



Annual Financial Report

For the fiscal year ended | June 30, 2025

Cochise County



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Financial section

Annual Financial Report 2025



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, 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, 2025, 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, 2025, 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, 2025.

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ Expenditures
Government-wide statements				
Governmental activities				
Accommodation School District	1%	0%	1%	2%

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ Expenditures
Business-type activities				
Housing Authority	9%	9%	44%	47%
Discretely presented component unit				
Cochise Private Industry Council, Inc.	100%	100%	100%	100%
Fund statements				
Aggregate remaining fund information				
Accommodation School District	1%	0%	0%	0%
Housing Authority	1%	7%	1%	1%

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

Basis for opinions

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

Emphasis of matter

As discussed in Note 1 and Note 14 to the financial statements, for the year ended June 30, 2025, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Other matters

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

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

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

Management's responsibilities for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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-12, budgetary comparison schedules on pages 59 through 63, schedule of the County’s proportionate share of the net pension liability—cost-sharing plans on page 65, schedule of changes in the County’s net pension liability and related ratios—agent plans on pages 66 through 67, and schedule of County pension contributions on pages 68 through 69 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 30, 2026

Cochise County

Management's Discussion and Analysis

June 30, 2025

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, 2025. 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 \$217.9 million (net position). Of the net position amount, \$141.8 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure, intangible right-to-use lease assets, subscription-based information technology arrangement assets and construction in progress); \$74.3 million is restricted for specific purposes (restricted net position); and \$1.8 million is the unrestricted net position.
- At June 30, 2025, total assets were \$344.4 million, an increase of \$30.7 million, or 9.8%, in comparison with the prior fiscal year's balance of \$313.7 million.
- At June 30, 2025, total liabilities were \$138.7 million, an increase of \$2.6 million, or 1.9%, in comparison with the prior fiscal year's balance of \$136.1 million.
- At June 30, 2025, current liabilities were \$32.2 million, an increase of \$21.8 thousand, or 0.1%, in comparison with the prior fiscal year's balance of \$32.2 million.
- At June 30, 2025, the County reported total deferred outflows of resources related to pensions and other postemployment benefits (OPEB) of \$18.1 million and deferred inflows of resources related to pensions/OPEB and leases of \$6.0 million.
- At June 30, 2025, the governmental funds reported combined fund balances of \$129.7 million, an increase of \$16.8 million, or 14.9%, in comparison with the prior year's combined fund balances of \$112.9 million.
- At June 30, 2025, \$53.7 million, or 41.4%, of governmental fund balances were restricted (an increase of \$12.1 million, or 29%), \$33.0 million, or 25.5% (an increase of \$3.6 million, or 12.1%), were assigned, \$47 thousand, were nonspendable, and \$43.0 million, or 33.1%, were unassigned (an increase of \$1.1 million, or 2.7%). 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.

Cochise County

Management's Discussion and Analysis

June 30, 2025

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 funds 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*.

Cochise County

Management's Discussion and Analysis

June 30, 2025

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, DEMA Fund, Opioid Settlements Fund, Admin Grants Fund, Jail District 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 DEMA Fund provides for the sustainability and enhancement of programs and resources to support a comprehensive, all-hazard emergency preparedness system within the County. The Fund's revenue source is Department of Emergency and Military Affairs grant funding through the State of Arizona.

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 (LATF) grant funding.

The Jail District Fund accounts for the construction and financing of a new County jail facility. The Fund's revenue source is a voter-approved levy on excise tax (sales tax) of up to ½ cent, or one-half of one percent, or 0.50%, on most business transactions.

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.

Cochise County

Management's Discussion and Analysis

June 30, 2025

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 57 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 59 through 71 of this report.

Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. The net increase of \$27.8 million in current and other assets was primarily due to an increase of \$7.3 million in Department of Emergency and Military Affairs (DEMA) funding received, \$9.4 million in new revenue from the County 0.50% Jail District Sales Tax, \$4.3 million increase in funding received in Highways and Streets, \$1.5 million increase in funding received in the Flood Control District, \$1.7 million increase in funding received in the Solid Waste Fund, an increase in accounts receivable of \$652 thousand for the Opioid Settlements Fund, respectively, in the governmental funds that occurred in the fiscal year. The net increase in due from other governments of \$4.5 million was primarily driven by the increase of \$5.1 million in DEMA funding due to the County. The net increase in total liabilities of \$2.6 million was primarily due to the increase of \$1.7 million in accounts payable, the increase of \$668 thousand in leases payable, and the increase of \$525 thousand in compensated absences payable. The decrease in unearned revenue of \$(1.8) million is due to a decrease in unearned revenue of \$(749) thousand in LATF funding in the Admin Grants Fund and a decrease in unearned revenue of \$(1.0) million in the Border Security Trust fund in FY25 from FY24. Unrestricted fund balance was \$1.8 million, an increase of \$13.6 million, or 115.3%.

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 \$217.9 million.

Cochise County
Management's Discussion and Analysis
June 30, 2025

Governmental and Business-type Activities
Summary Comparison Statement of Net Position
June 30, 2024 and 2025

	Governmental Activities		Business-type Activities		Total	
	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025
Assets:						
Current and other assets	\$ 163,529,423	\$ 189,834,191	\$ 10,243,046	\$ 11,731,646	\$ 173,772,469	\$ 201,565,837
Capital assets, net	129,106,078	132,012,803	10,848,580	10,830,489	139,954,658	142,843,292
Total assets	<u>292,635,501</u>	<u>321,846,994</u>	<u>21,091,626</u>	<u>22,562,135</u>	<u>313,727,127</u>	<u>344,409,129</u>
Deferred outflows	16,395,152	17,648,605	312,707	466,615	16,707,859	18,115,220
Liabilities:						
Current liabilities	31,860,511	31,876,702	297,113	302,680	32,157,624	32,179,382
Long-term liabilities	95,709,333	97,885,384	8,255,080	8,626,684	103,964,413	106,512,068
Total liabilities	<u>127,569,844</u>	<u>129,762,086</u>	<u>8,552,193</u>	<u>8,929,364</u>	<u>136,122,037</u>	<u>138,691,450</u>
Deferred inflows:						
Related to pensions and OPEB	7,523,426	5,678,769	186,970	209,125	7,710,396	5,887,894
Related to leases	-	-	96,040	62,686	96,040	62,686
Total deferred inflows	<u>7,523,426</u>	<u>5,678,769</u>	<u>283,010</u>	<u>271,811</u>	<u>7,806,436</u>	<u>5,950,580</u>
Net position:						
Net investment in capital assets	128,749,990	130,940,182	10,834,922	10,818,101	139,584,912	141,758,283
Restricted	58,543,273	74,062,977	190,300	252,863	58,733,573	74,315,840
Unrestricted	<u>(13,355,880)</u>	<u>(948,415)</u>	<u>1,543,908</u>	<u>2,756,611</u>	<u>(11,811,972)</u>	<u>1,808,196</u>
Total net position, as restated	<u>\$ 173,937,383</u>	<u>\$ 204,054,744</u>	<u>\$ 12,569,130</u>	<u>\$ 13,827,575</u>	<u>\$ 186,506,513</u>	<u>\$ 217,882,319</u>

A large portion of Cochise County's net position, 65.1%, 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 \$31.4 million during the fiscal year, primarily due to the 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:

Cochise County
Management's Discussion and Analysis
June 30, 2025

Governmental and Business-type Activities
Summary Comparison Statement of Activities
Years Ended June 30, 2024 and 2025

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25
Revenues						
Program revenues:						
Charges for services	\$ 19,774,135	\$ 19,923,916	\$ 5,621,873	\$ 5,897,687	\$ 25,396,008	\$ 25,821,603
Operating grants and contributions	55,269,379	51,039,567	6,184,859	6,534,827	61,454,238	57,574,394
Capital grants and contributions	42,108	42,108	-	-	42,108	42,108
General revenues:						
Property taxes	34,127,433	36,654,861	-	-	34,127,433	36,654,861
State shared sales tax	20,529,864	19,890,029	-	-	20,529,864	19,890,029
State shared unrestricted vehicle license tax	4,680,303	5,002,400	-	-	4,680,303	5,002,400
County excise tax	14,697,575	21,203,416	770,455	769,873	15,468,030	21,973,289
Other	12,048,078	10,488,299	1,145,184	376,070	13,193,262	10,864,369
Total revenues	<u>161,168,875</u>	<u>164,244,596</u>	<u>13,722,371</u>	<u>13,578,457</u>	<u>174,891,246</u>	<u>177,823,053</u>
Expenses						
General government	65,731,905	67,521,554	-	-	65,731,905	67,521,554
Public safety	41,467,403	35,323,432	-	-	41,467,403	35,323,432
Highways and streets	12,433,522	19,489,119	-	-	12,433,522	19,489,119
Sanitation	843,658	210,316	-	-	843,658	210,316
Health and welfare	8,285,255	6,911,819	-	-	8,285,255	6,911,819
Culture and recreation	1,341,668	1,464,049	-	-	1,341,668	1,464,049
Education	2,802,482	2,980,946	-	-	2,802,482	2,980,946
Solid waste operations	-	-	5,624,511	5,958,079	5,624,511	5,958,079
Airport	-	-	890,092	750,164	890,092	750,164
Housing authority	-	-	5,552,162	5,837,769	5,552,162	5,837,769
Total expenses	<u>132,905,893</u>	<u>133,901,235</u>	<u>12,066,765</u>	<u>12,546,012</u>	<u>144,972,658</u>	<u>146,447,247</u>
Increase/(decrease) in net position before transfers	28,262,982	30,343,361	1,655,606	1,032,445	29,918,588	31,375,806
Transfers	(148,499)	(226,000)	148,499	226,000	-	-
Increase/(decrease) in net position	<u>\$ 28,114,483</u>	<u>\$ 30,117,361</u>	<u>\$ 1,804,105</u>	<u>\$ 1,258,445</u>	<u>\$ 29,918,588</u>	<u>\$ 31,375,806</u>

Cochise County

Management's Discussion and Analysis

June 30, 2025

Overall, revenues increased by \$2.9 million, or 1.7%, and expenses increased by \$1.5 million, or 1.0%, in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- State-shared tax revenue decreased by \$(640) thousand, or (3.1)%, and County excise tax revenue increased by \$6.5 million, or 42.1%, in the current year primarily due to an increase in retail sales, with \$10.9 million in revenue attributed to the Jail District excise tax.
- Charges for service increased by \$426 thousand, or 1.7% primarily due to an increase in Solid Waste residential and commercial fees collected.
- Property tax revenue increased by \$2.5 million, or 7.4% due to the 2.0% approved property tax rate increase by the Board of Supervisors for FY25, combined with an increase in property valuations of \$39.5 million, or 3.7%.
- Operating grants and contributions decreased by \$(3.9) million, or (6.3)%, largely due to a decrease in the receipt of various state and federal funding in FY25.
- Other revenue decreased by \$(2.3) million, or (17.7)% due to a decrease in investment income in FY25 compared to FY24.
- General government expenses increased by \$1.8 million, or 2.7%, largely due to increases in employee salaries and employer related expenses incurred by the County.
- Public safety expenses decreased by \$(6.2) million, or (14.8)%, largely due to a decrease in Border Security Trust fund related expenses.
- Education expenses increased by \$178 thousand, or 6.4%, largely due to an increase in employee salaries and employer related expenses in the Accommodation School District.
- Highways and streets expenses increased by \$7.1 million, or 56.7%, largely due to an increase in the cost of materials used in road maintenance/improvement work, professional services, capital outlay and infrastructure depreciation expense throughout the County.
- Health and welfare expenses decreased by \$(1.4) million, or (16.6)%, largely due to a decrease in overall spending.

Financial Analysis of the County's Funds

The County reported eight major governmental funds for this fiscal year: the General Fund, Opioid Settlements Fund, Highways and Streets Fund, Capital Projects Fund, Moson Road Fund, DEMA Fund, Admin Grants Fund, and the Jail District Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$129.7 million, which is an increase of \$16.8 million, or 14.9%. Of the total, \$53.7 million constitutes restricted fund balances.

For governmental funds, overall revenues decreased by \$(2.8) million, or (1.8)%, and expenditures decreased by \$(9.4) million, or (6.7)%. Governmental revenues exceeded expenditures by \$15.4 million in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2025, the total fund balance was \$48.7 million. None of the General Fund balance is restricted for any purpose. As a measure of the General

Cochise County

Management's Discussion and Analysis

June 30, 2025

Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. As of June 30, 2025, the fund balance represents 70.5% of total General Fund expenditures.

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

General Fund

- Cash and investments held by County Treasurer decreased by \$(1.8) million, or (3.4)%, in the current year largely due to more spending in FY25 prior to fiscal year-end.
- Due from other funds increased by \$5.1 million, or 100.0%, due to the subsidy for the DEMA Fund in FY25.
- Due from other governments increased by \$2.1 million, or 124.1%, primarily due to outstanding vehicle license, excise, and state sales tax in the combined amount of \$1.9 million at the end of FY25.
- Overall, taxes increased \$2.6 million, or 6.4%, due to an increase in real property tax of \$2.5 million.
- Intergovernmental revenue decreased by \$(1.0) million, or (3.7)%, in the current year due to a decrease in grant revenue.

Capital Projects Fund

- Cash and investments held by the County Treasurer increased by \$385 thousand, or 2.2%, primarily due to an increase in county excise tax revenue received.
- Expenditures for capital outlay decreased by \$(133) thousand, or (9.3)%, in the current year due to a decrease in capital outlay purchases/remodel/construction projects in FY25.

Opioid Settlements Fund

- Cash and investments held by the County Treasurer increased by \$538 thousand, or 45.2%, in the current year as a result of additional settlement payments received.

Highways and Streets Fund

- Cash and investments held by the County Treasurer increased by \$4.3 million, or 22.5%, in the current year largely due to an increase in Highway User Revenue Fund (HURF) revenue received prior to fiscal year-end.
- Accounts payable increased by \$3.0 million, or 6,393.3%, in the current year largely due to materials for road projects in the current fiscal year not paid in FY25.
- Current expenditures for highways and streets increased by \$4.0 million, or 34.7%, in the current year largely due to the cost of materials used in road maintenance/improvement work throughout the County.

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Management's Discussion and Analysis

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Moson Road Fund

- Intergovernmental revenue decreased by \$(832) thousand, or (99.9)%, due to less state grant funding received, and a pause in the project work in the current year.

Admin Grants Fund

- Cash and investments held by the County Treasurer decreased by \$(748) thousand, or (12.9%), in the current year as a result of no new funding received in the current fiscal year from the Local Assistance and Tribal Consistency Fund (LATF).
- Unearned revenue decreased by (\$749) thousand, or (13.1)%, and total liabilities decreased by \$(738) thousand, or (12.8)%, as a result of the reduction in deferment of LATF revenue at fiscal year-end.

DEMA Fund

- Due from other governments increased by \$5.1 million, or 5,393.3%, due to an increase in deferred revenue in grant funding from the Department of Emergency Military Affairs.
- Due to other funds increased to \$5.1 million, or 100%, due to the general government subsidized amount in FY25.
- Current expenditures for the DEMA Fund increased by \$584 thousand, or 25.9%, primarily due to an increase in personnel salary and wages.

Jail District Fund

- Cash and investments held by the County Treasurer increased by \$9.4 million, or 267%, as a result of new funding received in the current fiscal year from the voter approved County Excise Jail District tax.
- County excise taxes for jail increased by \$6.5 million, or 146.3%, in the current year due to collection of the Jail District excise tax for the full fiscal year in FY25 compared to the partial year collection in FY24.

Other governmental funds

- Cash and investments held by the County Treasurer increased by \$3.8 million, or 15.6%, due to the reclassification of the DEMA Fund, \$(2.3) million, and Jail District Fund, \$3.5 million previously reported within other governmental funds in FY24 but presented as major funds in FY25 due to meeting the reporting threshold, and an increase in cash and investments of \$3.1 million in the Sheriff Programs Fund, an increase of \$1.3 million in the Border Security Trust Fund, and an increase of \$1.3 million in the Flood Control District Fund.
- Due from other governments decreased by \$(3.7) million, or (28.4)%, primarily due to a decrease in Border Security Trust Grant Funding of \$(1.5) million, and a decrease in Sheriff Programs Grant Funding of \$(2.4) million.

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Management's Discussion and Analysis

June 30, 2025

- Accounts payable decreased by \$(2.1) million, or (99.7)%, primarily due to the reclassification of the DEMA Fund, \$(53) thousand, and Jail District Fund, \$(145) thousand, previously reported within other governmental funds in FY24 but presented as major funds in FY25 due to meeting the reporting threshold, and the decrease in accounts payable of \$(211) thousand in the Sheriff Reimbursable Programs Fund, \$(160) thousand in the Adult Probation I.P.S. Grant Fund, and \$(181) thousand in the Adult Probation State Enhancement Grant Fund.
- Unavailable revenue increased by \$2.2 million, or 119.6%, due to an increase in the Border Security Trust Fund of \$1.7 million, an increase of \$256 thousand in the Sheriff Reimbursable Grants Fund, and an increase of \$202 thousand in the Flood Control District Fund.
- Public safety expenditures decreased by \$(13.8) million, or (60.4)%, primarily due to the reclassification of the DEMA Fund, \$(1.9) million, and Jail District Fund, \$(7.3) million, previously reported within other governmental funds in FY24 but presented as major funds in FY25 due to meeting the reporting threshold, and a decrease in \$(4.0) million in Border Security Trust Fund expenditures.
- Health and Welfare expenditures decreased by \$(2.0) million, or (36.8)%, due to a decrease in \$(1.9) million in COVID-19 related health and welfare grant expenditures.
- Capital outlay expenditures decreased by \$(6.3) million, or (59.1)%, due to a decrease in Border Security Trust Fund capital outlay purchases of \$(1.9) million, and the decrease in Department of Public Safety (DPS) Agreement expenditures related to the completion of the Fusion Building in FY24.
- Transfers in decreased by \$(6.7) million, or (96.8)%, primarily due to the reclassification of the Jail District Fund maintenance of effort transfer in from the General Fund, \$(6.8) million, previously reported within other governmental funds in FY24 but presented as major funds in FY25 due to meeting the reporting threshold.

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 \$30.7 million, which is an increase of \$2.5 million, or 8.8%. Of the total, \$9.8 million constitutes unrestricted net position.

For proprietary funds, overall revenues increased by \$480 thousand, or 1.6%, and expenses increased by \$833 thousand, or 3.0%. Proprietary operating revenue exceeded operating expenses by \$753 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

- Cash and investments held by County Treasurer increased by \$1.2 million, or 18.7%, due to an increase in revenue.

Cochise County

Management's Discussion and Analysis

June 30, 2025

- Long-term landfill closure and postclosure care costs payable increased by \$380 thousand, or 7.0%, in the current year due to an increase in the future costs for closure and postclosure of landfill sites.
- Net position increased by \$771 thousand, or 14.4%, in the current year due to an increase in revenue collected to deliver those services.

Bisbee-Douglas International Airport Fund

- Net capital assets increased by \$242 thousand, or 4.7%, primarily due to the addition of windcone and runway construction in progress assets offset by disposals of fuel tank assets.

Capital and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2025, totaled \$142.8 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, intangible right-to-use lease assets, subscription-based information technology agreements, and machinery and equipment. The following provides the major changes in capital assets during the current fiscal year.

- Construction in progress increased by \$1.7 million for progress made on new infrastructure.
- Equipment increased by \$5.1 million while accumulated depreciation increased by \$2.8 million.
- Buildings increased by \$1.5 million, due to the completion of the heating and cooling project at the Superior Courthouse in Bisbee.
- Subscription-based information technology arrangement assets increased by \$137 thousand, while accumulated amortization increased by \$287 thousand.
- Accumulated depreciation increased by \$6.5 million in annual depreciation expense.
- Accumulated amortization decreased by \$(117) thousand in annual amortization expense.

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

Long-term Debt

At June 30, 2025, 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.

Cochise County

Management's Discussion and Analysis

June 30, 2025

Budgetary Comparison – General Fund

For the General Fund, actual revenues were less than the final budgeted amounts by \$35.8 million, and the actual expenditures were \$40.3 million less than the final budgeted amounts. The budget variance for revenues was primarily a decrease in budgeted miscellaneous revenue of \$(38.2) million, related to budgeted cash carryforward that is not reflected in actual revenue. Additionally, the increase in investment income of \$3.1 million was primarily due to higher interest rates and the decrease in intergovernmental revenue of \$(2.5) million 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 during the COVID-19 pandemic. 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, 2025

	Primary government			Component unit
	Governmental activities	Business-type activities	Total	
Assets				
Cash in bank and on hand	\$ 779,883	\$ 1,487,225	\$ 2,267,108	\$ 108,467
Cash and investments held by County Treasurer	154,518,603	8,655,521	163,174,124	-
Receivables (net of allowances for uncollectibles):				
Property taxes	848,105	-	848,105	-
Accounts	8,344,872	372,338	8,717,210	-
Leases	-	69,113	69,113	31,266
Due from other governments	20,861,823	657,974	21,519,797	176,320
Cash - restricted	-	399,617	399,617	-
Prepaid items	47,236	-	47,236	-
Other assets	1,308,562	-	1,308,562	3,792
Net other postemployment benefits asset	3,125,107	89,858	3,214,965	-
Capital assets, not being depreciated/amortized	12,323,685	2,099,773	14,423,458	-
Capital assets, being depreciated/amortized, net	119,689,118	8,730,716	128,419,834	230,398
Total assets	<u>321,846,994</u>	<u>22,562,135</u>	<u>344,409,129</u>	<u>550,243</u>
Deferred outflows of resources				
Deferred outflows related to pensions and other postemployment benefits	17,648,605	466,615	18,115,220	-
Liabilities				
Accounts payable	5,661,348	68,503	5,729,851	76,533
Lease interest payable	37,217	2,453	39,670	-
Accrued payroll and employee benefits	2,573,791	59,054	2,632,845	-
Due to other governments	222,145	134,590	356,735	-
Due to related party	-	-	-	35,299
Unearned revenue - grants	22,948,174	36,480	22,984,654	-
Deposits held for others	434,027	1,600	435,627	-
Noncurrent liabilities				
Due within 1 year	4,769,000	190,124	4,959,124	124,984
Due in more than 1 year	93,116,384	8,436,560	101,552,944	199,416
Total liabilities	<u>129,762,086</u>	<u>8,929,364</u>	<u>138,691,450</u>	<u>436,232</u>
Deferred inflows of resources				
Deferred inflows related to pensions and other postemployment benefits	5,678,769	209,125	5,887,894	-
Deferred inflows related to leases	-	62,686	62,686	31,266
Total deferred inflows of resources	<u>5,678,769</u>	<u>271,811</u>	<u>5,950,580</u>	<u>31,266</u>
Net position				
Net investment in capital assets	130,940,182	10,818,101	141,758,283	-
Restricted for:				
Education	2,387,662	-	2,387,662	-
Flood	9,445,892	-	9,445,892	-
Highways and streets	9,213,346	-	9,213,346	-
Health	9,776,602	-	9,776,602	-
Judicial	7,104,279	-	7,104,279	-
Public safety	12,536,090	-	12,536,090	-
Library	2,025,105	-	2,025,105	-
Other	18,448,894	163,005	18,611,899	-
Workforce development	-	-	-	88,014
Net other post employment benefits	3,125,107	89,858	3,214,965	-
Unrestricted (deficit)	(948,415)	2,756,611	1,808,196	(5,269)
Total net position	<u>\$ 204,054,744</u>	<u>\$ 13,827,575</u>	<u>\$ 217,882,319</u>	<u>\$ 82,745</u>

See accompanying notes to financial statements.

Cochise County
Statement of activities
Year ended June 30, 2025

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total	
					Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
General government	\$ 67,521,554	\$ 16,494,655	\$ 9,448,392	\$ 42,108	\$ (41,536,399)	\$ -	\$ (41,536,399)	\$ -
Public safety	35,323,432	735,065	19,985,875	-	(14,602,492)	-	(14,602,492)	-
Highways and streets	19,489,119	93,614	15,161,242	-	(4,234,263)	-	(4,234,263)	-
Sanitation	210,316	488,614	305,802	-	584,100	-	584,100	-
Health and welfare	6,911,819	2,102,748	3,133,440	-	(1,675,631)	-	(1,675,631)	-
Culture and recreation	1,464,049	-	25,087	-	(1,438,962)	-	(1,438,962)	-
Education	2,980,946	9,220	2,979,729	-	8,003	-	8,003	-
Total governmental activities	<u>133,901,235</u>	<u>19,923,916</u>	<u>51,039,567</u>	<u>42,108</u>	<u>(62,895,644)</u>	<u>-</u>	<u>(62,895,644)</u>	<u>-</u>
Business-type activities:								
Bisbee-Douglas International Airport	750,164	314,406	541,576	-	-	105,818	105,818	-
Solid Waste Operations	5,958,079	5,549,011	-	-	-	(409,068)	(409,068)	-
Housing Authority	5,837,769	34,270	5,993,251	-	-	189,752	189,752	-
Total business-type activities	<u>12,546,012</u>	<u>5,897,687</u>	<u>6,534,827</u>	<u>-</u>	<u>-</u>	<u>(113,498)</u>	<u>(113,498)</u>	<u>-</u>
Total primary government	<u>\$ 146,447,247</u>	<u>\$ 25,821,603</u>	<u>\$ 57,574,394</u>	<u>\$ 42,108</u>	<u>\$ (62,895,644)</u>	<u>\$ (113,498)</u>	<u>\$ (63,009,142)</u>	<u>\$ -</u>
Component unit:								
Cochise Private Industry Council, Inc.	\$ 1,886,941		\$ 1,799,755					\$ (87,186)
General revenues:								
Taxes								
Property taxes, levied for general purposes					\$ 32,671,325	\$ -	\$ 32,671,325	\$ -
Property taxes, levied for flood control					2,410,653	-	2,410,653	-
Property taxes, levied for library					1,572,883	-	1,572,883	-
County excise taxes					10,281,786	769,873	11,051,659	-
County excise taxes, for jail					10,921,630	-	10,921,630	-
Share of state sales taxes					19,890,029	-	19,890,029	-
Share of state unrestricted vehicle license tax					5,002,400	-	5,002,400	-
Grants and contributions not restricted to specific programs					3,734,480	-	3,734,480	-
Investment income					5,902,351	366,528	6,268,879	-
Gain on disposal of capital assets					615,384	-	615,384	-
Miscellaneous					236,084	9,542	245,626	82,713
Transfers					(226,000)	226,000	-	-
Total general revenues and transfers					<u>93,013,005</u>	<u>1,371,943</u>	<u>94,384,948</u>	<u>82,713</u>
Change in net position					30,117,361	1,258,445	31,375,806	(4,473)
Net position, July 1, 2024, as reported					173,937,383	12,569,130	186,506,513	130,515
Aggregate amount of adjustments to and restatements of beginning net position (component unit)					-	-	-	(43,297)
Net position, July 1, 2024, as restated					173,937,383	12,569,130	186,506,513	87,218
Net position, June 30, 2025					<u>\$ 204,054,744</u>	<u>\$ 13,827,575</u>	<u>\$ 217,882,319</u>	<u>\$ 82,745</u>

Cochise County
 Balance sheet
 Governmental funds
 June 30, 2025

	Major Funds								Other governmental funds	Total governmental funds
	General Fund	Capital Projects Fund	Opioid Settlements Fund	Highways and Streets Fund	Moson Road Fund	DEMA Fund	Admin Grants Fund	Jail District Fund		
Assets										
Cash in bank and on hand	\$ 159,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318	\$ 619,791	\$ 779,683
Cash and investments held by County Treasurer	51,624,464	17,576,296	1,730,551	23,525,199	5,269,079	-	5,030,490	12,928,509	28,493,178	146,177,766
Receivables (net of allowances for uncollectibles):										
Property taxes	658,993	-	-	-	-	-	-	-	189,112	848,105
Accounts	688,595	-	6,076,833	995,261	-	-	-	1,050	452,477	8,214,216
Due from:										
Other funds	5,084,810	-	-	-	-	-	-	-	1,805,740	6,890,550
Other governments	3,749,260	319,437	-	1,279,977	-	5,144,227	-	932,842	9,436,080	20,861,823
Prepaid items	47,236	-	-	-	-	-	-	-	-	47,236
Other assets	1,173,316	-	-	-	-	-	-	-	135,246	1,308,562
Total assets	\$ 63,186,248	\$ 17,895,733	\$ 7,807,384	\$ 25,800,437	\$ 5,269,079	\$ 5,144,227	\$ 5,030,490	\$ 13,862,719	\$ 41,131,624	\$ 185,127,941
Liabilities										
Accounts payable	\$ 2,207,502	\$ 57,793	\$ -	\$ 3,082,319	\$ -	\$ 1,817	\$ 45,246	\$ 99,955	\$ 5,489	5,500,121
Accrued payroll and employee benefits	1,818,912	-	-	193,483	-	100,966	-	136,067	293,431	2,542,859
Due to:										
Other funds	1,805,740	-	-	-	-	5,084,810	-	-	-	6,890,550
Other governments	-	-	-	-	-	-	-	-	222,145	222,145
Deposits held for others	421,698	-	-	-	-	-	-	-	12,329	434,027
Unearned revenue	6,611,361	-	-	575,652	5,266,475	-	4,982,757	-	5,511,929	22,948,174
Total liabilities	12,865,213	57,793	-	3,851,454	5,266,475	5,187,593	5,028,003	236,022	6,045,323	38,537,876
Deferred inflows of resources										
Unavailable revenue	1,576,421	42,108	6,076,833	-	-	5,144,227	-	-	4,042,325	16,881,914
Fund balances										
Restricted	-	-	1,730,551	9,213,346	2,604	-	-	13,626,697	29,098,348	53,671,546
Assigned	-	17,795,832	-	12,735,637	-	-	2,487	-	2,502,638	33,036,594
Nonspendable	47,236	-	-	-	-	-	-	-	-	47,236
Unassigned	48,697,378	-	-	-	-	(5,187,593)	-	-	(557,010)	42,952,775
Total fund balances	48,744,614	17,795,832	1,730,551	21,948,983	2,604	(5,187,593)	2,487	13,626,697	31,043,976	129,708,151
Total liabilities, deferred inflows of resources and fund balances	\$ 63,186,248	\$ 17,895,733	\$ 7,807,384	\$ 25,800,437	\$ 5,269,079	\$ 5,144,227	\$ 5,030,490	\$ 13,862,719	\$ 41,131,624	\$ 185,127,941

Cochise County
Reconciliation of the governmental funds balance sheet to the
government-wide statement of net position
June 30, 2025

Fund balances - total governmental funds		\$	129,708,151
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.			122,217,935
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.			16,881,914
Long-term liabilities, such as net pension/OPEB liabilities, leases payable, subscriptions liability 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	(89,403,787)		
Leases payable	(826,659)		
Subscriptions liability	(245,962)		
Compensated absences payable	<u>(6,074,861)</u>		(96,551,269)
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			3,080,178
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	17,426,853		
Accrued lease interest payable	(37,217)		
Deferred inflows of resources related to pensions/OPEB	<u>(5,574,206)</u>		11,815,430
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.			<u>16,902,405</u>
Net position of governmental activities		\$	<u>204,054,744</u>

Cochise County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2025

	Major funds							Other governmental funds	Total governmental funds	
	General Fund	Capital Projects Fund	Opioid Settlements Fund	Highways and Streets Fund	Moson Road Fund	DEMA Fund	Admin Grants Fund			Jail District Fund
Revenues:										
Taxes	\$ 43,114,764	\$ 3,290,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,921,630	\$ 5,125,153	\$ 62,451,939
Licenses and permits	21,488	-	-	-	-	-	-	-	-	21,488
Fees, fines, and forfeits	1,561,952	-	512,390	-	-	-	-	-	-	2,074,342
Intergovernmental	26,808,282	46,318	-	15,160,702	540	-	749,035	40,172	23,949,053	66,754,102
Charges for services	3,811,127	-	-	93,614	-	-	-	66,329	4,274,125	8,245,195
Investment income	3,305,525	271,967	15,233	945,981	78,717	-	90,430	(74,692)	962,335	5,595,496
Miscellaneous	-	-	10,716	-	-	-	-	81,148	871,796	963,660
Total revenues	<u>78,623,138</u>	<u>3,608,677</u>	<u>538,339</u>	<u>16,200,297</u>	<u>79,257</u>	<u>-</u>	<u>839,465</u>	<u>11,034,587</u>	<u>35,182,462</u>	<u>146,106,222</u>
Expenditures:										
Current:										
General government	48,920,547	1,857,132	-	-	-	-	521,443	-	10,054,197	61,353,319
Public safety	15,754,124	-	-	-	-	2,772,353	-	8,237,935	9,028,939	35,793,351
Highways and streets	-	-	-	14,828,462	87,966	-	-	-	24,667	14,941,095
Sanitation	-	-	-	-	-	-	-	-	184,389	184,389
Health and welfare	3,449,177	-	-	-	-	-	-	-	3,376,025	6,825,202
Culture and recreation	-	-	-	-	-	-	-	-	1,424,424	1,424,424
Education	547,261	-	-	-	-	-	-	-	2,424,278	2,971,539
Capital outlay	504,076	1,302,141	-	677,920	-	60,222	327,919	-	4,363,031	7,235,309
Total expenditures	<u>69,175,185</u>	<u>3,159,273</u>	<u>-</u>	<u>15,506,382</u>	<u>87,966</u>	<u>2,832,575</u>	<u>849,362</u>	<u>8,237,935</u>	<u>30,879,950</u>	<u>130,728,628</u>
Excess (deficiency) of revenues over expenditures	<u>9,447,953</u>	<u>449,404</u>	<u>538,339</u>	<u>693,915</u>	<u>(8,709)</u>	<u>(2,832,575)</u>	<u>(9,897)</u>	<u>2,796,652</u>	<u>4,302,512</u>	<u>15,377,594</u>
Other financing sources (uses):										
Sale of capital assets	458,773	-	-	-	-	-	-	-	-	458,773
Lease agreements	850,664	-	-	-	-	-	-	-	-	850,664
Subscription-based information technology agreements	318,608	-	-	-	-	-	-	-	-	318,608
Transfers in	180,094	-	-	-	-	-	-	6,572,640	225,917	6,978,651
Transfers out	(6,798,557)	(106,000)	-	-	-	-	-	-	(300,094)	(7,204,651)
Total other financing sources (uses)	<u>(4,990,418)</u>	<u>(106,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,572,640</u>	<u>(74,177)</u>	<u>1,402,045</u>
Net change in fund balances	<u>4,457,535</u>	<u>343,404</u>	<u>538,339</u>	<u>693,915</u>	<u>(8,709)</u>	<u>(2,832,575)</u>	<u>(9,897)</u>	<u>9,369,292</u>	<u>4,228,335</u>	<u>16,779,639</u>
Fund balances (deficit), July 1, 2024	44,287,079	17,452,428	1,192,212	21,255,068	11,313	-	12,384	-	28,718,028	112,928,512
Aggregate amount of adjustments to and restatements of beginning fund balances	-	-	-	-	-	(2,355,018)	-	4,257,405	(1,902,387)	-
Fund balances, July 1, 2024, as restated	<u>44,287,079</u>	<u>17,452,428</u>	<u>1,192,212</u>	<u>21,255,068</u>	<u>11,313</u>	<u>(2,355,018)</u>	<u>12,384</u>	<u>4,257,405</u>	<u>26,815,641</u>	<u>112,928,512</u>
Fund balances, June 30, 2025	<u>\$ 48,744,614</u>	<u>\$ 17,795,832</u>	<u>\$ 1,730,551</u>	<u>\$ 21,948,983</u>	<u>\$ 2,604</u>	<u>\$ (5,187,593)</u>	<u>\$ 2,487</u>	<u>\$ 13,626,697</u>	<u>\$ 31,043,976</u>	<u>\$ 129,708,151</u>

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, 2025

Net change in fund balances-total governmental funds		\$ 16,779,639
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	8,530,026	
Depreciation/amortization expense	<u>(6,265,368)</u>	2,264,658
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		8,420,254
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.		(2,768)
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	13,656,364	
Pension/OPEB expense	<u>(10,979,786)</u>	2,676,578
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	(850,664)	
Subscription-based information technology arrangements incurred	(318,608)	
Lease payments	181,099	
Subscription-based information technology arrangements payments	<u>271,640</u>	(716,533)
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		(526,290)
Accrued lease interest		(20,030)
Accrued subscription-based information technology arrangements interest		8,820
Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The net revenue of internal service funds is reported with governmental activities in the statement of activities.		<u>1,233,033</u>
Change in net position of governmental activities		<u>\$ 30,117,361</u>

See accompanying notes to financial statements.

Cochise County
Statement of net position
Proprietary funds
June 30, 2025

	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	\$ -	\$ 1,484,875	\$ 1,487,225	\$ 200
Cash and investments held by County Treasurer	7,554,477	1,101,044	-	8,655,521	8,340,837
Restricted cash	-	-	399,617	399,617	-
Receivables (net of allowances for uncollectibles):					
Accounts	365,362	6,976	-	372,338	130,656
Leases	-	36,647	-	36,647	-
Due from:					
Other governments	451,630	77,779	128,565	657,974	-
Total current assets	<u>8,373,819</u>	<u>1,222,446</u>	<u>2,013,057</u>	<u>11,609,322</u>	<u>8,471,693</u>
Noncurrent assets:					
Net other postemployment benefits asset	68,891	5,991	14,976	89,858	44,929
Leases receivable	-	32,466	-	32,466	-
Capital assets, net of accumulated depreciation/amortization, where applicable:					
Land	24,900	1,575,000	-	1,599,900	-
Infrastructure, net	-	2,247,318	-	2,247,318	-
Buildings, net	2,173,227	588,233	-	2,761,460	80,080
Improvements other than buildings, net	3,203,331	282,529	-	3,485,860	-
Equipment, net	-	223,557	-	223,557	9,714,788
Lease asset, net	12,521	-	-	12,521	-
Construction in progress	-	499,873	-	499,873	-
Total net capital assets	<u>5,413,979</u>	<u>5,416,510</u>	<u>-</u>	<u>10,830,489</u>	<u>9,794,868</u>
Total noncurrent assets	<u>5,482,870</u>	<u>5,454,967</u>	<u>14,976</u>	<u>10,952,813</u>	<u>9,839,797</u>
Total assets	<u>13,856,689</u>	<u>6,677,413</u>	<u>2,028,033</u>	<u>22,562,135</u>	<u>18,311,490</u>
Deferred outflows of resources					
Deferred outflows related to pensions/OPEB	<u>364,246</u>	<u>20,460</u>	<u>81,909</u>	<u>466,615</u>	<u>221,752</u>

(Continued)

Cochise County
Statement of net position
Proprietary funds
June 30, 2025
(Concluded)

	Business-type activities-enterprise funds			Total	Governmental activities – Internal service funds
	Major fund	Major fund	Other enterprise fund-Housing Authority Fund		
	Solid Waste Operations Fund	BDI Airport Fund			
Liabilities					
Current liabilities:					
Accounts payable	\$ 35,074	\$ 33,429	\$ -	\$ 68,503	\$ 161,227
Accrued payroll and employee benefits	57,402	1,652	-	59,054	30,932
Due to:					
Other governments	-	-	134,590	134,590	-
Compensated absences payable, current portion	156,563	-	6,910	163,473	115,513
Landfill closure and postclosure care costs payable, current portion	25,273	-	-	25,273	-
Deposits held for others	-	1,600	-	1,600	-
Unearned revenue	-	-	36,480	36,480	-
Leases payable, current portion	1,378	-	-	1,378	-
Leases interest payable	2,453	-	-	2,453	-
Total current liabilities	<u>278,143</u>	<u>36,681</u>	<u>177,980</u>	<u>492,804</u>	<u>307,672</u>
Noncurrent liabilities:					
Compensated absences payable	52,188	-	36,275	88,463	38,505
Landfill closure and postclosure care costs payable	5,783,723	-	-	5,783,723	-
Funds held for others	-	-	193,172	193,172	-
Net pension/OPEB liability	1,809,481	157,345	393,366	2,360,192	1,180,097
Leases payable	11,010	-	-	11,010	-
Total noncurrent liabilities	<u>7,656,402</u>	<u>157,345</u>	<u>622,813</u>	<u>8,436,560</u>	<u>1,218,602</u>
Total liabilities	<u>7,934,545</u>	<u>194,026</u>	<u>800,793</u>	<u>8,929,364</u>	<u>1,526,274</u>
Deferred inflows of resources					
Deferred inflows related to pensions/OPEB	160,329	13,942	34,854	209,125	104,563
Deferred inflows related to leases	-	62,686	-	62,686	-
Total deferred inflows of resources	<u>160,329</u>	<u>76,628</u>	<u>34,854</u>	<u>271,811</u>	<u>104,563</u>
Net position					
Net investment in capital assets	5,401,591	5,416,510	-	10,818,101	9,794,868
Restricted	68,891	5,991	177,981	252,863	44,929
Unrestricted	655,579	1,004,718	1,096,314	2,756,611	7,062,608
Total net position	<u>\$ 6,126,061</u>	<u>\$ 6,427,219</u>	<u>\$ 1,274,295</u>	<u>\$ 13,827,575</u>	<u>\$ 16,902,405</u>

See accompanying notes to financial statements.

Cochise County
Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2025

	Business-type activities-enterprise funds				Governmental activities – Internal service funds
	Major fund	Major fund	Other enterprise fund-Housing Authority Fund	Total	
	Solid Waste Operations Fund	BDI Airport Fund			
Operating revenues:					
Charges for services	\$ 5,549,011	\$ 314,406	\$ 34,270	\$ 5,897,687	\$ 8,297,755
Charges for health insurance	-	-	-	-	8,863,326
Intergovernmental	-	541,576	5,993,251	6,534,827	-
Other	-	-	-	-	35,615
Total operating revenues	<u>5,549,011</u>	<u>855,982</u>	<u>6,027,521</u>	<u>12,432,514</u>	<u>17,196,696</u>
Operating expenses:					
Personal services	2,484,540	64,316	726,857	3,275,713	1,377,218
Professional services	2,363,065	277,330	91,056	2,731,451	9,308,362
Supplies	112,349	48,059	15,170	175,578	3,516,871
Landfill closure and postclosure care costs	383,815	-	-	383,815	-
Housing assistance payments	-	-	5,004,686	5,004,686	-
Depreciation/amortization	259,796	234,433	-	494,229	1,791,720
Other	339,494	100,625	-	440,119	376,163
Total operating expenses	<u>5,943,059</u>	<u>724,763</u>	<u>5,837,769</u>	<u>12,505,591</u>	<u>16,370,334</u>
Operating income (loss)	(394,048)	131,219	189,752	(73,077)	826,362
Nonoperating revenues (expenses):					
County excise taxes	756,095	13,778	-	769,873	-
Investment income	303,913	62,115	500	366,528	306,855
Miscellaneous	(15,020)	(20,762)	9,542	(26,240)	(59,564)
Gain (loss) on disposal of capital assets	-	(4,639)	-	(4,639)	159,380
Total nonoperating revenues	<u>1,044,988</u>	<u>50,492</u>	<u>10,042</u>	<u>1,105,522</u>	<u>406,671</u>
Income (loss) before contributions and transfers	650,940	181,711	199,794	1,032,445	1,233,033
Transfers in	120,000	106,000	-	226,000	-
Increase in net position	770,940	287,711	199,794	1,258,445	1,233,033
Total net position, July 1, 2024	<u>5,355,121</u>	<u>6,139,508</u>	<u>1,074,501</u>	<u>12,569,130</u>	<u>15,669,372</u>
Total net position, June 30, 2025	<u>\$ 6,126,061</u>	<u>\$ 6,427,219</u>	<u>\$ 1,274,295</u>	<u>\$ 13,827,575</u>	<u>\$ 16,902,405</u>

See accompanying notes to financial statements.

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2025

	Business-type activities-enterprise funds				Governmental activities – Internal service funds
	Major fund	Major fund	Other enterprise fund-Housing Authority Fund	Total	
	Solid Waste Operations Fund	BDI Airport Fund			
Cash flows from operating activities:					
Receipts from customers	\$ 5,383,261	\$ 267,991	\$ -	\$ 5,651,252	\$ -
Operating grants	-	541,576	6,044,097	6,585,673	35,615
Other receipts/payments	(15,020)	(3,936)	43,812	24,856	-
Payments from other funds for goods and services provided	-	-	9,966	9,966	17,032,518
Payments to employees	(2,543,111)	(76,177)	(753,507)	(3,372,795)	(1,375,219)
Payments to suppliers and providers of goods and services	(2,815,818)	(541,875)	(5,092,190)	(8,449,883)	(13,147,677)
Net cash provided by operating activities	<u>9,312</u>	<u>187,579</u>	<u>252,178</u>	<u>449,069</u>	<u>2,545,237</u>
Cash flows from noncapital financing activities:					
Miscellaneous receipts	756,096	13,779	-	769,875	(59,565)
Cash transfers from other funds	120,000	106,000	-	226,000	-
Net cash provided by (used for) noncapital financing activities	<u>876,096</u>	<u>119,779</u>	<u>-</u>	<u>995,875</u>	<u>(59,565)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	-	-	-	162,842
Purchases of capital assets	-	(480,777)	-	(480,777)	(2,440,015)
Net cash used for capital and related financing activities	<u>-</u>	<u>(480,777)</u>	<u>-</u>	<u>(480,777)</u>	<u>(2,277,173)</u>
Cash flows from investing activities:					
Interest received on investments	303,913	62,115	500	366,528	306,855
Net cash provided by investing activities	<u>303,913</u>	<u>62,115</u>	<u>500</u>	<u>366,528</u>	<u>306,855</u>
Net increase (decrease) in cash and cash equivalents	1,189,321	(111,304)	252,678	1,330,695	515,354
Cash and cash equivalents, July 1, 2024	<u>6,367,506</u>	<u>1,212,348</u>	<u>1,631,814</u>	<u>9,211,668</u>	<u>7,825,683</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 7,556,827</u>	<u>\$ 1,101,044</u>	<u>\$ 1,884,492</u>	<u>\$ 10,542,363</u>	<u>\$ 8,341,037</u>

(Continued)

Cochise County
Statement of cash flows
Proprietary funds
Year ended June 30, 2025
(Concluded)

	Business-type activities-enterprise funds			Total	Governmental activities – Internal service funds
	Major fund	Major fund	Other enterprise fund-Housing Authority Fund		
	Solid Waste Operations Fund	BDI Airport Fund			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (394,048)	\$ 131,219	\$ 189,752	\$ (73,077)	\$ 826,362
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation/amortization	259,796	234,433	-	494,229	1,791,720
Miscellaneous income (expense)	(15,020)	(20,762)	-	(35,782)	-
Housing assistance payment recovery	-	-	9,542	9,542	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Net pension/OPEB liability	55,870	4,858	12,145	72,873	36,437
Funds held for others	-	-	(46,649)	(46,649)	-
Deferred outflows-pension/OPEB	(113,461)	(10,047)	(30,400)	(153,908)	(77,878)
Deferred inflows-pension/OPEB	16,986	1,477	3,692	22,155	11,078
Deferred inflows-leases	-	(33,354)	-	(33,354)	-
Net OPEB asset	(10,284)	(895)	(2,235)	(13,414)	(6,707)
Accounts receivable	(72,977)	32,435	-	(40,542)	(128,563)
Due from other governments	(92,774)	(62,022)	116,219	(38,577)	-
Accounts payable	2,594	(82,509)	(2)	(79,917)	53,720
Accrued payroll and employee benefits	9,233	169	-	9,402	5,975
Unearned revenue	-	-	9,966	9,966	-
Lease Interest payable	(528)	-	-	(528)	-
Compensated absences payable	(16,915)	(7,423)	(9,852)	(34,190)	33,093
Landfill closure and postclosure care costs payable	380,840	-	-	380,840	-
Net cash provided by (used for) operating activities	9,312	187,579	252,178	449,069	2,545,237
Cash and cash equivalents, June 30, 2025, consisted of:					
Cash in bank and on hand	2,350	-	1,484,875	1,487,225	200
Cash-restricted	-	-	399,617	399,617	-
Cash and investments held by County Treasurer	7,554,477	1,101,044	-	8,655,521	8,340,837
Total cash and cash equivalents	\$ 7,556,827	\$ 1,101,044	\$ 1,884,492	\$ 10,542,363	\$ 8,341,037

Noncash capital financing activities:

The BDI Airport Fund and Internal Service Funds disposed of capital assets with a net book value of \$4,639 and \$3,462, respectively.

Cochise County
Statement of fiduciary net position
Fiduciary funds
June 30, 2025

	Private-purpose trust funds	Custodial funds	
		External investment pool	Other
Assets			
Cash in bank and on hand	\$ -	\$ -	\$ 2,156,414
Cash and investments held by County Treasurer	965,825	145,125,792	995,174
Property tax receivable	-	-	3,883,058
Interest receivable	-	969,171	-
Total assets	<u>965,825</u>	<u>146,094,963</u>	<u>7,034,646</u>
Net Position			
Restricted for:			
Pool participants	-	146,094,963	-
Individuals, organizations, and other governments	965,825	-	7,034,646
Total net position	<u>\$ 965,825</u>	<u>\$ 146,094,963</u>	<u>\$ 7,034,646</u>

See accompanying notes to financial statements.

Cochise County
Statement of changes in fiduciary net position
Fiduciary funds
June 30, 2025

	Private-purpose trust funds	Custodial funds	
		External investment pool	Other
Additions:			
Contributions from pool participants	\$ -	\$ 289,079,801	\$ -
Contributions from other governments	-	-	113,796,254
Property tax collections for other governments	-	-	90,080,355
Fines and fees collected for other governments	-	3,521,812	10,477
Investment earnings	-	9,055,964	3,512,079
Inmate collections	-	-	399,502
Opioid settlements	-	-	294,780
Other	1,491,639	-	405,550
Total additions	<u>1,491,639</u>	<u>301,657,577</u>	<u>208,498,997</u>
Deductions:			
Distributions to pool participants	-	291,641,488	-
Distributions to other governments	-	-	113,798,097
Property tax distributions to other governments	-	-	89,703,299
Fines and fees distributions to other governments	-	3,330,285	2,735,776
Payments to inmates	-	-	121,186
Other	1,404,502	-	670,139
Total deductions	<u>1,404,502</u>	<u>294,971,773</u>	<u>207,028,497</u>
Net increase in fiduciary net position	87,137	6,685,804	1,470,500
Net position, July 1, 2024	<u>878,688</u>	<u>139,409,159</u>	<u>5,564,146</u>
Net position, June 30, 2025	<u>\$ 965,825</u>	<u>\$ 146,094,963</u>	<u>\$ 7,034,646</u>

See accompanying notes to financial statements.

Cochise County
Notes to financial statements
June 30, 2025

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, 2025, the County implemented the provisions of GASB Statement No. 101 – *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As a result, the County's financial statements have been updated to reflect the implementation of this new standard. The impact of this implementation is disclosed in section I below and in Note 8.

Additionally, for the year ended June 30, 2025, the County implemented the provisions of GASB Statement No. 102 – *Certain Risk Disclosures*. This statement requires governments that follow GAAP to disclose information about risks from specific concentrations and constraints. This standard, effective for fiscal years beginning after June 15, 2024, aims to increase transparency for users of financial statements by providing them with a better understanding of a government's potential vulnerabilities. It mandates disclosures for a concentration or constraint if it's known, makes the government vulnerable to a substantial impact, and an event associated with it has occurred or is more likely than not to occur within 12 months of the financial statement's issuance. For the year ended June 30, 2025, the County did not have any applicable certain risks to disclose.

The County's basic financial statements and disclosures have been modified to reflect the implementation of these new standards as applicable.

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.

Cochise County
Notes to financial statements
June 30, 2025

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	A tax-levying district that 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
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

Cochise County

Notes to financial statements

June 30, 2025

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.

Cochise County

Notes to financial statements

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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 DEMA Fund is a special revenue fund which provides for the sustainability and enhancement of programs and resources to support a comprehensive, all-hazard emergency preparedness system within the County. The Fund's revenue source is Department of Emergency and Military Affairs grant funding through the State of Arizona.

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 Enterprise Resource Planning (ERP) project with Tyler Technologies. The Fund's revenue source is Local Assistance and Tribal Consistency (LATF) grant funding.

The Jail District Fund is a special revenue fund which accounts for the construction and financing of a new County jail facility. The Fund's revenue source is a voter-approved levy on excise tax (sales tax) of up to ½ cent, or one-half of one percent, or 0.50%, on most business transactions.

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.

Cochise County

Notes to financial statements

June 30, 2025

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.

Cochise County
Notes to financial statements
June 30, 2025

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

Cochise County

Notes to financial statements

June 30, 2025

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 annual leave and an estimated amount of sick leave earned by employees based on services already rendered. The liability may also include other qualifying compensated absences, such as parental leave, jury duty leave, and military leave that has commenced, to the extent these benefits accumulate and are more likely than not to be used for time off or otherwise paid or settled. The County applies a first-in, first-out (FIFO) method to determine the order in which leave balances are used and paid, whereby the earliest accrued leave is considered used first.

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

Cochise County

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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, 2025, the County recognized total lease-related revenues of \$33,354.

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.

Cochise County
 Notes to financial statements
 June 30, 2025

Note 2 – Change within the financial reporting entity

Change within the financial reporting entity - During fiscal year 2025, the County reported two new major funds, the Jail District Fund and DEMA Fund, whereas in fiscal year 2024 both were reported within the other governmental funds. As a result of the two new major funds, the County’s beginning fund balance for the Jail District Fund, DEMA Fund, and other governmental funds have been adjusted in the table below.

Adjustments to and restatements of beginning balances

During fiscal year 2025, the changes within the financial reporting entity resulted in the County restating beginning fund balances as follows:

	<u>Fund balance June 30, 2024, as previously reported</u>	-	<u>Change within the financial reporting entity</u>	\$	<u>Fund balance July 1, 2024, as restated</u>
Governmental funds:					
Jail District Fund	\$	-	\$ 4,257,405	\$	4,257,405
DEMA Fund		-	(2,355,018)		(2,355,018)
Other governmental funds	28,718,028		(1,902,387)		26,815,641

Cochise County
Notes to financial statements
June 30, 2025

Note 3 – Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2025, were as follows:

	General Fund	Capital Projects Fund	Opioid Settlements Fund	Highways and Streets Fund	Moson Road Fund	DEMA Fund	Admin Grants Fund	Jail District Fund	Other governmental funds	Total
Restricted for:										
Flood control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	9,445,892	\$ 9,445,892
Highways and streets	-	-	-	9,213,346	-	-	-	-	-	9,213,346
Health services	-	-	1,730,551	-	-	-	-	-	1,969,218	3,699,769
Judicial services	-	-	-	-	-	-	-	-	7,104,279	7,104,279
Library services	-	-	-	-	-	-	-	-	2,025,105	2,025,105
Public safety	-	-	-	-	-	-	-	-	1,393,835	1,393,835
Education services	-	-	-	-	-	-	-	-	2,387,662	2,387,662
Other services	-	-	-	-	2,604	-	-	13,626,697	4,772,357	18,401,658
Total restricted	-	-	1,730,551	9,213,346	2,604	-	-	13,626,697	29,098,348	53,671,546
Assigned to:										
Capital projects	-	17,795,832	-	-	-	-	2,487	-	-	17,798,319
Highways and streets	-	-	-	12,735,637	-	-	-	-	-	12,735,637
Health services	-	-	-	-	-	-	-	-	140,839	140,839
Judicial services	-	-	-	-	-	-	-	-	46,981	46,981
Public safety	-	-	-	-	-	-	-	-	66,391	66,391
Other	-	-	-	-	-	-	-	-	2,248,427	2,248,427
Total assigned	-	17,795,832	-	12,735,637	-	-	2,487	-	2,502,638	33,036,594
Nonspendable:										
Prepaid items	47,236	-	-	-	-	-	-	-	-	47,236
Unassigned:										
Total fund balances	\$ 48,697,378	-	-	-	-	(5,187,593)	-	-	(557,010)	42,952,775
	<u>\$ 48,744,614</u>	<u>\$ 17,795,832</u>	<u>\$ 1,730,551</u>	<u>\$ 21,948,983</u>	<u>\$ 2,604</u>	<u>\$ (5,187,593)</u>	<u>\$ 2,487</u>	<u>\$ 13,626,697</u>	<u>\$ 31,043,976</u>	<u>\$ 129,708,151</u>

Cochise County
Notes to financial statements
June 30, 2025

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 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, 2025, the carrying amount of the County’s deposits was \$62,905,393 and the bank balance was \$69,783,078. The County does not have a formal policy with respect to custodial credit risk.

Investments – The County had total investments of \$252,172,990 at June 30, 2025. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

Cochise County
Notes to financial statements
June 30, 2025

	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	\$ 192,157,240	\$ -	\$ 192,157,240
Money market mutual funds	15,750	15,750	-
Total investments categorized by fair value level	<u>\$ 192,172,990</u>	<u>\$ 15,750</u>	<u>\$ 192,157,240</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County also had investments of \$60,000,000 in the State Treasurer's investment pool 7 measured at fair value. Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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

At June 30, 2025, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
State Treasurer's investment pool 7	Unrated	Not applicable	\$ 60,000,000
Money market mutual funds	AAA	Standard & Poor's	15,750
U.S. agency securities	AA+	Standard & Poor's	160,551,990
U.S. agency securities	Unrated	Not applicable	31,605,250
Total			<u>\$ 252,172,990</u>

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, 2025, were in debt securities of various U.S. agencies as follows:

U.S. agency	Amount	Percent of county investments
Federal Home Loan Bank	\$ 142,560,120	56.5%
Federal Agriculture Mortgage Corporation	22,675,930	9.0%
Federal Home Loan Mortgage Corporation	17,918,850	7.1%

Cochise County
Notes to financial statements
June 30, 2025

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, 2025, maturities of the County’s investments were as follows:

Investment type	Amount	Investment maturities	
		Less than 1 Year	1-5 Years
State Treasurer’s investment pool 7	\$ 60,000,000	\$ 60,000,000	\$ -
Money market mutual funds	15,750	15,750	-
U.S. agency securities	192,157,240	41,315,400	150,841,840
Total	<u>\$ 252,172,990</u>	<u>\$ 101,331,150</u>	<u>\$ 150,841,840</u>

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	62,905,393
Amount of investments	252,172,990
Total	<u>\$ 315,084,054</u>

	Statement of net position		Statement of fiduciary net position			
	Governmental activities	Business-type activities	Private-purpose trust funds	Custodial funds		Total
				External investment pool	Other	
Cash in bank and on hand	\$ 779,883	\$ 1,487,225	\$ -	\$ -	\$ 2,156,414	\$ 4,423,522
Cash and investments held by County Treasurer	154,518,603	8,655,521	965,825	145,125,792	995,174	310,260,915
Cash-restricted	-	399,617	-	-	-	399,617
Total	<u>\$ 155,298,486</u>	<u>\$ 10,542,363</u>	<u>\$ 965,825</u>	<u>\$ 145,125,792</u>	<u>\$ 3,151,588</u>	<u>\$ 315,084,054</u>

Note 5 – Due from other governments

Due from other governments totaling \$21,519,797 at June 30, 2025, included \$1,169,485 in state-shared revenue from highway user fees, \$1,067,491 in state-shared sales taxes, \$315,819 in state-shared vehicle license taxes, \$930,322 in county excise taxes, and \$925,698 in county excise taxes Jail District and \$10,614,908 in grant awards from the Department of Emergency and Military Affairs. The remaining balance of \$6,496,074 represents amounts receivable from various state and federal government grantor agencies.

Cochise County
Notes to financial statements
June 30, 2025

Note 6 – Capital assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,556,446	\$ 141,835	\$ -	\$ 2,698,281
Construction in progress	8,021,714	5,481,316	3,877,626	9,625,404
Total capital assets not being depreciated	<u>10,578,160</u>	<u>5,623,151</u>	<u>3,877,626</u>	<u>12,323,685</u>
Capital assets being depreciated:				
Buildings	53,660,059	1,559,326	-	55,219,385
Improvements other than buildings	14,391,625	-	-	14,391,625
Equipment	65,530,935	6,449,555	1,392,569	70,587,921
Infrastructure	118,283,474	29,365	-	118,312,839
Total capital assets being depreciated	<u>251,866,093</u>	<u>8,038,246</u>	<u>1,392,569</u>	<u>258,511,770</u>
Intangible right-to-use assets, being amortized:				
Leased equipment	599,298	850,664	582,064	867,898
Leased land	143,709	-	-	143,709
Subscription assets	1,359,045	335,608	198,658	1,495,995
Total intangible right-to-use assets being amortized	<u>2,102,052</u>	<u>1,186,272</u>	<u>780,722</u>	<u>2,507,602</u>
Less accumulated depreciation for:				
Buildings	26,111,085	1,223,445	-	27,334,530
Improvements other than buildings	5,634,101	552,234	-	6,186,335
Equipment	47,666,909	4,178,005	1,386,339	50,458,575
Infrastructure	54,615,406	1,441,307	-	56,056,713
Total accumulated depreciation	<u>134,027,501</u>	<u>7,394,991</u>	<u>1,386,339</u>	<u>140,036,153</u>
Less accumulated amortization for:				
Intangible right-to-use leased equipment	510,719	149,159	582,064	77,814
Intangible right-to-use leased land	82,722	27,549	-	110,271
Intangible right-to-use subscriptions assets	819,285	485,389	198,658	1,106,016
Total accumulated amortization	<u>1,412,726</u>	<u>662,097</u>	<u>780,722</u>	<u>1,294,101</u>
Total capital assets being depreciated/amortized, net	<u>118,527,918</u>	<u>1,167,430</u>	<u>6,230</u>	<u>119,689,118</u>
Governmental activities, capital assets, net	<u>\$ 129,106,078</u>	<u>\$ 6,790,581</u>	<u>\$ 3,883,856</u>	<u>\$ 132,012,803</u>

Cochise County
Notes to financial statements
June 30, 2025

Business-type activities:

Capital assets not being depreciated:				
Land	\$ 1,599,900	\$ -	\$ -	\$ 1,599,900
Construction in progress	412,089	429,841	342,057	499,873
Total capital assets not being depreciated	<u>2,011,989</u>	<u>429,841</u>	<u>342,057</u>	<u>2,099,773</u>
Capital assets being depreciated:				
Buildings	5,269,642	-	22,089	5,247,553
Improvements other than buildings	10,564,073	-	-	10,564,073
Equipment	3,050,735	-	-	3,050,735
Infrastructure	2,274,751	392,993	-	2,667,744
Total capital assets being depreciated	<u>21,159,201</u>	<u>392,993</u>	<u>22,089</u>	<u>21,530,105</u>
Intangible right-to-use assets, being amortized:				
Leased land	17,234	-	-	17,234
Total intangible right-to-use assets being amortized	<u>17,234</u>	<u>-</u>	<u>-</u>	<u>17,234</u>
Less accumulated depreciation for:				
Buildings	2,369,225	134,318	17,450	2,486,093
Improvements other than buildings	6,806,372	271,841	-	7,078,213
Equipment	2,797,699	29,479	-	2,827,178
Infrastructure	363,557	56,869	-	420,426
Total accumulated depreciation	<u>12,336,853</u>	<u>492,507</u>	<u>17,450</u>	<u>12,811,910</u>
Less accumulated amortization for:				
Intangible right-to-use leased land	2,991	1,722	-	4,713
Total accumulated amortization	<u>2,991</u>	<u>1,722</u>	<u>-</u>	<u>4,713</u>
Total capital assets being depreciated/amortized, net	<u>8,836,591</u>	<u>(101,236)</u>	<u>4,639</u>	<u>8,730,716</u>
Business-type activities capital assets, net	<u>\$ 10,848,580</u>	<u>\$ 328,605</u>	<u>\$ 346,696</u>	<u>\$ 10,830,489</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 3,017,359
Public safety	1,738,046
Highways and streets	1,509,963
Internal service funds	<u>1,791,720</u>
Total governmental activities depreciation/amortization expense	<u>\$ 8,057,088</u>
Business-type activities:	
Solid Waste Operations	\$ 259,796
Bisbee-Douglas International Airport	<u>234,433</u>
Total business-type activities depreciation/amortization expense	<u>\$ 494,229</u>

Cochise County
 Notes to financial statements
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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 \$144,736, representing the anticipated remaining payments to be received.

	General Fund	Opioid Settlements Fund	Highways and Streets Fund	Jail District Fund	Other governmental funds	Total
Accounts receivable:						
General	\$ 688,595	\$ -	\$ 995,261	\$ 1,050	\$ 452,477	\$ 2,137,383
Settlements	-	6,076,833	-	-	-	6,076,833
Total accounts receivable	<u>\$ 688,595</u>	<u>\$ 6,076,833</u>	<u>\$ 995,261</u>	<u>\$ 1,050</u>	<u>\$ 452,477</u>	<u>\$ 8,214,216</u>

Cochise County
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Note 8 – Long-term liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within 1 year
Governmental activities					
Net pension/OPEB liabilities	\$ 89,683,748	\$ 90,583,884	\$ 89,683,748	\$ 90,583,884	\$ -
Compensated absences payable	5,669,497	4,440,209	3,880,827	6,228,879	4,382,379
Leases payable	157,094	850,664	181,099	826,659	193,710
Subscriptions liability	198,994	318,608	271,640	245,962	192,911
Total governmental activities long-term liabilities	<u>\$ 95,709,333</u>	<u>\$ 96,193,365</u>	<u>\$ 94,017,314</u>	<u>\$ 97,885,384</u>	<u>\$ 4,769,000</u>
Business-type activities					
Net pension/OPEB liabilities	\$ 2,287,319	\$ 2,360,192	\$ 2,287,319	\$ 2,360,192	\$ -
Landfill closure and postclosure care costs payable	5,428,156	381,419	579	5,808,996	25,273
Compensated absences payable	286,126	94,524	128,714	251,936	163,473
Leases payable	13,658	-	1,270	12,388	1,378
Funds held for others- Housing	239,821	-	46,649	193,172	-
Total business-type activities long-term liabilities	<u>\$ 8,255,080</u>	<u>\$ 2,836,135</u>	<u>\$ 2,464,531</u>	<u>\$ 8,626,684</u>	<u>\$ 190,124</u>

Cochise County
Notes to financial statements
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Lease payable – This note provides information for leases where Cochise County is the lessee. For leases where Cochise County is the lessor, see the Note 1, Section K.

The County is obligated under right-to-use 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, 2025:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Intangible right-to-use assets		
Equipment	\$ 867,898	\$ -
Land	143,709	17,234
Less: accumulated amortization	(188,085)	(4,713)
Carrying value	<u>\$ 823,522</u>	<u>\$ 12,521</u>

The future principal and interest lease payments as of June 30, 2025, were as follows:

Fiscal year	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 193,710	\$ 22,465	\$ 1,378	\$ 1,022
2027	174,934	16,545	1,492	908
2028	173,823	11,351	1,615	785
2029	179,104	6,071	1,746	654
2030	105,088	1,040	1,892	508
2031-2035	-	-	4,265	535
Total	<u>\$ 826,659</u>	<u>\$ 57,472</u>	<u>\$ 12,388</u>	<u>\$ 4,412</u>

Cochise County
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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, 2025:

	Governmental Activities
Intangible right-to-use assets	
Subscription assets	\$ 1,495,995
Less: accumulated amortization	(1,106,016)
Carrying value	<u>\$ 389,979</u>

The future principal and interest subscription-based information technology arrangements (SBITAs) payments as of June 30, 2025, were as follows:

Fiscal year	Governmental activities	
	Principal	Interest
2026	\$ 192,911	\$ 14,775
2027	52,913	2,925
2028	138	11
Total	<u>\$ 245,962</u>	<u>\$ 17,711</u>

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, 2025, the County has reported landfill closure and postclosure care liabilities totaling \$5,808,996. 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, 2025. The liability reported for the Eastern Regional landfill of \$643,031 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 \$5,165,965 is based on the use of 36.80% of the landfill’s estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of \$8,871,983 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 2025. Actual costs may be higher due to inflation, changes in

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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.

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 two public entity risk pools: the Arizona Counties Insurance Pool, and the Cochise Combined Trust, which are described below.

The Arizona Counties Insurance 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 Insurance Pool also 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 Insurance Pool receives independent audits annually and an audit by the Arizona Department of Insurance every 5 years. The Cochise Combined Trust receives an independent audit annually. Both 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 the pool were to become insolvent, the County would be assessed an additional contribution.

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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, 2025, 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	\$ 3,125,107	\$ 89,858	\$ 3,214,965
Net pension and OPEB liability	90,583,884	2,360,192	92,944,076
Deferred outflows of resources related to pensions and OPEB	17,648,605	466,615	18,115,220
Deferred inflows of resources related to pensions and OPEB	5,678,769	209,125	5,887,894
Pension and OPEB expense	11,157,184	191,388	11,348,572

The County’s accrued payroll and employee benefits includes \$270,291 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2025. Also, the County reported \$13,656,364 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

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

A. Arizona State Retirement System

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

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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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.12% for retirement of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.05% 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 10.14% 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, 2025 were \$4,326,270.

During fiscal year 2025, the County paid for ASRS pension contributions as follows: 66% from the General Fund, 14% from major funds, and 20% from other funds.

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Liability – At June 30, 2025, the County reported the following liability for its proportionate share of the ASRS’ net pension liability.

ASRS	Net pension liability
Pension	\$ 39,330,100

The net pension liability was measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024. 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, 2024. The County’s proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, was:

ASRS	Proportion June 30, 2024	Increase from June 30, 2023
Pension	0.25%	0.01

Expense – For the year ended June 30, 2025, the County recognized the following pension expense.

ASRS	Pension expense
Pension	\$ 3,329,677

Deferred outflows/inflows of resources – At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 2,195,369	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,511,657
Changes in proportion and differences between County contributions and proportionate share of contributions	1,111,648	390,588
County contributions subsequent to the measurement date	4,326,270	-
Total	<u>\$ 7,633,287</u>	<u>\$ 2,902,245</u>

The \$4,326,270 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, 2026. 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	
2026	\$ (949,025)
2027	2,450,499
2028	(635,783)
2029	(460,919)

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Notes to financial statements
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Actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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, 2023 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%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	6%	-0.45%
Total	<u>100%</u>	

Discount rate – At June 30, 2024, 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.

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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	\$ 60,222,425	\$ 39,330,100	\$ 21,918,171

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.

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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	
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	

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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.

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Employees covered by benefit terms – At June 30, 2025, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	80	41
Inactive employees entitled to but not yet receiving benefits	37	37
Active employees	35	22
Total	<u>152</u>	<u>100</u>

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, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll. During the fiscal year, the County contributed an additional \$3,145,425 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%	51.08%
CORP Detention	8.41%	34.74%
CORP AOC	8.41%	39.15%

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	40.51%
CORP Detention	30.32%
CORP AOC	36.72%

The County’s contributions to the plans for the year ended June 30, 2025, were:

	Pension
PSPRS Sheriff	\$ 6,395,295
CORP Detention	1,157,512
CORP AOC	798,847

During fiscal year 2025, the County paid for PSPRS and CORP pension contributions as follows: 69% from the General Fund and 31% from other nonmajor funds.

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Pension liability – At June 30, 2025, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	\$ 29,003,203
CORP Detention	6,665,830
CORP AOC (County’s proportionate share)	5,631,497

The net pension liabilities were measured as of June 30, 2024, 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, 2024
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, 2024, 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%	3.62%
International public equity	16%	4.47%
Global Private equity	27%	7.05%
Core bonds	6%	2.44%
Private credit	20%	6.24%
Diversifying strategies	5%	3.15%
Cash - Mellon	2%	0.89%
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

Cochise County
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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, 2024	\$ 65,733,347	\$ 32,509,327	\$ 33,224,020
Changes for the year:			
Service cost	688,107	-	688,107
Interest on the total pension liability	4,650,297	-	4,650,297
Differences between expected and actual experience in the measurement of the pension liability	(111,433)	-	(111,433)
Contributions – employer	-	5,814,715	(5,814,715)
Contributions – employee	-	241,060	(241,060)
Net investment income	-	3,429,202	(3,429,202)
Benefit payments, including refunds of employee contributions	(3,668,002)	(3,668,002)	-
Administrative expense	-	(37,748)	37,748
Other	-	559	(559)
Net changes	1,558,969	5,779,786	(4,220,817)
Balances at June 30, 2025	\$ 67,292,316	\$ 38,289,113	\$ 29,003,203

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Changes in the net pension liability CORP-Detention	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) – (b)
Balances at June 30, 2024	\$ 16,105,159	\$ 9,227,698	\$ 6,877,461
Changes for the year:			
Service cost	192,369	-	192,369
Interest on the total pension liability	1,141,256	-	1,141,256
Differences between expected and actual experience in the measurement of the pension liability	310,125	-	310,125
Contributions – employer	-	820,829	(820,829)
Contributions – employee	-	114,241	(114,241)
Net investment income	-	942,810	(942,810)
Benefit payments, including refunds of employee contributions	(893,497)	(893,497)	-
Administrative expense	-	(22,499)	22,499
Net changes	750,253	961,884	(211,631)
Balances at June 30, 2025	\$ 16,855,412	\$ 10,189,582	\$ 6,665,830

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, 2024. The County’s proportion measured as of June 30, 2024, and the changes from its proportion measured as of June 30, 2023 were:

CORP AOC	Proportion June 30, 2024	Decrease from June 30, 2023
Pension	1.31%	-0.14

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	\$ 37,611,723	\$ 29,003,203	\$ 21,954,111
CORP Detention			
Net pension liability	\$ 8,982,540	\$ 6,665,830	\$ 4,789,469
CORP AOC			
County’s proportionate share of the net pension liability	\$ 7,729,047	\$ 5,631,497	\$ 3,920,849

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

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Pension expense – For the year ended June 30, 2025, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	\$ 3,947,418
CORP Detention	899,842
CORP AOC (County’s proportionate share)	168,038

Pension deferred outflows/inflows of resources – At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
PSPRS – Sheriff		
Differences between expected and actual experience	\$ -	\$ 55,717
Net difference between projected and actual earnings on pension plan investments	-	537,488
County contributions subsequent to the measurement date	6,395,295	-
Total	<u>\$ 6,395,295</u>	<u>\$ 593,205</u>

	Deferred outflows of resources	Deferred inflows of resources
CORP – Detention		
Differences between expected and actual experience	\$ 232,991	\$ -
Changes in proportion and differences between County contributions and proportionate share of contributions	-	133,454
County contributions subsequent to the measurement date	1,157,512	-
Total	<u>\$ 1,390,503</u>	<u>\$ 133,454</u>

	Deferred outflows of resources	Deferred inflows of resources
CORP – AOC		
Differences between expected and actual experience	\$ 369,795	\$ 28,679
Changes of assumptions or other inputs	72,362	-
Net difference between projected and actual earnings on pension plan investments	-	119,762
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,182,681
County contributions subsequent to the measurement date	798,847	-
Total	<u>\$ 1,241,004</u>	<u>\$ 1,331,122</u>

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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ending June 30	PSPRS Sheriff	CORP Detention	CORP AOC
2026	\$ (541,216)	\$ 92,374	\$ (422,081)
2027	391,790	126,996	(76,502)
2028	(242,993)	(64,287)	(269,731)
2029	(200,786)	(55,546)	(120,650)

C. Elected Officials Retirement Plan

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

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

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

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EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
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, 2025, statute required active EORP members to contribute 7% or 13% of the members’ annual covered payroll and the County to contribute at the actuarially determined rate of 70.44% of all active EORP members’ annual covered payroll. Also, statute required the County to contribute 58.32% 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 52.62% 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, 2025, was \$1,205,899. During fiscal year 2025, the County paid for EORP pension contributions entirely from the General Fund.

Pension liability – At June 30, 2025, the County reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the County’s proportionate share of the State’s appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County were as follows:

County’s proportionate share of the EORP net pension liability	\$ 12,307,012
State’s proportionate share of the EORP net pension liability associated with the County	849,258
Total	<u>\$ 13,156,270</u>

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The net pension liability was measured as of June 30, 2024, 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, 2024. The County’s proportion measured as of June 30, 2024 and the change from its proportions measured as of June 30, 2023, were:

EORP	Proportion	Increase from
Pension	June 30, 2024	June 30, 2023
	2.06%	0.91

Expense – For the year ended June 30, 2025, the County recognized pension expense for EORP of \$3,375,479 and revenue of \$344,091 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, 2025, 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	\$ -	\$ 129,758
County contributions subsequent to the measurement date	1,205,899	-
Total	<u>\$ 1,205,899</u>	<u>\$ 129,758</u>

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, 2026. 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	
2026	\$ (119,306)
2027	98,212
2028	(60,102)
2029	(48,562)

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

EORP	
Actuarial valuation date	June 30, 2024
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, 2024, 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	Target allocation	Long-term expected geometric real rate of return
Asset class		
U.S. public equity	24%	3.62%
International public equity	16%	4.47%
Global private equity	27%	7.05%
Core bonds	6%	2.44%
Private credit	20%	6.24%
Diversifying strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	<u>100%</u>	

Discount rate – At June 30, 2024, 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

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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:

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
EORP			
County's proportionate share of the net pension liability	\$ 14,309,710	\$ 12,307,012	\$ 10,586,975

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, 2025, were as follows:

Payable from	Payable to		
	General Fund	Other governmental funds	Total
General Fund	\$ -	\$ 1,805,740	\$ 1,805,740
DEMA Fund	5,084,810	-	5,084,810
Total	\$ 5,084,810	\$ 1,805,740	\$ 6,890,550

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, 2025, were as follows:

Transfer from	Transfer to					Total
	General Fund	Jail District Fund	Other governmental funds	BDI Airport Fund	Solid Waste Fund	
General Fund	\$ -	\$ 6,572,640	\$ 225,917	\$ -	\$ -	\$ 6,798,557
Capital Projects Fund	-	-	-	106,000	-	106,000
Other governmental funds	180,094	-	-	-	120,000	300,094
Total	\$ 180,094	\$ 6,572,640	\$ 225,917	\$ 106,000	\$ 120,000	\$ 7,204,651

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

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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, \$4,417,851 of deposits and \$399,617 in restricted cash. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed in Note 4.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer’s investment pool 7	\$ 60,000,000	None stated	None stated	\$ 60,000,000
Money market mutual funds	15,750	None stated	None stated	15,750
U.S. agency securities	194,000,000	0.50%-5.25%	Up to 5 years	192,157,240

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

Statement of fiduciary net position	
Assets	\$ 310,260,915
Net position	<u>\$ 310,260,915</u>
Net position held for:	
Internal participants	165,135,123
External participants	145,125,792
Total net position	<u>\$ 310,260,915</u>
Statement of changes in fiduciary net position	
Total additions	\$ 455,152,303
Total deductions	427,326,841
Net increase	<u>27,825,462</u>
Net position:	
July 1, 2024	<u>282,435,453</u>
June 30, 2025	<u>\$ 310,260,915</u>

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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. Five settlement payments have occurred since June 30, 2025, and the County will recognize approximately \$235,624 in revenue in fiscal year 2026.

On November 4, 2025 Cochise County voters approved a Jail District ½ cent excise tax to be used solely for the construction and financing of county jail facilities, consistent with Arizona statute governing such taxing districts, starting July 1, 2026. The tax will terminate at the earlier of (a) ninety days after the debt secured by the tax is fully repaid or (b) July 1, 2043.

The County collected \$15.36 million in Jail District excise taxes from the original May 16, 2023 election. On December 11, 2025, the Jail District Board of Directors passed Resolution 25-04 which establishes that the excise taxes previously collected by the Jail District following the first election through July 31, 2025, shall be applied to the construction and financing of County jail facilities in accordance with Arizona law and as directed by the Board of Directors of the District.

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.

Compensated Absences

Effective for the fiscal year ended June 30, 2025, Cochise Private Industry Council, Inc. implemented the provisions of GASB Statement No. 101 (“GASB 101”), *Compensated Absences*. This statement establishes recognition and measurement guidance for leave that has not yet been used. Under GASB 101, Cochise Private Industry Council, Inc. recognizes a liability for compensated absences when (1) the leave is attributable to services already rendered, (2) the leave accumulates and carries forward to future

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periods, and (3) it is probable that the leave will be used for time off or otherwise paid upon termination or retirement. Implementation of GASB 101 resulted in a change in accounting principle that requires restatement of the beginning net position balance.

Certain Risk Disclosures

During the fiscal year ended June 30, 2025, Cochise Private Industry Council, Inc. also implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires disclosure for certain risks that could affect the provision of services or the ability to meet obligations as they come due, including vulnerabilities due to concentrations or constraints. The implementation of this standard affected Cochise Private Industry Council, Inc.'s note disclosures.

Leases and Subscription-Based Information Technology Arrangements

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

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

Program revenues

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

B. Accounting Changes

Restatement of beginning balances

During the year ended June 30, 2025, accounting changes resulted in a restatement of beginning net position as follows:

	<u>Balance at June 30 2024, as previously reported</u>	<u>Change in accounting principle</u>	<u>Net Position June 30, 2024, as restated</u>
Government-wide			
Governmental activities	\$ 130,515	\$ (43,297)	\$ 87,218

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Change in Accounting Principle

During fiscal year 2025, Cochise Private Industry Council, Inc. implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The effect of this change to the net position is an increase in compensated absences liability as reported above.

C. Cash

At June 30, 2025, cash on hand was \$300, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was \$108,167, and the bank balance was \$117,002.

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

D. Leases

Cochise Private Industry Council, Inc. leases building space to a third party under the provisions of a lease agreement. The agreement provides for quarterly payments of \$8,064 through June 2026. At June 30, 2025, Cochise Private Industry Council, Inc. 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, 2025, Cochise Private Industry Council, Inc. recognized revenues of \$31,624 for other payments not included in the measurement of lease receivables.

E. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2025:

Program	Amount
<i>Cochise County, Arizona</i>	
WIOA Adult Program	\$ 52,913
WIOA Dislocated Workers	66,224
WIOA Youth Program	43,410
	<u>162,547</u>
Other	13,773
Total	<u>\$ 176,320</u>

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June 30, 2025

F. Capital assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Balance at July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2025</u>
Capital assets being depreciated/ amortized:				
Furniture and equipment	\$ 114,385	\$ -	\$ 12,760	\$ 101,625
Leasehold improvements	13,354	-	7,308	6,046
Intangibles:				
Right-to-use lease assets:				
Buildings	564,507	96,628	-	661,135
Right-to-use lease assets:				
Subscription assets	<u>27,622</u>	<u>-</u>	<u>-</u>	<u>27,622</u>
Total capital assets being depreciated/ amortized	719,868	96,628	20,068	796,428
Less accumulated depreciation/ amortization:	<u>453,243</u>	<u>132,274</u>	<u>19,487</u>	<u>566,030</u>
Total capital assets being depreciated/amortized, net	<u>\$ 266,625</u>	<u>\$ (35,646)</u>	<u>\$ 581</u>	<u>\$ 230,398</u>

Depreciation/amortization expense was charged to the job training program for the year ended June 30, 2025.

G. Due to related party

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

During 2025, Cochise Private Industry Council, Inc. paid \$236,012 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 \$35,299 as of June 30, 2025.

H. Economic Dependency and Risks

For the year ended June 30, 2025, Cochise Private Industry Council, Inc.'s revenues were primarily received from federal and state financial assistance which is subject to availability of funds and Cochise Private Industry Council, Inc.'s compliance with federal and state rules and regulations.

Cochise Private Industry Council, Inc. relies primarily on federal revenue from the Workforce Innovation and Opportunity Act (WIOA) which represented approximately 94 percent of revenue in the year ended June 30, 2025. WIOA funding is subject to annual appropriation by U.S. Congress. The most recent appropriations were anticipated by September 2025, with the deadline extended to January 30, 2026. A significant reduction or elimination of WIOA funding could have a material adverse effect on Cochise Private Industry Council, Inc.'s operations. To mitigate this effect, beginning in September 2025, Cochise Private Industry Council, Inc. stopped enrolling new clients in training programs, while continuing to offer

Cochise County
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job search assistance and resume development workshops. Management is looking to diversify revenue sources through additional grants to further mitigate risk.

I. Long-term Liabilities

The following schedule details Cochise Private Industry Council, Inc.'s long-term liabilities and obligation activity for the year ended June 30, 2025:

	Balance at July 1, 2024	Increases	Decreases	Balance at June 30, 2025	Due Within 1 Year
Governmental activities:					
Leases payable	\$ 258,196	\$ 96,628	\$ 115,320	\$ 239,504	\$ 119,130
Subscription liability	17,577	-	5,568	12,009	5,854
Compensated absences	77,439	-	4,552	72,887	-
Total governmental activities long-term liabilities	<u>\$ 353,212</u>	<u>\$ 96,628</u>	<u>\$ 125,440</u>	<u>\$ 324,400</u>	<u>\$ 124,984</u>

Leases - Cochise Private Industry Council, Inc. 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	\$ 661,135
Less: accumulated amortization	(448,958)
Carrying value	<u>\$ 212,177</u>

The following schedule details minimum lease payments to maturity for Cochise Private Industry Council, Inc.'s leases payable at June 30, 2025:

Year ending June 30,	Governmental activities		
	Principal	Interest	Total
2026	\$ 119,130	\$ 9,270	\$ 128,400
2027	33,134	5,266	38,400
2028	34,829	3,571	38,400
2029	36,611	1,789	38,400
2030	15,800	200	16,000
Total	<u>\$ 239,504</u>	<u>\$ 20,096</u>	<u>\$ 259,600</u>

Cochise County
 Notes to financial statements
 June 30, 2025

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

Total intangible right-to-use accounting software	\$ 27,622
Less: accumulated amortization	<u>(16,113)</u>
Carrying value	<u>\$ 11,509</u>

The following schedule details minimum subscription payments to maturity for Cochise Private Industry Council, Inc.'s subscription payable at June 30, 2025:

Year ending June 30,	Governmental activities		
	Principal	Interest	Total
2026	\$ 5,854	\$ 468	\$ 6,322
2027	6,155	166	6,321
Total	<u>\$ 12,009</u>	<u>\$ 634</u>	<u>\$ 12,643</u>



Other Required Supplementary Information

Annual Financial Report 2025

Cochise County
Required supplementary information
Budgetary comparison schedule
General Fund
Year ended June 30, 2025

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Taxes	\$ 42,626,324	\$ 42,626,324	\$ 43,114,764	\$ 488,440
Licenses and permits	17,300	17,300	21,488	4,188
Fees, fines, and forfeits	1,188,400	1,188,400	1,561,952	373,552
Intergovernmental	29,270,822	29,266,363	26,808,282	(2,458,081)
Charges for services	2,957,990	2,960,273	3,811,127	850,854
Investment income	200,000	200,000	3,305,525	3,105,525
Miscellaneous	38,169,263	38,169,263	-	(38,169,263)
Total revenues	<u>114,430,099</u>	<u>114,427,923</u>	<u>78,623,138</u>	<u>(35,804,785)</u>
Expenditures:				
Assessor	2,615,408	2,698,853	2,370,940	327,913
Attorney	3,716,883	3,930,259	3,958,927	(28,668)
Board of Supervisors	16,682,534	15,204,575	6,595,298	8,609,277
Cochise Aging and Social Services	1,122,569	1,158,539	779,680	378,859
General government	44,529,560	44,899,987	17,861,561	27,038,426
Health	4,204,060	4,415,558	4,067,766	347,792
Judicial system	14,973,521	15,630,059	13,810,040	1,820,019
Public and legal defenders	1,975,712	2,041,939	1,896,926	145,013
Recorder	911,464	955,678	880,267	75,411
Public safety	22,302,025	22,170,268	20,943,496	1,226,772
School Superintendent	592,751	610,839	557,261	53,578
Treasurer	1,347,429	1,421,463	1,082,308	339,155
Total expenditures	<u>114,973,916</u>	<u>115,138,017</u>	<u>74,804,470</u>	<u>40,333,547</u>
Excess (deficiency) of revenues over expenditures	(543,817)	(710,094)	3,818,668	4,528,762
Other financing sources:				
Sale of capital assets	530,000	530,000	458,773	(71,227)
Transfers in	13,817	180,094	180,094	-
Total other financing sources	<u>543,817</u>	<u>710,094</u>	<u>638,867</u>	<u>(71,227)</u>
Net change in fund balances	-	-	4,457,535	4,457,535
Fund balances, July 1, 2024	<u>37,114,708</u>	<u>37,114,708</u>	<u>44,287,079</u>	<u>7,172,371</u>
Fund balances, June 30, 2025	<u>\$ 37,114,708</u>	<u>\$ 37,114,708</u>	<u>\$ 48,744,614</u>	<u>\$ 11,629,906</u>

See accompanying notes to financial statements.

Cochise County
Required supplementary information
Budgetary comparison schedule
Highways and Streets Fund
Year ended June 30, 2025

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 14,309,146	\$ 15,385,555	\$ 15,160,702	\$ (224,853)
Charges for services	115,000	115,000	93,614	(21,386)
Investment income	80,000	80,000	945,981	865,981
Miscellaneous	15,885,026	15,885,026	-	(15,885,026)
Total revenues	<u>30,389,172</u>	<u>31,465,581</u>	<u>16,200,297</u>	<u>(15,265,284)</u>
Expenditures:				
Current:				
Highways and streets	<u>30,389,172</u>	<u>31,465,581</u>	<u>15,506,382</u>	<u>15,959,199</u>
Total expenditures	<u>30,389,172</u>	<u>31,465,581</u>	<u>15,506,382</u>	<u>15,959,199</u>
Excess (deficiency) of revenues over expenditures	-	-	693,915	693,915
Other financing sources (uses):				
Net change in fund balances	-	-	693,915	693,915
Fund balances, July 1, 2024	<u>13,193,216</u>	<u>13,193,216</u>	<u>21,255,068</u>	<u>8,061,852</u>
Fund balances, June 30, 2025	<u>\$ 13,193,216</u>	<u>\$ 13,193,216</u>	<u>\$ 21,948,983</u>	<u>\$ 8,755,767</u>

See accompanying notes to financial statements.

Cochise County
Required supplementary information
Budgetary comparison schedule
Opioid Settlements Fund
Year ended June 30, 2025

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, fees, and forfeits	\$ 1,731,844	\$ 1,731,844	\$ 512,390	\$ (1,219,454)
Investment income	-	-	15,233	15,233
Miscellaneous	-	-	10,716	10,716
Total revenues	<u>1,731,844</u>	<u>1,731,844</u>	<u>538,339</u>	<u>(1,193,505)</u>
Expenditures:				
Current:				
Opioid settlement	<u>1,731,844</u>	<u>1,731,844</u>	-	<u>1,731,844</u>
Total expenditures	<u>1,731,844</u>	<u>1,731,844</u>	-	<u>1,731,844</u>
Excess (deficiency) of revenues over expenditures	-	-	538,339	538,339
Other financing sources (uses):				
Net change in fund balances	-	-	<u>538,339</u>	<u>538,339</u>
Fund balances, July 1, 2024	<u>588,719</u>	<u>588,719</u>	<u>1,192,212</u>	<u>603,493</u>
Fund balances, June 30, 2025	<u>\$ 588,719</u>	<u>\$ 588,719</u>	<u>\$ 1,730,551</u>	<u>\$ 1,141,832</u>

See accompanying notes to financial statements.

Cochise County
Required supplementary information
Budgetary comparison schedule
Jail District Fund
Year ended June 30, 2025

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 8,500,000	\$ 8,500,000	\$ 10,921,630	\$ 2,421,630
Intergovernmental	298,000	298,000	40,172	(257,828)
Charges for services	48,000	48,000	66,329	18,329
Investment income	-	-	(74,692)	(74,692)
Miscellaneous	1,802,000	1,802,000	81,148	(1,720,852)
Total revenues	<u>10,648,000</u>	<u>10,648,000</u>	<u>11,034,587</u>	<u>386,587</u>
Expenditures:				
Current:				
Public safety	<u>17,220,607</u>	<u>17,220,607</u>	<u>8,237,935</u>	<u>8,982,672</u>
Total expenditures	<u>17,220,607</u>	<u>17,220,607</u>	<u>8,237,935</u>	<u>8,982,672</u>
Excess (deficiency) of revenues over expenditures	(6,572,607)	(6,572,607)	2,796,652	9,369,259
Other financing sources (uses):				
Transfers in	<u>6,572,607</u>	<u>6,572,607</u>	<u>6,572,640</u>	<u>33</u>
Total other financing sources and uses	<u>6,572,607</u>	<u>6,572,607</u>	<u>6,572,640</u>	<u>33</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>9,369,292</u>	<u>9,369,292</u>
Fund balances (deficit), July 1, 2024	-	-	-	-
Aggregate amount of adjustments to and restatements of beginning fund balances	<u>4,257,405</u>	<u>4,257,405</u>	<u>4,257,405</u>	<u>-</u>
Fund balances, July 1, 2024, as restated	<u>4,257,405</u>	<u>4,257,405</u>	<u>4,257,405</u>	<u>-</u>
Fund balances, June 30, 2025	<u>\$ 4,257,405</u>	<u>\$ 4,257,405</u>	<u>\$ 13,626,697</u>	<u>\$ 9,369,292</u>

See accompanying notes to financial statements.

Cochise County
 Required supplementary information
 Budgetary comparison schedule
 DEMA Fund
 Year ended June 30, 2025

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,427,034	\$ 3,589,981	\$ -	\$ (3,589,981)
Total revenues	<u>3,427,034</u>	<u>3,589,981</u>	<u>-</u>	<u>(3,589,981)</u>
Expenditures:				
Current:				
Public safety	3,427,034	3,589,981	2,832,575	757,406
Total expenditures	<u>3,427,034</u>	<u>3,589,981</u>	<u>2,832,575</u>	<u>757,406</u>
Excess (deficiency) of revenues over expenditures	-	-	(2,832,575)	(2,832,575)
Other financing sources (uses):				
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(2,832,575)</u>	<u>(2,832,575)</u>
Fund balances (deficit), July 1, 2024	-	-	-	-
Aggregate amount of adjustments to and restatements of beginning fund balances	(2,355,018)	(2,355,018)	(2,355,018)	-
Fund balances, July 1, 2024, as restated	<u>(2,355,018)</u>	<u>(2,355,018)</u>	<u>(2,355,018)</u>	<u>-</u>
Fund balances, June 30, 2025	<u>\$ (2,355,018)</u>	<u>\$ (2,355,018)</u>	<u>\$ (5,187,593)</u>	<u>\$ (2,832,575)</u>

See accompanying notes to financial statements.

Cochise County
 Required supplementary information
 Notes to budgetary comparison schedules
 June 30, 2025

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, 2025, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department/Fund</u>	<u>Excess</u>
Attorney:	
General Fund	\$ (28,668)
Total Attorney Department	\$ (28,668)

The variances in the Attorney department are attributed to staff turnover and increased case loads. The Budget Manager will continue to 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, 2025

Arizona State Retirement System	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
County's proportion of the net pension liability	0.25%	0.24%	0.24%	0.25%	0.26%	0.26%	0.27%	0.26%	0.26%	0.27%
County's proportionate share of the net pension liability	\$ 39,330,100	\$ 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
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 proportionate share of the net pension liability as a percentage of its covered payroll	112.6%	116.9%	134.6%	116.3%	155.5%	137.3%	139.4%	159.4%	172.5%	169.2%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

Corrections Officer Retirement Plan — Administrative Office of the Courts	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
County's proportion of the net pension liability	1.31%	1.45%	1.69%	1.72%	1.81%	1.80%	1.81%	1.61%	1.58%	1.72%
County's proportionate share of the net pension liability	\$ 5,631,497	\$ 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
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 proportionate share of the net pension liability as a percentage of its covered payroll	293.3%	320.2%	374.5%	303.2%	366.1%	337.9%	310.9%	353.1%	255.3%	218.4%
Plan fiduciary net position as a percentage of the total pension liability	63.12%	59.28%	57.52%	62.53%	50.07%	51.99%	53.72%	49.21%	54.81%	57.89%

Elected Officials Retirement Plan	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
County's proportion of the net pension liability	2.06%	1.15%	2.15%	2.06%	2.04%	2.04%	1.66%	1.78%	1.95%	1.84%
County's proportionate share of the net pension liability	\$ 12,307,012	\$ 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
State's proportionate share of the net pension liability associated with the County	849,258	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
Total	\$ 13,156,270	\$ 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
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 proportionate share of the net pension liability as a percentage of its covered payroll	646.7%	389.6%	813.5%	702.5%	798.8%	653.5%	699.2%	1684.3%	1357.0%	930.1%
Plan fiduciary net position as a percentage of the total pension liability	42.22%	38.63%	32.01%	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2025

Public Safety Personnel Retirement System – Sheriff	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 688,107	\$ 727,231	\$ 729,072	\$ 862,586	\$ 886,465	\$ 988,563	\$ 949,321	\$ 1,037,941	\$ 912,659	\$ 897,651
Interest on the total pension liability	4,650,297	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
Changes of benefit terms	-	-	-	-	-	-	-	705,650	344,258	-
Differences between expected and actual experience in the measurement of the pension liability	(111,433)	619,868	2,187,123	(1,854,119)	838,018	54,071	1,034,834	(187,240)	(1,789,290)	(213,315)
Changes of assumptions or other inputs	-	-	778,952	-	-	1,377,328	-	2,581,911	1,605,977	-
Benefit payments, including refunds of employee contributions	(3,668,002)	(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)
Net change in total pension liability	1,558,969	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
Total pension liability-beginning	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
Total pension liability-ending (a)	\$ 67,292,316	\$ 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
Plan fiduciary net position										
Contributions-employer	\$ 5,814,715	\$ 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
Contributions-employee	241,060	389,386	357,854	363,655	396,947	403,241	416,973	572,902	542,026	533,148
Net investment income	3,429,202	2,357,996	(1,123,266)	5,831,472	257,546	1,027,398	1,159,997	1,994,903	95,788	479,555
Benefit payments, including refunds of employee contributions	(3,668,002)	(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)
Hall/Parker settlement	-	-	-	-	-	-	(702,104)	-	-	-
Pension plan administrative expense	(37,748)	(29,362)	(20,229)	(27,055)	(20,998)	(18,846)	(18,355)	(18,052)	(14,183)	(12,070)
Other changes	559	-	-	-	-	(15,619)	(130,940)	(45,634)	133,030	11,916
Net change in plan fiduciary net position	5,779,786	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
Plan fiduciary net position-beginning	32,509,327	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
Plan fiduciary net position-ending (b)	\$ 38,289,113	\$ 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
County's net pension liability-ending (a) - (b)	\$ 29,003,203	\$ 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
Plan fiduciary net position as a percentage of the total pension liability	56.90%	49.46%	46.69%	43.82%	34.15%	34.74%	34.67%	36.11%	35.09%	33.14%
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 net pension liability as a percentage of covered payroll	428.97%	510.82%	620.67%	605.31%	671.67%	676.79%	642.39%	657.68%	610.89%	589.07%

Cochise County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2025
(Concluded)

Corrections Officer Retirement Plan – Detention	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 192,369	\$ 218,057	\$ 234,928	\$ 242,051	\$ 256,408	\$ 317,614	\$ 342,971	\$ 330,614	\$ 297,814	\$ 292,414
Interest on the total pension liability	1,141,256	1,090,396	1,046,853	1,010,366	941,529	875,544	840,121	724,260	742,741	666,802
Changes of benefit terms	-	-	-	-	-	-	(647,977)	1,384,226	13,188	-
Differences between expected and actual experience in the measurement of the pension liability	310,125	233,783	132,845	(1,356)	464,133	277,148	513,693	(331,887)	(636,880)	512,038
Changes of assumptions or other inputs	-	-	147,594	-	-	312,821	-	301,101	362,499	-
Benefit payments, including refunds of employee contributions	(893,497)	(726,809)	(756,026)	(732,195)	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)
Net change in total pension liability	750,253	815,427	806,194	518,866	984,779	1,148,547	250,893	1,769,602	216,814	1,020,658
Total pension liability – beginning	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
Total pension liability – ending (a)	<u>\$ 16,855,412</u>	<u>\$ 16,105,159</u>	<u>\$ 15,289,732</u>	<u>\$ 14,483,538</u>	<u>\$ 13,964,672</u>	<u>\$ 12,979,893</u>	<u>\$ 11,831,346</u>	<u>\$ 11,580,453</u>	<u>\$ 9,810,851</u>	<u>\$ 9,594,037</u>
Plan fiduciary net position										
Contributions-employer	\$ 820,829	\$ 781,954	\$ 779,165	\$ 694,560	\$ 585,531	\$ 527,420	\$ 469,110	\$ 448,799	\$ 400,307	\$ 268,393
Contributions-employee	114,241	130,511	134,305	127,642	143,084	154,457	195,131	184,017	197,513	171,671
Net Investment income	942,810	656,098	(323,491)	1,828,969	177,408	331,548	396,107	648,996	32,454	182,577
Benefit payments, including refunds of employee contributions	(893,497)	(726,809)	(756,026)	(732,195)	(677,291)	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)
Administrative expense	(22,499)	(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)
Net change in plan fiduciary net position	961,884	805,221	(171,984)	1,910,525	211,429	372,228	255,622	636,990	99,403	141,177
Plan fiduciary net position-beginning	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
Plan fiduciary net position-ending (b)	<u>\$ 10,189,582</u>	<u>\$ 9,227,698</u>	<u>\$ 8,422,477</u>	<u>\$ 8,594,461</u>	<u>\$ 6,683,936</u>	<u>\$ 6,472,507</u>	<u>\$ 6,100,279</u>	<u>\$ 5,844,657</u>	<u>\$ 5,207,667</u>	<u>\$ 5,108,264</u>
County's net pension liability-ending (a) - (b)	\$ 6,665,830	\$ 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
Plan fiduciary net position as a percentage of the total pension liability	60.45%	57.30%	55.09%	59.34%	47.86%	49.87%	51.56%	50.47%	53.08%	53.24%
Covered payroll	\$ 3,517,154	\$ 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
County's net pension liability as a percentage of covered payroll	189.52%	205.03%	235.86%	226.43%	268.09%	280.70%	222.31%	252.86%	205.52%	206.84%

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2025

Arizona State Retirement System

	Reporting fiscal year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 4,326,270	\$ 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
County's contributions in relation to the statutorily required contribution	4,326,270	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
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 36,814,176	\$ 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
County's contributions as a percentage of covered payroll	11.75%	11.79%	11.15%	10.77%	11.78%	11.03%	10.81%	10.86%	10.75%	10.85%

**Correction officer Retirement Plan –
Administrative Office of the Courts**

	Reporting fiscal year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 798,847	\$ 701,844	\$ 688,296	\$ 690,785	\$ 653,064	\$ 684,566	\$ 718,941	\$ 477,270	\$ 363,649	\$ 332,346
County's contributions in relation to the statutorily required contribution	798,847	701,844	688,296	690,785	653,064	684,566	718,941	477,270	363,649	332,346
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 2,163,816	\$ 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
County's contributions as a percentage of covered payroll	36.92%	36.56%	33.71%	34.39%	30.97%	29.06%	31.90%	22.75%	19.89%	19.04%

Elected Officials Retirement Plan

	Reporting fiscal year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 1,205,899	\$ 1,370,453	\$ 1,187,729	\$ 1,011,666	\$ 1,010,737	\$ 998,444	\$ 975,743	\$ 314,179	\$ 303,450	\$ 319,124
County's contributions in relation to the statutorily required contribution	1,205,899	1,370,453	1,187,729	1,011,666	1,010,737	998,444	975,743	13,397	303,450	319,124
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,782	\$ -	\$ -
County's covered payroll	\$ 2,074,349	\$ 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
County's contributions as a percentage of covered payroll	58.13%	72.01%	64.19%	56.78%	56.61%	57.79%	47.19%	0.89%	23.50%	23.50%

Cochise County
Required supplementary information
Schedule of County pension contributions
June 30, 2025
(Concluded)

	Reporting fiscal year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Public Safety Personnel Retirement System-Sheriff										
Actuarially determined contribution	\$ 3,248,953	\$ 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
County's contributions in relation to the actuarially determined contribution	6,395,295	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
County's contribution deficiency (excess)	<u>\$ (3,146,342)</u>	<u>\$ (2,946,022)</u>	<u>\$ (520,482)</u>	<u>\$ (5,285,930)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,944</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>
County's covered payroll	\$ 6,720,087	\$ 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
County's contributions as a percentage of covered payroll	95.17%	89.69%	57.05%	145.68%	47.48%	51.37%	51.91%	32.60%	50.41%	71.94%
Correction officer Retirement Plan – Detention										
Actuarially determined contribution	\$ 1,157,512	\$ 899,012	\$ 833,495	\$ 801,765	\$ 723,172	\$ 614,285	\$ 547,986	\$ 516,924	\$ 437,766	\$ 384,058
County's contributions in relation to the actuarially determined contribution	1,157,512	899,012	833,495	801,765	723,172	614,285	547,986	516,924	437,766	384,058
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 3,681,700	\$ 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
County's contributions as a percentage of covered payroll	31.44%	25.56%	24.85%	27.54%	27.80%	22.62%	23.64%	20.05%	19.30%	17.15%

Cochise County
 Required supplementary information
 Notes to pension plan schedules
 June 30, 2025

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 2023 actuarial valuation	23 years for PSPRS; 15 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 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.

Cochise County
Required supplementary information
Notes to pension plan schedules
June 30, 2025

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 2016, 2022, 2023, 2024 and 2025 Cochise County made additional contributions to the County's Public Safety Personnel Retirement System to pay down its unfunded actuarial liability.

Cochise County

This report was prepared by the Finance Department

