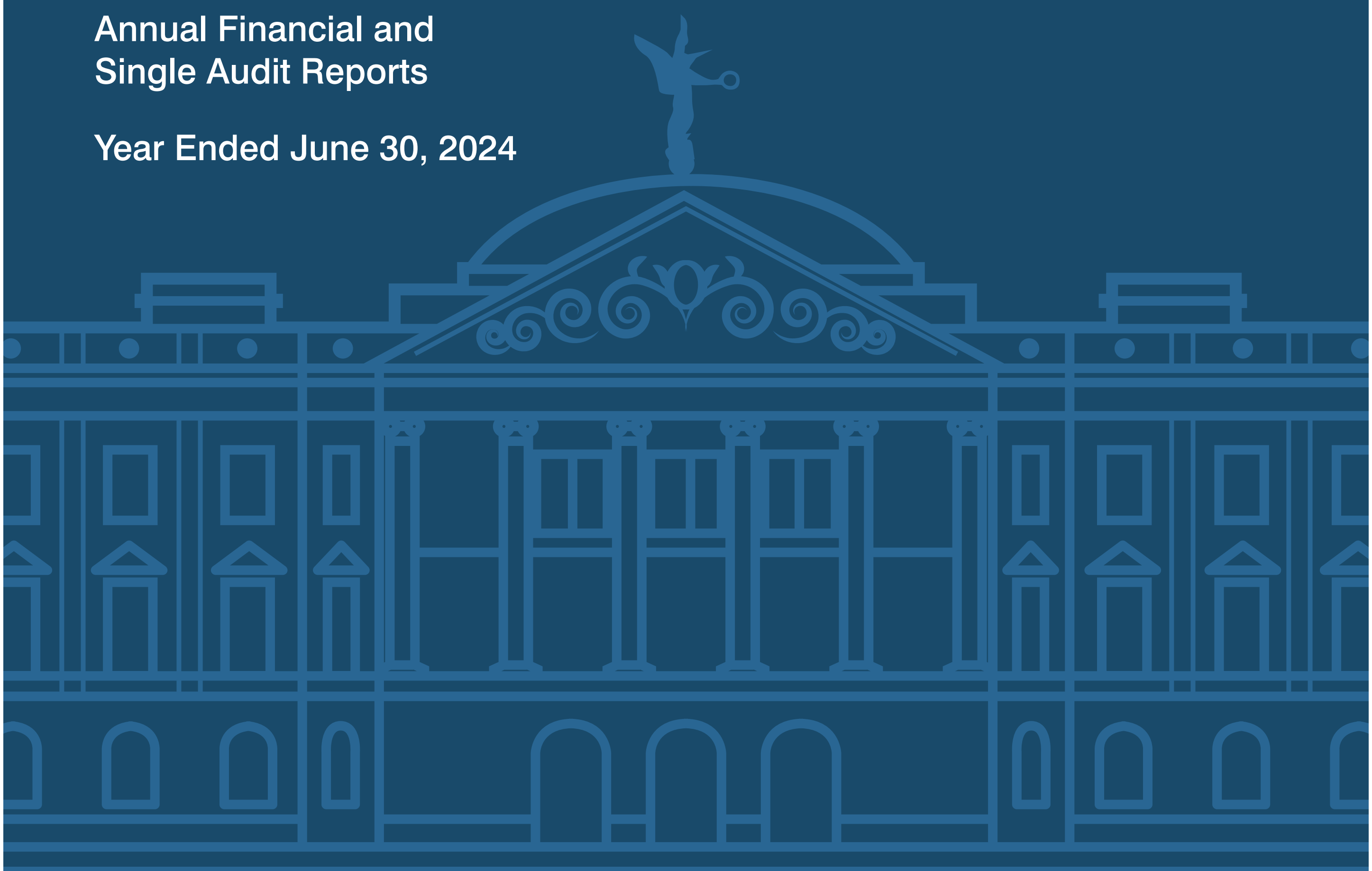
Cochise County

Annual Financial and Single Audit Reports

Year Ended June 30, 2024



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

ARIZONA Auditor General
Making a Positive Difference

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

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DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on the audit of the financial statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the Housing Authority, Accommodation School District, and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures for the opinion units affected as of June 30, 2024.

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ Expenditures
Government-wide statements				
Governmental activities				
Accommodation School District	0%	0%	1%	1%
Business-type activities				
Housing Authority	9%	9%	43%	46%
Discretely presented component unit				
Cochise Private Industry Council, Inc.	100%	100%	100%	100%
Fund statements				
Aggregate remaining fund information				
Accommodation School District	1%	1%	0%	0%
Housing Authority	1%	6%	1%	1%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports.

Basis for opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other matters

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

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

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

Management's responsibilities for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-11, budgetary comparison schedules on pages 51 through 53, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 56, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 57 through 58, and schedule of County pension contributions on pages 59 through 60, be presented to supplement the basic financial statements. Such information is management's responsibility and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Schedule of expenditures of federal awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards, and is not a required part of the basic financial statements. Such information is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

May 30, 2025

Cochise County
Management's Discussion and Analysis
June 30, 2024

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, 2024. 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 $186.5 million (net position). Of the net position amount, $139.6 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure, intangible right-to-use lease assets, subscription-based information technology arrangement assets and construction in progress); $58.7 million is restricted for specific purposes (restricted net position); and $(11.8) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2024, total assets were $313.7 million, an increase of $26.1 million, or 9.1%, in comparison with the prior fiscal year's balance of $287.6 million.
- At June 30, 2024, total liabilities were $136.1 million, a decrease of $7.4 million, or (5.2)%, in comparison with the prior fiscal year's balance of $143.5 million.
- At June 30, 2024, other liabilities were $32.1 million, an increase of $2.5 million, or 8.5% in comparison with the prior fiscal year's balance of $29.6 million.
- At June 30, 2024, the County reported total deferred outflows of resources related to pensions and other postemployment benefits (OPEB) of $16.7 million and deferred inflows of resources related to pensions/OPEB and leases of $7.8 million.
- At June 30, 2024, the governmental funds reported combined fund balances of $112.9 million, an increase of $8.9 million, or 8.6%, in comparison with the prior year's combined fund balances of $104.0 million.
- At June 30, 2024, $41.6 million, or 36.8%, of governmental fund balances were restricted, $29.5 million, or 26.1%, were assigned, $78 thousand, or 0.1%, were nonspendable, and $41.8 million, or 37.0%, were unassigned. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional language or enabling legislation. The nonspendable fund balances are legally or contractually required to be maintained intact. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The Highways 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 Moson Road Fund provides for the drainage and safety improvements between SR90 and Hereford Road in a reasonably safe and cost-effective manner. The primary source of revenue for the fund is the grant funding from the Arizona Department of Transportation.

The Opioid Settlements Fund accounts for the nationwide opioid settlement received by the County as a participant in the One Arizona Distribution of Opioid Settlement Funds Agreement. Cochise County is allocated a portion of settlement monies as the cases are settled.

The Admin Grants Fund accounts for the acquisition and implementation of a Software as a Service Agreement for the County Enterprise Resource Planning (ERP) project with Tyler Technologies. The source of revenue for the fund is Local Assistance and Tribal Consistency grant funding.

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

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

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

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

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

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

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

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

The notes to financial statements can be found on pages 14 through 50 of this report.

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

Required supplementary information can be found on pages 51 through 62 of this report.

Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. The net increase of $12.6 million in current and other assets was primarily due to an additional $5.8 million in Local Assistance Taxpayer Fund LATF federal funds received, $4.4 million in new revenue from the County .5% Jail District Sales Tax, and $5.3 million in funding from the Arizona Department of Transportation for the Moson Road enhancement project, and accounts receivable for opioid settlements in the governmental funds that occurred in the fiscal year. The net decrease in total liabilities of $7.4 million was primarily due to the increase of $3.1 million in unearned revenue and the decrease of $10.4 million in net pension/OPEB liabilities.

Statement of Net Position—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, Cochise County's assets and deferred outflows exceeded liabilities and deferred inflows by $186.5 million.

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2023 and 2024

	Governmental Activities		Business-type Activities		Total	
	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024
Assets:						
Current and other assets	$149,586,428	$163,529,423	$11,594,496	$10,243,046	$161,180,924	$173,772,469
Capital assets, net	119,056,321	129,106,078	7,392,205	10,848,580	126,448,526	139,954,658
Total assets	268,642,749	292,635,501	18,986,701	21,091,626	287,629,450	313,727,127
Deferred outflows	16,482,920	16,395,152	356,946	312,707	16,839,866	16,707,859
Liabilities:						
Other liabilities	29,345,274	31,860,511	281,315	297,113	29,626,589	32,157,624
Long-term liabilities	105,940,012	95,709,333	7,981,659	8,255,080	113,921,671	103,964,413
Total liabilities	135,285,286	127,569,844	8,262,974	8,552,193	143,548,260	136,122,037
Deferred inflows:						
Related to pensions and OPEB	4,017,482	7,523,426	173,677	186,970	4,191,159	7,710,396
Related to leases			141,971	96,040	141,971	96,040
Total deferred inflows	4,017,482	7,523,426	315,648	283,010	4,333,130	7,806,436
Net position:						
Net investment in capital assets	118,398,234	128,749,990	7,377,371	10,834,922	125,775,605	139,584,912
Restricted	36,309,911	58,543,273	6,320	190,300	36,316,231	58,733,573
Unrestricted	(8,885,245)	(13,355,880)	3,381,334	1,543,908	(5,503,911)	(11,811,972)
Total net position	$145,822,900	$173,937,383	$10,765,025	$12,569,130	$156,587,925	$186,506,513

A large portion of Cochise County's net position, 74.8%, reflects its investment in capital assets (e.g., land, buildings, machinery, intangible right-to-use lease assets, subscription-based information technology arrangements, and equipment). This amount is presented less accumulated depreciation/amortization and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Statement of Activities—The County's total net position increased by $29.9 million during the fiscal year, primarily due to an increase in revenues. The following table summarizes the results of operations and accounts for the changes in net position for governmental and business-type activities:

Governmental and Business-type Activities
Summary Comparison Statement of Activities
Years Ended June 30, 2023 and 2024

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
Revenues						
Program revenues:						
Charges for services	$ 12,566,440	$ 19,774,135	$ 6,087,181	$ 5,621,873	$ 18,653,621	$25,396,008
Operating grants and contributions	53,310,049	55,269,379	5,287,276	6,184,859	58,597,325	61,454,238
Capital grants and contributions	5,031	42,108			5,031	42,108
General revenues:						
Property taxes	33,391,603	34,127,433			33,391,603	34,127,433
State shared sales tax	19,246,382	20,529,864			19,246,382	20,529,864
State shared unrestricted vehicle license tax	4,699,280	4,680,303			4,699,280	4,680,303
County excise tax	9,943,294	14,697,575	748,364	770,455	10,691,658	15,468,030
Other	6,101,087	12,048,078	348,729	1,145,184	6,449,816	13,193,262
Total revenues	139,263,166	161,168,875	12,471,550	13,722,371	151,734,716	174,891,246
Expenses						
General government	56,908,598	65,731,905			56,908,598	65,731,905
Public safety	33,450,598	41,467,403			33,450,598	41,467,403
Highways and streets	14,107,334	12,433,522			14,107,334	12,433,522
Sanitation	789,298	843,658			789,298	843,658
Health and welfare	8,759,703	8,285,255			8,759,703	8,285,255
Culture and recreation	1,303,776	1,341,668			1,303,776	1,341,668
Education	3,871,071	2,802,482			3,871,071	2,802,482
Solid waste operations			5,575,647	5,624,511	5,575,647	5,624,511
Airport			846,969	890,092	846,969	890,092
Housing authority			4,888,249	5,552,162	4,888,249	5,552,162
Total expenses	119,190,378	132,905,893	11,310,865	12,066,765	130,501,243	144,972,658
Increase/(decrease) in net position before transfers	20,072,788	28,262,982	1,160,685	1,655,606	21,233,473	29,918,588
Transfers	(147,642)	(148,499)	147,642	148,499		
Increase/(decrease) in net position	$ 19,925,146	$ 28,114,483	$ 1,308,327	$ 1,804,105	$ 21,233,473	$ 29,918,588

Overall, revenues increased by $23.2 million, or 15.3%, and expenses increased by $14.5 million, or 11.1%, in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- State-shared tax revenue increased by $1.3 million, or 6.7%, and County excise tax revenue increased by $4.8 million, or 44.7%, in the current year primarily due to an increase in retail sales, with $4.4 million in revenue attributed to the Jail District excise tax.
- Charges for service increased by $6.7 million, or 36.1% due to opioid settlement revenues received.

- Operating grants and contributions increased by $2.9 million, or 4.9% largely due to the receipt of various state and federal funding in FY24.
- Other revenue increased by $6.7 million, or 104.6% due to investment income increasing in FY24 compared to FY23.
- General government expenses increased $8.8 million, or 15.5%, largely due to increases in employee salaries and employer related expenses and in overall pension expense incurred by the County.
- Public safety expenses increased $8.0 million, or 24.0%, largely due to professional services expenses and equipment purchases, employer salaries and employer related expenses.
- Education expenses decreased by $1.1 million, or (27.6)%, largely due to a decrease in employee salaries and employer related expenses in the Accommodation School District.
- Highways and streets expenses decreased $1.7 million, or (11.9)%, largely due to a decrease in the cost of materials used in road maintenance/improvement work throughout the County.
- Health and welfare expenses decreased by $474 thousand, or (5.4)%, largely due to a decrease in overall spending.

Financial Analysis of the County's Funds

The County reported six major governmental funds for this fiscal year: the General Fund, Opioid Settlements Fund, Highways and Streets Fund, Capital Projects Fund, Moson Road Fund and Admin Grants Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $112.9 million, which is an increase of $8.9 million, or 8.6%. Of the total, $41.6 million constitutes restricted fund balances.

For governmental funds, overall revenues increased $15.5 million, or 11.6%, and expenditures increased by $23.3 million, or 20.0%. Governmental revenues exceeded expenditures by $8.7 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2024, the total fund balance was $44.3 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, 2024, the fund balance represents 62.3% of total General Fund expenditures.

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

General Fund

- Cash and investments held by County Treasurer increased by $1.2 million, or 2.3%, in the current year largely due to less spending in FY24 prior to fiscal year end.
- County excise taxes increased by $4.7 million, or 47.8%, in the current year largely due to county excise taxes paid by taxpayers for the Jail Tax District.
- Intergovernmental revenue decreased by $9.0 million, or (24.5)%, in the current year largely due to a decrease in ARPA revenue.
- Investment income increased by $3.3 million, or 1088.3%, in the current year largely due to the increase in interest rates in FY24.

Capital Projects Fund

- Investment income increased by $514 thousand, or 263.9%, in the current year largely due to the increase in interest rates in FY24.
- Expenditures for capital outlay increased by $682 thousand, or 90.7%, in the current year largely due to an increase in capital outlay purchases/remodel/construction projects in FY24.
- Sale of capital assets decreased by $897 thousand, or (100)%, in the current year as the Capital projects fund did not sell capital assets in FY24.

Highways and Streets Fund

- Cash and investments held by the County Treasurer increased by $3.8 million, or 24.5%, in the current year largely due to an increase in Highway User Revenue Fund (HURF) revenue received prior to fiscal year-end.
- Intergovernmental revenue increased by $1.4 million, or 10.0%, largely due to an increase in Highway User Revenue Fund (HURF) revenue received prior to fiscal year-end.
- Accounts payable decreased by $1.2 million, or (96.1)%, in the current year largely due to materials for road projects in the current fiscal year paid in FY24.
- Current expenditures for highways and streets decreased by $1.8 million, or (13.9)%, in the current year largely due to the cost of materials used in road maintenance/improvement work throughout the County.

Opioid Settlements Fund

- Cash and investments held by the County Treasurer increased by $766 thousand or 179.6%, in the current year as a result of additional settlement payments received.
- Accounts receivable and unavailable revenue increased by $2.2 million, or 66.8%, as a result of an increase in opioid settlements in FY24.

Moson Road Fund

- Cash and investments held by the County Treasurer increased by $5.3 million in the current year as a result of new funding received in the current fiscal year from the Arizona Department of Transportation (ADOT) grant funds.
- Unearned revenue and total liabilities increased by $5.3 million as a result of the deferment of ADOT grant funds at fiscal year end.

Admin Grants Fund

- Cash and investments held by the County Treasurer increased by $5.8 million in the current year as a result of new funding received in the current fiscal year from the Local Assistance Taxpayer Fund (LATF).
- Unearned revenue and total liabilities increased by $5.7 million as a result of the deferment of LATF revenue at fiscal year end.

Proprietary Funds

For proprietary funds, the County reported two major funds for this fiscal year, Solid Waste Operations and Bisbee-Douglas International Airport. Other funds considered proprietary funds include Housing Authority of Cochise County and the internal service funds used to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the County's employees. At the end of the current fiscal year, the County's proprietary funds reported a combined net position of $28.2 million, which is an increase of $2.9 million, or 11.6%. Of the total, $8.0 million constitutes unrestricted net position.

For proprietary funds, overall revenues increased by $1.7 million, or 9.2%, and expenses increased by $1.3 million, or 4.8%. Proprietary operating revenues exceeded operating expenses by $218 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 Fund

- Accounts receivables increased by $47 thousand, or 19.3%, in the current year due to a decrease in accounts collected for services provided before year end.
- Net capital assets increased by $3.2 million, or 131.2%, largely due to the completion and addition of the Cell 5 construction at the Western Regional Landfill and related depreciation expense.
- Cash and investments held by County Treasurer decreased by $1.2 million, or (15.4)%, largely due to expenses related to the Cell 5 construction at the Western Regional Landfill completed in FY24.
- Long-term landfill closure and postclosure care costs payable increased by $415 thousand, or 8.3%, 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 $10 thousand, or 7.7%, in the current year due to an increase in the estimated amount needed for future employee pension and other postemployment benefits payouts.
- Investment income increased by $879 thousand, or 2754.6%, largely due to an increase in interest rates in FY24.
- Net position increased by $1.8 million, or 49.4%, in the current year due to an increase in revenue collected to deliver those services.

Bisbee-Douglas International Airport Fund

- Due from other governments decreased by $310 thousand, or (95.2)%, primarily due to the receipt of intergovernmental revenue in FY24.
- Charges for services decreased by $388 thousand, or (59.6)%, primarily due to the water utility customer fully reimbursing the amount due to the County for water capital improvements in FY23.
- Net capital assets increased by $237 thousand, or 4.8%, primarily due to the acquisition of an automated weather observation system in FY24.

Capital and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2024, totaled $139.9 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, intangible right-to-use lease assets, subscription based information technology arrangements, and machinery and equipment. The following provides the major changes in capital assets during the current fiscal year.

- Construction in progress increased by $3.1 million for progress made on new infrastructure.
- Equipment increased by $5.5 million while accumulated depreciation increased by $2.4 million.
- Buildings increased by $4.5 million due to the completion of the Soldier Creek fusion center in the Sheriff's department.
- Improvements other than buildings increased by $5.1 million due to the completion of the BDI well at the Bisbee-Douglas International Airport.
- Subscription-based information technology arrangement assets increased by $45 thousand, while accumulated amortization increased by $324 thousand.
- Accumulated depreciation increased by $4.6 million in annual depreciation expense.
- Accumulated amortization increased by $525 thousand in annual amortization expense.

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

Long-term Debt

At June 30, 2024, the County had no general obligation or revenue bonds outstanding.

The County made lease and subscription payments sufficient to pay principal and interest on outstanding obligations. Further detail pertaining to the County's lease long-term obligations is available in Note 8 to the financial statements.

Budgetary Comparison—General Fund

For the General Fund, actual revenues were less than the final budgeted amounts by $36.0 million, and the actual expenditures were $35.6 million less than the final budgeted amounts. The budget variance for revenues was primarily a decrease in budgeted miscellaneous revenue of $39.1 million, related to a budgeted cash carry forward that is not reflected in actual revenue. Additionally, the increase in investment income of $3.4 million was primarily due to higher interest rates and the decrease in intergovernmental revenue of $900 thousand was primarily due to a decrease in federal grant revenue. The budget variance for expenses was due to conservative spending and vacancy savings. Most of the favorable variance is due to unspent general government contingency funds.

Economic Factors

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

Request for Information

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

Cochise County
Statement of net position
June 30, 2024

	Primary government			
	Governmental activities	Business-type activities	Total	Component unit
Assets				
Cash in bank and on hand	$ 619,904	$ 1,241,231	$ 1,861,135	$ 93,405
Cash and investments held by County Treasurer	134,564,479	7,577,504	142,141,983	
Receivables (net of allowances for uncollectibles):				
Property taxes	666,818		666,818	
Accounts	7,262,677	297,655	7,560,332	
Leases		103,254	103,254	61,010
Due from other governments	16,486,178	554,025	17,040,203	232,105
Cash—restricted		392,933	392,933	
Prepaid items	78,435		78,435	
Other assets	1,242,950		1,242,950	4,796
Net other postemployment benefits asset	2,607,982	76,444	2,684,426	
Capital assets, not being depreciated/amortized	10,578,160	2,011,989	12,590,149	
Capital assets, being depreciated/amortized, net	118,527,918	8,836,591	127,364,509	266,625
Total assets	292,635,501	21,091,626	313,727,127	657,941
Deferred outflows of resources				
Deferred outflows related to pensions and other postemployment benefits	16,395,152	312,707	16,707,859	
Liabilities				
Accounts payable	3,888,656	148,420	4,037,076	105,726
Lease interest payable	26,029	1,711	27,740	
Accrued payroll and employee benefits	2,445,746	49,651	2,495,397	
Due to other governments	250,277	69,217	319,494	
Due to related party				50,775
Unearned revenue - grants	24,797,117	26,514	24,823,631	
Deposits held for others	452,686	1,600	454,286	
Noncurrent liabilities				
Due within 1 year	4,216,797	206,084	4,422,881	123,743
Due in more than 1 year	91,492,536	8,048,996	99,541,532	186,172
Total liabilities	127,569,844	8,552,193	136,122,037	466,416
Deferred inflows of resources				
Deferred inflows related to pensions and other postemployment benefits	7,523,426	186,970	7,710,396	
Deferred inflows related to leases		96,040	96,040	61,010
Total deferred inflows of resources	7,523,426	283,010	7,806,436	61,010
Net position				
Net investment in capital assets	128,749,990	10,834,922	139,584,912	
Restricted for:				
Education	1,693,635		1,693,635	
Flood	8,020,050		8,020,050	
Highways and streets	9,829,682		9,829,682	
Health	8,695,723		8,695,723	
Judicial	6,078,848		6,078,848	
Public safety	10,578,164		10,578,164	
Library	1,827,485		1,827,485	
Other	9,211,704	113,856	9,325,560	
Workforce development				58,653
Net other post employment benefits	2,607,982	76,444	2,684,426	
Unrestricted (deficit)	(13,355,880)	1,543,908	(11,811,972)	71,862
Total net position	$ 173,937,383	$ 12,569,130	$ 186,506,513	$ 130,515

See accompanying notes to financial statements.

Cochise County
Statement of activities
Year ended June 30, 2024

		Program revenues			Net (expense) revenue and changes in net position			
					Primary government			
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Component unit
Primary government:								
Governmental activities:								
General government	$ 65,731,905	$ 14,994,523	$ 7,754,598	$ 42,108	$ (42,940,676)		$ (42,940,676)	
Public safety	41,467,403	501,820	23,034,498		(17,931,085)		(17,931,085)	
Highways and streets	12,433,522	78,979	15,842,411		3,487,868		3,487,868	
Sanitation	843,658	429,226	312,196		(102,236)		(102,236)	
Health and welfare	8,285,255	3,761,783	5,257,198		733,726		733,726	
Culture and recreation	1,341,668		25,241		(1,316,427)		(1,316,427)	
Education	2,802,482	7,804	3,043,237		248,559		248,559	
Total governmental activities	132,905,893	19,774,135	55,269,379	42,108	(57,820,271)		(57,820,271)	
Business-type activities:								
Bisbee-Douglas International Airport	890,092	262,966	390,778			(236,348)	(236,348)	
Solid Waste Operations	5,624,511	5,322,446				(302,065)	(302,065)	
Housing Authority	5,552,162	36,461	5,794,081			278,380	278,380	
Total business-type activities	12,066,765	5,621,873	6,184,859			(260,033)	(260,033)	
Total primary government	$ 144,972,658	$ 25,396,008	$ 61,454,238	$ 42,108	$ (57,820,271)	$ (260,033)	$ (58,080,304)	
Component unit:								
Cochise Private Industry Council, Inc.	$ 2,464,551		$ 2,377,931					$ (86,620)
General revenues:								
Taxes								
Property taxes, levied for general purposes					$ 30,372,543		$ 30,372,543	
Property taxes, levied for flood control					2,266,677		2,266,677	
Property taxes, levied for library					1,488,213		1,488,213	
County excise taxes					10,263,441	$ 770,455	11,033,896	
County excise taxes, for jail					4,434,134		4,434,134	
Share of state sales taxes					20,529,864		20,529,864	
Share of state unrestricted vehicle license tax					4,680,303		4,680,303	
Grants and contributions not restricted to specific programs					3,640,005		3,640,005	
Investment income					6,575,947	898,732	7,474,679	
Gain on disposal of capital assets					231,068		231,068	
Miscellaneous					1,601,058	246,452	1,847,510	$ 85,451
Transfers					(148,499)	148,499		
Total general revenues and transfers					85,934,754	2,064,138	87,998,892	85,451
Change in net position					28,114,483	1,804,105	29,918,588	(1,169)
Net position, July 1, 2023					145,822,900	10,765,025	156,587,925	131,684
Net position, June 30, 2024					$ 173,937,383	$ 12,569,130	$ 186,506,513	$ 130,515

See accompanying notes to financial statements.

Cochise County
Balance sheet
Governmental funds
June 30, 2024

	Major funds							
	General Fund	Capital Projects Fund	Opioid Settlements Fund	Highways and Streets Fund	Moson Road Fund	Admin Grants Fund	Other governmental funds	Total governmental funds
Assets								
Cash in bank and on hand	$ 180,911						$ 438,793	$ 619,704
Cash and investments held by County Treasurer	53,435,529	$ 17,191,380	$ 1,192,212	$ 19,206,938	$ 5,278,328	$ 5,778,081	24,656,528	126,738,996
Receivables (net of allowances for uncollectibles):								
Property taxes	502,070						164,748	666,818
Accounts	675,052		5,424,338	951,399			209,794	7,260,583
Due from:								
Other funds							789,923	789,923
Other governments	1,672,928	318,151		1,318,274			13,176,825	16,486,178
Prepaid items	78,435							78,435
Other assets	1,107,704						135,246	1,242,950
Total assets	$ 57,652,629	$ 17,509,531	$ 6,616,550	$ 21,476,611	$ 5,278,328	$ 5,778,081	$ 39,571,857	$ 153,883,587
Liabilities								
Accounts payable	$ 1,549,741	$ 14,995		$ 47,469		$ 33,905	$ 2,135,037	$ 3,781,147
Accrued payroll and employee benefits	1,571,227			174,074			675,489	2,420,790
Due to:								
Other funds	789,923							789,923
Other governments							250,277	250,277
Deposits held for others	440,357						12,329	452,686
Unearned revenue	7,857,585				$ 5,267,015	5,731,792	5,940,725	24,797,117
Total liabilities	12,208,833	14,995		221,543	5,267,015	5,765,697	9,013,857	32,491,940
Deferred inflows of resources								
Unavailable revenue	1,156,717	42,108	5,424,338				1,839,972	8,463,135
Fund balances								
Restricted			1,192,212	9,829,682	11,313		30,528,711	41,561,918
Assigned		17,452,428		11,425,386			582,937	29,460,751
Nonspendable	78,435							78,435
Unassigned	44,208,644					12,384	(2,393,620)	41,827,408
Total fund balances	44,287,079	17,452,428	1,192,212	21,255,068	11,313	12,384	28,718,028	112,928,512
Total liabilities, deferred inflows of resources and fund balances	$ 57,652,629	$ 17,509,531	$ 6,616,550	$ 21,476,611	$ 5,278,328	$ 5,778,081	$ 39,571,857	$ 153,883,587

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, 2024

Fund balances—total governmental funds		$ 112,928,512
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.		119,956,043
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		8,463,135
Long-term liabilities, such as net pension/OPEB liabilities, leases payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net pension/OPEB liabilities	(88,540,088)	
Leases payable	(157,094)	
Subscriptions liability	(198,994)	
Compensated absences payable	(5,548,571)	(94,444,747)
Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.		
Net OPEB asset		2,569,760
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	16,251,278	
Accrued lease interest payable	(26,029)	
Deferred inflows of resources related to pensions/OPEB	(7,429,941)	8,795,308
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		15,669,372
Net position of governmental activities		$ 173,937,383

See accompanying notes to financial statements.

Cochise County

Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2024

	Major funds									
	General Fund	Capital Projects Fund	Opioid Settlements Fund	Highways and Streets Fund	Moson Road Fund	Admin Grants Fund	Border Security Trust Fund	DPS Agreements Fund	Other governmental funds	Total governmental funds
Revenues:										
Taxes	$ 40,510,364	$ 3,284,522							$ 9,267,419	$ 53,062,305
Licenses and permits	23,208									23,208
Fees, fines, and forfeits	1,391,855		$ 791,107							2,182,962
Intergovernmental	27,840,444	2,516		$ 15,009,426	$ 832,985	$ 66,905			34,819,133	78,571,409
Charges for services	3,257,798			78,979					3,512,745	6,849,522
Investment income	3,632,186	319,064	(25,231)	895,580	(109,158)	(119,493)			1,605,037	6,197,985
Miscellaneous	733,993	46,678		462,843	120,471	131,877			475,152	1,971,014
Total revenues	77,389,848	3,652,780	765,876	16,446,828	844,298	79,289			49,679,486	148,858,405
Expenditures:										
Current:										
General government	49,261,440	1,761,126				66,905			10,909,057	61,998,528
Public safety	16,381,636								22,803,662	39,185,298
Highways and streets				11,367,876					46,792	11,414,668
Sanitation									153,500	153,500
Health and welfare	3,536,533								5,342,697	8,879,230
Culture and recreation									1,314,142	1,314,142
Education	509,648								2,167,561	2,677,209
Capital outlay	1,403,391	1,435,166		143,080	832,985				10,675,535	14,490,157
Total expenditures	71,092,648	3,196,292		11,510,956	832,985	66,905			53,412,946	140,112,732
Excess (deficiency) of revenues over expenditures	6,297,200	456,488	765,876	4,935,872	11,313	12,384			(3,733,460)	8,745,673
Other financing sources (uses):										
Sale of capital assets	405,087	64							49,465	454,616
Lease agreements	2,819									2,819
Subscription-based information technology agreements	51,836									51,836
Transfers in	113,822	265,000							6,972,782	7,351,604
Transfers out	(6,972,782)	(290,000)							(406,987)	(7,699,769)
Total other financing sources and (uses)	(6,399,218)	(24,936)							6,615,260	191,106
Net change in fund balances	(102,018)	431,552	765,876	4,935,872	11,313	12,384			2,881,800	8,936,779
Fund balances (deficit), July 1, 2023	44,389,097	17,020,876		16,319,196			2,325,721	(78,249)	24,015,092	103,991,633
Aggregate amount of adjustments to and restatements of beginning fund balances			426,336				(2,325,721)	78,249	1,821,136	
Fund balances, July 1, 2023, as restated	44,389,097	17,020,876	426,336	16,319,196					25,836,228	103,991,733
Fund balances, June 30, 2024	$ 44,287,079	$ 17,452,428	$ 1,192,212	$ 21,255,068	$ 11,313	$ 12,384	$ -	$ -	$ 28,718,028	$ 112,928,512

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, 2024

Net change in fund balances—total governmental funds		$ 8,936,779
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital outlay	14,083,199	
Depreciation/amortization expense	(4,413,133)	
		9,670,066
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		1,872,795
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.		(220,367)
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	12,918,396	
Pension/OPEB expense	(6,080,448)	6,837,948
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Leases incurred	(2,819)	
Subscription-based information technology arrangements incurred	(51,836)	
Lease payments	204,556	
Subscription-based information technology arrangement's payments	152,098	301,999
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		(406,588)
Accrued lease interest		(357)
Accrued subscription-based information technology arrangements interest		(10,396)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The net expense of internal service funds is reported with governmental activities in the statement of activities.		1,132,604
Change in net position of governmental activities		$ 28,114,483

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2024

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund	Total	
Assets					
Current assets:					
Cash in bank and on hand	$ 2,350		$ 1,238,881	$ 1,241,231	$ 200
Cash and investments held by County Treasurer	6,365,156	$ 1,212,348		7,577,504	7,825,483
Restricted cash			392,933	392,933	
Receivables (net of allowances for uncollectibles):					
Accounts	292,386	5,269		297,655	2,094
Leases		40,388		40,388	
Due from:					
Other governments	358,857	15,757	179,411	554,025	
Total current assets	7,018,749	1,273,762	1,811,225	10,103,736	7,827,777
Noncurrent assets:					
Net other postemployment benefits asset	58,607	5,096	12,741	76,444	38,222
Leases receivable		62,866		62,866	
Capital assets, net of accumulated depreciation/amortization, where applicable:					
Land	24,900	1,575,000		1,599,900	
Infrastructure, net		1,911,194		1,911,194	
Buildings, net	2,260,171	640,246		2,900,417	83,283
Improvements other than buildings, net	3,374,461	383,240		3,757,701	
Equipment, net		253,036		253,036	8,454,094
Lease asset, net	14,243			14,243	
Construction in progress		412,089		412,089	612,658
Total net capital assets	5,673,775	5,174,805		10,848,580	9,150,035
Total noncurrent assets	5,732,382	5,242,767	12,741	10,987,890	9,188,257
Total assets	12,751,131	6,516,529	1,823,966	21,091,626	17,016,034
Deferred outflows of resources					
Deferred outflows related to pensions/OPEB	250,785	10,413	51,509	312,707	143,874

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2024
(Concluded)

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund	Total	
Liabilities					
Current liabilities:					
Accounts payable	$ 32,481	$ 115,937	$ 2	$ 148,420	$ 107,509
Accrued payroll and employee benefits	48,169	1,482		49,651	24,956
Due to:					
Other governments			69,217	69,217	
Compensated absences payable, current portion	169,249	5,567	5,304	180,120	90,694
Landfill closure and postclosure care costs payable, current portion	24,694			24,694	
Deposits held for others		1,600		1,600	
Unearned revenue			26,514	26,514	
Leases payable, current portion	1,270			1,270	
Leases interest payable	1,711			1,711	
Total current liabilities	277,574	124,586	101,037	503,197	223,159
Noncurrent liabilities:					
Compensated absences payable	56,417	1,856	47,733	106,006	30,232
Landfill closure and postclosure care costs payable	5,403,462			5,403,462	
Funds held for others			239,821	239,821	
Net pension/OPEB liability	1,753,611	152,487	381,221	2,287,319	1,143,660
Leases payable	12,388			12,388	
Total noncurrent liabilities	7,225,878	154,343	668,775	8,048,996	1,173,892
Total liabilities	7,503,452	278,929	769,812	8,552,193	1,397,051
Deferred inflows of resources					
Deferred inflows related to pensions/OPEB	143,343	12,465	31,162	186,970	93,485
Deferred inflows related to leases		96,040		96,040	
Total deferred inflows of resources	143,343	108,505	31,162	283,010	93,485
Net position					
Net investment in capital assets	5,660,117	5,174,805		10,834,922	9,150,035
Restricted	58,607	5,096	126,597	190,300	38,222
Unrestricted (deficit)	(363,603)	959,607	947,904	1,543,908	6,481,115
Total net position	$ 5,355,121	$ 6,139,508	$ 1,074,501	$ 12,569,130	$ 15,669,372

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2024

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund	Total	
Operating revenues:					
Charges for services	$ 5,322,446	$ 262,966	$ 36,461	$ 5,621,873	$ 7,781,441
Charges for health insurance					8,482,686
Intergovernmental		390,778	5,794,081	6,184,859	
Other					189,845
Total operating revenues	5,322,446	653,744	5,830,542	11,806,732	16,453,972
Operating expenses:					
Personal services	2,488,945	73,525	704,248	3,266,718	1,316,792
Professional services	2,031,391	463,559	84,475	2,579,425	8,926,485
Supplies	197,609	95,239	30,162	323,010	3,678,776
Landfill closure and postclosure care costs	417,476			417,476	
Housing assistance payments			4,733,277	4,733,277	
Depreciation/amortization	187,396	257,741		445,137	2,034,857
Other	301,694	28		301,722	19,270
Total operating expenses	5,624,511	890,092	5,552,162	12,066,765	15,976,180
Operating income (loss)	(302,065)	(236,348)	278,380	(260,033)	477,792
Nonoperating revenues (expenses):					
County excise taxes	754,746	15,709		770,455	
Investment income	846,858	39,502	12,372	898,732	377,963
Miscellaneous	208,289	27,975	10,188	246,452	110,366
Gain (loss) on disposal of capital assets					(3,183)
Total nonoperating revenues	1,809,893	83,186	22,560	1,915,639	485,146
Income (loss) before contributions and transfers	1,507,828	(153,162)	300,940	1,655,606	962,938
Transfers in	263,499	150,000		413,499	169,666
Transfers out		(265,000)		(265,000)	
Increase (decrease) in net position	1,771,327	(268,162)	300,940	1,804,105	1,132,604
Total net position, July 1, 2023	3,583,794	6,407,670	773,561	10,765,025	14,536,768
Total net position, June 30, 2024	$ 5,355,121	$ 6,139,508	$ 1,074,501	$ 12,569,130	$ 15,669,372

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2024

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund	Total	
Cash flows from operating activities:					
Receipts from customers	$ 5,241,260	$ 728,866	$ 6,320	$ 5,976,446	
Operating grants		390,778	5,819,602	6,210,380	$ 189,845
Other receipts			46,649	46,649	
Payments from other funds for goods and services provided			(29,359)	(29,359)	16,270,454
Payments to employees	(2,541,443)	(72,118)	(697,268)	(3,310,829)	(1,310,129)
Payments to suppliers and providers of goods and services	(2,533,291)	(524,263)	(4,917,657)	(7,975,211)	(12,735,059)
Net cash provided by operating activities	166,526	523,263	228,287	918,076	2,415,111
Cash flows from noncapital financing activities:					
Miscellaneous receipts	963,035	43,684		1,006,719	110,366
Cash transfers from other funds	263,499	150,000		413,499	169,666
Cash transfers to other funds		(265,000)		(265,000)	
Net cash provided by (used for) noncapital financing activities	1,226,534	(71,316)		1,155,218	280,032
Cash flows from capital and related financing activities:					
Purchases of capital assets	(3,406,598)	(494,914)		(3,901,512)	(2,599,040)
Net cash used for capital and related financing activities	(3,406,598)	(494,914)		(3,901,512)	(2,599,040)
Cash flows from investing activities:					
Interest received on investments	846,858	39,502	12,372	898,732	377,963
Net cash provided by investing activities	846,858	39,502	12,372	898,732	377,963
Net increase (decrease) in cash and cash equivalents	(1,166,680)	(3,465)	240,659	(929,486)	474,066
Cash and cash equivalents, July 1, 2023	7,534,186	1,215,813	1,391,155	10,141,154	7,351,617
Cash and cash equivalents, June 30, 2024	$ 6,367,506	$ 1,212,348	$ 1,631,814	$ 9,211,668	$ 7,825,683

(Continued)

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2024
(Concluded)

	Business-type activities—enterprise funds				Governmental activities—Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ (302,065)	$ (236,348)	$ 278,380	$ (260,033)	$ 477,792
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation/amortization	187,396	257,741		445,137	2,034,857
Housing assistance payment recovery			10,188	10,188	
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Net pension/OPEB liability	(79,731)	(6,934)	(17,332)	(103,997)	(51,998)
Funds held for others			(9,694)	(9,694)	
Other current liabilities			2	2	
Deferred outflows-pension/OPEB	34,073	5,215	4,951	44,239	39,973
Deferred inflows-pension/OPEB	10,189	888	2,216	13,293	6,647
Deferred inflows-leases		(45,931)		(45,931)	
Net OPEB asset	4,147	361	901	5,409	2,704
Accounts receivable	(47,354)	156,269		108,915	6,327
Prepaid items			6,320	6,320	
Due from other governments	(33,832)	309,631	26,065	301,864	
Accounts payable	426	80,494	(51,331)	29,589	(110,528)
Accrued payroll and employee benefits	13,736	466		14,202	6,138
Unearned revenue			(29,359)	(29,359)	
Lease interest payable	(354)			(354)	
Compensated absences payable	(34,912)	1,411	6,980	(26,521)	3,199
Landfill closure and postclosure care costs payable	414,807			414,807	
Net cash provided by (used for) operating activities	$ 166,526	$ 523,263	$ 228,287	$ 918,076	$ 2,415,111
Cash and cash equivalents, June 30, 2024, consisted of:					
Cash in bank and on hand	2,350		1,238,881	1,241,231	200
Cash—restricted			392,933	392,933	
Cash and investments held by County Treasurer	6,365,156	1,212,348		7,577,504	7,825,483
Total cash and cash equivalents	$ 6,367,506	$ 1,212,348	$ 1,631,814	$ 9,211,668	$ 7,825,683

Noncash capital financing activities:

The Internal service funds disposed of capital assets with a net book value of $3,183.

See accompanying notes to financial statements.

Cochise County
Statement of fiduciary net position
Fiduciary funds
June 30, 2024

		Custodial funds	
	Private-purpose trust funds	External investment pool	Other
Assets			
Cash in bank and on hand			$ 1,357,750
Cash and investments held by County Treasurer	$ 878,688	$ 138,714,388	700,394
Property tax receivable			3,506,002
Interest receivable		694,771	
Total assets	878,688	139,409,159	5,564,146
Net Position			
Restricted for:			
Pool participants		139,409,159	
Individuals, organizations, and other governments	878,688		5,564,146
Total net position	$ 878,688	$ 139,409,159	$ 5,564,146

See accompanying notes to financial statements.

Cochise County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2024

		Custodial funds	
	Private-purpose trust funds	External investment pool	Other
Additions:			
Contributions from pool participants		$ 311,335,038	
Contributions from other governments			$ 110,840,477
Property tax collections for other governments			89,851,774
Fines and fees collected for other governments		3,373,014	2,390,195
Investment earnings		5,694,542	8,614
Inmate collections			587,431
Opioid settlements			455,123
Other	$ 1,286,207		482,292
Total additions	1,286,207	320,402,594	204,615,906
Deductions:			
Distributions to pool participants		309,857,616	
Distributions to other governments			110,884,482
Property tax distributions to other governments			89,403,789
Fines and fees distributions to other governments		3,394,239	2,087,719
Payments to inmates			332,550
Other	1,414,484		732,746
Total deductions	1,414,484	313,251,855	203,441,286
Net increase (decrease) in fiduciary net position	(128,277)	7,150,739	1,174,620
Net position, July 1, 2023	1,006,965	132,258,420	4,389,526
Net position, June 30, 2024	$ 878,688	$ 139,409,159	$ 5,564,146

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

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

For the year ended June 30, 2024, the County implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This statement enhances the accounting and financial reporting requirements for changes in accounting principles, changes in accounting estimates, changes to the financial reporting entity, and error corrections to improve the transparency, consistency, and comparability of financial statements. Under GASB 100, changes in accounting principles and error corrections are applied retrospectively to restate prior periods unless it is impracticable to do so. Changes in accounting estimates are accounted for prospectively in the current period and future periods. Any adjustments resulting from changes to the financial reporting entity are reflected as a restatement of the beginning balances for the earliest period presented. The County's basic financial statements and disclosures have been modified to reflect the implementation of this new standard.

A. Reporting entity

The County is a general purpose local government that a separately elected board of supervisors governs. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The following table describes the County's component units:

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Cochise County Flood Control District	A tax-levying district that provides flood control systems; the County's Board of Supervisors serves as the board of directors, and County management has operational responsibility for the component unit.	Blended	Not available
Cochise County Jail District	Provides and maintains the jail system for the County's residents; the County's Board of Supervisors serves as the board of directors, and the County Sheriff has operational responsibility for the component unit.	Blended	Not available

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Cochise County Library District	Provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors, and County management has operational responsibility for the component unit.	Blended	Not available
Cochise Private Industry Council, Inc.	Administers and coordinates Workforce Investment Act programs; the County's Board of Supervisors appoints all governing board members and is able to impose its will on the Private Industry Council, but the Private Industry Council does not provide services entirely to the County.	Discrete	Cochise Private Industry Council 900 Carmelita Dr. Sierra Vista, AZ 85635

B. Basis of presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities and between the County and its discretely presented component unit. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

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

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as charges for services, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues, such as County excise taxes, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment income and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation/amortization on capital assets. Other expenses, such as interest expense, are considered 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 Opioid Settlements Fund is a special revenue fund which accounts for resources from the One Arizona Opioid Settlement related to national opioid settlements. Cochise County is allocated a portion of settlement monies as the cases are settled.

The Highways and Streets Fund is a special revenue fund which 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 Moson Road Fund is a capital projects fund which accounts for the intergovernmental agreement between the State of Arizona, Department of Transportation (ADOT), and Cochise County for the first phase of the Moson Road drainage and safety improvements. The Fund's revenue source is State of Arizona funding through an ADOT grant.

The Admin Grants Fund is a capital projects fund which accounts for the acquisition and implementation of a Software as a Service Agreement for the County's Enterprise Resource Planning (ERP) project with Tyler Technologies. The Fund's revenue source is Local Assistance and Tribal Consistency grant funding.

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

The County also reports the following fund types:

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

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

C. Basis of accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

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

D. Cash and investments

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

E. Property tax calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in 2 equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

F. Capital assets

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), are depreciated or amortized using the straight-line method over the following estimated useful lives in the government- wide statements and proprietary funds as follows:

	Capitalization threshold	Depreciation/ Amortization method	Estimated useful life
Land	All	N/A	N/A
Buildings and improvements	$10,000	Straight-line	15-50 years
Improvements other than buildings	10,000	Straight-line	10-45 years
Equipment	10,000	Straight-line	5-25 years
Infrastructure	50,000	Straight-line	10-50 years
Intangibles:			
Right-to-use subscription assets	10,000	Straight-line	Varies
Right-to-use lease assets:			
Land	10,000	Straight-line	Varies
Equipment	10,000	Straight-line	Varies

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

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

G. Fund balance classifications

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

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

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

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

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

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

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

H. Investment income

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

I. Compensated absences

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

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

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

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

J. Postemployment benefits

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

K. Leases and subscription-based information technology arrangements

Leases

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

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

During the fiscal year ended June 30, 2024, the County recognized total lease-related revenues of $45,931.

Subscription-based information technology arrangements

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

Note 2 – Change within the financial reporting entity

Change within the financial reporting entity—During fiscal year 2024, the County reported two new major funds, Admin Grants Fund and Moson Road Fund. Both new major funds had a zero beginning fund balance on July 1, 2023. Additionally, during fiscal year 2024, the County reported the Opioid Settlements Fund separately as a major fund, whereas in fiscal year 2023 it was reported within the other governmental funds. Finally, during fiscal year 2024, the County reported the Border Security Trust Fund and DPS Agreements Fund as other governmental funds, whereas in fiscal year 2023 they were reported separately as major funds. The effect of these changes within the financial reporting entity are shown in the table below.

Adjustments to and restatements of beginning balances

During fiscal year 2024, the changes within the financial reporting entity resulted in the County restating beginning fund balances as follows:

	Fund balance June 30, 2023 as previously reported	Change within the financial reporting entity	Fund balance July 1, 2023 as restated
Governmental funds:			
Opioid Settlements Fund		$ 426,336	426,336
Border Security Trust Fund	2,325,721	(2,325,721)	
DPS Agreements Fund	(78,249)	78,249	
Other governmental funds	24,015,092	1,821,136	25,836,228

Note 3 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2024, were as follows:

	General fund	Capital projects fund	Opioid settlements fund	Highways and streets fund	Moson Road fund	Admin grants fund	Other governmental funds	Total
Restricted for:								
Flood control							$ 8,020,050	$ 8,020,050
Highways and streets				$ 9,829,682				9,829,682
Health services			$1,192,212				2,079,173	3,271,385
Judicial services							6,078,848	6,078,848
Library services							1,827,485	1,827,485
Public safety							1,707,564	1,707,564
Education services							1,693,635	1,693,635
Other services					$11,313		9,121,956	9,133,269
Total restricted			1,192,212	9,829,682	11,313		30,528,711	41,561,918
Assigned to:								
Capital projects		$17,452,428						17,452,428
Highways and streets				11,425,386				11,425,386
Health services							99,329	99,329
Judicial services							42,832	42,832
Public safety							53,728	53,728
Other							387,048	387,048
Total assigned		17,452,428		11,425,386			582,937	29,460,751
Nonspendable:								
Prepaid items	$ 78,435							78,435
Unassigned:	44,208,644					$12,384	(2,393,620)	41,827,408
Total fund balances	$44,287,079	$17,452,428	$1,192,212	$21,255,068	$11,313	$12,384	$28,718,028	$112,928,512

Note 4 - Deposits and investments

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

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top 2 ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least 2 nationally recognized rating agencies.

3. Fixed income securities must carry 1 of the 2 highest ratings by Moody's investors service and Standard and Poor's rating service. If only 1 of these services rates the security, it must carry the highest rating of that service.

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

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

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

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

Deposits—At June 30, 2024, the carrying amount of the County's deposits was $61,924,075, and the bank balance was $62,950,531. The County does not have a formal policy with respect to custodial credit risk.

Investments—The County had total investments of $224,117,525 at June 30, 2024. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

		Fair value measurement using	
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investment by fair value level			
U.S. agency securities	$179,117,450		$179,117,450
Money market mutual funds	75	$75	
Total investments categorized by fair value level	$179,117,525	$75	$179,117,450

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County also had investments of $45,000,000 in the State Treasurer's investment pool 7 measured at fair value. Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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

At June 30, 2024, 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	$ 45,000,000
Money market mutual funds	AAA	Standard & Poor's	75
U.S. agency securities	AA+	Standard & Poor's	151,615,100
U.S. agency securities	Unrated	Not applicable	27,502,350
Total			$224,117,525

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, 2024, were in debt securities of various U.S. agencies as follows:

U.S. agency	Amount	Percent of county investments
Federal Home Loan Bank	$125,478,740	56.0%
Federal Home Loan Mortgage Corporation	28,829,370	12.9%
Federal Agriculture Mortgage Corporation	18,971,250	8.5%

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

At June 30, 2024, 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	$ 45,000,000	$45,000,000	
Money market mutual funds	75	75	
U.S. agency securities	179,117,450	41,096,970	$138,020,480
Total	$224,117,525	$86,097,045	$138,020,480

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

Cash, deposits, and investments:	
Cash on hand	$ 5,671
Amount of deposits	61,924,075
Amount of investments	224,117,525
Total	$286,047,271

	Statement of net position		Statement of fiduciary net position			
				Custodial funds		
	Governmental activities	Business-type activities	Private-purpose trust funds	External investment pool	Other	Total
Cash in bank and on hand	$ 619,904	$1,241,231			$1,357,750	$ 3,218,885
Cash and investments held by County Treasurer	134,564,479	7,577,504	$878,688	$138,714,388	700,394	282,435,453
Cash—restricted		392,933				392,933
Total	$135,184,383	$9,211,668	$878,688	$138,714,388	$2,058,144	$286,047,271

Note 5 - Due from other governments

Due from other governments totaling $17,040,203 at June 30, 2024, included $1,207,681 in state-shared revenue from highway user fees, $633,643 in state-shared sales taxes, $283,340 in state-shared vehicle license taxes, $926,008 in county excise taxes, $913,678 in county excise taxes Jail District and $6,944,210 in grant awards from the Department of Emergency and Military Affairs. The remaining balance of $6,131,643 represents amounts receivable from various state and federal government grantor agencies.

Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,557,210	$ 36,978	$ 37,742	$ 2,556,446
Construction in progress	5,296,030	11,391,938	8,666,254	8,021,714
Total capital assets not being depreciated	7,853,240	11,428,916	8,703,996	10,578,160
Capital assets being depreciated:				
Buildings	49,148,675	4,571,461	60,077	53,660,059
Improvements other than buildings	12,727,967	1,681,021	17,363	14,391,625
Equipment	60,031,211	7,219,320	1,719,596	65,530,935
Infrastructure	118,046,675	236,799		118,283,474
Total capital assets being depreciated	239,954,528	13,708,601	1,797,036	251,866,093
Intangible right-to-use assets, being amortized:				
Leased equipment	596,479	2,819		599,298
Leased land	143,709			143,709
Subscription assets	1,313,985	253,791	208,731	1,359,045
Total intangible right-to-use assets being amortized	2,054,173	256,610	208,731	2,102,052

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Less accumulated depreciation for:				
Buildings	$ 25,290,042	$ 863,696	$ 42,653	$ 26,111,085
Improvements other than buildings	5,123,607	527,857	17,363	5,634,101
Equipment	45,260,454	3,957,663	1,551,208	47,666,909
Infrastructure	54,242,144	373,262		54,615,406
Total accumulated depreciation	129,916,247	5,722,478	1,611,224	134,027,501
Less accumulated amortization for:				
Intangible right-to-use leased equipment	339,324	171,395		510,719
Intangible right-to-use leased land	55,098	27,624		82,722
Intangible right-to-use subscriptions assets	494,951	526,493	202,159	819,285
Total accumulated amortization	889,373	725,512	202,159	1,412,726
Total capital assets being depreciated/ amortized net	111,203,081	7,517,221	192,384	118,527,918
Governmental activities, capital assets, net	$119,056,321	$18,946,137	$8,896,380	$129,106,078
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,599,900			$ 1,599,900
Construction in progress		$ 412,089		412,089
Total capital assets not being depreciated	1,599,900	412,089		2,011,989
Capital assets being depreciated:				
Buildings	5,269,642			5,269,642
Improvements other than buildings	7,089,517	3,474,556		10,564,073
Equipment	3,050,735			3,050,735
Infrastructure	2,259,884	14,867		2,274,751
Total capital assets being depreciated	17,669,778	3,489,423		21,159,201
Intangible right-to-use assets, being amortized:				
Leased land	17,234			17,234
Total intangible right-to-use assets being amortized	17,234			17,234
Less accumulated depreciation for:				
Buildings	2,234,465	134,760		2,369,225
Improvements other than buildings	6,584,989	221,383		6,806,372
Equipment	2,766,929	30,770		2,797,699
Infrastructure	307,060	56,497		363,557
Total accumulated depreciation	11,893,443	443,410		12,336,853
Less accumulated amortization for:				
Intangible right-to-use leased land	1,264	1,727		2,991
Total accumulated amortization	1,264	1,727		2,991
Total capital assets being depreciated/amortized, net	5,792,305	3,044,286		8,836,591
Business-type activities capital assets, net	$ 7,392,205	$ 3,456,375	$ -	$ 10,848,580

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	$2,965,049
Public safety	1,023,638
Highways and streets	424,446
Internal service funds	2,034,857
Total governmental activities depreciation expense/amortization	$6,447,990
Business-type activities:	
Solid Waste Operations	$ 187,396
Bisbee-Douglas International Airport	257,741
Total business-type activities depreciation/amortization expense	$ 445,137

Note 7 - Receivables

Accounts receivable as of year-end for the County's individual major funds and nonmajor funds in the aggregate are shown as follows:

As part of a nationwide legal settlement with opioid manufacturers aimed at mitigating the harm caused by the opioid epidemic, the County has been awarded settlement funds. Consequently, the County has recorded Settlements receivable, net of uncollectible amounts of $23,960, representing the anticipated remaining payments to be received.

	General fund	Opioid settlements fund	Highways and streets fund	Other governmental funds	Total
Accounts receivable:					
General	$675,052		$951,399	$209,794	$1,836,245
Settlements		$5,424,338			5,424,338
Total accounts receivable	$675,052	$5,424,338	$951,399	$209,794	$7,260,583

Note 8 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within 1 year
Governmental activities:					
Net pension/OPEB liabilities	$100,022,215		$10,338,467	$89,683,748	
Compensated absences payable	5,259,710	$3,925,998	3,516,211	5,669,497	$4,021,606
Leases payable	358,831	2,819	204,556	157,094	112,447
Subscriptions liability	299,256	51,836	152,098	198,994	82,744
Total governmental activities long-term liabilities	$105,940,012	$3,980,653	$14,211,332	$95,709,333	$4,216,797

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within 1 year
Business-type activities:					
Net pension/OPEB liabilities	$ 2,391,316		$ 103,997	$ 2,287,319	
Landfill closure and postclosure care costs payable	5,013,349	$ 416,414	1,607	5,428,156	$ 24,694
Compensated absences payable	312,647	146,183	172,704	286,126	180,120
Leases payable	14,834		1,176	13,658	1,270
Funds held for others-Housing	249,513		9,692	239,821	
Total business-type activities long-term liabilities	$ 7,981,659	$ 562,597	$ 289,176	$ 8,255,080	$ 206,084

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

The County has obtained the right to use land and equipment under the provisions of various lease agreements.

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

The total amount of lease assets and the related accumulated amortization are as follows as of June 30, 2024:

	Governmental activities	Business-type activities
Intangible right-to-use lease assets		
Equipment	$ 599,298	
Land	143,709	$17,234
Less: accumulated amortization	(593,441)	(2,991)
Carrying value	$ 149,566	$14,243

The future principal and interest lease payments as of June 30, 2024, were as follows:

	Governmental activities		Business-type activities	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2025	$112,448	$3,988	$ 1,269	$1,130
2026	31,900	1,500	1,378	1,022
2027	8,269	434	1,492	908
2028	2,187	213	1,615	785
2029	2,290	109	1,746	654
2030-2034			6,158	1,043
Total	$157,094	$6,244	$13,658	$5,542

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

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

The total amount of subscription assets and the related accumulated amortization are as follows as of June 30, 2024:

	Governmental activities
Intangible right-to-use assets	
Subscription assets	$1,359,045
Less: accumulated amortization	(819,285)
Carrying value	$ 539,760

The future principal and interest subscription-based information technology arrangements (SBITAs) payments as of June 30, 2024, were as follows:

	Governmental Activities	
Fiscal year	**Principal**	**Interest**
2025	$ 82,744	$16,464
2026	90,858	9,591
2027	25,253	2,095
2028	139	11
2029		
Total	$198,994	$28,161

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

At June 30, 2024, the County has reported landfill closure and postclosure care liabilities totaling $5,428,156. 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, 2024. The liability reported for the Eastern Regional landfill of $624,020 is based on 100.0% use of the landfill's capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of $4,804,136 is based on the use of 35.05% of the landfill's estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of $8,902,388 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 2024. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The remaining closure costs will primarily be funded with Solid Waste Operations Fund monies.

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

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2024, the County paid for compensated absences as follows: 58.49% from the General Fund, 6.79% from the Highways and Streets Fund, 4.68% from the enterprise funds, and 30.04% from other funds.

Note 9 - Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Cochise Combined Trust, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; cyber security; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of $25,000 per occurrence for property claims and $75,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of $300 million per occurrence for property claims and $15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk-management services. The County is responsible for paying a premium, based on an experience-rating formula, that allocates pool expenditures and liabilities among the members.

The County provides health, prescription, vision, dental, life, and short-term disability benefits to its employees and their dependents through the Cochise Combined Trust (Trust) currently composed of three member entities. The Trust provides the benefits through a self-funding agreement with its participants and has contracted with a third party to administer the program. The County is responsible for paying the premium. If it withdraws from the Trust, the County is responsible for a proportional share of any claims run-out costs, including administrative costs, that exceed trust fund reserves.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. The Cochise Combined Trust receives an independent audit annually. All three pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit. If a pool were to become insolvent, the County would be assessed an additional contribution.

Note 10 - Pensions and other postemployment benefits

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

At June 30, 2024, the County reported the following aggregate amounts related to pension and other post-employment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	$ 2,607,982	$ 76,444	$ 2,684,426
Net pension and OPEB liability	89,683,748	2,287,319	91,971,067
Deferred outflows of resources related to pensions and OPEB	16,395,152	312,707	16,707,859
Deferred inflows of resources related to pensions and OPEB	7,523,426	186,970	7,710,396
Pension and OPEB expense	7,481,524	223,837	7,705,361

The County's accrued payroll and employee benefits includes $173,372 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2024. Also, the County reported $12,918,396 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

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

A. Arizona State Retirement System

Plan descriptions—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

ASRS	Retirement Initial membership date: Before July 1, 2011	 On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.14% for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.03% for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.94% for retirement 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, 2024 were $4,118,740.

During fiscal year 2024, the County paid for ASRS pension contributions as follows: 59% from the General Fund, 14% from major funds, and 27% from other funds.

Liability—At June 30, 2024, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	$38,091,121

The net pension liability was measured as of June 30, 2023. The total liability used to calculate the net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023. 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, 2023. The County's proportion measured as of June 30, 2023, and the change from its proportion measured as of June 30, 2022, was:

ASRS	Proportion June 30, 2023	Decrease from June 30, 2022
Pension	0.24%	(0.01)

Expense—For the year ended June 30, 2024, the County recognized the following pension expense.

ASRS	Pension expense
Pension	$3,805,468

Deferred outflows/inflows of resources—At June 30, 2024, 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	$ 860,707	
Net difference between projected and actual earnings on pension plan investments		$1,347,697
Changes in proportion and differences between County contributions and proportionate share of contributions		1,136,280
County contributions subsequent to the measurement date	4,118,740	
Total	$4,979,447	$2,483,977

The $4,118,740 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, 2025. 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	
2025	$ (939,868)
2026	(1,968,348)
2027	1,452,419
2028	(167,473)

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

ASRS	
Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS **Asset class**	**Target allocation**	**Long-term expected geometric real rate of return**
Public equity	44%	3.50%
Credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10	6.70%
Interest rate sensitive	6%	1.50%
Total	100%	

Discount rate—At June 30, 2023, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

ASRS	**1% Decrease (6.0%)**	**Current discount rate (7.0%)**	**1% Increase (8.0%)**
County's proportionate share of the net pension liability	$57,054,905	$38,091,121	$22,278,680

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

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

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

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

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

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

PSPRS	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012 and before July 1, 2017**
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 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	

PSPRS	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and disability		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018	AOC probation and surveillance officers: On or after July 1, 2018
Retirement and disability			
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62	10 years, age 52.5* 10 or more years, age 55
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years	
Benefit percent			
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary disability retirement	2.5% per year of credited service		
Survivor benefit			
Retired members	80% of retired member's pension benefit		
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.		

*With actuarially reduced benefits.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50% of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2024, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	79	39
Inactive employees entitled to but not yet receiving benefits	36	36
Active employees	42	27
Total	157	102

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, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll. During the fiscal year, the County contributed an additional $2,946,022 to PSPRS to reduce the unfunded accrued liability. The additional contributions are reflected in the table below.

	Active member—pension	County—pension
PSPRS Sheriff	7.65%-11.65%	52.03%
CORP Detention	8.41%	31.99%
CORP AOC	8.41%	39.43%

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.

	Pension
PSPRS Sheriff	41.45%
CORP Detention	26.79%
CORP AOC	36.31%

The County's contributions to the plans for the year ended June 30, 2024, were:

	Pension
PSPRS Sheriff	$6,063,961
CORP Detention	899,012
CORP AOC	701,844

During fiscal year 2024, the County paid for PSPRS and CORP pension contributions as follows: 71% from the General Fund and 29% from other nonmajor funds.

Pension liability—At June 30, 2024, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$33,224,020
CORP Detention	6,877,461
CORP AOC (County's proportionate share)	6,538,673

The net pension liabilities were measured as of June 30, 2023, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

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

PSPRS and CORP—pension	
Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0% - 6.25%
Price inflation	2.50%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP **Asset class**	**Target allocation**	**Long-term expected geometric real rate of return**
U.S. public equity	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	100%	

Discount rates—At June 30, 2024, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.2%. 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, 2023	$63,155,453	$29,486,424	$33,669,029
Changes for the year:			
Service cost	727,231		727,231
Interest on the total pension liability	4,482,492		4,482,492
Differences between expected and actual experience in the measurement of the pension liability	619,868		619,868
Contributions—employer		3,556,580	(3,556,580)
Contributions—employee		389,386	(389,386)
Net investment income		2,357,996	(2,357,996)
Benefit payments, including refunds of employee contributions	(3,251,697)	(3,251,697)	
Administrative expense		(29,362)	29,362
Net changes	2,577,894	3,022,903	(445,009)
Balances at June 30, 2024	$65,733,347	$32,509,327	$33,224,020

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, 2023	$15,289,732	$8,422,477	$6,867,255
Changes for the year:			
Service cost	218,057		218,057
Interest on the total pension liability	1,090,396		1,090,396
Differences between expected and actual experience in the measurement of the pension liability	233,783		233,783
Contributions—employer		781,954	(781,954)
Contributions—employee		130,511	(130,511)
Net investment income		656,098	(656,098)
Benefit payments, including refunds of employee contributions	(726,809)	(726,809)	
Administrative expense		(19,691)	19,691
Tiers 1 & 2 adjustment		(17,586)	17,586
Other		744	(744)
Net changes	815,427	805,221	10,206
Balances at June 30, 2024	$16,105,159	$9,227,698	$6,877,461

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, 2023. The County's proportion measured as of June 30, 2023, and the changes from its proportion measured as of June 30, 2022 were:

CORP AOC	Proportion June 30, 2023	Decrease from June 30, 2022
Pension	1.45%	(0.24)

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.2%, as well as what the

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

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
PSPRS Sheriff			
Net pension liability	$41,774,776	$33,224,020	$26,226,278
CORP Detention			
Net pension liability	$9,132,043	$6,877,461	$5,057,410
CORP AOC			
County's proportionate share of the net pension liability	$8,762,306	$6,538,673	$4,727,021

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

Pension expense—For the year ended June 30, 2024, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$3,755,706
CORP Detention	939,271
CORP AOC (County's proportionate share)	561,634

Pension deferred outflows/inflows of resources—At June 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS—Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$1,038,975	
Changes of assumptions or other inputs	259,651	
Net difference between projected and actual earnings on pension plan investments	212,443	
County contributions subsequent to the measurement date	6,063,961	
Total	$7,575,030	

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 200,138	$339
Changes of assumptions or other inputs	49,198	
Net difference between projected and actual earnings on pension plan investments	63,001	
County contributions subsequent to the measurement date	899,012	
Total	$1,211,349	$339

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 353,781	$ 63,583
Changes of assumptions or other inputs	119,878	
Net difference between projected and actual earnings on pension plan investments	71,956	
Changes in proportion and differences between County contributions and proportionate share of contributions	658	998,285
County contributions subsequent to the measurement date	701,844	
Total	$1,248,117	$1,061,868

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, 2025. 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			
2025	$1,245,413	$145,340	$(142,002)
2026	(284,713)	(7,143)	(302,675)
2027	592,576	182,542	73,254
2028	(42,207)	(8,741)	(144,172)

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

EORP	**Initial membership date:**	
	Before January 1, 2012	**On or after January 1, 2012**
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, 2024, statute required active EORP members to contribute 7% or 13% of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 76.51% of all active EORP members' annual covered payroll. Also, statute required the County to contribute 64.37% 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. In addition, statute required the County to contribute 58.57% 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, 2024, were $1,370,453. During fiscal year 2024, the County paid for EORP pension contributions entirely from the General Fund.

Pension liability—At June 30, 2024, 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	$ 7,208,938
State's proportionate share of the EORP net pension liability associated with the County	8,059,964
Total	$15,268,902

The net pension liability was measured as of June 30, 2023, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2023. The County's proportion measured as of June 30, 2023 and the change from its proportion measured as of June 30, 2022, was:

EORP	Proportion June 30, 2023	Decrease from June 30, 2022
Pension	1.15%	(1.00)

Expense—For the year ended June 30, 2024, the County recognized pension expense for EORP of ($1,110,758) and revenue of $1,274,656 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, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ 30,237	
Changes in proportion and differences between County contributions and proportionate share of contributions		$3,334,058
County contributions subsequent to the measurement date	1,370,453	
Total	$1,400,690	$3,334,058

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, 2025. 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	
2025	$(3,339,826)
2026	(39,494)
2027	81,942
2028	(6,443)

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

EORP	
Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. public equity	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	100%	

Discount rate—At June 30, 2023, the discount rate used to measure the EORP total pension liability was 7.2%. 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 7.2%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

EORP	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
County's proportionate share of the net pension liability	$8,328,236	$7,208,938	$6,249,254

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

Note 11 - Interfund transactions

Interfund receivables and payables—Interfund balances at June 30, 2024, were as follows:

	Payable to	
Payable from	Other governmental funds	Total
General Fund	$789,923	$789,923
Total	$789,923	$789,923

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, 2024, were as follows:

Transfer from	General Fund	Capital Projects Fund	Other governmental funds	BDI Airport Fund	Solid Waste Fund	Internal service funds	Total
General Fund			$6,972,782				$6,972,782
Capital Projects Fund				$150,000		$140,000	290,000
Other governmental funds	$113,822				$263,499	29,666	406,987
BDI Airport Fund		$265,000					265,000
Total	$113,822	$265,000	$6,972,782	$150,000	$263,499	$169,666	$7,934,769

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

Note 12 - County Treasurer’s investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County’s monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

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

A majority of all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for $5,671 of cash, $3,213,214 of deposits and $392,933 in restricted cash. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed in Note 4.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer's investment pool 7	$ 45,000,000	None stated	None stated	$ 45,000,000
Money market mutual funds	75	None stated	None stated	75
U.S. agency securities	185,000,000	0.50%-5.98%	Up to 5 years	179,117,450

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

Statement of fiduciary net position	
Assets	$282,435,453
Net position	$282,435,453
Net position held for:	
Internal participants	143,721,065
External participants	138,714,388
Total net position	$282,435,453
Statement of changes in fiduciary net position	
Total additions	$468,917,631
Total deductions	458,506,355
Net increase	10,411,276
Net position:	
July 1, 2023	272,024,177
June 30, 2024	$282,435,453

Note 13 - Subsequent events

The County is a participant in the One Arizona Distribution of Opioid Settlement Funds Agreement, which is part of the nationwide Opioid Settlement. Cochise County is allocated a portion of settlement monies as the cases are settled. The Arizona Attorney General's Office handles the settlements for all parties in the One Arizona Plan. Six settlement payments have occurred since June 30, 2024, and the County will recognize approximately $251,218 in revenue in fiscal year 2025.

On May 16, 2023, Cochise County voters approved a Jail District ½ cent excise tax, for a 25-year period starting on January 1, 2024. As of the date the financial statements are made available to be issued, the County has collected a total of $13.49 million in Jail District excise taxes since the inception of this tax ($4.43 was collected in fiscal year 2024). In fiscal year 2024 the County utilized $176,730 of the Jail District excise tax collected to offset the difference in Jail District expenditures for the Maintenance of Effort payment the County was required to contribute to the Jail District operations and maintenance.

As a result of a settlement reached in the LaChance, et al., v. County of Cochise, Cochise County, Board of Supervisors, et al., (CV202300363) suit, the County is currently in discussions with the Arizona Department of Revenue and the County Attorney to determine the status of the Jail District excise tax revenues collected to date. This settlement also stipulates that the current Jail District excise tax will stop until a new Jail District excise tax election is held on Tuesday, November 4, 2025. The Jail District Board of

Directors will consider a resolution to end the excise tax on June 3, 2025, which would then become effective July 31, 2025.

Note 14 - Discretely presented component unit─Cochise Private Industry Council, Inc.

A. Summary of significant accounting policies

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

Capital assets
Capital assets, which include intangible right-to-use lease and subscription assets, are defined as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives ranging from 5 to 20 years as determined by management based on experience for each class of asset. Intangible right-to-use lease and subscription assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

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

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

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

B. Cash

At June 30, 2024, cash on hand was $200, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was $93,205, and the bank balance was $104,785.

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

C. Lease

At June 30, 2024, Cochise Private Industry Council recognized total lease-related revenues of $32,255.

The lease contract includes other payments for operating expenses, which are not included in the lease receivable. At June 30, 2024, Cochise Private Industry Council recognized revenues of $31,624 for other payments not included in the measurement of lease receivables.

D. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2024:

Program	**Amount**
Cochise County, Arizona	
WIOA Adult Program	$ 87,810
WIOA Dislocated Workers	62,845
WIOA Youth Program	56,629
	207,284
Other	24,821
Total	$232,105

E. Capital assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance at July 1, 2023	**Increases**	**Decreases**	**Balance at June 30, 2024**
Capital assets being depreciated/ amortized:				
Furniture and equipment	$ 114,385			$ 114,385
Leasehold improvements	13,354			13,354
Intangibles:				
Right-to use lease assets:				
Buildings	564,507			564,507
Right-to use lease assets:				
Subscription assets	27,622			27,622
Total capital assets being depreciated/amortized	719,868			719,868
Less accumulated depreciation/amortization:	(331,283)	$(121,960)		(453,243)
Total capital assets being depreciated/amortized, net	$ 388,585	$(121,960)	$	$ 266,625

Depreciation/amortization expense of $121,960 was charged to the job training program for the year ended June 30, 2024.

F. Due to related party

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

During 2024, Cochise Private Industry Council paid $326,117 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 $50,775 as of June 30, 2024.

G. Long-term liabilities

The following schedule details Cochise Private Industry Council's long-term liabilities and obligation activity for the year ended June 30, 2024:

	Balance at July 1, 2023	Increases	Decreases	Balance at June 30, 2024	Due Within 1 Year
Governmental activities:					
Leases payable	$370,618		$112,422	$258,196	$118,174
Subscription liability	22,872		5,295	17,577	5,569
Compensated absences	43,060	$34,142	43,060	34,142	
Total governmental activities long-term liabilities	$436,550	$34,142	$160,777	$309,915	$123,743

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

Total intangible right-to-use lease assets	$ 564,507
Less: accumulated amortization	(324,783)
Carrying value	$ 239,724

The following schedule details minimum lease payments to maturity for Cochise Private Industry Council's leases payable at June 30, 2024:

	Governmental activities		
Year ending June 30,	Principal	Interest	Total
2025	$118,174	$10,226	$128,400
2026	124,220	4,180	128,400
2027	15,802	198	16,000
Total	$258,196	$14,604	$272,800

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

Total intangible right-to-use accounting software	$ 27,622
Less: accumulated amortization	(10,588)
Carrying value	$ 17,034

The following schedule details minimum subscription payments to maturity for Cochise Private Industry Council's subscription payable at June 30, 2024:

	Governmental activities		
	Principal	Interest	Total
2025	$ 5,569	$ 753	$ 6,322
2026	5,854	468	6,322
2027	6,154	168	6,322
Total	$17,577	$1,389	$18,966

Other Required Supplementary Information

Cochise County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2024

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	$ 40,573,061	$ 40,573,061	$ 40,510,364	$ (62,697)
Licenses and permits	17,500	17,500	23,208	5,708
Fees, fines, and forfeits	1,044,508	1,044,508	1,391,855	347,347
Intergovernmental	28,737,572	28,740,072	27,840,444	(899,628)
Charges for services	2,947,590	2,947,590	3,257,798	310,208
Investment income	200,000	200,000	3,632,186	3,432,186
Miscellaneous	39,859,981	39,860,995	733,993	(39,127,002)
Total revenues	113,380,212	113,383,726	77,389,848	(35,993,878)
Expenditures:				
Assessor	2,340,856	2,558,797	2,113,468	445,329
Attorney	3,367,190	3,721,383	3,884,646	(163,263)
Board of Supervisors	17,019,478	14,739,024	5,216,628	9,522,396
Cochise Aging and Social Services	1,081,481	1,087,591	922,234	165,357
General government	44,978,205	45,455,884	22,929,668	22,526,216
Health	4,082,730	4,167,278	4,069,171	98,107
Judicial system	14,088,014	15,048,235	13,203,551	1,844,684
Public and legal defenders	2,132,129	1,758,360	1,606,130	152,230
Recorder	754,817	780,732	703,351	77,381
Public safety	21,917,757	22,427,032	21,765,584	661,448
School Superintendent	519,285	556,189	519,648	36,541
Treasurer	1,260,539	1,345,088	1,076,696	268,392
Total expenditures	113,542,481	113,645,593	78,010,775	35,634,818
Excess (deficiency) of revenues over expenditures	(162,269)	(261,867)	(620,927)	(359,060)
Other financing sources:				
Sale of capital assets	30,000	30,000	405,087	375,087
Transfers in	132,269	231,867	113,822	(118,045)
Total other financing sources	162,269	261,867	518,909	257,042
Net change in fund balances			(102,018)	(102,018)
Fund balances, July 1, 2023	37,114,708	37,114,708	44,389,097	7,274,389
Fund balances, June 30, 2024	$ 37,114,708	$ 37,114,708	$ 44,287,079	$ 7,172,371

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Highways and Streets Fund
Year ended June 30, 2024

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Intergovernmental	$ 13,222,766	$ 13,222,766	$ 15,009,426	$ 1,786,660
Charges for services	115,000	115,000	78,979	(36,021)
Investment income	80,000	80,000	895,580	815,580
Miscellaneous	13,350,045	13,350,045	462,843	(12,887,202)
Total revenues	26,767,811	26,767,811	16,446,828	(10,320,983)
Expenditures:				
Current:				
Highways and streets	26,767,811	26,767,811	11,510,956	15,256,855
Total expenditures	26,767,811	26,767,811	11,510,956	15,256,855
Excess (deficiency) of revenues over expenditures			4,935,872	4,935,872
Other financing sources (uses):				
Net change in fund balances			4,935,872	4,935,872
Fund balances, July 1, 2023	13,193,216	13,193,216	16,319,196	3,125,980
Fund balances, June 30, 2024	$ 13,193,216	$ 13,193,216	$ 21,255,068	$ 8,061,852

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Budgetary comparison schedule
Opioid Settlements Fund
Year ended June 30, 2024

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Fees, fines, and forefits	$ 527,013	$ 527,013	$ 791,107	$ 264,094
Investment income			(25,231)	(25,231)
Miscellaneous				
Total revenues	527,013	527,013	765,876	238,863
Expenditures:				
Current:				
Opioid settlement	527,013	527,013		527,013
Total expenditures	527,013	527,013		527,013
Excess (deficiency) of revenues over expenditures			765,876	765,876
Other financing sources (uses):				
Transfers out				
Total other financing sources and uses				
Net change in fund balances			765,876	765,876
Fund balances, July 1, 2023				
Aggregate amount of adjustments to and restatements of beginning fund balances	588,719	588,719	426,336	(162,383)
Fund balances, July 1, 2023, as restated	588,719	588,719	426,336	(162,383)
Fund balances, June 30, 2024	$ 588,719	$ 588,719	$ 1,192,212	$ 603,493

See accompanying notes to budgetary comparison schedule.

Cochise County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2024

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, and because the present value of net minimum lease payments and subscription-based information technology arrangements payments are not budgeted items.

Note 2 — Expenditures in excess of appropriations

For the year ended June 30, 2024, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Department/Fund	Excess
Attorney General Fund	$(163,263)
Total Attorney Department	$(163,263)

The variances in the Attorney department are attributed to staff turnover and increased case loads. The Budget Manager will monitor and discuss budget variances with County Administration regularly each fiscal year, and related expenses will be addressed at budget time to avoid future violations.

Cochise County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2024

Arizona State Retirement System

Reporting fiscal year (Measurement date)

	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	0.24%	0.24%	0.25%	0.26%	0.26%	0.27%	0.26%	0.26%	0.27%	0.29%
County's proportionate share of the net pension liability	$ 38,091,121	$ 39,832,748	$ 32,770,053	$ 44,775,193	$ 37,422,682	$ 38,087,839	$ 40,054,284	$ 42,744,608	$ 42,532,701	$ 42,685,890
County's covered payroll	32,594,104	29,593,679	28,176,928	28,791,204	27,248,793	27,317,312	25,122,131	24,779,581	25,133,395	26,034,337
County's proportionate share of the net pension liability as a percentage of its covered payroll	116.9%	134.6%	116.3%	155.5%	137.3%	139.4%	159.4%	172.5%	169.2%	164.00%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Corrections Officer Retirement Plan—Administrative Office of the Courts

Reporting fiscal year (Measurement date)

	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	1.45%	1.69%	1.72%	1.81%	1.80%	1.81%	1.61%	1.58%	1.72%	1.76%
County's proportionate share of the net pension liability	$ 6,538,673	$ 7,521,413	$ 6,394,939	$ 8,624,824	$ 7,614,859	$ 6,521,429	$ 6,456,911	$ 4,457,185	$ 4,178,318	$ 3,949,941
County's covered payroll	2,041,983	2,008,628	2,108,805	2,356,028	2,253,381	2,097,458	1,828,728	1,745,725	1,912,811	1,959,540
County's proportionate share of the net pension liability as a percentage of its covered payroll	320.2%	374.5%	303.2%	366.1%	337.9%	310.9%	353.1%	255.3%	218.40%	201.57%
Plan fiduciary net position as a percentage of the total pension liability	59.28%	57.52%	62.53%	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%

Elected Officials Retirement Plan

Reporting fiscal year (Measurement date)

	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
County's proportion of the net pension liability	1.15%	2.15%	2.06%	2.04%	2.04%	1.66%	1.78%	1.95%	1.84%	1.87%
County's proportionate share of the net pension liability	$ 7,208,938	$ 14,494,353	$ 12,543,558	$ 13,801,851	$ 13,512,989	$ 10,482,318	$ 21,749,157	$ 18,427,509	$ 14,367,585	$ 12,532,950
State's proportionate share of the net pension liability associated with the County	8,059,964	1,411,278	1,260,831	1,311,756	1,270,081	1,796,077	4,513,931	3,804,807	4,479,215	3,842,719
Total	$ 15,268,902	$ 15,905,631	$ 13,804,389	$ 15,113,607	$ 14,783,070	$ 12,278,395	$ 26,263,088	$ 22,232,316	$ 18,846,800	$ 16,375,669
County's covered payroll	$ 1,850,379	$ 1,781,783	$ 1,785,558	$ 1,727,778	$ 2,067,858	$ 1,499,119	$ 1,291,276	$ 1,357,975	$ 1,544,807	$ 1,722,405
County's proportionate share of the net pension liability as a percentage of its covered payroll	389.6%	813.5%	702.5%	798.8%	653.5%	699.2%	1684.3%	1357.0%	930.06%	727.64%
Plan fiduciary net position as a percentage of the total pension liability	38.63%	32.01%	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2024

	Reporting fiscal year (Measurement date)									
Public Safety Personnel Retirement System—Sheriff	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability	(2023)	(2022)	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Service cost	$ 727,231	$ 729,072	$ 862,586	$ 886,465	$ 988,563	$ 949,321	$ 1,037,941	$ 912,659	$ 897,651	$ 864,164
Interest on the total pension liability	4,482,492	4,200,279	4,197,460	3,992,588	3,809,328	3,575,183	3,282,075	3,306,647	3,212,596	2,633,247
Changes of benefit terms							705,650	344,258		1,126,739
Differences between expected and actual experience in the measurement of the pension liability	619,868	2,187,123	(1,854,119)	838,018	54,071	1,034,834	(187,240)	(1,789,290)	(213,315)	273,161
Changes of assumptions or other inputs		778,952			1,377,328		2,581,911	1,605,977		5,093,748
Benefit payments, including refunds of employee contributions	(3,251,697)	(3,097,952)	(2,969,641)	(2,803,785)	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)
Net change in total pension liability	2,577,894	4,797,474	236,286	2,913,286	3,209,844	2,760,554	4,571,610	1,619,422	1,245,104	7,387,767
Total pension liability—beginning	63,155,453	58,357,979	58,121,693	55,208,407	51,998,563	49,238,009	44,666,399	43,046,977	41,801,873	34,414,106
Total pension liability—ending (a)	$ 65,733,347	$ 63,155,453	$ 58,357,979	$ 58,121,693	$ 55,208,407	$ 51,998,563	$ 49,238,009	$ 44,666,399	$ 43,046,977	$ 41,801,873
Plan fiduciary net position										
Contributions—employer	$ 3,556,580	$ 7,797,601	$ 2,525,213	$ 2,841,950	$ 2,774,136	$ 2,321,111	$ 2,447,945	$ 3,414,120	$ 2,816,097	$ 1,590,648
Contributions—employee	389,386	357,854	363,655	396,947	403,241	416,973	572,902	542,026	533,148	480,171
Net investment income	2,357,996	(1,123,266)	5,831,472	257,546	1,027,398	1,159,997	1,994,903	95,788	479,555	1,625,439
Benefit payments, including refunds of employee contributions	(3,251,697)	(3,097,952)	(2,969,641)	(2,803,785)	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)
Hall/Parker settlement						(702,104)				
Pension plan administrative expense	(29,362)	(20,229)	(27,055)	(20,998)	(18,846)	(18,355)	(18,052)	(14,183)	(12,070)	
Other changes					(15,619)	(130,940)	(45,634)	133,030	11,916	(884,905)
Net change in plan fiduciary net position	3,022,903	3,914,008	5,723,644	671,660	1,150,864	247,898	2,103,337	1,409,952	1,176,818	208,061
Plan fiduciary net position—beginning	29,486,424	25,572,416	19,848,772	19,177,112	18,026,247	17,778,349	15,675,012	14,265,060	13,088,242	12,880,181
Plan fiduciary net position—ending (b)	$ 32,509,327	$ 29,486,424	$ 25,572,416	$ 19,848,772	$ 19,177,111	$ 18,026,247	$ 17,778,349	$ 15,675,012	$ 14,265,060	$ 13,088,242
County's net pension liability—ending (a) - (b)	$ 33,224,020	$ 33,669,029	$ 32,785,563	$ 38,272,921	$ 36,031,296	$ 33,972,316	$ 31,459,660	$ 28,991,387	$ 28,781,917	$ 28,713,631
Plan fiduciary net position as a percentage of the total pension liability	49.46%	46.69%	43.82%	34.15%	34.74%	34.67%	36.11%	35.09%	33.14%	31.31%
Covered payroll	$ 6,504,004	$ 5,424,610	$ 5,416,350	$ 5,698,159	$ 5,323,875	$ 5,288,422	$ 4,783,431	$ 4,745,782	$ 4,885,979	$ 4,681,028
County's net pension liability as a percentage of covered payroll	510.82%	620.67%	605.31%	671.67%	676.79%	642.39%	657.68%	610.89%	589.07%	613.40%

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2024
(Concluded)

	Reporting fiscal year (Measurement date)									
Corrections Officer Retirement Plan—Detention	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability	(2023)	(2022)	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Service cost	$ 218,057	$ 234,928	$ 242,051	$ 256,408	$ 317,614	$ 342,971	$ 330,614	$ 297,814	$ 292,414	$ 282,410
Interest on the total pension liability	1,090,396	1,046,853	1,010,366	941,529	875,544	840,121	724,260	742,741	666,802	574,310
Changes of benefit terms						(647,977)	1,384,226	13,188		133,007
Differences between expected and actual experience in the measurement of the pension liability	233,783	132,845	(1,356)	464,133	277,148	513,693	(331,887)	(636,880)	512,038	(165,636)
Changes of assumptions or other inputs		147,594			312,821		301,101	362,499		798,887
Benefit payments, including refunds of employee contributions	(726,809)	(756,026)	(732,195)	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)
Net change in total pension liability	815,427	806,194	518,866	984,779	1,148,547	250,893	1,769,602	216,814	1,020,658	1,174,077
Total pension liability—beginning	15,289,732	14,483,538	13,964,672	12,979,893	11,831,346	11,580,453	9,810,851	9,594,037	8,573,379	7,399,302
Total pension liability—ending (a)	$ 16,105,159	$ 15,289,732	$ 14,483,538	$ 13,964,672	$ 12,979,893	$ 11,831,346	$ 11,580,453	$ 9,810,851	$ 9,594,037	$ 8,573,379
Plan fiduciary net position										
Contributions—employer	$ 781,954	$ 779,165	$ 694,560	$ 585,531	$ 527,420	$ 469,110	$ 448,799	$ 400,307	$ 268,393	$ 222,257
Contributions—employee	130,511	134,305	127,642	143,084	154,457	195,131	184,017	197,513	171,671	141,534
Net investment income	656,098	(323,491)	1,828,969	177,408	331,548	396,107	648,996	32,454	182,577	617,823
Benefit payments, including refunds of employee contributions	(726,809)	(756,026)	(732,195)	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)
Administrative expense	(19,691)	(5,937)	(8,451)	(6,866)	(6,617)	(6,693)	(6,077)	(4,989)	(4,869)	
Tier 1 & 2 adjustment	(17,586)									
Other changes	744			(10,437)		(118)	(33)	36,666	(25,999)	(497,992)
Net change in plan fiduciary net position	805,221	(171,984)	1,910,525	211,429	372,228	255,622	636,990	99,403	141,177	34,721
Plan fiduciary net position—beginning	8,422,477	8,594,461	6,683,936	6,472,507	6,100,279	5,844,657	5,207,667	5,108,264	4,967,087	4,932,366
Plan fiduciary net position—ending (b)	$ 9,227,698	$ 8,422,477	$ 8,594,461	$ 6,683,936	$ 6,472,507	$ 6,100,279	$ 5,844,657	$ 5,207,667	$ 5,108,264	$ 4,967,087
County's net pension liability—ending (a) - (b)	$ 6,877,461	$ 6,867,255	$ 5,889,077	$ 7,280,736	$ 6,507,386	$ 5,731,067	$ 5,735,796	$ 4,603,184	$ 4,485,773	$ 3,606,292
Plan fiduciary net position as a percentage of the total pension liability	57.30%	55.09%	59.34%	47.86%	49.87%	51.56%	50.47%	53.08%	53.24%	57.94%
Covered payroll	$ 3,354,369	$ 2,911,523	$ 2,600,893	$ 2,715,762	$ 2,318,248	$ 2,577,913	$ 2,268,355	$ 2,239,735	$ 2,168,765	$ 1,960,381
County's net pension liability as a percentage of covered payroll	205.03%	235.86%	226.43%	268.09%	280.70%	222.31%	252.86%	205.52%	206.84%	183.96%

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2024

Arizona State Retirement System

	Reporting fiscal year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required contribution	$ 4,118,740	$ 3,635,380	$ 3,187,278	$ 3,320,577	$ 3,176,996	$ 2,945,070	$ 2,965,840	$ 2,701,331	$ 2,688,971	$ 2,738,453
County's contributions in relation to the statutorily required contribution	4,118,740	3,635,380	3,187,278	3,320,577	3,176,996	2,945,070	2,965,840	2,701,331	2,688,971	2,738,453
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 34,925,579	$ 32,594,104	$ 29,593,679	$ 28,176,928	$ 28,791,204	$ 27,248,793	$ 27,317,312	$ 25,122,131	$ 24,779,581	$ 25,133,395
County's contributions as a percentage of covered payroll	11.79%	11.15%	10.77%	11.78%	11.03%	10.81%	10.86%	10.75%	10.85%	10.90%

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required contribution	$ 701,844	$ 688,296	$ 690,785	$ 653,064	$ 684,566	$ 718,941	$ 477,270	$ 363,649	$ 332,346	$ 284,626
County's contributions in relation to the statutorily required contribution	701,844	688,296	690,785	653,064	684,566	718,941	477,270	363,649	332,346	284,626
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 1,919,880	$ 2,041,983	$ 2,008,628	$ 2,108,805	$ 2,356,028	$ 2,253,381	$ 2,097,458	$ 1,828,728	$ 1,745,725	$ 1,912,811
County's contributions as a percentage of covered payroll	36.56%	33.71%	34.39%	30.97%	29.06%	31.90%	22.75%	19.89%	19.04%	14.88%

Elected Officials Retirement Plan

	Reporting fiscal year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required contribution	$ 1,370,453	$ 1,187,729	$ 1,011,666	$ 1,010,737	$ 998,444	$ 975,743	$ 314,179	$ 303,450	$ 319,124	$ 363,029
County's contributions in relation to the statutorily required contribution	1,370,453	1,187,729	1,011,666	1,010,737	998,444	975,743	13,397	303,450	319,124	363,029
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ 300,782	$ -	$ -	$ -
County's covered payroll	$ 1,903,157	$ 1,850,370	$ 1,781,783	$ 1,785,558	$ 1,727,778	$ 2,067,858	$ 1,499,119	$ 1,291,276	$ 1,357,975	$ 1,544,807
County's contributions as a percentage of covered payroll	72.01%	64.19%	56.78%	56.61%	57.79%	47.19%	0.89%	23.50%	23.50%	23.50%

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2024
(Concluded)

Public Safety Personnel Retirement System—Sheriff

	Reporting fiscal year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	$ 3,117,939	$ 3,189,850	$ 2,616,875	$ 2,571,735	$ 2,927,213	$ 2,763,453	$ 2,359,040	$ 2,411,458	$ 2,413,915	$ 1,854,142
County's contributions in relation to the actuarially determined contribution	6,063,961	3,710,332	7,902,805	2,571,735	2,927,213	2,763,453	1,724,096	2,411,458	3,413,915	2,854,142
County's contribution deficiency (excess)	$ (2,946,022)	$ (520,482)	$ (5,285,930)	$ -	$ -	$ -	$ 634,944	$ -	$ (1,000,000)	$ (1,000,000)
County's covered payroll	$ 6,761,199	$ 6,504,004	$ 5,424,610	$ 5,416,350	$ 5,698,159	$ 5,323,875	$ 5,288,422	$ 4,783,431	$ 4,745,782	$ 4,885,979
County's contributions as a percentage of covered payroll	89.69%	57.05%	145.68%	47.48%	51.37%	51.91%	32.60%	50.41%	71.94%	58.41%

Corrections Officer Retirement Plan—Detention

	Reporting fiscal year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	$ 899,012	$ 833,495	$ 801,765	$ 723,172	$ 614,285	$ 547,986	$ 516,924	$ 437,766	$ 384,058	$ 268,394
County's contributions in relation to the actuarially determined contribution	899,012	833,495	801,765	723,172	614,285	547,986	516,924	437,766	384,058	268,394
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 3,517,154	$ 3,354,369	$ 2,911,523	$ 2,600,893	$ 2,715,762	$ 2,318,249	$ 2,577,913	$ 2,268,355	$ 2,239,735	$ 2,168,765
County's contributions as a percentage of covered payroll	25.56%	24.85%	27.54%	27.80%	22.62%	23.64%	20.05%	19.30%	17.15%	12.38%

See accompanying notes to pension plan schedules.

Cochise County
Required supplementary information
Notes to pension plan schedules
June 30, 2024

Note 1 – Actuarially determined contribution rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage-of-pay, closed
Remaining amortization period as of the 2022 actuarial valuation	24 years for PSPRS; 14 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% – 8.0% to 3.5% – 7.5% for PSPRS and from 4.0% – 7.25% to 3.5% – 6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4.0% – 8.0% for PSPRS and from 4.5% – 7.75% to 4.0% – 7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% – 9.0% to 4.5% – 8.5% for PSPRS and from 5.0% – 8.25% to 4.5% – 7.75% for CORP.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 – 6.25% for PSPRS and CORP. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006- June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes 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. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

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

Note 3 – Excess Contributions

During fiscal years 2015, 2016, 2022, 2023 and 2024 Cochise County made additional contributions to the County's Public Safety Personnel Retirement System to pay down its unfunded actuarial liability.

SINGLE AUDIT REPORT

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 30, 2025. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority, Accommodation School District, and Cochise Private Industry Council, Inc., as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on internal control over financial reporting

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

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we and the other auditors identified certain deficiencies in internal control that we consider to be material weaknesses 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 2024-01 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 2024-02 and 2024-03 to be significant deficiencies.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as item 2024-01.

County response to findings

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

Purpose of this report

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

May 30, 2025

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Cochise County, Arizona

Report on compliance for each major federal program

Qualified and unmodified opinions

We have audited Cochise County's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024, except for the Housing Voucher Cluster (Assistance Listings number 14.871), a major federal program administered by the County's Housing Authority. This major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to this major federal programs' compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the other auditors' report. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on WIC Special Supplemental Nutrition Program for Women, Infants, and Children

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the WIC Special Supplemental Nutrition Program for Women, Infants, and Children program (Assistance Listings number 10.557) for the year ended June 30, 2024.

Unmodified opinion on each of the other major federal programs

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for qualified and unmodified opinions

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

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

Matters giving rise to qualified opinion on WIC Special Supplemental Nutrition Program for Women, Infants, and Children

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding WIC Special Supplemental Nutrition Program for Women, Infants, and Children program for eligibility as described in item 2024-101. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Other matter—Federal expenditures not included in the compliance audit

The County's basic financial statements include the operations of the Cochise Private Industry Council, Inc., which expended $2,377,931 in federal awards that is not included in the County's schedule of expenditures of federal awards during the year ended June 30, 2024. Our compliance audit, described in the opinion on each major federal program qualified and unmodified opinions section, does not include the operations of the Cochise Private Industry Council, Inc., because it engaged other auditors to perform its audit.

Management's responsibilities for compliance

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

Auditors' responsibilities for the audit of compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion.

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

Other matters

The results of our auditing procedures and those of the other auditors disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2024-102. Our opinion on each major federal program is not modified with respect to this matter.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-101 to be a material weakness.

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

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

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

May 30, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	**Unmodified**
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	**No**
Internal control over financial reporting	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**Yes**
Noncompliance material to the financial statements noted?	**No**

Federal awards

Internal control over major programs	
Material weaknesses identified?	**Yes**
Significant deficiencies identified?	**None reported**

Type of auditors' report issued on compliance for major programs:
Unmodified for all major programs except for the WIC Special Supplemental Nutrition Program Women, Infants, and Children (Assistance Listings number 10.557), which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	**Yes**

Identification of major programs

Assistance Listings number	Name of federal program or cluster
10.557	WIC Special Supplemental Nutrition Program for Woman, Infants, and Children
14.871	COVID-19 Housing Voucher Cluster
14.871	Housing Voucher Cluster
93.391	COVID-19 Activities to support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

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

Financial statement findings

2024-01

The County failed to provide key financial information to auditors timely, and its initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed

Condition—Contrary to State law, the County issued its Annual Financial Report (AFR) for the year ended June 30, 2024, over 11 months after fiscal year-end, 60 days later than required. Specifically, the County's Finance Department failed to provide key financial information, such as complete and accurate financial statements, associated note disclosures, and supporting schedules, to auditors by established deadlines agreed upon at the beginning of the audit. This information was provided to auditors 2 months past agreed-upon deadlines.

Further, contrary to U.S. generally accepted accounting principles (GAAP), the County's initial AFR contained errors we identified and recommended the County correct so that the County's financial statements and note disclosures would contain accurate information. The County provided 13 subsequent versions of financial statements and note disclosures that contained numerous errors, and amounts did not agree throughout the AFR.

The County's Finance Department subsequently corrected these errors from original drafts, including the significant misstatements and misclassifications identified in Table 1 below.

Table 1
Summary of significant misstatements and misclassifications
Fiscal year 2024

Error Amount	Financial statement and/or note disclosure area	Description of misstatement or misclassification	Opinion unit(s) affected[1]
$5.8 million understatement	Capital assets (note disclosure)	The County did not record capital asset construction in progress current year activity for 5 construction projects completed in fiscal year 2024.	Governmental Activities
$5.3 million understatement	Capital assets (financial statement line item and note disclosure)	The County improperly calculated infrastructure depreciation expense causing infrastructure capital assets to be undervalued at June 30, 2024.	Governmental Activities

Error Amount	Financial statement and/or note disclosure area	Description of misstatement or misclassification	Opinion unit(s) affected[1]
$5.3 million misclassification	Capital outlay and public safety expenditures (financial statement line items)	The County misclassified capital outlay expenditures as public safety expenditures.	Aggregated remaining fund information ($4.5 million) Moson Road Fund ($832,986)
$2.5 million understatement	Cash and investments held by the County Treasurer (financial statement line item and note disclosure)	The County prepared a journal entry incorrectly resulting in a $2.0 million understatement in cash and accounts receivable.	General Fund
		The County did not record cash related to gains on investments and related revenues for $544,222.	Solid Waste Fund ($527,078) Grants Fund ($17,144)
$1.4 million misclassification	Capital assets (financial statement line item and note disclosure)	The County prepared a journal entry to incorrectly move $1.4 million in capital assets from Governmental Activities to the Business Type Activities (Bisbee-Douglas International [BDI] Airport Fund).	Governmental Activities Business Type Activities (BDI Airport Fund)
$490,542 overstatement	Cash in bank (financial statement line item and note disclosure)	The County incorrectly recorded opioid settlements for cities and towns as County monies.	Opioid Fund
$412,090 misclassification	Capital assets (financial statement line item)	The County prepared a journal entry to incorrectly record $412,090 in capital assets in the Solid Waste Fund instead of the BDI Airport Fund.	Business Type Activities (Solid Waste and BDI Airport Funds)

Effect—The County's Finance Department did not provide timely financial information to its Board of Supervisors and others who rely on it to make important decisions about the County's operations. Additionally, because the County had not issued timely financial statements, its Annual Expenditure Limitation Report (AELR), which relies on information from the AFR and was due 9 months after fiscal year-end, will also be issued late. Further, while the County corrected the errors we identified before issuing its final financial statements, without implementing corrective action to improve its financial reporting process, there is an increased risk that the County's financial statements could contain significant errors and misinform those who are relying on the information.

Cause—The County did not require an independent review of the financial statements, note disclosures, and supporting schedules and journal entries to ensure information included in the financial statements and notes were accurate and presented in accordance with GAAP. County Management reported that it did not require these independent reviews in an effort to meet agreed-upon deadlines.

In addition, the County did not have sufficiently detailed policies and procedures to follow for preparing the financial statements, note disclosures, and supporting schedules and journal entries to ensure they were accurate and presented in accordance with GAAP.

Criteria—State law requires the County to issue its audited financial statements and AELR within 9 months after fiscal year-end, or by March 31, 2025 (Arizona Revised Statutes §41-1279.07[C]). Further, the Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the County's governance and management, and others who rely on the reported financial information to make important decisions about the County's financial operations. Designing, implementing, and maintaining effective policies and procedures is necessary to achieve the County's financial reporting objectives and an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.[2]

Recommendations to the County—

1. Provide accurate and key financial information to auditors by agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its audited AFR.
2. Prepare the financial statements, associated note disclosures, and supporting schedules accurately and in accordance with GAAP.
3. Require a second employee knowledgeable of journal entries and GAAP to review and approve journal entries to ensure that financial activity is recorded correctly in the financial statements and associated note disclosures.
4. Update existing policies and procedures for preparing its financial statements in accordance with GAAP and train responsible employees on step-by-step procedures to:
    a. Reconcile its financial statement balances and activities to subsystems and other records, including obtaining closing and compiling data from the County's accounting system, preparing common year-end financial statement adjustments, and obtaining information not readily available from the accounting system but necessary for financial statement preparation.
    b. Evaluate significant changes to financial information to ensure it is properly classified and disclosed.
    c. Perform a detailed supervisory review of the draft financial statements, note disclosures, and supporting schedules and journal entries to ensure the AFR is accurate, complete, properly supported, and presented in accordance with GAAP and to detect and correct misstatements in the financial statements and note disclosures before providing them for audit. This review should be performed by an individual who is independent of the financial statements' preparation and knowledgeable of GAAP reporting requirements.

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

[1] Our report on the audit of the financial statements includes opinions for the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information. The County's major funds included the General Fund, Capital Projects Fund, Opioid Settlements Fund, Highways and Streets Fund, Moson Road Fund, Admin Grants Fund, Solid Waste Fund, and BDI Airport Fund.

[2] U.S. Government Accountability Office (GAO). (2014). *Standards for Internal Control in the Federal Government*. Washington, DC. Retrieved 4/22/2025 from https://www.gao.gov/assets/670/665712.pdf

2024-02

The County paid $43,703 for food and beverage, lodging, and conference costs using travel cards without complying with policies, resulting in risk of misuse of public monies

Condition—The County paid $43,703 for food and beverage, lodging, and conference costs using travel cards without complying with its policy for 8 of 11 fiscal year 2024 travel card transactions we tested and for an additional 221 travel card transactions we identified by scanning the travel card expenditures.[1]

Specifically, the County's Procurement Department (Department) created a pilot travel card program in 2022 with 25 shared travel cards, and contrary to the purchasing card agreement for travel cards signed by the County's Contracts Administrator, the Department allowed shared cardholders to make travel-related purchases without complying with its purchasing card policy, including the items shown in Table 1 below and not requiring employees to attend training or sign a user agreement prior to being allowed to use a shared travel card.

Further, the Department did not require the pilot travel card program's shared cardholders to follow the County's travel policy requirements to complete travel reimbursement forms with a comprehensive review of the travel costs, and therefore, the purchases were not subject to the County's meal and lodging per diem rates. However, we did not identify any meals or lodging expenses exceeding the County's per diem rates for the 11 transactions we tested.

The Department's management reported that it canceled its travel card pilot program in February 2024 because it lacked the staffing resources to continue managing the program.

Table 1
Summary of the $43,703 of food and beverage, lodging, and conference costs the County paid for using travel cards without complying with policies
Fiscal year 2024

Purchase type	Details	Total purchase amount
Lodging and conference travel costs	The County exceeded the $1,000 transaction limit for individual purchases without obtaining prior approval from the cardholders' department head and the County's finance director for $37,955 of lodging and conference costs.	$37,955

Purchase type	Details	Total purchase amount
Food and beverages	The County improperly used travel cards for food and beverages instead of the County's standard travel reimbursement process for $5,748 of food and beverage purchases at various restaurants. Also, the County did not retain an itemized receipt for 1 purchase totaling $29.	$5,748
Total		**$43,703**

Effect—The County put public monies at risk of being misspent or misused by:

- Not following its purchasing card policy and allowing travel-related purchases to be made without consideration of transaction limits.
- Not requiring employees to follow its travel policy requirements, which could have allowed cardholders to purchase meals and lodging exceeding its established per diem rates.
- Not performing a comprehensive review of travel expenses, which increased the risk that an employee could have charged travel costs to the travel card and inappropriately requested reimbursement through the County's standard travel reimbursement process.

When public monies are misspent or misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

Cause—The Department's management reported that the intent of the pilot travel card program was to allow employees to directly pay for travel-related meals and lodging costs, including lodging costs exceeding the single dollar transaction limit, rather than the employee requesting reimbursement for travel expenses as required by the County's travel policy.[2] However, the Department's management reported it verbally communicated these intended uses of the pilot travel card program rather than updating its policies and offering training to users.

Criteria—The County's purchasing card policy prohibits travel-related food and beverage purchases and requires cardholders to obtain prior approval from the cardholder's department head and the County's finance director for single purchases exceeding $1,000.[3] Additionally, the policy requires cardholders to submit an itemized receipt for all transactions, and the County may require cardholders to reimburse the County when nonitemized receipts are not retained. Further, the policy requires employees to attend training and sign a user agreement certifying that they will comply with the County's purchasing card policy prior to being issued a travel card.

The County's purchasing card agreement for the shared travel cards signed by the County's Contracts Administrator required the cards to only be used for official County business and to purchase materials and supplies for the County in accordance with County purchasing and procurement policies. It also established a single transaction limit of $1,000 and a monthly cycle limit of $5,000.

The County's travel policy establishes guidelines for reimbursement of travel-related expenses, including meal and lodging per diem rates and a travel worksheet form that tracks meal and lodging costs with a comprehensive review of the travel costs performed by a Department Head.[2]

Recommendations to the Department—

1. Ensure any future pilot travel card programs, or other purchasing or credit card programs, require cardholders or employees allowed access to shared cards to follow the County's purchasing card policy, including requirements to:
   a. Obtain prior approval from the cardholders' department head and the County's finance director for single purchases exceeding $1,000.
   b. Refrain from purchasing travel-related food and beverages.
   c. Submit an itemized receipt for all transactions.
   d. Attend training and sign a user agreement certifying that they will comply with the County's purchasing card policy, prior to being issued a card.
2. Revise existing training, purchasing card and/or travel policies, and user agreement to align with any future pilot travel card program or other purchasing or credit card programs prior to initiating the program and allowing cardholders to make purchases.
3. Review the pilot travel card program's transactions since its inception in 2022 to:
   a. Determine whether purchasing card transactions for food and beverage purchases and single item costs exceeding $1,000 were appropriate and for approved County travel.
   b. Determine whether any purchasing card costs were inappropriately reimbursed to employees through the County's standard travel reimbursement process by comparing all purchasing card transactions to travel reimbursements made.
   c. Take corrective action if the Department identifies any inappropriate costs or reimbursements, such as requiring employees to reimburse the County for any unallowable purchases or reimbursements the Department identifies.

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

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[1] After we audited the original sample of 11 fiscal year 2024 travel card transactions, we scanned the travel card expenditures and identified 19 additional transactions totaling $29,714 that exceeded the purchasing card limit of $1,000 and 202 transactions totaling $5,511 for food and beverage items. We did not test these additional items.

[2] Cochise County. (2008). Cochise County Travel Policy. Retrieved 3/3/2025 from https://www.cochise.az.gov/DocumentCenter/View/2414/Travel-Policies-PDF

[3] Cochise County. (2018). Purchasing Card Policy.

2024-03

The other auditors who audited the County's Accommodation School District reported the following finding:

The Accommodation School District (District) did not retain supporting documentation for all expenditures transactions to support that the amount paid with public monies was appropriate. The District is recorded in the County's aggregate remaining fund information.

Condition—For 2 of 15 invoices selected for expenditures testing, totaling $35,505, and for 2 of 9 invoices selected for capital assets additions testing, totaling $18,133, no detailed invoices could be provided.

Effect—Financial information the District uses to make decisions and reports provided to the state for oversight could have been materially misstated throughout the fiscal year.

Cause—Internal controls were not developed to ensure prior staff was properly trained to maintain accounting records in a complete manner. In addition, controls were not monitored to ensure complete documentation was retained.

Criteria—Arizona Revised Statutes 15-271 (A) and (B) states: "The auditor general shall determine the accounting systems, accounting methods and accounting procedures for school districts to use. The auditor general in conjunction with the department of education shall prescribe a uniform system of financial records (USFR) for all school districts to use each fiscal year."

USFR VI-B-2 Source documents states: "Source documents are used to initiate accounting transactions and must be retained to support each entry recorded in the accounting records."

Recommendations to the District—The District should procure a consultant or modify the organizational chart of the District Finance Office to ensure individuals with the skills, knowledge and expertise prepare, review and retain required source documentation. In addition, material transactions for the fiscal year should be reviewed and replacement documentation should be obtained to replace missing invoice information.

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

Federal award findings and questioned costs

2024-101

Assistance Listings number and name:	10.557 **WIC Special Supplemental Nutrition Program for Women, Infants, and Children**
Award numbers and years:	CTR040363, October 1, 2018 through September 30, 2023; CTR067930, October 1, 2023 through September 30, 2028
Federal agency:	**U.S. Department of Agriculture**
Pass-through grantor:	Arizona Department of Health Services
Compliance requirement:	Eligibility
Questioned costs:	Unknown[1]

Condition—Contrary to federal regulations and State policies, the County's Health and Social Services Department (Department) issued program benefits without requiring each program participant to complete and sign a rights and obligations form during the eligibility certification process agreeing to provide current and truthful information, abide by program rules, and not share WIC benefits cards or other benefits. Specifically, for 15 of 62 participants tested, the Department did not require the participants to complete and sign a rights and obligations form for 6 participants' initial certifications and 9 participants' recertifications for ongoing benefits.

Effect—The Department's not requiring program participants to acknowledge their rights and obligations increases the risk of participants providing inaccurate information required for eligibility determinations, such as erroneous residency and income data that could allow program participants to receive benefits they are not eligible to receive.[1] Further, there is an increased risk of misuse of program benefits received as the participants may not be aware of the program's rules and could allow others to use their WIC benefits cards or sell, trade, or give away benefits received, such as food, formula, or breast pumps.

Cause—Department management reported that State policies were not always followed because the program is administered at small clinic sites throughout the County, and Department staff who are responsible for ensuring each program participant complete and sign a rights and obligations form were busy and forgot to have each program participant do so. Further, the Department did not perform periodic monitoring to ensure Department clinic site staff had required participants to sign the rights and obligations form prior to issuing benefits and that the forms were maintained in its eligibility system.

Criteria—Federal regulation and State policies require participants to sign a rights and obligations statement as part of the eligibility certification process (7 CFR 246.7[i][10]).[2] Specifically, State eligibility certification policies require the Department's staff who are responsible for the eligibility certification process to inform participants of their rights and obligations prior to issuing benefits during the participant's initial certification and recertifications for ongoing benefits.

Also, the participants must complete and sign the form acknowledging their rights and obligations, including:

- Providing the most current and truthful information that WIC staff may verify.
- Following the rules of the WIC program to avoid being prosecuted, disqualified, and/or asked to repay the program.
- Allowing only the approved authorized recipient or proxy to use the WIC benefits card and reporting lost or stolen WIC benefits cards.[1]
- Being honest and not selling, trading, or giving away WIC benefits cards, food, formula, or breast pumps, and acknowledging that doing so will disqualify the recipient from benefits.

Further, federal guidelines require establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations to the Department—

1. Follow the State's eligibility certification policies that require program participants to complete and sign a rights and obligations form prior to the Department issuing benefits during initial certifications and recertifications for ongoing benefits.
2. Train Department staff who are responsible for the eligibility certification process regarding the following requirements:
   a. Participants must be informed of their rights and obligations prior to issuing benefits during the participant's initial certification and recertifications for ongoing benefits.
   b. Participants must sign the rights and obligations form during the eligibility certification process agreeing to provide current and truthful information, abide by program rules, and not share WIC benefits cards or other benefits.
   c. Department staff must maintain the forms in its eligibility system.
3. Perform periodic monitoring at its clinic sites to ensure Department staff who are responsible for the eligibility certification process are performing all steps.

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

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[1] WIC recipients receive WIC benefits cards to use at designated vendors, such as a grocery store, that are preloaded with eligible food packages. A food package contains items by description and provides only specific quantities for fruits and vegetables. For example, 2 dozen eggs, 32 ounces of yogurt, 1 pound of cheese, etc. The recipient can purchase only the eligible items and specific quantities outlined in their designated food package. Unused benefits expire at the end of the month. For the errors identified, auditors were unable to determine the potential questioned cost as there is not a specific amount designated for each food package awarded to the recipients. The vendors who supplied food to the recipient bill the Arizona Department of Health Services for the benefits provided.

[2] Arizona Department of Health Services. (2024). *Arizona WIC Program Policy and Procedure Manual* Chapter 2, Section H. Retrieved 4/30/2025 from https://www.azdhs.gov/documents/prevention/azwic/manuals/policy/chapter-02-certification.pdf?v=20240221

2024-102

Assistance Listings number and name: Not applicable

Questioned costs: Not applicable

Condition—Contrary to federal regulation, the County did not submit its June 30, 2024, Single Audit Report to the federal audit clearinghouse until May 30, 2025, which was 60 days later than required.

Effect—The County's submitting its Single Audit Report late prevents the federal government and other grantors of federal awards from having current information to effectively monitor their programs and could delay corrective actions that the County needs to take. Further, federal grantors may deny the County future federal awards or subject it to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the compliance requirements over the County's major federal programs.

Cause—The County failed to prepare its June 30, 2024, Annual Financial Report in a timely manner for the reasons we reported in finding 2024-01, which delayed the completion of the Single Audit.

Criteria—Federal regulation requires the County to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end, or by March 31, 2025, for the County's June 30, 2024, Single Audit Report (2 Code of Federal Regulations §200.512).

Recommendations to the County—The County should improve its financial reporting process, as noted in finding 2024-01, so that it can submit all future Single Audit Reports on or before the federally required submission deadline, which is no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

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

COUNTY SECTION

COCHISE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2023 - 6/30/2024

Federal Awarding Agency/Program Title	*Assistance Listing Number*	*Additional Award Identification (Optional)*	*Name of Grantor Pass-Through Entity*	*Identifying Number Assigned By Grantor Pass-Through Entity*	*Federal Expenditures*	*Federal Program Total*	*Cluster Name*	*Cluster Total*
DEPARTMENT OF AGRICULTURE								
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	*10.557*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR040363 A5-A6, CTR067930*	*$656,472*	*$656,472*	*N/A*	*$0*
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				$350,788	$350,788	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$350,788
NATIONAL FOREST SYSTEM-LAW ENFORCEMENT	10.U01	23-LE-11030500-048			$11,072	$11,072	N/A	$0
TOTAL DEPARTMENT OF AGRICULTURE					$1,018,332			
DEPARTMENT OF DEFENSE								
READINESS AND ENVIRONMENTAL PROTECTION INTEGRATION (REPI) PROGRAM	12.017				$155,155	$155,155	N/A	$0
FOREST PRODUCT SALES	12.U02	10 USC 2665			$546	$546	N/A	$0
TOTAL DEPARTMENT OF DEFENSE					$155,701			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	*14.228*		*ARIZONA DEPARTMENT OF HOUSING*	*106-24*	*$101,791*	*$101,791*		
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241				$265,520	$265,520	N/A	$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				$5,164,540	$5,444,386	HOUSING VOUCHER CLUSTER	$5,444,386
COVID-19 SECTION 8 HOUSING CHOICE VOUCHERS	14.871	COVID-19			$279,846	$5,444,386	HOUSING VOUCHER CLUSTER	$5,444,386
FAMILY SELF-SUFFICIENCY PROGRAM	14.896				$84,175	$84,175	N/A	$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					$5,895,872			
DEPARTMENT OF JUSTICE								
CRIME VICTIM ASSISTANCE	*16.575*		*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2020-140*	*$20,460*	*$20,460*	*N/A*	*$0*
COVID-19 CRIME VICTIM COMPENSATION	*16.576*	*COVID-19*	*ARIZONA CRIMINAL JUSTICE COMMISSION*	*VC-24-002*	*$94,692*	*$94,692*	*N/A*	*$0*
PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	16.710				$236,137	$236,137		
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	*16.738*		*ARIZONA CRIMINAL JUSTICE COMMISSION*	*DC-24-021, DC-24-003*	*$112,386*	*$112,386*	*N/A*	*$0*
TOTAL DEPARTMENT OF JUSTICE					$463,675			
DEPARTMENT OF TRANSPORTATION								
AIRPORT IMPROVEMENT PROGRAM	20.106				$371,000	$371,000	N/A	$0
HIGHWAY PLANNING AND CONSTRUCTION	*20.205*		*ARIZONA DEPARTMENT OF TRANSPORTATION*	*JPA/IGA 11-121-1-A2*	*$82,865*	*$82,865*	*N/A*	*$0*
STATE AND COMMUNITY HIGHWAY SAFETY	*20.600*		*ARIZONA GOVERNORS'S OFFICE OF HIGHWAY SAFETY*	*2023-PTS-015, 2023-AL-012, 2024-PTS-077*	*$69,342*	*$69,342*	*HIGHWAY SAFETY CLUSTER*	*$95,297*
NATIONAL PRIORITY SAFETY PROGRAMS	*20.616*		*ARIZONA GOVERNORS'S OFFICE OF HIGHWAY SAFETY*	*2024-AL-014*	*$25,955*	*$25,955*	*HIGHWAY SAFETY CLUSTER*	*$95,297*
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	*20.703*		*ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY*	*693JK2240018HMEP*	*$7,000*	*$7,000*		
TOTAL DEPARTMENT OF TRANSPORTATION					$556,162			
DEPARTMENT OF TREASURY								
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	*21.027*	*COVID-19*	*ARIZONA SUPREME COURT*	*220200CB01 A1*	*$13,000*	*$437,955*	*N/A*	*$0*
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	*21.027*	*COVID-19*	*ARIZONA DEPARTMENT OF PUBLIC SAFETY*	*2023-302*	*$86,607*	*$437,955*		
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			$338,348	$437,955	N/A	$0
COVID-19 LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032	COVID-19			$66,905	$66,905		
TOTAL DEPARTMENT OF TREASURY					$504,860			
ENVIRONMENTAL PROTECTION AGENCY								
BROWNFIELDS MULTIPURPOSE, ASSESSMENT, REVOLVING LOAN FUND, AND CLEANUP COOPERATIVE AGREEMENTS	66.818				$156,030	$156,030	N/A	$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY					$156,030			
DEPARTMENT OF EDUCATION								
SPECIAL EDUCATION_GRANTS TO STATES	*84.027*		*ARIZONA DEPARTMENT OF EDUCATION*	*23FESCBG-310825-09A*	*$9,729*	*$9,729*	*SPECIAL EDUCATION CLUSTER (IDEA)*	*$9,729*
COVID-19 EDUCATION STABILIZATION FUND	*84.425*	*COVID-19, 84.425D*	*ARIZONA DEPARTMENT OF EDUCATION*	*IGA 23-14-ED A1, 21FEIINT-110825-01A*	*$320,177*	*$320,177*	*N/A*	*$0*
TOTAL DEPARTMENT OF EDUCATION					$329,906			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION								
HAVA ELECTION SECURITY GRANTS	*90.404*		*ARIZONA SECRETARY OF STATE'S OFFICE*	*AZ20101001*	*$6,364*	*$6,364*	*N/A*	*$0*
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					$6,364			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	*93.069*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055207 A3*	*$299,817*	*$299,817*	*N/A*	*$0*
FOOD AND DRUG ADMINISTRATION RESEARCH	93.103				$3,558	$3,558		
MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	*93.110*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR050594 A3-A4*	*$107,141*	*$107,141*	*N/A*	*$0*
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	*93.136*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR063847, CTR070113*	*$100,076*	*$100,076*	*N/A*	*$0*
IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR060269 A1 - A2*	*$52,483*	*$521,997*	*N/A*	*$0*
COVID-19 IMMUNIZATION COOPERATIVE AGREEMENTS	*93.268*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR060269 A1 - A2*	*$469,514*	*$521,997*	*N/A*	*$0*
COVID-19 EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	*93.323*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR058657 A2*	*$4,096*	*$4,096*	*N/A*	*$0*
COVID-19 PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	*93.354*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055207 A3*	*$457,322*	*$457,322*	*N/A*	*$0*
COVID-19 ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	*93.391*	*COVID-19*	*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055990 A2*	*$1,049,163*	*$1,049,163*	*N/A*	*$0*

CHILD SUPPORT SERVICES	*93.563*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI18-002171 A3, DI18-002162 A1*	*$15,789*	*$15,789*	*N/A*	*$0*
COVID-19 CHILD CARE AND DEVELOPMENT BLOCK GRANT	*93.575*	*COVID-19*	*EARLY CHILDHOOD HEALTH AND DEVELOPMENT BOARD*	*GRA-STATE-24-1242-01*	*$4,181*	*$4,181*	*CCDF CLUSTER*	*$4,181*
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	*93.597*		*ARIZONA DEPARTMENT OF ECONOMIC SECURITY*	*DI16-002163 A2*	*$26,991*	*$26,991*		
FOSTER CARE_TITLE IV-E	*93.658*		*ARIZONA SUPREME COURT*	*DC20-000036 A2-A3*	*$78,899*	*$78,899*	*N/A*	*$0*
OPIOID STR	*93.788*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR063847 A1*	*$169,599*	*$169,599*	*N/A*	*$0*
CENTERS FOR DISEASE CONTROL AND PREVENTION COLLABORATION WITH ACADEMIA TO STRENGTHEN PUBLIC HEALTH	*93.967*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR064461*	*$456,889*	*$456,889*		
SEXUALLY TRANSMITTED DISEASES (STD) PREVENTION AND CONTROL GRANTS	*93.977*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR040475 A2, CTR068849 A1*	*$43,744*	*$43,744*	*N/A*	*$0*
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	*93.991*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055256 A3*	*$29,722*	*$29,722*		
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	*93.994*		*ARIZONA DEPARTMENT OF HEALTH SERVICES*	*CTR055256 A3*	*$97,432*	*$97,432*	*N/A*	*$0*
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$3,466,416			
EXECUTIVE OFFICE OF THE PRESIDENT								
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	*95.001*		*CITY OF TUCSON*	*HT-22-2909, HT-23-2909, HT-22-2912, HT-23-2912*	*$258,677*	*$258,677*	*N/A*	*$0*
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					$258,677			
DEPARTMENT OF HOMELAND SECURITY								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	*97.042*		*ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS*	*EMF-2023-EP-00008-S01, EMF-2022-EP-00009-S01, EMF-2021-EP-00016-S01/18*	*$188,113*	*$188,113*	*N/A*	*$0*
HOMELAND SECURITY GRANT PROGRAM	*97.067*		*ARIZONA DEPARTMENT OF HOMELAND SECURITY*	*22-AZDOHS-OPSG-220420-02, 22-AZDOHS-OPSG-220420-01, 230402-01*	*$371,481*	*$371,481*	*N/A*	*$0*
HOMELAND SECURITY UNKNOWN	97.U03	Payment Ref IDs: 101036150964982, 101036150838330, 101036150838329, 101036150838331, 101036151659826			$6,278	$6,278	N/A	$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					$565,872			
TOTAL EXPENDITURE OF FEDERAL AWARDS					$13,377,867			

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 7/1/2023 - 6/30/2024

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

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

Basis of presentation
The accompanying schedule of expenditures of federal awards (schedule) includes Cochise County's federal grant activity for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Federal Assistance Listings number
The program titles and Federal Assistance Listings numbers were obtained from the federal or passthrough grantor or the *2024 Federal Assistance Listings.* When no Federal Assistance Listings number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier, followed by the letter "u" and a two digit sequential number were used.

Coronavirus State & Local Fiscal Recovery Funds Revenue Loss
The County elected to claim the $10 million revenue loss standard allowance rather than using the calculated revenue loss option. The expenditure amount reported on this schedule is the aggregate expenditure amount for all seven eligible use categories and not the result of the revenue loss calculation or standard allowance.

COUNTY RESPONSE

Cochise County
Finance Department

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

Monica Miranda
Finance Director

May 30, 2025

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

Dear Ms. Perry:

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

Sincerely,

Monica Miranda
Cochise County Finance Director

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

Cochise County

Corrective Action Plan
Year ended June 30, 2024

Financial statement findings

2024-01

The County failed to provide key financial information to auditors timely, and its initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed

Contact: Monica Miranda

Completion date: March 31, 2026

Corrective Action:

The Cochise County Finance department immediately corrected all items listed in Table 1 of this finding. The County will work with a certified CPA/Auditing firm for financial consulting services (to include new GASB implementations, provide recommendations for best practices, preparation of the financial statements, note disclosures, the Annual Expenditure Limitation Report (AERL), and Landfill Liability Assurance report, and an independent review of supporting schedules and journal entries) to ensure information in the financial statements and notes are accurate and presented in accordance with GAAP and that it is finalized no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

2024-02

The County paid $43,703 for food and beverage, lodging, and conference costs using travel cards without complying with policies, resulting in risk of misuse of public monies

Contact: Monica Miranda

Completion date: February 2024

Corrective Action:

Cochise County understands that we have a fiduciary duty to act in a fiscally responsible manner and we place great importance on this responsibility.

Cochise County Administration cancelled the travel card pilot program in February 2024. This issue has been corrected since that time. Additionally in June 2024, the Cochise County Board of Supervisors updated the Purchasing Card policy and County staff have strictly adhered to the policy, and have enforced the process outlined in the revised policy to address any violations.

2024-03

The other auditors who audited the County's Accommodation School District reported the following finding:

The Accommodation School District (District) did not retain supporting documentation for all expenditures transactions to support that the amount paid with public monies was appropriate. The District is recorded in the County's aggregate remaining fund information.

Contact: Susan Ochoa

Completion date: January 2024

Corrective Action:

The district has hired an experienced Business Manager with knowledge and expertise to prepare, review and retain required source documentation.

2024-101

Assistance Listings number and name:10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children

Award numbers and years: CTR040363, October 1, 2018 through September 30, 2023; CTR067930, October 1, 2023 through September 30, 2028

Federal agency: U.S. Department of Agriculture
Pass-through grantor: Arizona Department of Health Services
Compliance requirement: Eligibility
Questioned costs: Unknown

County's Health and Social Services Department issued program benefits without requiring each program participant to complete and sign a rights and obligations form during the eligibility certification process agreeing to provide current and truthful information, abide by program rules, and not share Women, Infants, and Children (WIC) benefits cards or other benefits.

Contact: Barbara Lang

Completion date: March 2025

Corrective Action:

Cochise County WIC leadership and staff is committed to full adherence with WIC policy and will continue to implement training, monitoring, and communication to ensure compliance with federal and state regulation.

The County immediately corrected this issue by conducting a mandatory training session for all WIC staff regarding the Rights and Obligations policy. During this session, the policy was read aloud and distributed in written form to all attendees. Staff were directed to inform all participants of their rights and responsibilities to include having the rights and responsibilities form signed by the participants, prior to issuing benefits, during the participant's initial certification, and recertifications for ongoing benefits.

Staff received the Rights and Obligations Pledge for review and reference. Procedures for obtaining signatures from participants not physically present in the office were reviewed. Acceptable alternatives include sending the form via email for electronic or physical signature, scheduling a follow-up in-office visit for signature collection.

All staff questions were addressed to ensure clarity and consistent understanding. Ongoing reminders have been disseminated through emails and during regular staff "huddles" since the training.

In addition to the immediate actions taken to correct the finding, the County also implemented long-term action steps. These steps include annual training of all WIC Staff on the Rights and Obligations policy the 2nd Monday of January.

Each employee will sign an attestation confirming their understanding and compliance post-training. This attestation will be stored in the employee's personnel record.

Monthly, the WIC Manager, or designee, will review the WIC Cert. for Audit Report the last Friday of each month to identify and address any instances of missing client signatures. Additionally, the WIC Manager will manually audit 3% of the total WIC members for the month.

Continuous actions implemented by County staff to correct this finding includes consistent reinforcement of signature collection protocols and policy reminders during monthly meetings and weekly "huddles".

Of note, a request was submitted to the Arizona WIC Service Desk to determine whether a report could be generated identifying all participants lacking a signed Rights and Obligations form to strengthen monitoring efforts. The response received indicated that generating this type of report is extremely complex, and at this time it is not possible.

2024-102

The County did not submit its June 30, 2024, Single Audit Report to the federal audit clearinghouse until May 30, 2025, which was 60 days later than required.

Contact: Monica Miranda

Completion date: March 31, 2026

Corrective Action:

Cochise County understands that we have a fiduciary duty to provide key financial information and accurate financial statements to the Auditor General and our stakeholders, and we place great importance on this responsibility.

Cochise County will work with a certified CPA/Auditing firm for preparation of all future Annual Financial Report (which include the Single Audit Report submittal) to ensure it is finalized and the Single Audit Report is submitted to the federal audit clearinghouse on or before the federally required submission deadline, which is no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

Cochise County
Finance Department

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

Monica Miranda
Finance Director

May 30, 2025

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

Dear Ms. Perry:

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

Sincerely,

Monica Miranda
Cochise County Finance Director

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

Status of financial statement findings

Finding number 2023-01 Fiscal year finding initially occurred: 2023

Status: Corrected

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

ARIZONA
Auditor General
Making a Positive Difference