRS and CORP—pension	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	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, 2015, 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 Geometric Real Rate of Return**
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100%	

Pension discount rates—The discount rate used to measure the PSPRS and CORP total pension liabilities was 7.85 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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 (a) – (b)**
Balances at June 30, 2015	$41,801,873	$13,088,242	$28,713,631
Changes for the year:			
Service cost	897,651		897,651
Interest on the total pension liability	3,212,596		3,212,596
Differences between expected and actual experience in the measurement of the pension liability	(213,315)		(213,315)
Contributions—employer		2,816,097	(2,816,097)
Contributions—employee		533,148	(533,148)
Net investment income		479,555	(479,555)
Benefit payments, including refunds of employee contributions	(2,651,828)	(2,651,828)	
Administrative expense		(12,070)	12,070
Other changes		11,916	(11,916)
Net changes	1,245,104	1,176,818	68,286
Balances at June 30, 2016	$43,046,977	$14,265,060	$28,781,917

Changes in the net pension liability CORP-Detention	**Increase (decrease)**		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (a) – (b)**
Balances at June 30, 2015	$8,573,379	$4,967,087	$3,606,292
Changes for the year:			
Service cost	292,414		292,414
Interest on the total pension liability	666,802		666,802
Differences between expected and actual experience in the measurement of the pension liability	512,038		512,038
Contributions—employer		268,393	(268,393)
Contributions—employee		171,671	(171,671)
Net investment income		182,577	(182,577)
Benefit payments, including refunds of employee contributions	(450,596)	(450,596)	
Administrative expenses		(4,869)	4,869
Other changes		(25,999)	25,999
Net changes	1,020,658	141,177	879,481
Balances at June 30, 2016	$9,594,037	$5,108,264	$4,485,773

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 1.72 percent, which was a decrease of 0.04 percent from its proportion measured as of June 30, 2014.

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.85 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	1% Decrease (6.85%)	Current discount rate (7.85%)	1% Increase (8.85%)
PSPRS Sheriff			
Net pension liability	$33,758,378	$28,781,917	$24,617,473
CORP Detention			
Net pension liability	$5,654,458	$4,485,773	$3,513,689
CORP AOC			
County's proportionate share of the net pension liability	$5,463,173	$4,178,318	$3,108,990

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, 2016, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$3,691,619
CORP Detention	685,082
CORP AOC (County's proportionate share)	542,164

Pension deferred outflows/inflows of resources—At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS-Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 150,813	$164,103
Changes of assumptions or other inputs	2,812,268	
Net difference between projected and actual earnings on pension plan investments	50,288	
County contributions subsequent to the measurement date	3,413,915	
Total	$6,427,284	$164,103

CORP-Detention	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience	$ 392,448	$89,306
Changes of assumptions or other inputs	430,737	
Net difference between projected and actual earnings on pension plan investments	9,523	
County contributions subsequent to the measurement date	384,058	
Total	$1,216,766	$89,306

CORP-AOC	**Deferred outflows of resources**	**Deferred inflows of resources**
Differences between expected and actual experience	$ 143,090	$23,583
Changes of assumptions or other inputs	442,877	
Net difference between projected and actual earnings on pension plan investments	22,974	
Changes in proportion and difference between county contributions and proportionate share of contributions		65,384
County contributions subsequent to the measurement date	332,346	
Total	$941,287	$88,967

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, 2017. 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**
2017	$1,131,116	$254,960	$135,741
2018	1,131,116	254,960	135,741
2019	488,453	158,662	135,741
2020	98,581	74,820	120,299
2021			(7,548)

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, 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 2016 contribution requirements:

PSPRS and CORP—OPEB contribution requirements

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 4.0%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

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

Year Ended June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
PSPRS Sheriff			
2016	$ 3,722	100%	-
2015	72,855	100%	-
2014	73,875	100%	-
CORP Detention			
2016	-	-	-
2015	$25,720	100%	-
2014	25,418	100%	-

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

	PSPRS Sheriff	CORP Detention
Actuarial value of assets (a)	$1,195,112	$ 653,083
Actuarial accrued liability (b)	1,097,671	353,909
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(97,441)	(299,174)
Funded ratio (a)/(b)	108.9%	184.5%
Annual covered payroll (c)	$4,745,782	$2,239,735
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(2.05)%	(13.36)%

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

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

C. Elected Officials Retirement Plan

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

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

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2016, statute required active EORP members to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of active EORP members' annual covered payroll. Also, statute required the County to contribute 12.15 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for those elected officials and judges. In addition, statute required the County to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2016, were $319,124. No OPEB contributions were required or made for the years ended June 30, 2015 and 2016. 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**
2016	$ 0
2015	0
2014	12,374

During fiscal year 2016, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2016, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	$14,367,585
State's proportionate share of the EORP net pension liability associated with the County	4,479,215
Total	$18,846,800

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 1.84 percent, which was a decrease of 0.03 percent from its proportion measured as of June 30, 2014.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2016, the County recognized pension expense for EORP of $4,346,765 and revenue of $1,205,192 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2016, 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	$ 22,975	$159,963
Changes of assumptions or other inputs	2,407,406	
Net difference between projected and actual earnings on pension plan investments	87,140	
Changes in proportion and differences between county contributions and proportionate share of contributions		92,301
County contributions subsequent to the measurement date	319,124	
Total	$2,836,645	$252,264

The $319,124 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, 2017. 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	
2017	$1,921,770
2018	270,698
2019	7,176
2020	65,613

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

EORP	
Actuarial valuation date	June 30, 2015
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, 2015, 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 geometric real rate of return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	100%	

Discount rate—At June 30, 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. 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, 2028. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2028.

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 4.86 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 (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

	1% Decrease	Current discount rate	1% Increase
EORP			
Rate	(3.86%)	(4.86%)	(5.86%)
County's proportionate share of the net pension liability	$16,725,682	$14,367,585	$12,384,550

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 9 - Interfund transactions

Interfund receivables and payables—Interfund balances at June 30, 2016, 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				$188,059	$ 259	$202,299	$ 390,617
Flood control fund	$ 39,847		$1,193,043			2,414	1,235,304
Capital projects fund	253,142		97,009		21,377	14,822	386,350
Highway and streets fund	313,992	$5,774				243,996	563,762
Other governmental funds	451,263	1,873	7,517	153,129	134,591	18,140	766,513
Solid waste operations fund	406,084		25,564			137,011	568,659
BDI airport fund	676		168	382		1,761	2,987
Internal service funds	11,179			185			11,364
Total	$1,476,183	$7,647	$1,323,301	$341,755	$156,227	$620,443	$3,925,556

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, 2016, were as follows:

	Transfers to				
Transfers from	General fund	Capital projects fund	Other governmental funds	Internal service funds	Total
General fund			$ 467,177		$ 467,177
Capital projects fund			77,155		77,155
Flood control fund	$ 16,073		77,155		93,228
Highway and streets fund	16,073				16,073
Other governmental funds	584,446	$20,900	1,274,563	$23,000	1,902,909
Total	$616,592	$20,900	$1,896,050	$23,000	$2,556,542

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

Note 10 - 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 $7,004 of cash, $1,782,854 of deposits and $1,451,027 in restricted cash. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks disclosed in Note 3.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer's investment pool 7	$25,000,000	None stated	None stated	$25,000,000
U.S. agency securities	54,500,000	.42–2.00%	Up to 5 years	54,567,065

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

Statement of net position	
Assets	$114,725,017
Net position	$114,725,017
Net position held in trust for:	
Internal participants	$ 67,965,260
External participants	46,759,757
Total net position held in trust	$114,725,017
Statement of changes in net position	
Total additions	$328,848,119
Total deductions	316,851,789
Net increase	11,996,330
Net position held in trust:	
July 1, 2015	102,728,687
June 30, 2016	$114,725,017

Note 11 - Subsequent events

On October 11, 2016, the Board of Supervisors passed Resolution 16-44 dissolving the quasi-independent Housing Authority of Cochise County, a discretely presented component unit, and reintegrating the Housing Authority as a Department of Cochise County. The effective date of the resolution is November 1, 2016.

Note 12 - Discretely presented component unit

A. Summary of significant accounting policies

Housing Authority of Cochise County and Cochise Private Industry Council, Inc.

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, 2016, the carrying amount of the Housing Authority’s deposits was $414,302 and the bank balance was $515,926 which was collateralized or insured with securities by an unaffiliated banking institution in the Authority’s name.

The Housing Authority's custodial agreement policy prohibits counterparties holding securities not in the Housing Authority's name.

Cochise Private Industry Council, Inc.

At June 30, 2016, the carrying amount of the Cochise Private Industry Council, Inc.’s deposits was $40,199 and the bank balance was $84,895.

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, 2016:

Program	Amount
Cochise County, Arizona	
WIA Adult Program	$ 36,373
WIA Dislocated Workers	90,733
WIA Youth Program	73,078
WIA Rapid Response	4,594
Other	28,377
Total	$233,155

D. Schedule of changes in noncurrent liabilities

Housing Authority of Cochise County

	Balance at June 30, 2015		Year Ended June 30, 2016		Balance at June 30, 2016	
	Long-term portion	Current portion	Additions	Payments	Current portion	Long-term portion
Notes payable			$160,000	$(160,000)		
Accrued compensated absences	$ 15,286	$1,698	6,155	(9,541)	$1,360	$ 12,238
Accrued pension and OPEB liability	426,859			(1,532)		425,327
Family self-sufficiency	105,025			(34,864)		70,161
Total	$547,170	$1,698	$166,155	$(205,937)	$1,360	$507,726

E. Pension and other postemployment benefits

Housing Authority of Cochise County

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

Net pension liabilities	$425,327
Deferred outflows of resources	29,077
Deferred inflows of resources	60,736
Pension expense	9,394

The Authority accrued payroll and employee benefits includes $720 of outstanding pension contribution amounts payable for the year ended June 30, 2016.

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, Article 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 established 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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 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 11.47 percent (10.85 percent for retirement, 0.50 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 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of the 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, 2016, were $17,471. The Authority's contributions for the current and 3 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
2016	$ 805	$193
2015	1,460	295
2014	1,539	616

During fiscal year 2016, the Authority paid for ASRS pension and OPEB contributions 100 percent from public housing fund.

Pension liability—At June 30, 2016, the Authority reported a liability of $425,327.

For its proportionate share of the ASRS' net pension liability, the net pension liability was measured as of June 30, 2015.

The Authority reported liability at June 30, 2016, decreased by $1,532 from the prior year's liability of $426,859 because of changes in the ASRS' net pension liability and the Authority's proportionate share of that liability. The ASRS' publicly available finance report provides details on the change in the 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, 2015. The Authority's proportion measured as of June 30, 2015, was .0027 percent, which was a decrease of .0002 from its proportion measured as of June 30, 2014.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2016, the Authority recognized pension expense for ASRS of $9,394. At June 30, 2016, 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	$11,606	
Net difference between projected and actual earnings on pension plan investments		$22,288
Difference between projected and actual investment earnings		13,631
Changes in proportion and differences between authority contributions and proportionate share of contributions		24,817
Authority contributions subsequent to the measurement date	17,471	
Total	$29,077	$60,736

The $17,471 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 ended June 30, 2017. 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	$(22,555)
2017	(24,957)
2018	(11,486)
2019	9,868

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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, 2014 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	58%	6.79%
Fixed income	25%	3.70%
Commodities	2%	3.93%
Real estate	10%	4.25%
Multi assets	5%	3.41%
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 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:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability	$557,323	$425,327	$334,866

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

Other Required Supplementary Information

Cochise County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2016

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	$ 31,673,215	$ 31,673,215	$34,142,070	$ 2,468,855
Licenses and permits	16,000	16,000	41,188	25,188
Intergovernmental	15,809,792	15,809,792	15,981,950	172,158
Charges for services	2,166,832	2,166,832	2,695,955	529,123
Fees, fines, and forfeits	1,669,300	1,669,300	1,885,677	216,377
Investment income	200,000	200,000	210,602	10,602
Miscellaneous	177,400	177,400	176,489	(911)
Total revenues	51,712,539	51,712,539	55,133,931	3,421,392
Expenditures:				
Assessor	1,811,140	1,808,517	1,768,152	40,365
Attorney	2,140,545	2,260,483	2,062,992	197,491
Board of Supervisors	1,035,273	1,171,120	1,049,541	121,579
Cochise Aging and Social Services	8,704,927	8,704,927	8,496,789	208,138
General government	11,850,531	11,916,797	7,841,115	4,075,682
General government contingency	21,232,013	20,859,562		20,859,562
Health	1,186,619	1,206,463	1,076,330	130,133
Judicial system	9,677,916	9,813,955	9,121,371	692,584
Public and legal defenders	2,315,692	2,192,006	2,194,241	(2,235)
Recorder	466,792	498,826	480,913	17,913
Public safety	19,648,227	19,637,380	18,991,470	645,910
School Superintendent	347,157	348,628	330,979	17,649
Treasurer	1,037,173	1,035,341	940,157	95,184
Total expenditures	81,454,005	81,454,005	54,354,050	27,099,955
Excess (deficiency) of revenues over expenditures	(29,741,466)	(29,741,466)	779,881	30,521,347
Other financing sources:				
Sale of capital assets	30,000	30,000	311,760	281,760
Transfers in	605,479	618,994	616,592	(2,402)
Total other financing sources	635,479	648,994	928,352	279,358
Net change in fund balances	(29,105,987)	(29,092,472)	1,708,233	30,800,705
Fund balances, July 1, 2015	29,105,987	29,092,472	30,498,669	1,406,197
Fund balances, June 30, 2016	$ -	$ -	$ 32,206,902	$ 32,206,902

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Highway and streets fund
Year ended June 30, 2016

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	$ 1,300,000	$ 1,300,000	$ 1,300,000	
Intergovernmental	9,500,000	9,500,000	10,089,166	$ 589,166
Charges for services	1,125,500	1,127,667	968,838	(158,829)
Investment income	20,000	20,000	55,157	35,157
Miscellaneous	5,074,079	6,776,053	40,320	(6,735,733)
Total revenues	17,019,579	18,723,720	12,453,481	(6,270,239)
Expenditures:				
Current:				
Highways and streets	17,023,506	18,725,480	9,012,573	9,712,907
Total expenditures	17,023,506	18,725,480	9,012,573	9,712,907
Excess (deficiency) of revenues over expenditures	(3,927)	(1,760)	3,440,908	3,442,668
Other financing sources (uses):				
Sale of capital assets	20,000	20,000	14,552	(5,448)
Transfers out	(16,073)	(16,073)	(16,073)	
Total other financing sources and uses	3,927	3,927	(1,521)	(5,448)
Net change in fund balances	-	2,167	3,439,387	3,437,220
Fund balances, July 1, 2015	-	-	6,774,053	6,774,053
Fund balances, June 30, 2016	$ -	$ 2,167	$ 10,213,440	$ 10,211,273

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Flood control fund
Year ended June 30, 2016

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	$ 1,988,542	$ 1,988,542	$ 2,081,690	$ 93,148
Intergovernmental	730,000	730,000	1,330,668	600,668
Charges for services	4,000	4,000	3,435	(565)
Investment income	35,000	35,000	30,832	(4,168)
Miscellaneous	4,126,784	3,919,865	-	(3,919,865)
Total revenues	6,884,326	6,677,407	3,446,625	(3,230,782)
Expenditures:				
Current:				
Flood control	6,666,253	6,459,334	3,836,646	2,622,688
Total expenditures	6,666,253	6,459,334	3,836,646	2,622,688
Excess (deficiency) of revenues over expenditures	218,073	218,073	(390,021)	(608,094)
Other financing sources (uses):				
Transfers out	(218,073)	(218,073)	(93,228)	124,845
Total other financing sources and uses	(218,073)	(218,073)	(93,228)	124,845
Net change in fund balances			(483,249)	(483,249)
Fund balances, July 1, 2015	-	-	4,377,101	4,377,101
Fund balances, June 30, 2016	$ -	$ -	$ 3,893,852	$ 3,893,852

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2016

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, 2016, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/department	**Excess**
General fund:	
Public and legal defenders	$2,235

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, 2016

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
County's proportion of the net pension liability	0.27%	0.29%	
County's proportionate share of the net pension liability	$ 42,107,374	$ 42,259,031	
County's covered payroll	24,958,808	26,108,025	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	168.7%	161.9%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
County's proportion of the net pension liability	1.72%	1.76%	
County's proportionate share of the net pension liability	$ 4,178,318	$ 3,949,941	
County's covered payroll	1,912,811	1,959,540	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	218.44%	201.6%	
Plan fiduciary net position as a percentage of the total pension liability	57.89%	58.59%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
County's proportion of the net pension liability	1.84%	1.87%	
County's proportionate share of the net pension liability	$ 14,367,585	$ 12,532,950	
State's proportionate share of the net pension liability associated with the County	4,479,215	3,842,719	
Total	$ 18,846,800	$ 16,375,669	
County's covered payroll	$ 1,544,807	$ 1,722,405	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	930.06%	727.6%	
Plan fiduciary net position as a percentage of the total pension liability	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2016

Public Safety Personnel Retirement System - Sheriff	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			
Service cost	$ 897,651	$ 864,164	
Interest on the total pension liability	3,212,596	2,633,247	
Changes of benefit terms		1,126,739	
Differences between expected and actual experience in the measurement of the pension liability	(213,315)	273,161	
Changes of assumptions or other inputs		5,093,748	
Benefit payments, including refunds of employee contributions	(2,651,828)	(2,603,292)	
Net change in total pension liability	1,245,104	7,387,767	
Total pension liability - beginning	41,801,873	34,414,106	
Total pension liability - ending (a)	$43,046,977	$41,801,873	
Plan fiduciary net position			
Contributions - employer	$ 2,816,097	$ 1,590,648	
Contributions - employee	533,148	480,171	Information not available
Net investment income	479,555	1,625,439	
Benefit payments, including refunds of employee contributions	(2,651,828)	(2,603,292)	
Administrative expense	(12,070)		
Other changes	11,916	(884,905)	
Net change in plan fiduciary net position	1,176,818	208,061	
Plan fiduciary net position - beginning	13,088,242	12,880,181	
Plan fiduciary net position - ending (b)	$14,265,060	$13,088,242	
County's net pension liability - ending (a) - (b)	$28,781,917	$28,713,631	
Plan fiduciary net position as a percentage of the total pension liability	33.14%	31.31%	
Covered payroll	$ 4,885,979	$ 4,681,028	
County's net pension liability as a percentage of covered payroll	589.07%	613.40%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2016
(Concluded)

Corrections Officer Retirement Plan - Detention	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			
Service cost	$ 292,414	$ 282,410	
Interest on the total pension liability	666,802	574,310	
Changes of benefit terms		133,007	
Differences between expected and actual experience in the measurement of the pension liability	512,038	(165,636)	
Changes of assumptions or other inputs		798,887	
Benefit payments, including refunds of employee contributions	(450,596)	(448,901)	
Net change in total pension liability	1,020,658	1,174,077	
Total pension liability - beginning	8,573,379	7,399,302	
Total pension liability - ending (a)	$ 9,594,037	$ 8,573,379	
Plan fiduciary net position			
Contributions - employer	$ 268,393	$ 222,257	
Contributions - employee	171,671	141,534	Information not available
Net investment income	182,577	617,823	
Benefit payments, including refunds of employee contributions	(450,596)	(448,901)	
Administrative expense	(4,869)		
Other changes	(25,999)	(497,992)	
Net change in plan fiduciary net position	141,177	34,721	
Plan fiduciary net position - beginning	4,967,087	4,932,366	
Plan fiduciary net position - ending (b)	$ 5,108,264	$ 4,967,087	
County's net pension liability - ending (a) - (b)	$ 4,485,773	$ 3,606,292	
Plan fiduciary net position as a percentage of the total pension liability	53.24%	57.94%	
Covered payroll	$ 2,168,765	$ 1,960,381	
County's net pension liability as a percentage of covered payroll	206.84%	183.96%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of county pension contributions
June 30, 2016

Arizona State Retirement System	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily required contribution	$2,671,500	$ 2,719,440	$ 2,754,693	
County's contributions in relation to the statutorily required contribution	2,671,500	2,719,440	2,754,693	
County's contribution deficiency (excess)	$ -	$ -	$ -	Information not available
County's covered payroll	$ 24,618,554	$ 24,958,808	$ 25,846,945	
County's contributions as a percentage of covered payroll	10.85%	10.90%	10.66%	

Corrections Officer Retirement Plan - Administrative Office of the Courts	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily required contribution	$ 332,346	$ 284,626	$ 273,752	
County's contributions in relation to the statutorily required contribution	332,346	284,626	273,752	
County's contribution deficiency (excess)	$ -	$ -	$ -	Information not available
County's covered payroll	$1,745,725	$ 1,912,811	$ 1,959,540	
County's contributions as a percentage of covered payroll	19.04%	14.88%	13.97%	

Elected Officials Retirement Plan	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily required contribution	$ 319,124	$ 363,029	$ 398,234	
County's contributions in relation to the statutorily required contribution	319,124	363,029	398,234	
County's contribution deficiency (excess)	$ -	$ -	$ -	Information not available
County's covered payroll	$1,357,975	$ 1,544,807	$ 1,722,405	
County's contributions as a percentage of covered payroll	23.50%	23.50%	23.12%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of county pension contributions
June 30, 2016
(Concluded)

Public Safety Personnel Retirement System - Sheriff

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Actuarially determined contribution	$2,413,915	$ 1,854,142	$ 1,590,648	
County's contributions in relation to the actuarially determined contribution	3,413,915	2,854,142	1,590,648	
County's contribution deficiency (excess)	$ (1,000,000)	$ (1,000,000)	$ -	Information not available
County's covered payroll	$4,745,782	$ 4,885,979	$ 4,681,028	
County's contributions as a percentage of covered payroll	71.94%	58.41%	33.98%	

Corrections Officer Retirement Plan - Detention

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Actuarially determined contribution	$ 384,058	$ 268,394	$ 222,257	
County's contributions in relation to the actuarially determined contribution	384,058	268,394	222,257	
County's contribution deficiency (excess)	$ -	$ -	$ -	Information not available
County's covered payroll	$ 2,239,735	$ 2,168,765	$ 1,960,381	
County's contributions as a percentage of covered payroll	17.15%	12.38%	11.34%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Notes to pension plan schedules
June 30, 2016

Note 1 – Change in accounting principle

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, contribution and payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Note 2 - 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 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience- based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

Cochise County
Required supplementary information
Schedule of agent OPEB plans' funding progress
June 30, 2016

Health insurance premium benefit

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b)-(a)	Funded ratio (a/b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll ([b-a]/c)
PSPRS Sheriff						
6/30/16	$1,195,112	$1,097,671	$ (97,441)	108.9%	$4,745,782	(2.05)%
6/30/15	1,180,451	963,846	(216,605)	122.5%	4,885,979	(4.43)%
6/30/14	1,060,455	867,652	(192,803)	122.2%	4,681,028	(4.12)%
CORP Detention						
6/30/16	653,083	353,909	(299,174)	184.5%	2,239,735	(13.36)%
6/30/15	627,308	273,366	(353,942)	229.5%	2,168,765	(16.32)%
6/30/14	575,122	302,219	(272,903)	190.3%	1,960,381	(13.92)%

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 plans
June 30, 2016

Schedule of the Authority's proportionate share of the net pension liability

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Housing Authority's proportion of the net pension liability	0.0027%	0.0029%	Information not available
Housing Authority's proportionate share of the net pension liability	$ 425,327	$ 426,859	
Housing Authority's covered payroll	$ 174,587	$ 187,392	
Housing Authority's proportionate share of the net pension liability as a percentage of its covered payroll	243.62%	227.79%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

Schedule of authority contributions

Arizona State Retirement System

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily required contribution	17,471	$ 19,013	$ 20,051	Information not available
Housing Authority's contributions in relation to the statutorily required contribution	17,471	19,013	20,051	
Housing Authority's contribution deficiency (excess)	-	-	-	
Housing Authority's covered payroll	$ 161,027	$ 174,587	$ 187,392	
Housing Authority's contributions as a percentage of covered payroll	10.85%	10.89%	10.70%	

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SINGLE AUDIT REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
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, 2016, 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 15, 2017. 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.

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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 15, 2017

STATE OF ARIZONA

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Cochise County's basic financial statements include the operations of the Housing Authority of Cochise County and the Cochise Private Industry Council, Inc., which were reported as discretely presented component units and expended $3,152,141 and $1,812,759 in federal awards, respectively, that are not included in Cochise County's schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of the Housing Authority of Cochise County and the Cochise Private Industry Council, Inc. because Cochise County engaged other auditors to perform their audits.

Management's responsibility

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

Auditors' responsibility

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

We believe that our audit provides 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, 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, 2016.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2016-101. Our opinion on the applicable major federal program is not modified with respect to this matter.

Report on internal control over compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-101, that we consider to be a material weakness.

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

Cochise County response to findings

Cochise County's response to the finding identified in our audit is presented in its corrective action plan at the end of this report. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

Debbie Davenport
Auditor General

March 15, 2017

ARIZONA
Auditor General
Making a Positive Difference

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	**Unmodified**
Internal control over financial reporting	
Material weaknesses identified?	**No**
Significant deficiencies identified?	**None reported**
Noncompliance material to the financial statements noted?	**No**

Federal awards

Internal control over major programs	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**None reported**
Type of auditors' report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	**Yes**

Identification of major programs

CFDA number	Name of federal program or cluster
15.226	Payments in Lieu of Taxes
93.044	Special Programs for the Aging—Title III, Part B–Grants for Supportive Services and Senior Centers
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Other matters

Auditee’s summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511(b)?	No

Financial statement findings

None reported.

Federal award findings and questioned costs

2016-101

CFDA no. and name:	97.067 **Homeland Security Grant Program**
Award numbers and years:	13-AZDOHS-OPSG-130412-03, February 1, 2015 through July 31, 2015; 13-AZDOHS-OPSG-134012-04, April 1, 2015 through July 31, 2015; 14-AZDOHS-OPSG-140412-01, December 1, 2014 through February 29, 2016; 14-AZDOHS-OPSG-140412-02, December 1, 2014 through December 31, 2015; 15-AZDOHS-HSGP-150401-01, October 1, 2015 through September 30, 2016; 15-AZDOSH-HSGP-150401-02, October 1, 2015 through September 30, 2016; 15-AZDOHS-OPSG-150401-03, January 1, 2016 through December 31, 2016; 15-AZDOHS-HSGP-150400-1, October 1, 2015 through September 30, 2016
Federal agency:	**U.S. Department of Homeland Security**
Pass-through grantor:	Arizona Department of Homeland Security
Compliance requirement:	Equipment and Real Property Management
Questioned costs:	None

Criteria—In accordance with 44 Code of Federal Regulations (CFR) §13.32 (d)(3) and 2 CFR §200.313 (d)(3), the County must develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of property purchased with federal funds.

Condition and context—The County did not maintain effective control over prior-year equipment purchases made with federal monies. At fiscal year-end, the County maintained 23 equipment items valued at $237,025 that had been purchased in prior fiscal years with federal monies. Three pieces of equipment were selected for testing, and two pieces of equipment valued at $34,075 were not tagged with a specific identification number.

Effect—The County did not comply with federal regulations and its own capital asset policy, and its failure to maintain control over equipment purchased with federal grant monies could result in equipment being lost, stolen, damaged, or misused.

Cause—The County has a formal capital asset policy, and section 9.5 of this policy requires the County to tag all assets that meet the County's capitalization threshold with a specific identification number. However, the County did not always follow its policy for properly tagging equipment.

Recommendation—To help ensure compliance with federal regulations and county policy, and to help prevent loss, theft, damage, or misuse of equipment purchased with federal monies, the County should ensure that its policy is followed that requires all equipment items to be properly tagged with a specific identification number.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

COUNTY SECTION

Cochise County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 12-LE-11030518-001	National Forest System—Law Enforcement				$ 6,512	
10 555	National School Lunch Program	Child Nutrition Cluster			12,052	
10 557	Special Supplemental Nutrition Program for Women, Infants and Children		Arizona Department of Health Services	ADHS14-053052	582,626	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS14-053052	39,560	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			363,310	
	Total Department of Agriculture				1,004,060	
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	120-14	101,873	
Department of the Interior						
15 226	Payments in Lieu of Taxes				2,325,142	
15 227	Distribution of Receipts to State and Local Governments				6,818	
15 659	National Wildlife Refuge Fund				4,890	
	Total Department of the Interior				2,336,850	
Department of Justice						
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth & Families	JB-CSG-14-4365-01	6,250	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2014-VA-GX-0018	9,026	
16 606	State Criminal Alien Assistance Program				48,445	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-16-021, DC-16-003	111,190	
16 738	Edward Byrne Memorial Justice Assistance Grant Program				26,379	
	Total 16.738				137,569	
	Total Department of Justice				201,290	
Department of Transportation						
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2016-II-007, 2016-PT-006, 2016-CIOT-020, 2016-PT-055, 2016-AL-061	42,079	
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2016-36017-03, 2016-36026-09	1,039	

See accompanying notes to schedule.

Cochise County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Education						
84 010	Title I Grants to Local Educational Agencies		Arizona Supreme Court	KR15-0005	76,246	
84 027	Special Education—Grants to States	Special Education Cluster (Idea)	Arizona Department of Education	15FESSCG-513161-55B, 16FESSCG-613161-55B	6,736	
84 365	English Language Acquisition State Grants		Arizona Department of Education	15FELENG-513161-66A	11,496	
84 416	Race to the Top—District Grants		Arizona Department of Education	15FSERY4-513161-33A	16,310	
84 419	Preschool Development Grants		Arizona Department of Education	FTF-STATE-16-0785-01	4,224	
	Total Department of Education				115,012	
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	SouthEastern Arizona Governments Organization	107-16	236,110	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS-12-007884	258,285	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041535	168,484	
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS16-118442	84,973	$ 4,206
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111155001, DI16-002163	11,730	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071556	7,947	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	ADHS15-094960	94,677	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS15-094960	33,900	
	Total Department of Health and Human Services				896,106	4,206
Executive Office of the President of the United States						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-15-2525, HT-15-2526, HT-16-2624	291,319	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2015-EP-000048	87,260	

See accompanying notes to schedule.

Cochise County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	13-AZDOHS-OPSG-130412-03, 13-AZDOHS-OPSG-130412-04, 14-AZDOHS-OPSG-140412-01, 14-AZDOHS-OPSG-140412-02, 15-AZDOHS-HSGP-150401-01, 15-AZDOHS-HSGP-150401-02, 15-AZDOHS-OPSG-150401-03, 15-AZDOHS-HSGP-150400-01	888,506	
	Total Department of Homeland Security				975,766	
Miscellaneous Federal Agency						
99 SJI-16-T-058	Law Library and Online Self-Represented Litigation Services		State Justice Institute	SJI-16-T-058	22,309	
	Total expenditures of federal awards				$ 5,987,703	$ 4,206

See accompanying notes to schedule.

Cochise County
Notes to schedule of expenditures of federal awards
Year ended June 30, 2016

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Cochise County's federal grant activity for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

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

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *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.

Note 4 - Indirect cost rate

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

COUNTY RESPONSE

Cochise County
Finance Department

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

LYNETTE M. NOWLAN, CPA, CGFM
Finance Director

March 15, 2017

Debbie Davenport
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Sincerely,

Lynette M. Nowlan, CPA, CGFM
Finance Director

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

Cochise County
Corrective action plan
Year ended June 30, 2016

Federal award findings and questioned costs

2016-101

CFDA no. and program name: 97.067 Homeland Security Grant Program
Contact information: Lynette M. Nowlan, Finance Director 520-432-8370
Anticipated completion date: June 30, 2017

Below are the activities that Cochise County will take to improve the process that resulted in the above finding:

1. Work with the applicable department to replace the missing asset tags and ensure all asset information contained in the asset inventory system is correct.

Responsible person: Mike Clark, Property Manager

Completion Date: March 31, 2017

2. Review the County's Capital Asset Policy to ensure that it is current. If changes are necessary, make changes and obtain Board of Supervisor approval.

Responsible person: Mike Clark, Property Manager

Completion Date: July 25, 2017

3. Review and update procedures for Fixed Asset Liaisons.

Responsible person: Mike Clark, Property Manager

Completion Date: April 28, 2017

4. Hold training session with Fixed Asset Liaisons to review capital asset policy and procedures.

Responsible person: Mike Clark, Property Manager

Completion Date: April 28, 2017

5. Conduct bi-annual physical inventory of capital assets

Responsible person: Mike Clark, Property Manager

Completion Date: June 30, 2017

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