Cochise County

Annual Financial Report and
Single Audit Report

Year Ended June 30, 2019

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA
Auditor General
Making a Positive Difference

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JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority Fund and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses of the opinion units affected.

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses
Government-wide statements				
Business-type activities				
Housing Authority	7%	10%	37%	42%
Discretely presented component unit				
Cochise Private Industry Council, Inc.	100%	100%	100%	100%
Fund statements				
Aggregate remaining fund information				
Housing Authority	1%	12%	1%	1%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of June 30, 2019, 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.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-10, budgetary comparison schedules on pages 46 through 48, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 49, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 50 and 51, and the schedule of County pension contributions on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information—schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The County's schedule of expenditure of federal awards did not include $2,401,937 in federal awards expended by Cochise Private Industry Council, Inc., because Cochise County engaged other auditors to perform that audit.

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

Compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies

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

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the 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 27, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

March 27, 2020

Cochise County
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 $112.4 million (net position). Of the net position amount, $136.2 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); $16.8 million is restricted for specific purposes (restricted net position); and $(40.6) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.

- At June 30, 2019, total assets were $220.2 million, a decrease of $0.1 million or (0.1) percent in comparison with the prior fiscal year's balance of $220.3 million.

- At June 30, 2019, total liabilities were $112.3 million, a decrease of $7.7 million or 6.4 percent in comparison with the prior fiscal year's balance of $120.0 million.

- At June 30, 2019, the County reported total deferred outflows of resources related to pensions and other postemployment benefits (OPEB) of $17.0 million and deferred inflows of resources related to pensions/OPEB of $12.4 million.

- At June 30, 2019, the governmental funds reported combined fund balances of $66.8 million, a decrease of $0.9 million or 1.4 percent in comparison with the prior year's combined fund balances of $67.7 million.

- At June 30, 2019, $16.8 million or 25.1 percent of governmental fund balances were restricted, $24.4 million or 36.6 percent were assigned, and $25.2 million or 37.8 percent were unassigned. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional language or enabling legislation. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management.

Overview of the Financial Statements

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

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a 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, the Bisbee-Douglas International Airport, and the Cochise County Housing Authority.

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

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

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

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

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

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Each of the proprietary funds, Solid Waste Operations, Bisbee-Douglas International Airport and Cochise County Housing Authority (i.e. Other enterprise fund) are reported separately for clarity. The internal service funds are also presented in the proprietary fund financial statements.

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

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

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

Notes to the financial statements provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

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

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

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

Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. Capital assets, net of accumulated depreciation, had a net decrease of $1.1 million. The County's decrease is the result of the increase in accumulated depreciation exceeding additions to capital assets. The current year's depreciation of capital assets totaled $8.0 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 $112.4 million.

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2018 and 2019

	Governmental Activities		Business-type Activities		Total	
	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019
Assets:						
Current and other assets	$ 81,844,221	$ 80,978,205	$ 1,183,044	$ 2,961,733	$ 83,027,265	$ 83,939,938
Capital assets, net	130,061,648	128,704,355	7,233,363	7,509,963	137,295,011	136,214,318
Total assets	211,905,869	209,682,560	8,416,407	10,471,696	220,322,276	220,154,256
Deferred outflows	14,609,589	16,573,549	299,080	403,706	14,908,669	16,977,255
Liabilities:						
Other liabilities	5,799,484	7,645,661	183,052	149,533	5,982,536	7,795,194
Long-term liabilities	108,005,475	98,240,002	6,005,688	6,253,810	114,011,163	104,493,812
Total liabilities	113,804,959	105,885,663	6,188,740	6,403,343	119,993,699	112,289,006
Deferred inflows	7,246,275	12,120,253	246,253	321,667	7,492,528	12,441,920
Net position:						
Net investment in capital assets	130,061,648	128,704,355	7,233,363	7,509,963	137,295,011	136,214,318
Restricted	14,283,772	16,772,944	232,277	40,006	14,516,049	16,812,950
Unrestricted	(38,881,196)	(37,227,106)	(5,185,146)	(3,399,577)	(44,066,342)	(40,626,683)
Total net position	$105,464,224	$108,250,193	$ 2,280,494	$ 4,150,392	$107,744,718	$112,400,585

The County's total long-term liabilities decreased by $9.5 million or 8.3 percent, deferred outflows increased by $2.1 million or 13.9 percent and deferred inflows increased by $4.9 million or 66.1 percent primarily due to changes in the assumptions used by actuaries to estimate the County's net pension liabilities.

A large portion of Cochise County's net position (121.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). This amount is presented less accumulated depreciation and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Statement of Activities—The County's total net position increased by $4.7 million during the fiscal year, primarily due to a decrease in expenses. 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, 2018 and 2019

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Revenues						
Program revenues:						
Charges for services	$ 7,212,204	$ 6,412,439	$5,236,031	$5,468,470	$ 12,448,235	$ 11,880,909
Operating grants and contributions	24,282,836	25,949,784	3,222,495	3,373,758	27,505,331	29,323,542
Capital grants and contributions	582,173	1,570,837			582,173	1,570,837
General revenues:						
Property taxes	30,460,821	29,420,003			30,460,821	29,420,003
State shared sales tax	13,485,202	14,799,329			13,485,202	14,799,329
State shared unrestricted vehicle license tax	3,977,611	3,987,852			3,977,611	3,987,852
County excise tax	6,523,845	7,073,315	280,977	357,562	6,804,822	7,430,877
Other	4,774,021	5,262,843	83,779	161,486	4,857,800	5,424,329
Total revenues	91,298,713	94,476,402	8,823,282	9,361,276	100,121,995	103,837,678

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Expenses						
General government	$41,013,956	$42,253,990			$ 41,013,956	$42,253,990
Public safety	28,669,780	20,933,426			28,669,780	20,933,426
Highways and streets	13,224,321	13,223,314			13,224,321	13,223,314
Sanitation	525,811	525,826			525,811	525,826
Health and welfare	12,440,943	12,296,787			12,440,943	12,296,787
Culture and recreation	1,165,904	1,119,573			1,165,904	1,119,573
Education	751,465	964,066			751,465	964,066
Solid waste operations			$4,127,789	$4,137,133	4,127,789	4,137,133
Airport			456,433	396,163	456,433	396,163
Housing authority			3,250,611	3,331,533	3,250,611	3,331,533
Total expenses	97,792,180	91,316,982	7,834,833	7,864,829	105,627,013	99,181,811
Increase/(decrease) in net position before transfers	(6,493,467)	3,159,420	988,449	1,496,447	(5,505,018)	4,655,867
Transfers	122,259	(373,451)	(122,259)	373,451		
Increase/(decrease) in net position	$ (6,371,208)	$ 2,785,969	$ 866,190	$1,869,898	$ (5,505,018)	$ 4,655,867

Overall, revenues increased $3.7 million or 3.7 percent and expenses decreased by $6.5 million or 6.1 percent in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- Operating grants and contributions increased by $1.8 million or 6.6 percent in the current year due to an increase in operating grants from different federal and state grantors.

- General government expenses decreased by $1.2 million or 3.0 percent and public safety expenses decreased $7.7 million or 27.0 percent primarily due to the County being conservative with employee salaries and employer related expenses and a general decrease in overall pension expense incurred by the County.

Financial Analysis of the County's Funds

The County reported three major governmental funds for this fiscal year; the General Fund, Capital Projects Fund and Highway and Streets Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $66.8 million, which is a decrease of $0.9 million or 1.4 percent. Of the total, $16.7 million constitutes restricted fund balances.

For governmental funds, overall revenues increased by $4.5 million or 5.0 percent and expenditures increased by $5.1 million or 5.6 percent. Governmental expenditures exceeded revenues by $1.3 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2019, the total fund balance was $25.7 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, 2019, the fund balance represents 42.2 percent of total General Fund expenditures.

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

General Fund

- Cash and investments held by County Treasurer decreased by $2.4 million or 9.0 percent in the current year largely due to a transfer of cash to other funds during fiscal 2019.
- Property tax receivable decreased by $528 thousand or 40.2 percent in the current year largely due to an increase in both real and personal property taxes paid by taxpayers for the prior tax year.
- Accounts receivable decreased by $108 thousand or 7.8 percent in the current year largely due to less revenue being due to several departments at fiscal year-end.
- Due from other funds decreased by $770 thousand or 37.3 percent in the current year largely due to the timing of other departments reimbursing the general fund for their share of expenses that are paid centrally, i.e., phones, credit cards, etc.
- Due from other governments increased by $487 thousand or 15.3 percent due to increased activity in intergovernmental revenues at fiscal year end.
- Accounts payable increased by $769 thousand or 98.9 percent in the current year largely due to invoices being paid later than in the prior year.
- Current expenditures for general government increased by $3.7 million or 13.5 percent in the current year largely due to an increase in employee salaries and employee related expenditures.

Capital Projects Fund

- Due from other governments decreased by $217 thousand or 33.9 percent in the current year largely due to a decrease in half cent excise tax revenue that was due to the County from the State of Arizona.
- Accounts payable increased by $492 thousand or 369.0 percent in the current year largely due to expenses on projects incurred being paid in next fiscal year.
- Tax revenue increased by $209 thousand or 9.6 percent in the current year largely due to an increase in the County's half cent excise tax received for capital projects.
- Intergovernmental revenues decreased by $249 thousand or 40.0 percent as no additional funds were received for the South Eastern Arizona Communications Center (SEACOM) or any other major project.
- Expenditures for capital outlay decreased by $246 thousand or 9.8 percent in the current year largely due to the projects continuing into the next fiscal year.

Highways and Streets Fund

- Cash and investments held by the County Treasurer increased by $1.6 million or 18.0 percent in the current year largely due to an increase in Highway User Revenue Fund (HURF) revenue prior to fiscal year-end.
- Accounts payable increased by $294 thousand or 108.0 percent in the current year largely due to the purchase and receipt of road materials at year end to continue road projects into next fiscal year.
- Intergovernmental revenues increased by $717 thousand or 6.2 percent in the current year largely due to an increase in the receipt of HURF revenues.
- Current expenditures for highways and streets decreased by $834 thousand or 6.2 percent in the current year largely due to the winding down of road improvement work throughout the County.
- Capital outlay decreased $589 thousand or 100 percent in the current year largely due to the winding down of road improvement work throughout the County.

Proprietary Funds

For proprietary funds, the County reported two major funds for this fiscal year, Solid Waste Operations and Bisbee-Douglas International Airport. Other funds considered proprietary funds include Housing Authority of Cochise County and the internal service funds used to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the County's employees. At the end of the current fiscal year, the County's proprietary funds reported combined net position of $20.9 million, which is an increase of $1.4 million or 7.0 percent. Of the total, $460 thousand constitutes unrestricted net position.

For proprietary funds, overall revenues remained consistent and expenses increased by $279 thousand or 1.3 percent. Proprietary operating revenues exceeded operating expenses by $273 thousand in the current fiscal year.

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

Solid Waste Operations

- Accounts receivables decreased by $197 thousand or 31.6 percent in the current year due to an increase in accounts billed for services for which payment had been timely received.
- Net Capital assets decreased by $224 thousand or 6.5 percent largely due to depreciation expense in that amount.
- Deferred outflows of resources related to pensions/OPEB increased by $92 thousand or 38.4 percent in the current year due to an increase in the estimated amount needed in the future for employee pensions, and other postemployment benefits.

- Due to other funds increased by $287 thousand or 62.0 percent in the current year due to an increase in the amount owed to the General Fund and other funds for meeting expenses.

- Long-term landfill closure and postclosure care costs payable increased by $251 thousand or 7.5 percent in the current year due to an increase in the future costs for closure and postclosure of landfill sites.

- Deferred inflows of resources related to pensions/OPEB increased by $58 thousand or 30.6 percent in the current year due to an increase in the estimated amount needed for future employee pension and other postemployment benefits payouts.

- Net position increased by $1.2 million or 72.6 percent in the current year due to an increase in revenue collected for services delivered and a decrease in the expenses to deliver those services.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2019, totaled $136.2 million (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings and improvements, infrastructure, and machinery and equipment. The following provides the major changes in governmental capital assets during the current fiscal year.

- Construction in progress decreased by $3.4 million for progress made on new infrastructure.

- Equipment increased $3.1 million for new equipment while accumulated depreciation increased by $3.5 million.

- Infrastructure increased $3.0 million for completed infrastructure while accumulated depreciation increased by $1.5 million.

- Accumulated depreciation increased by $8.0 million in annual depreciation expense.

Additional information on the County's capital assets can be found in Note 5 on pages 23 and 24 of this report.

Long-term Debt

At June 30, 2019, the County had no long-term debt outstanding and the County had no general obligation or revenue bonds outstanding.

Budgetary Comparison—General Fund

For the General Fund, actual revenues were more than final budgeted amounts by $2.4 million, and the actual expenditures were $21.6 million less than the final budgeted amounts. The budget variance for revenues was due to increase in unexpected intergovernmental collections. Increases in tax revenues and investment income were also experienced. The budget variance for expenses was due to conservative spending and vacancy savings. Most of the favorable variance is due to unspent general government contingency funds.

Economic Factors

Cochise County continues to lag in 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 an increase in economic activity, Cochise County continues a slow recovery in property valuations leading to stagnant property tax revenue. However, the County is beginning to see a slight increase in revenue from its excise tax. The County closely monitors revenues, expenditures and certain economic indicators to ensure that the County remains fiscally strong.

The recent outbreak of the COVID-19 virus may negatively impact the County. Because the virus is still relatively new and in its early stages, it is too early to really know and quantify the extent of the impact. As a result, the impact is unknown. Early indications show that the County will receive some relief on the impact of this outbreak from the State and the Federal government but the exact details are not known at this time.

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, 2019

	Primary government			
	Governmental activities	Business-type activities	Total	Component unit
Assets				
Cash in bank and on hand	$ 471,901	$ 542,322	$ 1,014,223	$ 55,954
Cash and investments held by County Treasurer	68,508,253	2,435,698	70,943,951	
Receivables (net of allowances for uncollectibles):				
Property taxes	935,089		935,089	
Accounts	1,461,234	541,531	2,002,765	
Internal balances	809,434	(809,434)		
Due from other governments	7,550,942	82,819	7,633,761	246,980
Cash—restricted		162,324	162,324	
Prepaid items	367,875	550	368,425	
Other assets	135,246		135,246	4,564
Net other postemployment benefits asset	738,231	5,923	744,154	
Capital assets, not being depreciated	4,993,852	1,599,900	6,593,752	
Capital assets, being depreciated, net	123,710,503	5,910,063	129,620,566	25,815
Total assets	209,682,560	10,471,696	220,154,256	333,313
Deferred outflows of resources				
Deferred outflows related to pensions and other postemployment benefits	16,573,549	403,706	16,977,255	
Liabilities				
Accounts payable	3,387,432	42,896	3,430,328	86,313
Accrued payroll and employee benefits	3,612,746	91,080	3,703,826	
Due to other governments	304,719	3,298	308,017	
Due to related party				44,839
Unearned revenue		10,659	10,659	
Deposits held for others	340,764	1,600	342,364	
Noncurrent liabilities				
Due within 1 year	3,878,002	185,175	4,063,177	
Due in more than 1 year	94,362,000	6,068,635	100,430,635	35,382
Total liabilities	105,885,663	6,403,343	112,289,006	166,534
Deferred inflows of resources				
Deferred inflows related to pensions and other postemployment benefits	12,120,253	321,667	12,441,920	
Net position				
Net investment in capital assets	128,704,355	7,509,963	136,214,318	25,815
Restricted for:				
Education	189,750		189,750	
Flood	5,063,119		5,063,119	
Health	1,338,370		1,338,370	
Judicial	3,709,825		3,709,825	
Public safety	3,988,096		3,988,096	
Library	1,192,233		1,192,233	
Other	1,291,551	40,006	1,331,557	
Workforce development				93,099
Unrestricted (deficit)	(37,227,106)	(3,399,577)	(40,626,683)	47,865
Total net position	$ 108,250,193	$ 4,150,392	$ 112,400,585	$ 166,779

See accompanying notes to financial statements.

Cochise County
Statement of activities
Year ended June 30, 2019

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 unit
Primary government:								
Governmental activities:								
General government	$ 42,253,990	$ 4,329,572	$ 5,998,082	$ 45,000	$ (31,881,336)		$ (31,881,336)	
Public safety	20,933,426	948,897	4,204,679	1,471,113	(14,308,737)		(14,308,737)	
Highways and streets	13,223,314	634,104	12,315,299		(273,911)		(273,911)	
Sanitation	525,826	174,450	225,125		(126,251)		(126,251)	
Health and welfare	12,296,787	310,621	2,678,526	29,724	(9,277,916)		(9,277,916)	
Culture and recreation	1,119,573		55,854	25,000	(1,038,719)		(1,038,719)	
Education	964,066	14,795	472,219		(477,052)		(477,052)	
Total governmental activities	91,316,982	6,412,439	25,949,784	1,570,837	(57,383,922)		(57,383,922)	
Business-type activities:								
Solid Waste Operations	4,137,133	4,861,946				$ 724,813	724,813	
Bisbee-Douglas International Airport	396,163	559,489				163,326	163,326	
Housing Authority	3,331,533	47,035	3,373,758			89,260	89,260	
Total business-type activities	7,864,829	5,468,470	3,373,758			977,399	977,399	
Total primary government	$ 99,181,811	$ 11,880,909	$ 29,323,542	$ 1,570,837	(57,383,922)	977,399	(56,406,523)	
Component unit:								
Cochise Private Industry Council, Inc.	$ 2,476,243		$ 2,412,278					$ (63,965)
General revenues:								
Taxes								
Property taxes, levied for general purposes					26,131,321		26,131,321	
Property taxes, levied for flood control					1,984,410		1,984,410	
Property taxes, levied for library					1,304,272		1,304,272	
County excise taxes					7,073,315	357,562	7,430,877	
Share of state sales taxes					14,799,329		14,799,329	
Share of state unrestricted vehicle license tax					3,987,852		3,987,852	
Grants and contributions not restricted to specific programs					2,569,850		2,569,850	
Investment income					2,059,923	41,532	2,101,455	
Miscellaneous					633,070	119,954	753,024	56,002
Transfers					(373,451)	373,451		
Total general revenues and transfers					60,169,891	892,499	61,062,390	56,002
Change in net position					2,785,969	1,869,898	4,655,867	(7,963)
Net position, July 1, 2018					105,464,224	2,280,494	107,744,718	174,742
Net position, June 30, 2019					$ 108,250,193	$ 4,150,392	$ 112,400,585	$ 166,779

See accompanying notes to financial statements.

Cochise County
Balance sheet
Governmental funds
June 30, 2019

	Major Funds				
	General Fund	Capital Projects Fund	Highway and Streets Fund	Other governmental funds	Total governmental funds
Assets					
Cash in bank and on hand	$ 130,111			$ 341,590	$ 471,701
Cash and investments held by County Treasurer	24,461,013	$ 12,880,087	$ 10,751,532	16,267,467	64,360,099
Receivables (net of allowances for uncollectibles):					
Property taxes	785,656			149,433	935,089
Accounts	1,271,651	105,220	3,459	61,652	1,441,982
Due from:					
Other funds	1,293,270	1,729	1,653	1,724,542	3,021,194
Other governments	3,680,151	423,457	2,231,359	1,181,495	7,516,462
Prepaid items	367,875				367,875
Other assets				135,246	135,246
Total assets	$ 31,989,727	$ 13,410,493	$ 12,988,003	$ 19,861,425	$ 78,249,648
Liabilities					
Accounts payable	$ 1,546,503	$ 625,111	$ 565,438	$ 516,439	$ 3,253,491
Accrued payroll and employee benefits	2,334,964		270,158	952,831	3,557,953
Due to:					
Other funds	1,709,723	3,616	525,372	1,109,563	3,348,274
Other governments				304,719	304,719
Deposits held for others	329,857			10,907	340,764
Total liabilities	5,921,047	628,727	1,360,968	2,894,459	10,805,201
Deferred inflows of resources					
Unavailable revenue - property taxes	417,489			218,121	635,610
Fund balances					
Nonspendable	367,875				367,875
Restricted				16,772,944	16,772,944
Assigned		12,781,766	11,627,035	16,643	24,425,444
Unassigned	25,283,316			(40,742)	25,242,574
Total fund balances	25,651,191	12,781,766	11,627,035	16,748,845	66,808,837
Total liabilities, deferred inflows of resources and fund balances	$ 31,989,727	$ 13,410,493	$ 12,988,003	$ 19,861,425	$ 78,249,648

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, 2019

Fund balances—total governmental funds		$ 66,808,837
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.		115,833,559
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		635,610
Long-term liabilities, such as net pension/OPEB liabilities, and compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net pension liability	(91,586,051)	
Compensated absences payable	(5,297,673)	(96,883,724)
Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.		
Net OPEB asset		735,269
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions/OPEB	16,349,437	
Deferred inflows of resources related to pensions/OPEB	(11,959,420)	4,390,017
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		16,730,625
Net position of governmental activities		$108,250,193

See accompanying notes to financial statements.

Cochise County

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2019

	Major funds				
	General Fund	Capital Projects Fund	Highway and Streets Fund	Other governmental funds	Total governmental funds
Revenues:					
Taxes	$ 34,264,002	$ 2,387,383	$ 299,498	$ 4,362,155	$ 41,313,038
Licenses and permits	48,491				48,491
Fees, fines, and forfeits	1,288,901			133,863	1,422,764
Intergovernmental	18,362,494	373,507	12,323,896	11,700,395	42,760,292
Charges for services	2,255,051		633,765	1,966,584	4,855,400
Donations				1,570,837	1,570,837
Investment income	810,928	396,694	303,805	408,134	1,919,561
Miscellaneous	351,881		91,056	190,133	633,070
Total revenues	57,381,748	3,157,584	13,652,020	20,332,101	94,523,453
Expenditures:					
Current:					
General government	30,643,390	1,942,656		8,399,854	40,985,900
Public safety	18,631,536		356,428	5,579,954	24,567,918
Highways and streets			11,845,941	178,552	12,024,493
Sanitation	338,727			222,187	560,914
Health and welfare	10,276,865			2,561,431	12,838,296
Culture and recreation				1,180,389	1,180,389
Education	409,579			441,726	851,305
Capital outlay	419,053	2,263,463		94,062	2,776,578
Total expenditures	60,719,150	4,206,119	12,202,369	18,658,155	95,785,793
Excess (deficiency) of revenues over expenditures	(3,337,402)	(1,048,535)	1,449,651	1,673,946	(1,262,340)
Other financing sources (uses):					
Sale of capital assets	55,514		6,350		61,864
Transfers in	308,152	265,000		2,113,635	2,686,787
Transfers out	(1,119,319)		(361,927)	(940,541)	(2,421,787)
Total other financing sources and uses	(755,653)	265,000	(355,577)	1,173,094	326,864
Net change in fund balances	(4,093,055)	(783,535)	1,094,074	2,847,040	(935,476)
Fund balances, July 1, 2018	29,744,246	13,565,301	10,532,961	13,901,805	67,744,313
Fund balances, June 30, 2019	$ 25,651,191	$ 12,781,766	$ 11,627,035	$ 16,748,845	$ 66,808,837

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, 2019

Net change in fund balances—total governmental funds		$ (935,476)
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	3,739,684	
Depreciation expense	(5,364,626)	(1,624,942)
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.		(149,696)
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.		(818,080)
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for the changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County pension/OPEB contributions	7,880,936	
Pension OPEB expense	(398,640)	7,482,296
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences		(658,645)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The net expense of internal service funds is reported with governmental activities in the statement of activities.		(509,488)
Change in net position of governmental activities		$ 2,785,969

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2019

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund	Total	
Assets					
Current assets:					
Cash in bank and on hand	$ 2,350		$ 539,972	$ 542,322	$ 200
Cash and investments held by County Treasurer	2,112,711	$ 322,987		2,435,698	4,148,154
Restricted cash			162,324	162,324	
Receivables (net of allowances for uncollectibles):					
Accounts	425,210	116,321		541,531	19,252
Prepaid expense			550	550	
Due from:					
Other funds	10,765			10,765	1,148,717
Other governments	63,457	5,375	13,987	82,819	34,480
Total current assets	2,614,493	444,683	716,833	3,776,009	5,350,803
Noncurrent assets:					
Net other postemployment benefits asset	4,541	395	987	5,923	2,962
Capital assets, net of accumulated depreciation, where applicable:					
Land	24,900	1,575,000		1,599,900	
Infrastructure, net		2,178,812		2,178,812	
Buildings, net	2,694,889	6,848		2,701,737	99,299
Improvements other than buildings, net	469,584	463,405		932,989	
Equipment, net	57,957	38,568		96,525	12,771,497
Total net capital assets	3,247,330	4,262,633		7,509,963	12,870,796
Total noncurrent assets	3,251,871	4,263,028	987	7,515,886	12,873,758
Total assets	5,866,364	4,707,711	717,820	11,291,895	18,224,561
Deferred outflows of resources					
Deferred outflows related to pensions/OPEB	331,378	20,263	52,065	403,706	224,112

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2019
(Concluded)

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	BDI Airport Fund	Other enterprise fund	Total	
Liabilities					
Current liabilities:					
Accounts payable	$ 11,080	$ 7,285	$ 24,531	$ 42,896	$ 133,941
Accrued payroll and employee benefits	89,470	1,610		91,080	54,793
Due to:					
Other funds	751,085	2,493	66,621	820,199	12,203
Other governments			3,298	3,298	
Compensated absences payable, current portion	159,758	2,555	2,830	165,143	157,017
Landfill closure and postclosure care costs payable, current portion	20,032			20,032	
Deposits held for others		1,600		1,600	
Unearned revenue			10,659	10,659	
Total current liabilities	1,031,425	15,543	107,939	1,154,907	357,954
Noncurrent liabilities:					
Compensated absences payable	53,252	851	25,466	79,569	52,338
Landfill closure and postclosure care costs payable	3,572,902			3,572,902	
Funds held for others			122,318	122,318	
Net pension liability/OPEB	1,758,616	152,923	382,307	2,293,846	1,146,923
Total noncurrent liabilities	5,384,770	153,774	530,091	6,068,635	1,199,261
Total liabilities	6,416,195	169,317	638,030	7,223,542	1,557,215
Deferred inflows of resources					
Deferred inflows related to pensions/OPEB	246,611	21,445	53,611	321,667	160,833
Net position					
Net investment in capital assets	3,247,330	4,262,633		7,509,963	12,870,796
Restricted			40,006	40,006	
Unrestricted (deficit)	(3,712,394)	274,579	38,238	(3,399,577)	3,859,829
Total net position (deficit)	$ (465,064)	$ 4,537,212	$ 78,244	$ 4,150,392	$ 16,730,625

See accompanying notes to financial statements.

Cochise County

Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2019

	Business-type activities—enterprise funds				Governmental activities—
	Major fund	Major fund			
	Solid Waste Operations Fund	BDI Airport Fund	Other enterprise fund	Total	Internal service funds
Operating revenues:					
Charges for services	$ 4,861,946	$ 559,489	$ 47,035	$ 5,468,470	$ 6,464,827
Charges for health insurance					7,450,366
Intergovernmental			3,373,758	3,373,758	
Total operating revenues	4,861,946	559,489	3,420,793	8,842,228	13,915,193
Operating expenses:					
Personal services	1,838,516	54,953	250,318	2,143,787	1,280,105
Professional services	1,601,711	140,644	115,044	1,857,399	7,896,951
Supplies	67,036	62,678	4,030	133,744	3,150,261
Landfill closure and postclosure care costs	252,692			252,692	
Housing assistance payments			2,943,925	2,943,925	
Depreciation	224,336	137,515		361,851	2,256,701
Other	152,842	373	18,216	171,431	35,076
Total operating expenses	4,137,133	396,163	3,331,533	7,864,829	14,619,094
Operating income (loss)	724,813	163,326	89,260	977,399	(703,901)
Nonoperating revenues (expenses):					
County excise taxes	357,562			357,562	
Investment income	34,282	6,260	990	41,532	140,362
Miscellaneous	113,955	5,375	624	119,954	(7,783)
Gain on disposal of capital assets					61,834
Total nonoperating revenues	505,799	11,635	1,614	519,048	194,413
Income before contributions and transfers	1,230,612	174,961	90,874	1,496,447	(509,488)
Capital contributions		638,451		638,451	
Transfers in					
Transfers out		(265,000)		(265,000)	
Increase (decrease) in net position	1,230,612	548,412	90,874	1,869,898	(509,488)
Total net position, July 1, 2018	(1,695,676)	3,988,800	(12,630)	2,280,494	17,240,113
Total net position, June 30, 2019	$ (465,064)	$ 4,537,212	$ 78,244	$ 4,150,392	$ 16,730,625

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2019

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund	Total	
Cash flows from operating activities:					
Receipts from customers	$ 5,019,049	$ 611,477		$ 5,630,526	
Operating grants			$ 3,329,443	3,329,443	
Receipts from other funds for goods and services provided					$ 14,264,492
Other receipts			48,468	48,468	
Payments to suppliers and providers of goods and services	(2,210,296)	(321,103)	(2,983,071)	(5,514,470)	(11,184,373)
Payments to employees	(1,877,928)	(63,761)	(319,219)	(2,260,908)	(1,282,750)
Net cash provided by operating activities	930,825	226,613	75,621	1,233,059	1,797,369
Cash flows from noncapital financing activities:					
Miscellaneous receipts	471,517	5,375		476,892	(7,783)
Loan payments received from other funds	673,918			673,918	
Cash transfers to other funds		(265,000)		(265,000)	
Net cash provided by (used for) noncapital financing activities	1,145,435	(259,625)		885,810	(7,783)
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets					79,436
Purchases of capital assets					(2,691,648)
Net cash used for capital and related financing activities					(2,612,212)
Cash flows from investing activities:					
Investment income received on cash and investments held by County Treasurer	36,551	6,706	990	44,247	146,954
Net cash provided by investing activities	36,551	6,706	990	44,247	146,954
Net increase (decrease) in cash and cash equivalents	2,112,811	(26,306)	76,611	2,163,116	(675,672)
Cash and cash equivalents, July 1, 2018	2,250	349,293	625,685	977,228	4,824,026
Cash and cash equivalents, June 30, 2019	$ 2,115,061	$ 322,987	$ 702,296	$ 3,140,344	$ 4,148,354

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2019
(Concluded)

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 724,813	$ 163,326	$ 89,260	$ 977,399	$ (703,901)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	224,336	137,515		361,851	2,256,701
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Net pension/OPEB liability	(88,165)	(7,667)	(19,167)	(114,999)	(57,500)
Deferred outflows-pension/OPEB	(91,911)	(3,717)	(8,998)	(104,626)	(58,015)
Deferred inflows-pension/OPEB	57,817	5,028	12,569	75,414	37,707
Net OPEB asset	1,924	167	418	2,509	1,254
Accounts receivable	196,560	57,363		253,923	(3,839)
Due from other funds	(10,410)			(10,410)	363,416
Due to/from other governments	(29,047)	(5,375)	7,963	(26,459)	(10,278)
Prepaid expenses			(550)	(550)	
Accounts payable	(603)	4,828	4,337	8,562	(103,103)
Accrued payroll and employee benefits	5,414	(864)		4,550	(1,575)
Accrued liabilities			25,119	25,119	
Unearned revenue			(49,046)	(49,046)	
Due to other funds	(386,569)	(122,236)	1	(508,804)	1,018
Compensated absences payable	75,509	(1,755)	13,715	87,469	75,484
Landfill closure and postclosure care costs payable	251,157			251,157	
Net cash provided by operating activities	$ 930,825	$ 226,613	$ 75,621	$ 1,233,059	$ 1,797,369
Cash and cash equivalents, June 30, 2019, consisted of:					
Cash in bank and on hand	2,350		539,972	542,322	200
Cash—restricted			162,324	162,324	
Cash and investments held by County Treasurer	2,112,711	322,987		2,435,698	4,148,154
Total cash and cash equivalents	$ 2,115,061	$ 322,987	$ 702,296	$ 3,140,344	$ 4,148,354

Noncash capital financing activities:

The Internal service funds sold equipment with a net book value of $17,602.
The BDI Airport Fund received capital assets from General Government totaling $638,451 which were recorded as capital contributions.

Cochise County
Statement of fiduciary net position
Fiduciary funds
June 30, 2019

	Investment trust funds	Agency funds
Assets		
Cash in bank and on hand		$ 985,693
Cash and investments held by County Treasurer	$ 88,165,128	
Total assets	$ 88,165,128	$ 985,693
Liabilities		
Due to other governments		$ 985,693
Total liabilities		$ 985,693
Net position		
Held in trust for investment trust participants	$ 88,165,128	

See accompanying notes to financial statements.

Cochise County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2019

	Investment trust funds
Additions:	
Contributions from participants	$ 249,217,696
Investment income	833,150
Total additions	250,050,846
Deductions:	
Distributions to participants	234,770,302
Total deductions	234,770,302
Change in net position	15,280,544
Net position, July 1, 2018	72,884,584
Net position, June 30, 2019	$ 88,165,128

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

A. Reporting entity

The County is a general purpose local government that is governed by a separately elected board of 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
Cochise Private Industry Council, Inc.	Administers and coordinates Workforce Innovation and Opportunity 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 unit. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities and between the County and its discretely presented component unit. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The County reports the following major enterprise funds:

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

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

The County also reports the following fund types:

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

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

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

C. Basis of accounting

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

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

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

D. Cash and investments

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

E. Property tax calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in 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 have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

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

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

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

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balances first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned fund balance.

I. Investment income

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

J. Compensated absences

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

Employees may accumulate up to 2080 personal leave hours. Employees that separate from County service after completion of their initial probation for reasons other than retirement are paid up to 280 hours of unused personal leave. County court employees that separate due to retirement and were hired before April 1, 2012 are paid up to 340 hours of personal leave at 100% and 50% of all remaining hours up to 2,080. All remaining employees that separate due to retirement are paid up to 280 hours of unused personal leave at 100% and 1) 50% of unused remaining hours between 281 and 2080 if hired prior to April 1, 2012 or 2) 35% of unused remaining hours between 281 and 2080 if hired between April 1, 2012 and December 15, 2018 or 3) 30% of unused remaining hours between 281 and 2080 if hired after December 15, 2018, as applicable. In addition, the maximum payment upon retirement is $20,000 for employees hired after December 15, 2018. Personal leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements.

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

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

K. Postemployment benefits

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

Note 2 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2019, were as follows:

	General fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total
Fund balances:					
Nonspendable:					
Prepaid items	$ 367,875				$ 367,875

	General fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total
Restricted for:					
Flood control				$ 5,063,119	$ 5,063,119
Health services				1,338,370	1,338,370
Judicial services				3,709,825	3,709,825
Library services				1,192,233	1,192,233
Law enforcement				3,988,096	3,988,096
Education services				189,750	189,750
Other services				1,291,551	1,291,551
Total restricted				16,772,944	16,772,944
Assigned to:					
Capital projects		$12,781,766			$12,781,766
Highways and streets			$11,627,035		11,627,035
Health services				$ 16,643	16,643
Total assigned		12,781,766	11,627,035	16,643	24,425,444
Unassigned:	$25,283,316			(40,742)	25,242,574
Total fund balances	$25,651,191	$12,781,766	$11,627,035	$16,748,845	$66,808,837

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

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

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

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

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

Deposits—At June 30, 2019, the carrying amount of the County's deposits was $16,123,479, and the bank balance was $19,597,723. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $145,140,286 at June 30, 2019. The County categorizes certain investments at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

	Fair value measurement using		
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investment by fair value level			
U.S. agency securities	$110,140,286	______	$110,140,286
Total investments by fair value level	$110,140,286	______	$110,140,286
External investment pools measured at fair value			
State Treasurer's investment pool 7	$ 35,000,000		
Total investments measured at fair value	$145,140,286		

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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

At June 30, 2019, 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	$ 35,000,000
U.S. agency securities	AA+	Standard & Poor's	89,154,046
U.S. agency securities	Unrated	Not applicable	20,986,240
Total			$145,140,286

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

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

Five percent or more of the County's investments at June 30, 2019, were in debt securities of various U.S. agencies as follows:

U.S. agency	Amount	Percent of county investments
Federal Home Loan Mortgage Corporation	$ 44,055,936	30.4
Federal Home Loan Bank	28,114,090	19.4
Federal Farm Credit Bank	21,996,660	15.2
Federal Agriculture Mortgage Corporation	9,000,210	6.2
	$103,166,896	

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, 2019, 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	$ 35,000,000	$35,000,000	
U.S. agency securities	110,140,286	23,929,090	$86,211,196
Total	$145,140,286	$58,929,090	$86,211,196

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

Cash, deposits, and investments:	
Cash on hand	$ 7,554
Amount of deposits	16,123,479
Amount of investments	145,140,286
Total	$161,271,319

	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	$ 471,901	$ 542,322		$985,693	$ 1,999,916
Cash and investments held by County Treasurer	68,508,253	2,435,698	$88,165,128		159,109,079
Cash—restricted		162,324			162,324
Total	$68,980,154	$3,140,344	$88,165,128	$985,693	$161,271,319

Note 4 – Due from other governments

Due from other governments totaling $7,633,761 at June 30, 2019, included $1,769,022 in state-shared revenue from highway user fees, $2,200,165 in state-shared sales taxes, $1,130,348 in state-shared vehicle license taxes, and $1,278,046 in county excise taxes. The remaining balance of $1,256,180 represents amounts receivable from various state and federal government grantor agencies.

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,514,276	$ 42,934		$ 2,557,210
Construction in progress	5,832,930	3,079,758	$6,476,046	2,436,642
Total capital assets not being depreciated	8,347,206	3,122,692	6,476,046	4,993,852
Capital assets being depreciated:				
Buildings	49,639,016			49,639,016
Improvements other than buildings	7,589,534	3,175,539		10,765,073
Equipment	58,097,641	4,041,162	946,065	61,192,738
Infrastructure	108,668,127	2,567,985	213,433	111,022,679
Total capital assets being depreciated	223,994,318	9,784,686	1,159,498	232,619,506
Less accumulated depreciation for:				
Buildings	$ 19,852,688	$1,244,989		$ 21,097,677
Improvements other than buildings	2,986,385	404,211		3,390,596
Equipment	34,148,185	4,408,881	$ 915,792	37,641,274
Infrastructure	45,292,618	1,563,246	76,408	46,779,456
Total accumulated depreciation	102,279,876	7,621,327	992,200	108,909,003
Total capital assets being depreciated, net	121,714,442	2,163,359	167,298	123,710,503
Governmental activities, capital assets, net	$130,061,648	$5,286,051	$6,643,344	$128,704,355

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,599,900			$ 1,599,900
Total capital assets not being depreciated	1,599,900			1,599,900
Capital assets being depreciated:				
Buildings	4,559,025			4,559,025
Improvements other than buildings	6,653,580			6,653,580
Equipment	2,849,183		48,826	2,800,357
Infrastructure	1,621,433	638,451		2,259,884
Total	15,683,221	638,451	48,826	16,272,846
Less accumulated depreciation for:				
Buildings	$ 1,769,903	$ 87,385		$ 1,857,288
Improvements other than buildings	5,535,748	184,843		5,720,591
Equipment	2,703,571	49,087	$ 48,826	2,703,832
Infrastructure	40,536	40,536		81,072
Total accumulated depreciation	10,049,758	361,851	48,826	10,362,783
Total capital assets being depreciated, net	5,633,463	276,600		5,910,063
Business-type activities capital assets, net	$ 7,233,363	$ 276,600	$	$ 7,509,963

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$3,245,370
Public safety	416,846
Highways and streets	1,676,709
Health and welfare	2,083
Education	23,618
Internal service funds	2,256,701
Total governmental activities depreciation expense	$7,621,327
Business-type activities:	
Solid Waste Operations	$ 224,336
Bisbee-Douglas International Airport	137,515
Total business-type activities depreciation expense	$ 361,851

Construction commitments—At June 30, 2019, the County was involved in 6 construction projects for governmental activities. The estimated cost to complete the 6 construction projects was $8,980,000.

Note 6 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities					
Net pension/OPEB liabilities	$103,232,576	$2,620,424	$13,120,026	$92,732,974	
Compensated absences payable	4,772,899	3,015,943	2,281,814	5,507,028	$3,878,002
Total governmental activities long-term liabilities	$108,005,475	$5,636,367	$15,401,840	$98,240,002	$3,878,002
Business-type activities					
Net pension/OPEB liabilities	$ 2,408,845	$ 2,988	$ 117,987	$ 2,293,846	
Landfill closure and postclosure care costs payable	3,341,777	$ 252,691	1,534	3,592,934	$ 20,032
Compensated absences payable	157,243	151,869	64,400	244,712	165,143
Fund held for others	97,823	26,095	1,600	122,318	
Total business-type activities long-term liabilities	$ 6,005,688	$ 430,655	$ 182,533	$ 6,253,810	$ 185,175

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its solid waste landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfill. These costs will be paid from solid waste fees in the Solid Waste Operations Fund. At June 30, 2019, the County reported closure and postclosure care costs for 2 landfills discussed below.

At June 30, 2019, the County has reported landfill closure and postclosure care liabilities totaling $3,592,934. 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, 2019. The liability reported for the Eastern Regional landfill of $496,182 is based on 100 percent use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of $3,096,752 is based on the use of 26.98 percent of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of $8,381,202 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 2019. 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 2019, the County paid for compensated absences as follows: 68.62 percent from the General Fund, 7.74 percent from the Highway and Streets Fund, 4.25 percent from the enterprise funds, and 19.39 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 3 public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Cochise Combined Trust, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 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 Cochise Combined Trust (Trust) currently composed of 2 member entities. The Trust provides the benefits through a self-funding agreement with its participants and has contracted with a third party to administer the program. The County is responsible for paying the premium. If it withdraws from the Trust, the County is responsible for a proportional share of any claims run-out costs, including administrative costs, that exceed trust fund reserves. 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 3 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 - Pensions and other postemployment benefits

Pension Plan Descriptions

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, 2019, 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 OPEB asset	$ 738,231	$ 5,923	$ 744,154
Net pension and OPEB liability	92,732,974	2,293,846	95,026,820
Deferred outflows of resources related to pensions and OPEB	16,573,549	403,706	16,977,255
Deferred inflows of resources related to pensions and OPEB	12,120,253	321,667	12,441,920
Pension and OPEB expense	(83,169)	24,345	(58,824)

The County's accrued payroll and employee benefits includes $329,246 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2019. Also, the County reported $7,880,936 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS, and EORP pension plans are described below. All OPEB plans are not described below because of their relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan descriptions—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, 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 and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

* With actuarially reduced benefits.

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

Contributions—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.18 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.41 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the ASRS pension plan for the year ended June 30, 2019 were $2,945,070.

During fiscal year 2019, the County paid for ASRS pension contributions as follows: 64 percent from the General Fund, 15 percent from major funds, and 21 percent from other funds.

Liability—At June 30, 2019, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	$38,087,839

The net pension liability was measured as of June 30, 2018. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The County's proportion of the net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The County's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

ASRS	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.27%	0.01

Expense—For the year ended June 30, 2019, the County recognized the following pension expense.

ASRS	Pension expense
Pension	$424,584

Deferred outflows/inflows of resources—At June 30, 2019, 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	$1,049,289	$ 209,972
Changes of assumptions or other inputs	1,007,874	3,377,010
Net difference between projected and actual earnings on pension plan investments		915,922
Changes in proportion and differences between County contributions and proportionate share of contributions	1,672,079	555,907
County contributions subsequent to the measurement date	2,945,070	
Total	$6,674,312	$5,058,811

The $2,945,070 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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	
2020	$ 660,347
2021	(189,773)
2022	(1,389,387)
2023	(410,756)

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$54,295,091	$38,087,839	$24,546,942

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plan, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plan (PSPRS Tier 3 Risk Pool) which are not further disclosed because of its relative insignificance to the County's financial statements.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers, which closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan for AOC officers. Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Detention officers and juvenile detention officers who became members on or after July 1, 2018, participate in PSPDCRP. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

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

PSPRS	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012 and before July 1, 2017**
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012 and before July 1, 2018**
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

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018
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 inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2019, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	69	35
Inactive employees entitled to but not yet receiving benefits	33	24
Active employees	73	61
Total	175	120

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member—pension	County—pension
PSPRS Sheriff	7.65%-11.65%	50.64%
CORP Detention	8.41%	24.53%
CORP AOC	8.41%	32.43%

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	Pension
PSPRS Sheriff	38.13%
CORP Detention	17.91%
CORP AOC	24.49%

The County's contributions to the plans for the year ended June 30, 2019, were:

	Pension
PSPRS Sheriff	$2,763,453
CORP Detention	547,986
CORP AOC	718,941

During fiscal year 2019, the County paid for PSPRS and CORP pension contributions as follows: 81 percent from the General Fund and 19 percent from other nonmajor funds.

Pension liability—At June 30, 2019, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$33,972,316
CORP Detention	5,731,067
CORP AOC (County's proportionate share)	6,521,429

The net pension liabilities were measured as of June 30, 2018, and the total liability used to calculate the liability was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

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, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP Asset class	Target allocation	Long-term expected geometric real rate of return
Short-term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private Equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rates—At June 30, 2018, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability PSPRS-Sheriff	Increase (decrease) Total pension liability (a)	 Plan fiduciary net position (b)	 Net pension liability (a) – (b)
Balances at June 30, 2018	$49,238,009	$17,778,349	$31,459,660
Changes for the year:			
Service cost	949,321		949,321
Interest on the total pension liability	3,575,183		3,575,183
Differences between expected and actual experience in the measurement of the pension liability	1,034,834		1,034,834
Contributions—employer		2,321,111	(2,321,111)
Contributions—employee		416,973	(416,973)
Net investment income		1,159,997	(1,159,997)
Benefit payments, including refunds of employee contributions	(2,798,784)	(2,798,784)	
Hall/Parker settlement		(702,104)	702,104
Administrative expense		(18,355)	18,355
Other changes		(130,940)	130,940
Net changes	2,760,554	247,898	2,512,656
Balances at June 30, 2019	$51,998,563	$18,026,247	$33,972,316

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, 2018	$11,580,453	$5,844,657	$5,735,796
Changes for the year:			
Service cost	342,971		342,971
Interest on the total pension liability	840,121		840,121
Changes of benefit terms	(647,977)		(647,977)
Differences between expected and actual experience in the measurement of the pension liability	513,693		513,693
Contributions—employer		469,110	(469,110)
Contributions—employee		195,131	(195,131)
Net investment income		396,107	(396,107)
Benefit payments, including refunds of employee contributions	(797,915)	(797,915)	
Administrative expense		(6,693)	6,693
Other changes		(118)	118
Net changes	250,893	255,622	(4,729)
Balances at June 30, 2019	$11,831,346	$6,100,279	$5,731,067

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, 2018. The County's proportion measured as of June 30, 2018, was 1.81 percent, which was an increase of .20 from its proportion measured as of June 30, 2017.

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 7.4 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 (6.40 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	**Current discount rate (7.4%)**	**1% Increase (8.4%)**
PSPRS Sheriff			
Net pension liability	$40,790,133	$33,972,316	$28,405,529
CORP Detention			
Net pension liability	$7,396,576	$5,731,067	$4,386,148
CORP AOC			
County's proportionate share of the net pension liability	$8,531,588	$6,521,429	$4,890,312

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, 2019, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$5,100,017
CORP Detention	198,161
CORP AOC (County's proportionate share)	192,718

Pension deferred outflows/inflows of resources—At June 30, 2019, 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	$ 752,763	$625,161
Changes of assumptions or other inputs	1,787,587	
Net difference between projected and actual earnings on pension plan investments	153,643	
County contributions subsequent to the measurement date	2,763,453	
Total	$5,457,446	$625,161

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 431,976	$366,506
Changes of assumptions or other inputs	270,072	
Net difference between projected and actual earnings on pension plan investments	59,249	
County contributions subsequent to the measurement date	547,986	
Total	$1,309,283	$366,506

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 24,422	$335,439
Changes of assumptions or other inputs	432,547	
Net difference between projected and actual earnings on pension plan investments	117,969	
Changes in proportion and difference between County contributions and proportionate share of contributions	633,336	142,463
County contributions subsequent to the measurement date	718,941	
Total	$1,927,215	$477,902

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30			
2020	$995,136	$147,017	$314,785
2021	931,267	122,503	179,528
2022	118,060	66,918	121,084
2023	24,369	58,353	114,975

C. Elected Officials Retirement Plan

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

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

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

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

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

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 30.16 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County contributions to the pension plan for the year ended June 30, 2019, was $975,743.

During fiscal year 2019, the County paid for EORP pension contributions as follows: 100 percent from the General Fund.

Pension liability—At June 30, 2019, 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	$10,482,318
State's proportionate share of the EORP net pension liability associated with the County	1,796,077
Total	$12,278,395

The net pension liability was measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2018, reflects statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The County's proportion of the net pension liability was based on the County's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The County's proportion measured as of June 30, 2018 and the change from its proportions measured as of June 30, 2017, were:

EORP	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	1.66%	(0.12)

Expense—For the year ended June 30, 2019, the County recognized pension expense for EORP of $(6,076,616) and revenue of $(510,668) for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2019, 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		$ 163,487
Changes of assumptions or other inputs	$ 65,313	4,363,869
Net difference between projected and actual earnings on pension plan investments	90,962	
Changes in proportion and differences between County contributions and proportionate share of contributions		860,773
County contributions subsequent to the measurement date	975,743	
Total	$1,132,018	$5,388,129

The amounts reported as deferred outflows of resources related to EORP pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	
2020	$(4,852,078)
2021	(342,697)
2022	(38,589)
2023	1,510

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

EORP	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.4 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%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.4 percent which was an increase of 3.49 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

EORP	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
County's proportionate share of the net pension liability	$12,036,137	$10,482,318	$9,161,524

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, 2019, were as follows:

	Payable To						
Payable from	General Fund	Capital Projects Funds	Highway and Streets Fund	Other governmental funds	Solid Waste Operations Fund	Internal service funds	Total
General Fund		$1,729	$1,653	$1,559,186	$ 2,085	$ 145,070	$1,709,723
Capital Projects Fund	$ 3,616						3,616
Highway and Streets Fund	232,631			18,434	35	274,272	525,372
Other governmental funds	258,319			146,922	8,645	695,677	1,109,563
Solid Waste Operations Fund	718,519					32,566	751,085
BDI Airport Fund	1,361					1,132	2,493
Other enterprise funds	66,621						66,621
Internal service funds	12,203						12,203
Total	$1,293,270	$1,729	$1,653	$1,724,542	$10,765	$1,148,717	$4,180,676

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, 2019, were as follows:

	Transfers to			
Transfers from	General Fund	Capital Projects Fund	Other governmental funds	Total
General Fund			$1,119,319	$1,119,319
Highway and Streets Fund			361,927	361,927
Other governmental funds	$308,152		632,389	940,541
BDI Airport Fund		$265,000		265,000
Total	$308,152	$265,000	$2,113,635	$2,686,787

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 $7,554 of cash and $1,992,363 of deposits and $162,324 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	$ 35,000,000	None stated	None stated	$ 35,000,000
U.S. agency securities	110,000,000	1.00–3.47%	Up to 5 years	110,140,286

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

Statement of net position	
Assets	$159,109,079
Net position	$159,109,079
Net position held in trust for:	
Internal participants	$ 70,943,951
External participants	88,165,128
Total net position held in trust	$159,109,079
Statement of changes in net position	
Total additions	$346,273,025
Total deductions	328,919,889
Net increase	17,353,136
Net position held in trust:	
July 1, 2018	141,755,943
June 30, 2019	$159,109,079

Note 11 - Discretely presented component unit—Cochise Private Industry Council, Inc.

A. Summary of significant accounting policies

Basis of accounting

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

Capital assets

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

Program revenues

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

B. Cash

At June 30, 2019, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was $55,654 and the bank balance was $86,497.

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

C. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2019:

Program	Amount
Cochise County, Arizona	
WIOA Adult Program	$ 99,268
WIOA Dislocated Workers	62,065
WIOA Youth Program	69,616
WIOA Rapid Response	8,568
Other	7,463
Total	$246,980

D. Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Increases	Balance at June 30, 2019
Capital assets being depreciated:			
Furniture and equipment	$ 166,537		$ 166,537
Leasehold improvements	13,351		13,351
Total capital assets being depreciated	179,888		179,888
Less accumulated depreciation:	(143,169)	$(10,904)	(154,073)
Total capital assets being depreciated, net	$ 36,719	$(10,904)	$ 25,815

E. Due to related party

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

During 2019, ARIZONA@WORK SEAZ paid $294,685 as reimbursement for expenses to CAS to administer the Professional Youth Quest program funded by the Workforce Innovation and Opportunity Act–Youth Activities grant. The amount due to CAS related to this program was $44,839 as of June 30, 2019.

Other Required Supplementary Information

Cochise County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	$ 33,597,590	$ 33,597,590	$ 34,264,002	$ 666,412
Licenses and permits	31,000	31,000	48,491	17,491
Fees, fines, and forfeits	1,599,838	1,599,838	1,288,901	(310,937)
Intergovernmental	16,807,322	16,807,322	18,362,494	1,555,172
Charges for services	2,370,733	2,370,733	2,255,051	(115,682)
Investment income	200,000	200,000	810,928	610,928
Miscellaneous	407,062	407,062	351,881	(55,181)
Total revenues	55,013,545	55,013,545	57,381,748	2,368,203
Expenditures:				
Assessor	2,017,183	2,016,314	1,862,021	154,293
Attorney	2,437,769	2,500,082	2,355,991	144,091
Board of Supervisors	1,440,328	1,465,734	1,207,131	258,603
Cochise Aging and Social Services	8,660,150	8,837,959	9,219,811	(381,852)
General government	12,791,864	12,216,415	10,840,932	1,375,483
General government contingency	19,184,944	18,806,744		18,806,744
Health	1,368,440	1,256,504	1,125,054	131,450
Judicial system	12,027,149	12,425,044	12,135,033	290,011
Public and legal defenders	2,546,779	2,615,956	2,435,416	180,540
Recorder	558,126	557,726	554,070	3,656
Public safety	18,872,269	19,165,319	18,631,700	533,619
School Superintendent	411,028	452,713	419,579	33,134
Treasurer	1,092,150	1,091,669	1,051,731	39,938
Total expenditures	83,408,179	83,408,179	61,838,469	21,569,710
Excess (deficiency) of revenues over expenditures	(28,394,634)	(28,394,634)	(4,456,721)	23,937,913
Other financing sources:				
Sale of capital assets	30,000	30,000	55,514	25,514
Transfers in	333,775	333,775	308,152	(25,623)
Total other financing sources	363,775	363,775	363,666	(109)
Net change in fund balances	(28,030,859)	(28,030,859)	(4,093,055)	23,937,804
Fund balances, July 1, 2018	28,030,859	28,030,859	29,744,246	1,713,387
Fund balances, June 30, 2019	$ -	$ -	$ 25,651,191	$ 25,651,191

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Highway and Streets Fund
Year ended June 30, 2019

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	$ 300,000	$ 300,000	$ 299,498	$ (502)
Intergovernmental	11,067,000	11,067,000	12,323,896	1,256,896
Charges for services	735,500	736,241	633,765	(102,476)
Investment income	87,000	87,000	303,805	216,805
Miscellaneous	8,693,603	8,692,862	91,056	(8,601,806)
Total revenues	20,883,103	20,883,103	13,652,020	(7,231,083)
Expenditures:				
Current:				
Highways and streets	20,849,030	20,543,176	12,202,369	8,340,807
Total expenditures	20,849,030	20,543,176	12,202,369	8,340,807
Excess (deficiency) of revenues over expenditures	34,073	339,927	1,449,651	1,109,724
Other financing sources (uses):				
Sale of capital assets	22,000	22,000	6,350	(15,650)
Transfers out	(56,073)	(361,927)	(361,927)	
Total other financing sources and uses	(34,073)	(339,927)	(355,577)	(15,650)
Net change in fund balances			1,094,074	1,094,074
Fund balances, July 1, 2018			10,532,961	10,532,961
Fund balances, June 30, 2019	$ -	$ -	$ 11,627,035	$ 11,627,035

See accompanying notes to budgetary comparison schedule.

Note 1 - Budgeting and budgetary control

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the County Administrator's or Board of Supervisors' approval. With the exception of the General Fund, each fund includes only 1 department.

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

Note 2 - Expenditures in excess of appropriations

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/department	Excess
General fund:	
Cochise Aging and Social Services	$381,812

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, 2019

Arizona State Retirement System

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	0.27%	0.26%	0.26%	0.27%	0.29%	Information not available
County's proportionate share of the net pension liability	$38,087,839	$40,054,284	$42,744,608	$42,532,701	$42,685,890	
County's covered payroll	27,317,312	25,122,131	24,779,581	25,133,395	26,034,337	
County's proportionate share of the net pension liability as a percentage of its covered payroll	139.4%	159.4%	172.5%	169.2%	163.96%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—
Administrative Office of the Courts

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	1.81%	1.61%	1.58%	1.72%	1.76%	Information not available
County's proportionate share of the net pension liability	$ 6,521,429	$ 6,456,911	$ 4,457,185	$ 4,178,318	$ 3,949,941	
County's covered payroll	2,097,458	1,828,728	1,745,725	1,912,811	1,959,540	
County's proportionate share of the net pension liability as a percentage of its covered payroll	310.9%	353.1%	255.3%	218.44%	201.57%	
Plan fiduciary net position as a percentage of the total pension liability	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)					
	2019 (2018)	**2018 (2017)**	**2017 (2016)**	**2016 (2015)**	**2015 (2014)**	**2014 through 2010**
County's proportion of the net pension liability	1.66%	1.78%	1.95%	1.84%	1.87%	Information not available
County's proportionate share of the net pension liability	$10,482,318	$21,749,157	$18,427,509	$14,367,585	$12,532,950	
State's proportionate share of the net pension liability associated with the County	1,796,077	4,513,931	3,804,807	4,479,215	3,842,719	
Total	$12,278,395	$26,263,088	$22,232,316	$18,846,800	$16,375,669	
County's covered payroll	$ 1,499,119	$ 1,291,276	$ 1,357,975	$ 1,544,807	$ 1,722,405	
County's proportionate share of the net pension liability as a percentage of its covered payroll	699.2%	1684.3%	1357.0%	930.06%	727.64%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2019

Public Safety Personnel Retirement System—Sheriff	Reporting fiscal year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	$ 949,321	$ 1,037,941	$ 912,659	$ 897,651	$ 864,164	
Interest on the total pension liability	3,575,183	3,282,075	3,306,647	3,212,596	2,633,247	
Changes of benefit terms		705,650	344,258		1,126,739	
Differences between expected and actual experience in the measurement of the pension liability	1,034,834	(187,240)	(1,789,290)	(213,315)	273,161	
Changes of assumptions or other inputs		2,581,911	1,605,977		5,093,748	
Benefit payments, including refunds of employee contributions	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	
Net change in total pension liability	2,760,554	4,571,610	1,619,422	1,245,104	7,387,767	
Total pension liability—beginning	49,238,009	44,666,399	43,046,977	41,801,873	34,414,106	
Total pension liability—ending (a)	$ 51,998,563	$ 49,238,009	$ 44,666,399	$ 43,046,977	$ 41,801,873	
Plan fiduciary net position						
Contributions—employer	$ 2,321,111	$ 2,447,945	$ 3,414,120	$ 2,816,097	$ 1,590,648	
Contributions—employee	416,973	572,902	542,026	533,148	480,171	
Net investment income	1,159,997	1,994,903	95,788	479,555	1,625,439	
Benefit payments, including refunds of employee contributions	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	Information not available
Hall/Parker settlement	(702,104)					
Pension plan administrative expense	(18,355)	(18,052)	(14,183)	(12,070)		
Other changes	(130,940)	(45,634)	133,030	11,916	(884,905)	
Net change in plan fiduciary net position	247,898	2,103,337	1,409,952	1,176,818	208,061	
Plan fiduciary net position—beginning	17,778,349	15,675,012	14,265,060	13,088,242	12,880,181	
Plan fiduciary net position—ending (b)	$ 18,026,247	$ 17,778,349	$ 15,675,012	$ 14,265,060	$ 13,088,242	
County's net pension liability—ending (a) - (b)	$ 33,972,316	$ 31,459,660	$ 28,991,387	$ 28,781,917	$ 28,713,631	
Plan fiduciary net position as a percentage of the total pension liability	34.67%	36.11%	35.09%	33.14%	31.31%	
Covered payroll	$ 5,288,422	$ 4,783,431	$ 4,745,782	$ 4,885,979	$ 4,681,028	
County's net pension liability as a percentage of covered payroll	642.39%	657.68%	610.89%	589.07%	613.40%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2019
(Concluded)

Corrections Officer Retirement Plan—Detention	Reporting fiscal year (Measurement date) 2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability						
Service cost	$ 342,971	$ 330,614	$ 297,814	$ 292,414	$ 282,410	
Interest on the total pension liability	840,121	724,260	742,741	666,802	574,310	
Changes of benefit terms	(647,977)	1,384,226	13,188		133,007	
Differences between expected and actual experience in the measurement of the pension liability	513,693	(331,887)	(636,880)	512,038	(165,636)	
Changes of assumptions or other inputs		301,101	362,499		798,887	
Benefit payments, including refunds of employee contributions	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	
Net change in total pension liability	250,893	1,769,602	216,814	1,020,658	1,174,077	
Total pension liability—beginning	11,580,453	9,810,851	9,594,037	8,573,379	7,399,302	
Total pension liability—ending (a)	$ 11,831,346	$ 11,580,453	$ 9,810,851	$ 9,594,037	$ 8,573,379	
Plan fiduciary net position						
Contributions—employer	$ 469,110	$ 448,799	$ 400,307	$ 268,393	$ 222,257	
Contributions—employee	195,131	184,017	197,513	171,671	141,534	
Net investment income	396,107	648,996	32,454	182,577	617,823	Information not available
Benefit payments, including refunds of employee contributions	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	
Administrative expense	(6,693)	(6,077)	(4,989)	(4,869)		
Other changes	(118)	(33)	36,666	(25,999)	(497,992)	
Net change in plan fiduciary net position	255,622	636,990	99,403	141,177	34,721	
Plan fiduciary net position—beginning	5,844,657	5,207,667	5,108,264	4,967,087	4,932,366	
Plan fiduciary net position—ending (b)	$ 6,100,279	$ 5,844,657	$ 5,207,667	$ 5,108,264	$ 4,967,087	
County's net pension liability—ending (a) - (b)	$ 5,731,067	$ 5,735,796	$ 4,603,184	$ 4,485,773	$ 3,606,292	
Plan fiduciary net position as a percentage of the total pension liability	51.56%	50.47%	53.08%	53.24%	57.94%	
Covered payroll	$ 2,477,913	$ 2,268,355	$ 2,239,735	$ 2,168,765	$ 1,960,381	
County's net pension liability as a percentage of covered payroll	222.31%	252.86%	205.52%	206.84%	183.96%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2019

Arizona State Retirement System

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Statutorily required contribution	$ 2,945,070	$ 2,965,840	$ 2,701,331	$ 2,688,971	$ 2,738,453	$ 2,774,744	Information not available
County's contributions in relation to the statutorily required contribution	2,945,070	2,965,840	2,701,331	2,688,971	2,738,453	2,774,744	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 27,248,793	$ 27,317,312	$ 25,122,131	$ 24,779,581	$ 25,133,395	$ 26,034,337	
County's contributions as a percentage of covered payroll	10.81%	10.86%	10.75%	10.85%	10.90%	10.66%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Statutorily required contribution	$ 718,941	$ 477,270	$ 363,649	$ 332,346	$ 284,626	$ 273,752	Information not available
County's contributions in relation to the statutorily required contribution	718,941	477,270	363,649	332,346	284,626	273,752	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
County's covered payroll	$ 2,253,381	$ 2,097,458	$ 1,828,728	$ 1,745,725	$ 1,912,811	$ 1,959,540	
County's contributions as a percentage of covered payroll	31.90%	22.75%	19.89%	19.04%	14.88%	13.97%	

Elected Officials Retirement Plan

	Reporting fiscal year						
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013 through 2010**
Statutorily required contribution	$ 975,743	$ 314,179	$ 303,450	$ 319,124	$ 363,029	$ 398,234	Information not available
County's contributions in relation to the statutorily required contribution	975,743	13,397	303,450	319,124	363,029	398,234	
County's contribution deficiency (excess)	$ -	$ 300,782	$ -	$ -	$ -	$ -	
County's covered payroll	$ 2,067,858	$ 1,499,119	$ 1,291,276	$ 1,357,975	$ 1,544,807	$ 1,722,405	
County's contributions as a percentage of covered payroll	47.19%	0.89%	23.50%	23.50%	23.50%	23.12%	

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2019
(Concluded)

Public Safety Personnel Retirement System—Sheriff	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013 through 2010
Actuarially determined contribution	$ 2,763,453	$ 2,359,040	$ 2,411,458	$ 2,413,915	$ 1,854,142	$ 1,590,648	
County's contributions in relation to the actuarially determined contribution	2,763,453	1,724,096	2,411,458	3,413,915	2,854,142	1,590,648	
County's contribution deficiency (excess)	$ -	$ 634,944	$ -	$ (1,000,000)	$ (1,000,000)	$ -	Information not available
County's covered payroll	$ 5,323,875	$ 5,288,422	$ 4,783,431	$ 4,745,782	$ 4,885,979	$ 4,681,028	
County's contributions as a percentage of covered payroll	51.91%	32.60%	50.41%	71.94%	58.41%	33.98%	

Corrections Officer Retirement Plan—Detention	Reporting fiscal year						
	2019	2018	2017	2016	2015	2014	2013 through 2010
Actuarially determined contribution	$ 547,986	$ 516,924	$ 437,766	$ 384,058	$ 268,394	$ 222,257	
County's contributions in relation to the actuarially determined contribution	547,986	516,924	437,766	384,058	268,394	222,257	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	Information not available
County's covered payroll	$ 2,318,249	$ 2,577,913	$ 2,268,355	$ 2,239,735	$ 2,168,765	$ 1,960,381	
County's contributions as a percentage of covered payroll	23.64%	20.05%	19.30%	17.15%	12.38%	11.34%	

See accompanying notes to pension plan schedules.

Note 1 – Actuarially determined contribution rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30, 2 years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percentage-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS and from 4.0%–7.25% to 3.5%–6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

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

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

SINGLE AUDIT REPORT

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2019, 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 27, 2020. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority Fund and Cochise Private Industry Council, Inc., as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-02 and 2019-03 to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

County response to findings

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

Purpose of this report

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

Lindsey Perry, CPA, CFE
Auditor General

March 27, 2020

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2019, except for the Housing Voucher Cluster (CFDA 14.871), a major federal program administered by the County's Housing Authority. The major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that major federal program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Cochise County's basic financial statements include the operations of the Cochise Private Industry Council, Inc., which was reported as a discretely presented component unit and expended $2,401,937 in federal awards that are not included in Cochise County's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Cochise Private Industry Council, Inc. because Cochise County engaged other auditors to perform its audit.

Management's responsibility

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

Auditors' responsibility

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

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

Opinion on each major federal program

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on internal control over compliance

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

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

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

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

Lindsey Perry, CPA, CFE
Auditor General

March 27, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

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

Federal awards

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

Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
14.871	Housing Voucher Cluster

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

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)?	Yes

Financial statement findings

2019-01

The County's inadequate payroll controls increased the risk of fraud

Condition and context—Fourteen County employees were able to change employee pay rates, including their own, without another person's approval. In addition, 7 of these employees, including 1 who was an hourly worker, could change hours worked on employee time sheets without approval. We noted no instances of fraud or improper payments to employees for the payroll transactions that we tested.

Criteria—The County should have effective internal controls over payroll to prevent fraud and improper payments.

Effect—Employees can alter their payroll amounts exposing the County to an increased risk of fraud and improper payments.

Cause—The County contracted with a third-party servicer to process its payroll payments and assigned County employees with access roles on the third-party servicer's information system that granted any 1 employee the ability to change employee data, including their own, which could cause employees to be paid improper amounts through the third-party servicer.

Recommendations—To help ensure that it pays employees for only hours actually worked at appropriate pay rates, the County should establish policies and procedures that:

- Assign access roles on the third-party servicer's information system that prevent any 1 person from changing employee data on the payrolls and processing payroll through to payment without another person's approval.
- Restrict role assignments to only a limited number of employees as necessary.
- Prohibit employees' access to change their own pay rates.
- Monitor the activities of those employees assigned access roles that allow them to make changes without approval.

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

2019-02

Managing risk

Condition and context—The County's process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Criteria—Effectively managing risk at the County should address the risk of unauthorized access and use, modification, or loss of sensitive information.

Effect—Without correcting these deficiencies, the County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

Cause—The County is in the process of working with its departments to design and implement policies and procedures.

Recommendation—The County should evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations. To help achieve this, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology.

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

This finding is similar to prior-year finding 2018-02.

2019-03

Information technology (IT) controls—access, configuration and change management, security, and contingency planning

Condition and context—The County control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked adequate procedures over the following:

- **Restricting access to its IT systems and data—**Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Configuring systems securely and managing system changes—**Procedures did not ensure all IT system changes were adequately managed and configuration settings maintained.
- **Securing systems and data—**IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Developing and documenting a contingency plan—**Plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

Criteria—The County should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical access controls—**Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Well-defined, documented configuration management process—**Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **IT security internal control policies and procedures—**Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.
- **Comprehensive, documented, and tested contingency plan—**Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause—The County relied on an informal process for controlling access to, configuring and making changes to, securing, and planning for contingencies related to its IT systems and data, and had not fully developed and implemented written policies and procedures.

Recommendations—To help ensure the County has effective policies and procedures over its IT systems and data, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. To help achieve these control objectives, the County should develop, document, and implement control procedures in each IT control area described below:

Access

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees' access to IT systems and data.
- Review all other account access to ensure it remains appropriate and necessary.

Configuration and change management

- Establish and follow a documented change management process.
- Review proposed changes for appropriateness, justification, and security impact.
- Document changes, testing procedures and results, change approvals, and post-change review.
- Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- Test changes prior to implementation.
- Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Security

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

Contingency planning

- Develop and implement a contingency plan and ensure it includes all critical elements to restore critical operations, including being prepared to move critical operations to a separate alternative site if necessary.
- Test the contingency plan.
- Train staff responsible for implementing the contingency plan.

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

This finding is similar to prior-year finding 2018-03.

Federal award findings and questioned costs

None reported.

COUNTY SECTION

COCHISE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN	*10.557*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS14-053052 A4 ADHS19-207425*		*$494,808*	*$494,808*	*N/A*	*$0*
COMMODITY SUPPLEMENTAL FOOD PROGRAM	*10.565*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS14-053052 A4 ADHS19-207425*		*$42,810*	*$42,810*	*FOOD DISTRIBUTION CLUSTER*	*$42,810*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$178,290	$356,581	$356,581	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$356,581
WATERSHED PROTECTION AND FLOOD PREVENTION	10.904					$226,539	$226,539	N/A	$0
NATIONAL FOREST SYSTEM - LAW ENFORCEMENT	10.U01	18-LE-11030500-003				$12,749	$12,749	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE					$178,290	$1,133,487			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241					$203,357	$203,357	N/A	$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					$3,124,753	$3,124,753	HOUSING VOUCHER CLUSTER	$3,124,753
FAMILY SELF-SUFFICIENCY PROGRAM	14.896					$45,648	$45,648	N/A	$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						$3,373,758			
DEPARTMENT OF THE INTERIOR									
DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENTS	15.227				$6,374	$6,374	$6,374	N/A	$0
NATIONAL WILDLIFE REFUGE FUND	15.659					$940	$940		$940
TOTAL DEPARTMENT OF THE INTERIOR					$6,374	$7,314			
DEPARTMENT OF JUSTICE									
CRIME VICTIM ASSISTANCE	*16.575*		*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2016-VA-GX-0046*		*$106,310*	*$106,310*	*N/A*	*$0*
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP)	16.606					$88,298	$88,298	N/A	$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*		*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-19-021 DC-19-003*		*$86,197*	*$86,197*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE						$280,805			
DEPARTMENT OF TRANSPORTATION									
AIRPORT IMPROVEMENT PROGRAM	20.106					$250,825	$250,825	N/A	$0
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*		*ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2018-PTS-015 2019-AL-012 2019-PTS-011*		*$33,598*	*$33,598*	*HIGHWAY SAFETY CLUSTER*	*$39,595*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*		*ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY*	*2019-CIOT-006*		*$5,997*	*$5,997*	*HIGHWAY SAFETY CLUSTER*	*$39,595*
TOTAL DEPARTMENT OF TRANSPORTATION						$290,420			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
GRANTS TO STATES	*45.310*		*ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS*	*2018-0010-0-A 2018LL0300-01 2018-0260-5*		*$32,770*	*$32,770*	*N/A*	*$0*
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						$32,770			
DEPARTMENT OF EDUCATION									
TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES	*84.010*		*ARIZONA DEPARTMENT OF EDUCATION*	*18FLCCCL-813161-02A 18FT1TII-813161-03A*		*$21,857*	*$21,857*	*N/A*	*$0*
ENGLISH LANGUAGE ACQUISITION GRANTS	*84.365*		*ARIZONA DEPARTMENT OF EDUCATION*	*18FELENG-813161-66A 19FELENG-913161-66A*	*$31,711*	*$31,882*	*$31,882*	*N/A*	*$0*
PRESCHOOL DEVELOPMENT GRANTS	*84.419*		*ARIZONA DEPARTMENT OF EDUCATION*	*GRA-STATE-19-0968-01*		*$9,679*	*$9,679*	*N/A*	*$0*
TOTAL DEPARTMENT OF EDUCATION					$31,711	$63,418			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
SPECIAL PROGRAMS FOR THE AGING-TITLE III, PART B-GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	*93.044*		*SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION*	*107-19*		*$195,246*	*$195,246*	*AGING CLUSTER*	*$195,246*
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS17-133164 ADHS17-133164 A4 ADHS17-133164 A5*		*$298,720*	*$298,720*	*N/A*	*$0*
HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS	*93.074*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-197763*		*$36,000*	*$36,000*	*N/A*	*$0*
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	*93.136*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-180472 ADHS18-180472 A1*		*$10,265*	*$10,265*	*N/A*	*$0*
FAMILY PLANNING SERVICES	*93.217*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-109191 A6*		*$95,388*	*$95,388*	*N/A*	*$0*
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS18-177676*		*$160,430*	*$160,430*	*N/A*	*$0*
CHILD SUPPORT ENFORCEMENT	*93.563*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI16-002160 D18-002162*		*$39,292*	*$39,292*	*N/A*	*$0*
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	*93.597*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI16-002163*		*$49,780*	*$49,780*	*N/A*	*$0*
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	*93.959*		*OFFICE OF THE ARIZONA GOVERNOR*	*IGA-SABG-MS-100118-02*	*$49,413*	*$56,015*	*$56,015*	*N/A*	*$0*
PREVENTIVE HEALTH SERVICES-SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	*93.977*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR040475 ADHS14-071556 A4*		*$13,704*	*$13,704*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	*93.991*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*ADHS16-109191 A6*		*$54,748*	*$54,748*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$49,413	$1,009,588			
EXECUTIVE OFFICE OF THE PRESIDENT									
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	*95.001*		*CITY OF TUCSON*	*HT-17-2726 HT-18-2826 HT-18-2827*		*$214,839*	*$214,839*	*N/A*	*$0*
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT						$214,839			

DEPARTMENT OF HOMELAND SECURITY

EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*	*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*EMF-2018-EP-00012-S01*		*$101,211*	*$101,211*	*N/A*	*$0*
HOMELAND SECURITY GRANT PROGRAM	*97.067*	*ARIZONA DEPARTMENT OF HOMELAND SECURITY*	*16-AZDOGH-OPSG-160400-02 17-AZDOHS-OPSG-170401-02 18-AZDOHS-OPSG-180401-02 17-AZDOHS-HSGP-170400-01 18-AZDOHS-HSGP-180400-01*		*$700,340*	*$700,340*	*N/A*	*$0*
TOTAL DEPARTMENT OF HOMELAND SECURITY					$801,551			
TOTAL EXPENDITURE OF FEDERAL AWARDS				$265,761	$7,207,950			

Please Note:

Italicized award lines indicate pass-through funding

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

COCHISE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

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

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

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, 2019. 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.

Catalog of Federal Domestic Assistance (CFDA) number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used.

COUNTY RESPONSE

Cochise County

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

March 16, 2020

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

Dear Ms. Perry:

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

Sincerely,

Keith Buonocore
Cochise County Finance Director

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, 2019

Financial statement findings

2019-01

The County's inadequate payroll controls increased the risk of fraud
Contact: Keith Buonocore, Finance Director
Anticipated completion date: On going
Corrective Action Plan: Concur

The County has implemented the Auditor's recommendation for improved separation of duties and compensating controls for those individuals tasked with processing employee data and those individuals tasked with processing bi-weekly payroll. Authorities have been modified and maintained so that no one individual has access to make unauthorized changes to employee data and make unauthorized changes in executing bi-weekly payroll. A processing log will be produced and reviewed prior to each payroll run for verifying any changes in employee data. User authorities will be set up and routinely monitored to prevent any future occurrence. The implementation of the new system has had its challenges and rewards and we thank the auditors for their thorough review of the new human resource and payroll system.

2019-02 (similar to 2018)

Managing risk
Contact: Joe Casey, Chief Information Officer
Anticipated completion date: On going through June 2021
Corrective Action Plan: Concur

Cochise County will develop process and procedures to identify and classify the data that falls under each category. Once processes, procedures and required technology in place we will start marking the data appropriately.

2019-03 (similar to 2018)

Information technology (IT) controls—access, configuration and change management, security, and contingency planning
Contact: Joe Casey, Chief Information Officer
Anticipated completion date: On going through June 2021
Corrective Action Plan: Concur

Cochise County will develop configuration and change management processes and procedures. Cochise County will develop configuration management process and procedures. We will review appropriate logs and critical system account permissions on a defined schedule. We will document and formalize our contingency plan.

Cochise County

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

March 16, 2020

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

Dear Ms. Perry:

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

Sincerely,

Keith Buonocore
Cochise County Finance Director

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

Cochise County

Summary schedule of prior audit findings

Year ended June 30, 2019

Prior Financial statement findings

Finding No: 2018-01

Annual financial report preparation
Status: Corrected

2018-02

Managing risk
Contact: Joe Casey, Chief Information Officer
Status: Will be corrected by June 2021

Cochise County will develop process and procedures to identify and classify the data that falls under each category. Once processes, procedures and required technology in place we will start marking the data appropriately.

2018-03

Information technology (IT) controls—access, configuration and change management, security, and contingency planning
Contact: Joe Casey, Chief Information Officer
Status: Will be corrected by June 2021

Cochise County will develop configuration management process and procedures. We will review appropriate logs and critical system account permissions on a defined schedule. We will document and formalize our contingency plan.

ARIZONA
Auditor General
Making a Positive Difference