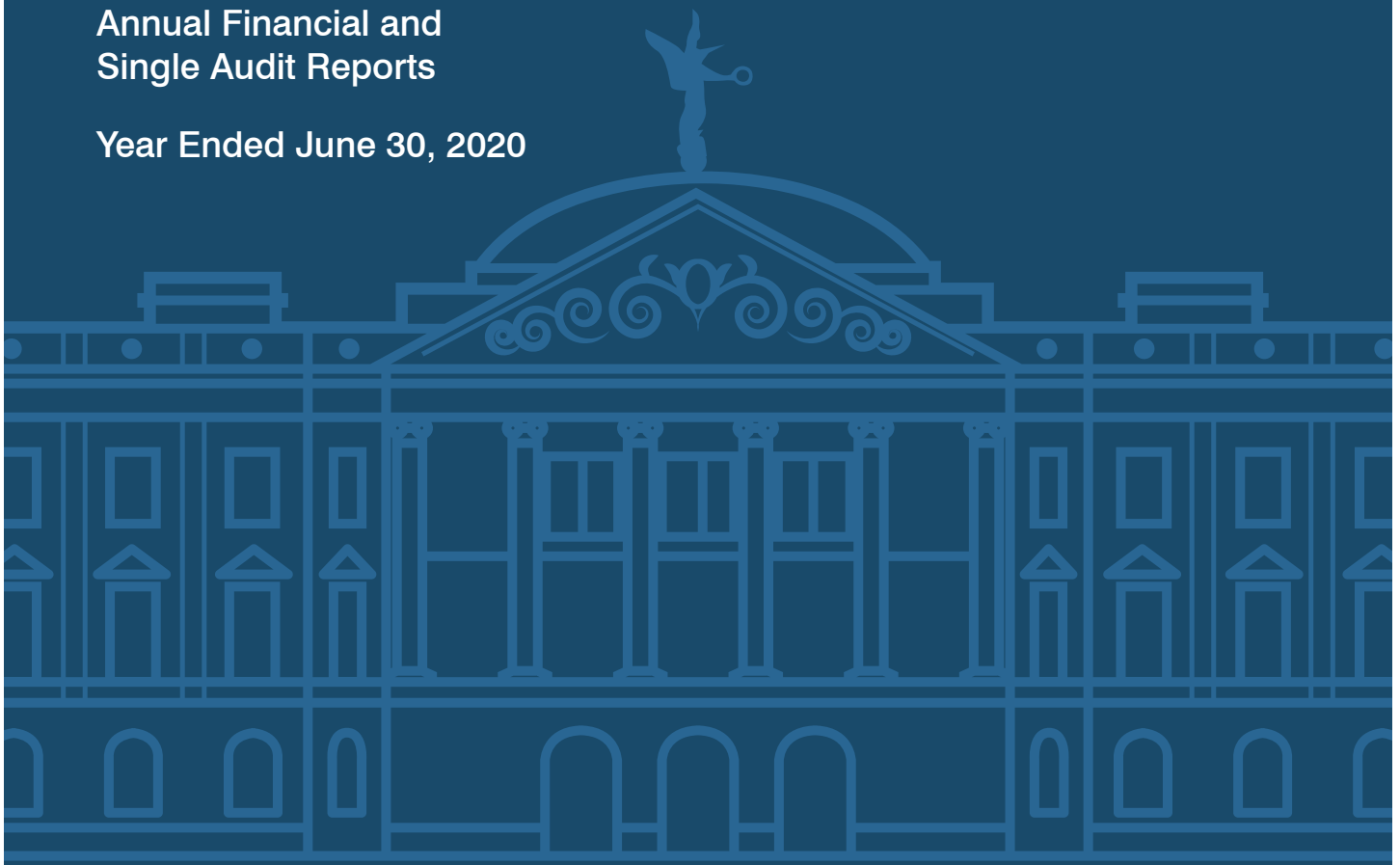


# Cochise County

Annual Financial and  
Single Audit Reports

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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

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# ANNUAL FINANCIAL REPORT



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of  
Cochise County, Arizona

### Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Management's responsibility for the financial statements*

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

#### *Auditors' responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority 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 of the opinion units affected.

Opinion units affected	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ Expenditures
<b>Government-wide statements</b>				
<b>Business-type activities</b>				
Housing Authority	7%	11%	35%	42%
<b>Discretely presented component unit</b>				
Cochise Private Industry Council, Inc.	100%	100%	100%	100%
<b>Fund statements</b>				
<b>Aggregate remaining fund information</b>				
Housing Authority	1%	13%	1%	1%

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other matters***

#### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-9, budgetary comparison schedules on pages 45 through 47, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 48, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 49 and 50, and the schedule of County pension contributions on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary information—schedule of expenditures of federal awards*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as

required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

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

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

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021, 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, CPA, CFE  
Auditor General

April 21, 2021



# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

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, 2020. 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 \$116.8 million (net position). Of the net position amount, \$135.7 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); \$16.8 million is restricted for specific purposes (restricted net position); and \$(35.8) million is the unrestricted net position deficit balance that is primarily a result of recognizing long-term liabilities related to pensions.
- At June 30, 2020, total assets were \$225.3 million, an increase of \$5.2 million or 2.3 percent in comparison with the prior fiscal year's balance of \$220.1 million.
- At June 30, 2020, total liabilities were \$120.8 million, an increase of \$8.5 million or 7.6 percent in comparison with the prior fiscal year's balance of \$112.3 million.
- At June 30, 2020, the County reported total deferred outflows of resources related to pensions and other postemployment benefits (OPEB) of \$17.8 million and deferred inflows of resources related to pensions/OPEB of \$5.5 million.
- At June 30, 2020, the governmental funds reported combined fund balances of \$68.2 million, an increase of \$1.4 million or 2.0 percent in comparison with the prior year's combined fund balances of \$66.8 million.
- At June 30, 2020, \$16.8 million or 24.7 percent of governmental fund balances were restricted, \$23.3 million or 34.1 percent were assigned, and \$27.8 million or 40.8 percent were unassigned. Restricted fund balances have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations; or by constitutional language or enabling legislation. The assigned and unassigned fund balances are considered unrestricted. The unrestricted fund balances are available for spending at the County's discretion. However, the assigned fund balances are designated by management.

#### Overview of the Financial Statements

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

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

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

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

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

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

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

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

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

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

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

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

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

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

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

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. 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 43 of this report.

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

**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 45 through 54 of this report.

#### Government-wide Financial Analysis

Below is a comparative analysis between fiscal years for the government-wide statements. The net increase of \$5.6 million in current and other assets was primarily due to \$5.5 million of Coronavirus Aid, Relief and Economic Security Act (CARES) program funding that was not received prior to year-end. The net increase in long-term liabilities of \$6.8 million was primarily due to a \$6.3 million increase in net pension and other postemployment liabilities.

**Statement of Net Position**—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, Cochise County's assets and deferred outflows exceeded liabilities and deferred inflows by \$116.8 million.

#### Governmental and Business-type Activities Summary Comparison Statement of Net Position June 30, 2019 and 2020

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020
<b>Assets:</b>						
Current and other assets	\$ 80,978,205	\$ 84,758,268	\$ 2,961,733	\$ 4,819,498	\$ 83,939,938	\$ 89,577,766
Capital assets, net	<u>128,704,355</u>	<u>128,154,987</u>	<u>7,509,963</u>	<u>7,590,883</u>	<u>136,214,318</u>	<u>135,745,870</u>
Total assets	<u>209,682,560</u>	<u>212,913,255</u>	<u>10,471,696</u>	<u>12,410,381</u>	<u>220,154,256</u>	<u>225,323,636</u>
Deferred outflows	16,573,549	17,460,746	403,706	303,516	16,977,255	17,764,262
<b>Liabilities:</b>						
Other liabilities	7,645,661	9,191,590	149,533	252,208	7,795,194	9,443,798
Long-term liabilities	<u>98,240,002</u>	<u>104,818,478</u>	<u>6,253,810</u>	<u>6,516,768</u>	<u>104,493,812</u>	<u>111,335,246</u>
Total liabilities	<u>105,885,663</u>	<u>114,010,068</u>	<u>6,403,343</u>	<u>6,768,976</u>	<u>112,289,006</u>	<u>120,779,044</u>
Deferred inflows	12,120,253	5,271,466	321,667	249,362	12,441,920	5,520,828
<b>Net position:</b>						
Net investment in capital assets	128,704,355	128,154,987	7,509,963	7,590,883	136,214,318	135,745,870
Restricted	16,772,944	16,814,388	40,006	64,490	16,812,950	16,878,878
Unrestricted	<u>(37,227,106)</u>	<u>(33,876,908)</u>	<u>(3,399,577)</u>	<u>(1,959,814)</u>	<u>(40,626,683)</u>	<u>(35,836,722)</u>
Total net position	<u>\$108,250,193</u>	<u>\$111,092,467</u>	<u>\$ 4,150,392</u>	<u>\$ 5,695,559</u>	<u>\$112,400,585</u>	<u>\$116,788,026</u>

A large portion of Cochise County's net position (116.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). This amount is presented less accumulated depreciation and any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Statement of Activities**—The County's total net position increased by \$4.4 million during the fiscal year, primarily due to an increase in revenues. The following table summarizes the results of operations and accounts for the changes in net position for governmental and business-type activities:

#### Governmental and Business-type Activities Summary Comparison Statement of Activities Years Ended June 30, 2019 and 2020

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
Revenues						
Program revenues:						
Charges for services	\$ 6,412,439	\$ 7,987,319	\$5,468,470	\$ 5,583,114	\$ 11,880,909	\$ 13,570,433
Operating grants and contributions	25,949,784	31,227,117	3,373,758	4,104,379	29,323,542	35,331,496
Capital grants and contributions	1,570,837	368,101			1,570,837	368,101
General revenues:						
Property taxes	29,420,003	30,742,462			29,420,003	30,742,462
State shared sales tax	14,799,329	13,909,014			14,799,329	13,909,014
State shared unrestricted vehicle license tax	3,987,852	3,572,574			3,987,852	3,572,574
County excise tax	7,073,315	7,602,878	357,562	412,808	7,430,877	8,015,686
Other	5,262,843	6,057,669	161,486	188,590	5,424,329	6,246,259
Total revenues	<u>94,476,402</u>	<u>101,467,134</u>	<u>9,361,276</u>	<u>10,288,891</u>	<u>103,837,678</u>	<u>111,756,025</u>
Expenses						
General government	42,253,990	46,885,923			42,253,990	46,885,923
Public safety	20,933,426	25,311,511			20,933,426	25,311,511
Highways and streets	13,223,314	13,217,518			13,223,314	13,217,518
Sanitation	525,826	521,295			525,826	521,295
Health and welfare	12,296,787	11,195,361			12,296,787	11,195,361
Culture and recreation	1,119,573	1,128,648			1,119,573	1,128,648
Education	964,066	606,599			964,066	606,599
Solid waste operations			4,137,133	4,356,494	4,137,133	4,356,494
Airport			396,163	596,605	396,163	596,605
Housing authority			3,331,533	3,548,630	3,331,533	3,548,630
Total expenses	<u>91,316,982</u>	<u>98,866,855</u>	<u>7,864,829</u>	<u>8,501,729</u>	<u>99,181,811</u>	<u>107,368,584</u>
Increase/(decrease) in net position before transfers	3,159,420	2,600,279	1,496,447	1,787,162	4,655,867	4,387,441
Transfers	(373,451)	241,995	373,451	(241,995)		
Increase/(decrease) in net position	<u>\$ 2,785,969</u>	<u>\$ 2,842,274</u>	<u>\$1,869,898</u>	<u>\$ 1,545,167</u>	<u>\$ 4,655,867</u>	<u>\$ 4,387,441</u>

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

Overall, revenues increased \$7.9 million or 7.6 percent and expenses increased by \$8.2 million or 8.3 percent in the current fiscal year. The following summarizes the significant changes in both revenues and expenses:

- Operating grants and contributions increased by \$6.0 million or 20.5 percent in the current year primarily due to \$5.5 million of CARES program funding.
- General government expenses increased by \$4.6 million or 11.0 percent and public safety expenses increased by \$4.4 million or 20.9 percent because of increases in employee salaries and employer related expenses and in overall pension expense incurred by the County.

#### Financial Analysis of the County's Funds

The County reported three major governmental funds for this fiscal year; the General Fund, Capital Projects Fund and Highway and Streets Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$68.2 million, which is an increase of \$1.4 million or 2.0 percent. Of the total, \$16.8 million constitutes restricted fund balances.

For governmental funds, overall revenues increased by \$6.6 million or 7.0 percent and expenditures increased by \$4.6 million or 4.8 percent. Governmental revenues exceeded expenditures by \$803 thousand in the current fiscal year.

The General Fund is the County's primary operating fund. At June 30, 2020, the total fund balance was \$28.0 million. None of the General Fund balance is restricted for any purpose. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. As of June 30, 2020, the fund balance represents 45.0 percent of total General Fund expenditures.

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

#### General Fund

- Cash and investments held by County Treasurer decreased by \$2.1 million or 8.5 percent in the current year largely due to owing less money to other funds during fiscal 2020.
- Property tax receivable decreased by \$130 thousand or 16.6 percent in the current year largely due to an increase in both real and personal property taxes paid by taxpayers for the prior tax year.
- Accounts receivable increased by \$97 thousand or 7.6 percent in the current year largely due to more revenue being due to several departments at fiscal year-end.
- Due from other funds decreased by \$687 thousand or 53.1 percent in the current year largely due to the timing of other departments reimbursing the general fund for their share of expenses that are paid centrally, i.e., phones, credit cards, etc.
- Due from other governments increased by \$4.2 million or 112.8 percent primarily due to CARES program intergovernmental revenue recognized at fiscal year end.

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

- Accounts payable decreased by \$138 thousand or 8.9 percent in the current year largely due to invoices being paid prior to fiscal year end.
- Current expenditures for general fund increased by \$1.6 million or 5.1 percent in the current year largely due to an increase in employee salaries and employee related expenditures.

#### Capital Projects Fund

- Due from other governments decreased by \$132 thousand or 31.2 percent in the current year largely due to receipt of half cent excise tax revenue that was due to the County from the State of Arizona.
- Accounts payable decreased by \$574 thousand or 91.9 percent in the current year largely due to expenses on projects being paid prior to fiscal year end.
- Tax revenue increased by \$220 thousand or 9.2 percent in the current year largely due to an increase in the County's half cent excise tax received for capital projects.
- Intergovernmental revenues decreased by \$374 thousand or 100.0 percent as no additional funds were received for the South Eastern Arizona Communications Center (SEACOM) or any other major project.
- Expenditures for capital outlay decreased by \$1.6 million or 70.0 percent in the current year largely due to the projects continuing into the next fiscal year.

#### Highways and Streets Fund

- Cash and investments held by the County Treasurer decreased by \$239 thousand or 2.2 percent 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 \$1.8 million or 319.2 percent in the current year largely due to the purchase and receipt of road materials at year end to continue road projects into next fiscal year.
- Intergovernmental revenues decreased by \$410 thousand or 3.3 percent in the current year largely due to a decrease in the receipt of HURF revenues.
- Current expenditures for highways and streets decreased by \$1.6 million or 13.0 percent in the current year largely due to the winding down of road improvement work throughout the County.

#### Proprietary Funds

For proprietary funds, the County reported two major funds for this fiscal year, Solid Waste Operations and Bisbee-Douglas International Airport. Other funds considered proprietary funds include Housing Authority of Cochise County and the internal service funds used to account for fleet operations, the computer replacement program, and the County's participation in the Cochise Combined Trust for providing health insurance and other benefits to the County's employees. At the end of the current fiscal year, the County's proprietary funds reported combined net position of \$21.3 million, which is an increase of \$434 thousand or 2.1 percent. Of the total, \$2.6 million constitutes unrestricted net position.

# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

For proprietary funds, overall revenues increased by \$866 thousand or 3.8 percent and expenses increased by \$1.1 million or 5.0 percent. Proprietary operating revenues exceeded operating expenses by \$6 thousand in the current fiscal year.

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

#### Solid Waste Operations

- Accounts receivables increased by \$18.5 thousand or 4.4 percent in the current year due to an increase in accounts billed for an increase in services provided.
- Net capital assets decreased by \$210 thousand or 6.5 percent largely due to depreciation expense in that amount.
- Deferred outflows of resources related to pensions/OPEB decreased by \$83 thousand or 25.1 percent in the current year due to the decrease in the estimated amount needed in the future for employee pensions, and other postemployment benefits.
- Due to other funds decreased by \$745 thousand or 99.1 percent in the current year due to a decrease in the amount owed to the other funds for meeting expenses.
- Long-term landfill closure and postclosure care costs payable increased by \$247 thousand or 6.9 percent in the current year due to an increase in the future costs for closure and postclosure of landfill sites.
- Deferred inflows of resources related to pensions/OPEB decreased by \$55 thousand or 22.5 percent in the current year due to the decrease in the estimated amount needed for future employee pension and other postemployment benefits payouts.
- Net position increased by \$1.2 million or 264.2 percent in the current year due to an increase in revenue collected to deliver those services.

#### Bisbee-Douglas International Airport

- Net capital assets increased by \$291 thousand, or 6.8 percent, largely due to a runway lighting project completed during the fiscal year.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The County's investment in capital assets as of June 30, 2020, totaled \$135.7 million (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings and improvements, infrastructure, and machinery and equipment. The following provides the major changes in governmental capital assets during the current fiscal year.



# Cochise County

## Management's Discussion and Analysis

### June 30, 2020

- Construction in progress increased by \$1.4 million for progress made on new infrastructure.
- Equipment decreased \$5.1 million because of disposals while accumulated depreciation decreased by \$1.4 million.
- Infrastructure increased \$2.8 million for completed infrastructure while accumulated depreciation increased by \$1.6 million.
- Accumulated depreciation increased by \$2.2 million in annual depreciation expense.

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

#### **Long-term Debt**

At June 30, 2020, the County had no long-term debt outstanding and the County had no general obligation or revenue bonds outstanding.

#### **Budgetary Comparison—General Fund**

For the General Fund, actual revenues were less than final budgeted amounts by \$20.8 million, and the actual expenditures were \$23.1 million less than the final budgeted amounts. The budget variance for revenues was due to a decrease in budgeted miscellaneous revenue. Increases in intergovernmental revenues and investment income were experienced. The budget variance for expenses was due to conservative spending and vacancy savings. Most of the favorable variance is due to unspent general government contingency funds.

#### **Economic Factors**

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

#### **Request for Information**

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

**Cochise County**  
**Statement of net position**  
**June 30, 2020**

	<b>Primary government</b>			<b>Component unit</b>
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash in bank and on hand	\$ 476,300	\$ 569,017	\$ 1,045,317	\$ 78,581
Cash and investments held by County Treasurer	69,424,969	3,390,845	72,815,814	
Receivables (net of allowances for uncollectibles):				
Property taxes	787,293		787,293	
Accounts	1,609,968	582,875	2,192,843	
Internal balances	72,673	(72,673)		
Due from other governments	11,079,071	90,483	11,169,554	162,404
Cash—restricted		248,369	248,369	
Prepaid items	244,381	6,320	250,701	
Other assets	135,246		135,246	13,120
Net other postemployment benefits asset	928,367	4,262	932,629	
Capital assets, not being depreciated	6,353,288	1,599,900	7,953,188	
Capital assets, being depreciated, net	121,801,699	5,990,983	127,792,682	18,199
Total assets	<u>212,913,255</u>	<u>12,410,381</u>	<u>225,323,636</u>	<u>272,304</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions and other postemployment benefits	17,460,746	303,516	17,764,262	
<b>Liabilities</b>				
Accounts payable	4,723,382	74,237	4,797,619	40,937
Accrued payroll and employee benefits	3,581,301	108,274	3,689,575	
Due to other governments	193,061	5,605	198,666	
Due to related party				34,316
Unearned revenue	319,595	62,492	382,087	
Deposits held for others	374,251	1,600	375,851	
Noncurrent liabilities				
Due within 1 year	4,048,437	220,246	4,268,683	
Due in more than 1 year	100,770,041	6,296,522	107,066,563	43,489
Total liabilities	<u>114,010,068</u>	<u>6,768,976</u>	<u>120,779,044</u>	<u>118,742</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions and other postemployment benefits	5,271,466	249,362	5,520,828	
<b>Net position</b>				
Net investment in capital assets	128,154,987	7,590,883	135,745,870	18,199
Restricted for:				
Education	250,065		250,065	
Flood	5,949,363		5,949,363	
Health	892,634		892,634	
Judicial	3,934,302		3,934,302	
Public safety	2,944,751		2,944,751	
Library	1,386,073		1,386,073	
Other	1,457,200	64,490	1,521,690	
Workforce development				84,992
Unrestricted (deficit)	<u>(33,876,908)</u>	<u>(1,959,814)</u>	<u>(35,836,722)</u>	<u>50,371</u>
Total net position	<u>\$ 111,092,467</u>	<u>\$ 5,695,559</u>	<u>\$ 116,788,026</u>	<u>\$ 153,562</u>

See accompanying notes to financial statements.

**Cochise County**  
**Statement of activities**  
**Year ended June 30, 2020**

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			
					Governmental activities	Business-type activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 46,885,923	\$ 6,150,640	\$ 12,770,405	\$ 272,000	\$ (27,692,878)		\$ (27,692,878)	
Public safety	25,311,511	1,270,579	3,605,631	2,500	(20,432,801)		(20,432,801)	
Highways and streets	13,217,518	124,279	11,919,219		(1,174,020)		(1,174,020)	
Sanitation	521,295	161,310	224,720		(135,265)		(135,265)	
Health and welfare	11,195,361	264,914	2,174,677	63,601	(8,692,169)		(8,692,169)	
Culture and recreation	1,128,648		53,013	30,000	(1,045,635)		(1,045,635)	
Education	606,599	15,597	479,452		(111,550)		(111,550)	
Total governmental activities	<u>98,866,855</u>	<u>7,987,319</u>	<u>31,227,117</u>	<u>368,101</u>	<u>(59,284,318)</u>		<u>(59,284,318)</u>	
Business-type activities:								
Solid Waste Operations	4,356,494	4,998,025				\$ 641,531	641,531	
Bisbee-Douglas International Airport	596,605	564,575	486,921			454,891	454,891	
Housing Authority	3,548,630	20,514	3,617,458			89,342	89,342	
Total business-type activities	<u>8,501,729</u>	<u>5,583,114</u>	<u>4,104,379</u>			<u>1,185,764</u>	<u>1,185,764</u>	
Total primary government	<u>\$ 107,368,584</u>	<u>\$ 13,570,433</u>	<u>\$ 35,331,496</u>	<u>\$ 368,101</u>	<u>(59,284,318)</u>	<u>1,185,764</u>	<u>(58,098,554)</u>	
<b>Component unit:</b>								
Cochise Private Industry Council, Inc.	\$ 2,211,778		\$ 2,135,073					\$ (76,705)
General revenues:								
Taxes								
Property taxes, levied for general purposes					27,313,679		27,313,679	
Property taxes, levied for flood control					2,068,641		2,068,641	
Property taxes, levied for library					1,360,142		1,360,142	
County excise taxes					7,602,878	412,808	8,015,686	
Share of state sales taxes					13,909,014		13,909,014	
Share of state unrestricted vehicle license tax					3,572,574		3,572,574	
Grants and contributions not restricted to specific programs					3,088,245		3,088,245	
Investment income					1,312,519	83,389	1,395,908	
Gain on disposal of capital assets						2,850	2,850	
Miscellaneous					1,656,905	102,351	1,759,256	63,488
Transfers					241,995	(241,995)		
Total general revenues and transfers					<u>62,126,592</u>	<u>359,403</u>	<u>62,485,995</u>	<u>63,448</u>
Change in net position					2,842,274	1,545,167	4,387,441	(13,217)
Net position, July 1, 2019					108,250,193	4,150,392	112,400,585	166,779
Net position, June 30, 2020					<u>\$ 111,092,467</u>	<u>\$ 5,695,559</u>	<u>\$ 116,788,026</u>	<u>\$ 153,562</u>

See accompanying notes to financial statements.

**Cochise County**  
**Balance sheet**  
**Governmental funds**  
**June 30, 2020**

	Major Funds			Other governmental funds	Total governmental funds
	General Fund	Capital Projects Fund	Highway and Streets Fund		
<b>Assets</b>					
Cash in bank and on hand	\$ 127,695			\$ 348,405	\$ 476,100
Cash and investments held by County Treasurer	22,382,112	\$ 13,122,320	\$ 10,512,230	17,719,371	63,736,033
Receivables (net of allowances for uncollectibles):					
Property taxes	655,472			131,821	787,293
Accounts	1,368,458			241,480	1,609,938
Due from:					
Other funds	606,421			167,622	774,043
Other governments	7,830,475	291,255	1,744,259	1,213,082	11,079,071
Prepaid items	244,381				244,381
Other assets				135,246	135,246
Total assets	<u>\$ 33,215,014</u>	<u>\$ 13,413,575</u>	<u>\$ 12,256,489</u>	<u>\$ 19,957,027</u>	<u>\$ 78,842,105</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,408,476	\$ 50,788	\$ 2,370,203	\$ 817,002	\$ 4,646,469
Accrued payroll and employee benefits	2,835,518		270,835	410,701	3,517,054
Due to:					
Other funds	170,426	1,162	8,931	817,241	997,760
Other governments				193,061	193,061
Deposits held for others	329,857			44,394	374,251
Unearned revenue				319,595	319,595
Total liabilities	<u>4,744,277</u>	<u>51,950</u>	<u>2,649,969</u>	<u>2,601,994</u>	<u>10,048,190</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property taxes	400,154			219,683	619,837
<b>Fund balances</b>					
Nonspendable	244,381				244,381
Restricted				16,814,388	16,814,388
Assigned		13,361,625	9,606,520	375,665	23,343,810
Unassigned	27,826,202			(54,703)	27,771,499
Total fund balances	<u>28,070,583</u>	<u>13,361,625</u>	<u>9,606,520</u>	<u>17,135,350</u>	<u>68,174,078</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,215,014</u>	<u>\$ 13,413,575</u>	<u>\$ 12,256,489</u>	<u>\$ 19,957,027</u>	<u>\$ 78,842,105</u>

See accompanying notes to financial statements.

# Cochise County

## Reconciliation of the governmental funds balance sheet to the government-wide statement of net position June 30, 2020

Fund balances—total governmental funds		\$ 68,174,078
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.		117,128,309
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		619,837
Long-term liabilities, such as net pension/OPEB liabilities and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net pension/OPEB liabilities	(97,939,079)	
Compensated absences payable	<u>(5,572,323)</u>	(103,511,402)
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		926,236
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	17,283,002	
Deferred inflows of resources related to pensions/OPEB	<u>(5,146,785)</u>	12,136,217
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>15,619,192</u>
Net position of governmental activities		<u>\$ 111,092,467</u>

See accompanying notes to financial statements.

**Cochise County**  
**Statement of revenues, expenditures, and changes in fund balances**  
**Governmental funds**  
**Year ended June 30, 2020**

	Major funds			Other governmental funds	Total governmental funds
	General Fund	Capital Projects Fund	Highway and Streets Fund		
Revenues:					
Taxes	\$ 34,902,503	\$ 2,607,503		\$ 4,423,681	\$ 41,933,687
Licenses and permits	33,222				33,222
Fees, fines, and forfeits	1,739,068			5,743	1,744,811
Intergovernmental	23,479,896		\$ 11,914,219	12,918,557	48,312,672
Charges for services	3,092,976		124,211	2,992,099	6,209,286
Donations				96,101	96,101
Investment income	560,658	226,843	174,934	253,635	1,216,070
Miscellaneous	724,647	107,108	335,247	438,609	1,605,611
Total revenues	<u>64,532,970</u>	<u>2,941,454</u>	<u>12,548,611</u>	<u>21,128,425</u>	<u>101,151,460</u>
Expenditures:					
Current:					
General government	32,212,434	1,924,059		10,114,269	44,250,762
Public safety	19,615,776		1,065,628	6,013,457	26,694,861
Highways and streets			12,717,438		12,717,438
Sanitation	335,376			220,219	555,595
Health and welfare	9,530,609			2,691,748	12,222,357
Culture and recreation				1,213,076	1,213,076
Education	432,467			315,665	748,132
Capital outlay	<u>231,362</u>	<u>679,531</u>		<u>1,034,864</u>	<u>1,945,757</u>
Total expenditures	<u>62,358,024</u>	<u>2,603,590</u>	<u>13,783,066</u>	<u>21,603,298</u>	<u>100,347,978</u>
Excess (deficiency) of revenues over expenditures	<u>2,174,946</u>	<u>337,864</u>	<u>(1,234,455)</u>	<u>(474,873)</u>	<u>803,482</u>
Other financing sources (uses):					
Sale of capital assets	10,452		292,003	17,309	319,764
Transfers in	411,961	265,000		1,798,785	2,475,746
Transfers out	<u>(177,967)</u>	<u>(23,005)</u>	<u>(1,078,063)</u>	<u>(954,716)</u>	<u>(2,233,751)</u>
Total other financing sources and uses	<u>244,446</u>	<u>241,995</u>	<u>(786,060)</u>	<u>861,378</u>	<u>561,759</u>
Net change in fund balances	2,419,392	579,859	(2,020,515)	386,505	1,365,241
Fund balances, July 1, 2019	<u>25,651,191</u>	<u>12,781,766</u>	<u>11,627,035</u>	<u>16,748,845</u>	<u>66,808,837</u>
Fund balances, June 30, 2020	<u>\$ 28,070,583</u>	<u>\$ 13,361,625</u>	<u>\$ 9,606,520</u>	<u>\$ 17,135,350</u>	<u>\$ 68,174,078</u>

See accompanying notes to financial statements.

# Cochise County

## Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities Year ended June 30, 2020

Net change in fund balances—total governmental funds \$ 1,365,241

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,817,099	
Depreciation expense	<u>(5,379,969)</u>	1,437,130

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. (414,380)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 167,931

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	8,310,317	
Pension OPEB expense	<u>(6,637,882)</u>	1,672,435

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		(274,650)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, telecommunications, and information technology services, to individual funds. The net expense of internal service funds is reported with governmental activities in the statement of activities. (1,111,433)

Change in net position of governmental activities \$ 2,842,274

**Cochise County**  
**Statement of net position**  
**Proprietary funds**  
**June 30, 2020**

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
<b>Assets</b>					
Current assets:					
Cash in bank and on hand	\$ 2,350		\$ 566,667	\$ 569,017	\$ 200
Cash and investments held by County Treasurer	3,130,787	\$ 260,058		3,390,845	5,688,936
Restricted cash			248,369	248,369	
Receivables (net of allowances for uncollectibles):					
Accounts	443,720	116,321	22,834	582,875	30
Prepaid items			6,320	6,320	
Due from:					
Other funds	1,294			1,294	301,752
Other governments	45,714		44,769	90,483	
Total current assets	<u>3,623,865</u>	<u>376,379</u>	<u>888,959</u>	<u>4,889,203</u>	<u>5,990,918</u>
Noncurrent assets:					
Net other postemployment benefits asset	3,267	284	711	4,262	2,131
Capital assets, net of accumulated depreciation, where applicable:					
Land	24,900	1,575,000		1,599,900	
Infrastructure, net		2,122,315		2,122,315	
Buildings, net	2,607,945	6,406		2,614,351	96,096
Improvements other than buildings, net	368,317	817,009		1,185,326	
Equipment, net	35,738	33,253		68,991	10,930,582
Total net capital assets	<u>3,036,900</u>	<u>4,553,983</u>		<u>7,590,883</u>	<u>11,026,678</u>
Total noncurrent assets	<u>3,040,167</u>	<u>4,554,267</u>	<u>711</u>	<u>7,595,145</u>	<u>11,028,809</u>
Total assets	<u>6,664,032</u>	<u>4,930,646</u>	<u>889,670</u>	<u>12,484,348</u>	<u>17,019,727</u>
<b>Deferred outflows of resources</b>					
Deferred outflows related to pensions/OPEB	248,148	9,509	45,859	303,516	177,744

(Continued)



**Cochise County**  
**Statement of net position**  
**Proprietary funds**  
**June 30, 2020**  
**(Concluded)**

	<b>Business-type activities—enterprise funds</b>				<b>Governmental activities— Internal service funds</b>
	<b>Major fund Solid Waste Operations Fund</b>	<b>Major fund BDI Airport Fund</b>	<b>Other enterprise fund—Housing Authority Fund</b>	<b>Total</b>	
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 14,554	\$ 6,062	\$ 53,621	\$ 74,237	\$ 76,913
Accrued payroll and employee benefits	105,514	2,760		108,274	64,247
Due to:					
Other funds	6,438	531	66,998	73,967	5,362
Other governments			5,605	5,605	
Compensated absences payable, current portion	195,945	109	3,804	199,858	134,544
Landfill closure and postclosure care costs payable, current portion	20,388			20,388	
Deposits held for others		1,600		1,600	
Unearned revenue			62,492	62,492	
Total current liabilities	<u>342,839</u>	<u>11,062</u>	<u>192,520</u>	<u>546,421</u>	<u>281,066</u>
Noncurrent liabilities:					
Compensated absences payable	65,315	36	34,238	99,589	44,848
Landfill closure and postclosure care costs payable	3,820,176			3,820,176	
Funds held for others			121,387	121,387	
Net pension liability/OPEB	<u>1,729,117</u>	<u>150,358</u>	<u>375,895</u>	<u>2,255,370</u>	<u>1,127,684</u>
Total noncurrent liabilities	<u>5,614,608</u>	<u>150,394</u>	<u>531,520</u>	<u>6,296,522</u>	<u>1,172,532</u>
Total liabilities	<u>5,957,447</u>	<u>161,456</u>	<u>724,040</u>	<u>6,842,943</u>	<u>1,453,598</u>
<b>Deferred inflows of resources</b>					
Deferred inflows related to pensions/OPEB	<u>191,177</u>	<u>16,625</u>	<u>41,560</u>	<u>249,362</u>	<u>124,681</u>
<b>Net position</b>					
Net investment in capital assets	3,036,900	4,553,983		7,590,883	11,026,678
Restricted			64,490	64,490	
Unrestricted (deficit)	<u>(2,273,344)</u>	<u>208,091</u>	<u>105,439</u>	<u>(1,959,814)</u>	<u>4,592,514</u>
Total net position	<u>\$ 763,556</u>	<u>\$ 4,762,074</u>	<u>\$ 169,929</u>	<u>\$ 5,695,559</u>	<u>\$ 15,619,192</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, 2020

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
Operating revenues:					
Charges for services	\$ 4,998,025	\$ 564,575	\$ 20,514	\$ 5,583,114	\$ 5,871,579
Charges for health insurance					8,064,181
Intergovernmental		486,921	3,617,458	4,104,379	
Total operating revenues	<u>4,998,025</u>	<u>1,051,496</u>	<u>3,637,972</u>	<u>9,687,493</u>	<u>13,935,760</u>
Operating expenses:					
Personal services	2,070,505	34,080	299,941	2,404,526	1,402,910
Professional services	1,669,419	361,119	145,651	2,176,189	7,970,037
Supplies	83,559	56,819	17,209	157,587	2,932,173
Landfill closure and postclosure care costs	247,901			247,901	
Housing assistance payments			3,085,569	3,085,569	
Depreciation	210,430	144,587		355,017	2,432,782
Other	74,680		260	74,940	377,388
Total operating expenses	<u>4,356,494</u>	<u>596,605</u>	<u>3,548,630</u>	<u>8,501,729</u>	<u>15,115,290</u>
Operating income (loss)	641,531	454,891	89,342	1,185,764	(1,179,530)
Nonoperating revenues (expenses):					
County excise taxes	412,808			412,808	
Investment income	73,478	9,116	795	83,389	96,449
Miscellaneous	100,803		1,548	102,351	51,294
Gain (loss) on disposal of capital assets		2,850		2,850	(79,646)
Total nonoperating revenues	<u>587,089</u>	<u>11,966</u>	<u>2,343</u>	<u>601,398</u>	<u>68,097</u>
Income (loss) before contributions and transfers	1,228,620	466,857	91,685	1,787,162	(1,111,433)
Transfers in		23,005		23,005	
Transfers out		(265,000)		(265,000)	
Increase (decrease) in net position	1,228,620	224,862	91,685	1,545,167	(1,111,433)
Total net position, July 1, 2019	<u>(465,064)</u>	<u>4,537,212</u>	<u>78,244</u>	<u>4,150,392</u>	<u>16,730,625</u>
Total net position, June 30, 2020	<u>\$ 763,556</u>	<u>\$ 4,762,074</u>	<u>\$ 169,929</u>	<u>\$ 5,695,559</u>	<u>\$ 15,619,192</u>

See accompanying notes to financial statements.

**Cochise County**  
**Statement of cash flows**  
**Proprietary funds**  
**Year ended June 30, 2020**

	<b>Business-type activities—enterprise funds</b>			<b>Governmental activities—Internal service funds</b>
	<b>Major fund Solid Waste Operations Fund</b>	<b>Major fund BDI Airport Fund</b>	<b>Other enterprise fund—Housing Authority Fund</b>	
Cash flows from operating activities:				
Receipts from customers	\$ 5,006,729	\$ 569,950		\$ 5,576,679
Operating grants		486,921	\$ 3,637,737	4,124,658
Receipts from other funds for goods and services provided				\$ 14,836,427
Payments to suppliers and providers of goods and services	(2,569,102)	(421,123)	(3,093,763)	(6,083,988)
Payments to employees	(2,006,640)	(32,711)	(432,029)	(2,471,380)
Net cash provided by operating activities	<u>430,987</u>	<u>603,037</u>	<u>111,945</u>	<u>1,145,969</u>
Cash flows from noncapital financing activities:				
Miscellaneous receipts	513,611			513,611
Cash transfers from other funds		23,005		23,005
Cash transfers to other funds		(265,000)		(265,000)
Net cash provided by (used for) noncapital financing activities	<u>513,611</u>	<u>(241,995)</u>		<u>271,616</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets		2,850		2,850
Purchases of capital assets		(435,937)		(435,937)
Net cash used for capital and related financing activities		<u>(433,087)</u>		<u>(433,087)</u>
Cash flows from investing activities:				
Investment income received on cash and investments held by County Treasurer	73,478	9,116	795	83,389
Net cash provided by investing activities	<u>73,478</u>	<u>9,116</u>	<u>795</u>	<u>83,389</u>
Net increase (decrease) in cash and cash equivalents	1,018,076	(62,929)	112,740	1,067,887
Cash and cash equivalents, July 1, 2019	<u>2,115,061</u>	<u>322,987</u>	<u>702,296</u>	<u>3,140,344</u>
Cash and cash equivalents, June 30, 2020	<u>\$ 3,133,137</u>	<u>\$ 260,058</u>	<u>\$ 815,036</u>	<u>\$ 4,208,231</u>

(Continued)

**Cochise County**  
**Statement of cash flows**  
**Proprietary funds**  
**Year ended June 30, 2020**  
**(Concluded)**

	Business-type activities—enterprise funds			Total	Governmental activities— Internal service funds
	Major fund Solid Waste Operations Fund	Major fund BDI Airport Fund	Other enterprise fund—Housing Authority Fund		
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 641,531	\$ 454,891	\$ 89,342	\$ 1,185,764	\$ (1,179,530)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	210,430	144,587		355,017	2,432,782
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Net pension/OPEB liability	(29,499)	(2,565)	(6,412)	(38,476)	(19,239)
Deferred outflows-pension/OPEB	83,230	10,754	6,206	100,190	46,368
Deferred inflows-pension/OPEB	(55,434)	(4,820)	(12,051)	(72,305)	(36,152)
Net OPEB asset	1,274	111	276	1,661	831
Accounts receivable	(18,510)		(21,286)	(39,796)	19,222
Due from other funds	9,471			9,471	846,965
Due to/from other governments	17,743	5,375	(28,475)	(5,357)	34,480
Prepaid items			(5,770)	(5,770)	
Deposits held for others			(931)	(931)	
Accounts payable	3,474	(1,223)	29,090	31,341	(57,028)
Accrued payroll and employee benefits	16,044	1,150		17,194	9,454
Unearned revenue			51,833	51,833	
Due to other funds	(744,647)	(1,962)	377	(746,232)	(6,841)
Compensated absences payable	48,250	(3,261)	9,746	54,735	(29,963)
Landfill closure and postclosure care costs payable	247,630			247,630	
Net cash provided by operating activities	<u>\$ 430,987</u>	<u>\$ 603,037</u>	<u>\$ 111,945</u>	<u>\$ 1,145,969</u>	<u>\$ 2,061,349</u>
Cash and cash equivalents, June 30, 2020, consisted of:					
Cash in bank and on hand	2,350		566,667	569,017	200
Cash—restricted			248,369	248,369	
Cash and investments held by County Treasurer	3,130,787	260,058		3,390,845	5,688,936
Total cash and cash equivalents	<u>\$ 3,133,137</u>	<u>\$ 260,058</u>	<u>\$ 815,036</u>	<u>\$ 4,208,231</u>	<u>\$ 5,689,136</u>

Noncash capital financing activities:

The Internal service funds sold equipment with a net book value of \$146,643.  
The BDI Airport Fund sold a fully depreciated capital asset.

**Cochise County**  
**Statement of fiduciary net position**  
**Fiduciary funds**  
**June 30, 2020**

	<u>Investment trust funds</u>	<u>Agency funds</u>
<b>Assets</b>		
Cash in bank and on hand		\$ 915,352
Cash and investments held by County Treasurer	<u>\$ 95,445,712</u>	<u>                    </u>
Total assets	<u>\$ 95,445,712</u>	<u>\$ 915,352</u>
<b>Liabilities</b>		
Due to other governments		<u>\$ 915,352</u>
Total liabilities		<u>\$ 915,352</u>
<b>Net position</b>		
Held in trust for investment trust participants	<u>\$ 95,445,712</u>	

See accompanying notes to financial statements.

**Cochise County**  
**Statement of changes in fiduciary net position**  
**Fiduciary funds**  
**Year ended June 30, 2020**

	<b><u>Investment trust funds</u></b>
Additions:	
Contributions from participants	\$ 243,193,792
Investment income	<u>5,453,933</u>
Total additions	<u>248,647,725</u>
Deductions:	
Distributions to participants	<u>241,367,141</u>
Total deductions	<u>241,367,141</u>
Change in net position	7,280,584
Net position, July 1, 2019	<u>88,165,128</u>
Net position, June 30, 2020	<u>\$ 95,445,712</u>

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

**Note 1 - Summary of significant accounting policies**

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

**A. Reporting entity**

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

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

The following table describes the County’s component units:

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

**B. Basis of presentation**

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

# Cochise County

## Notes to financial statements

### June 30, 2020

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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



# Cochise County

## Notes to financial statements

### June 30, 2020

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

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

The County reports the following major enterprise funds:

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

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

The County also reports the following fund types:

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

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

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

## **C. Basis of accounting**

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County’s major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds.

**D. Cash and investments**

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

**E. Property tax calendar**

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

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

**F. Capital assets**

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

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

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

**G. Deferred outflows and inflows of resources**

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

# Cochise County

## Notes to financial statements

### June 30, 2020

periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

#### **H. Fund balance classifications**

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

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

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

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

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

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

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

#### **I. Investment income**

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

#### **J. Compensated absences**

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

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

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

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

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

**K. Postemployment benefits**

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

**Note 2 - Fund balance classifications of the governmental funds**

The fund balance classifications of the governmental funds as of June 30, 2020, were as follows:

	General fund	Capital projects fund	Highway and streets fund	Other governmental funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 244,381				\$ 244,381

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

	<u>General fund</u>	<u>Capital projects fund</u>	<u>Highway and streets fund</u>	<u>Other governmental funds</u>	<u>Total</u>
<b>Restricted for:</b>					
Flood control				\$ 5,949,363	\$ 5,949,363
Health services				892,634	892,634
Judicial services				3,934,302	3,934,302
Library services				1,386,073	1,386,073
Law enforcement				2,944,751	2,944,751
Education services				250,065	250,065
Other services				<u>1,457,200</u>	<u>1,457,200</u>
Total restricted				<u>16,814,388</u>	<u>16,814,388</u>
<b>Assigned to:</b>					
Capital projects		\$13,361,625			\$13,361,625
Highways and streets			\$9,606,520		9,606,520
Health services				\$ 66,264	66,264
Judicial services				61,879	61,879
Law enforcement				<u>247,522</u>	<u>247,522</u>
Total assigned		<u>13,361,625</u>	<u>9,606,520</u>	<u>375,665</u>	<u>23,343,810</u>
<b>Unassigned:</b>	<u>\$27,826,202</u>			<u>(54,703)</u>	<u>27,771,499</u>
Total fund balances	<u>\$28,070,583</u>	<u>\$13,361,625</u>	<u>\$9,606,520</u>	<u>\$17,135,350</u>	<u>\$68,174,078</u>

**Note 3 - Deposits and investments**

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

**Credit risk**

Statutes have the following requirements for credit risk:

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

**Custodial credit risk**

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

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

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, 2020, the carrying amount of the County’s deposits was \$21,789,120, and the bank balance was \$23,664,195. The County does not have a formal policy with respect to custodial credit risk.

**Investments**—The County had total investments of \$148,673,890 at June 30, 2020. The County categorizes certain investments at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

	Fair value measurement using		
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
<b>Investment by fair value level</b>			
Certificates of deposit	\$ 3,997,620		\$ 3,997,620
U.S. agency securities	<u>49,676,270</u>		<u>49,676,270</u>
Total investments by fair value level	<u>\$53,673,890</u>		<u>\$53,673,890</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 \$95,000,000 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, 2020, 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	\$ 95,000,000
Certificates of deposit	Unrated	Not applicable	3,997,620
U.S. agency securities	AA+	Standard & Poor’s	31,551,620
U.S. agency securities	Unrated	Not applicable	<u>18,124,650</u>
Total			<u>\$148,673,890</u>

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**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, 2020, were in debt securities of various U.S. agencies as follows:

<b>U.S. agency</b>	<b>Amount</b>	<b>Percent of county investments</b>
Federal Home Loan Mortgage Corporation	\$24,157,560	16.2
Federal Home Loan Bank	14,277,710	9.6
Federal Farm Credit Bank	9,191,320	6.2

**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, 2020, maturities of the County’s investments were as follows:

<b>Investment type</b>	<b>Amount</b>	<b>Investment maturities</b>	
		<b>Less than 1 Year</b>	<b>1-5 Years</b>
State Treasurer’s investment pool 7	\$ 95,000,000	\$ 95,000,000	
Certificates of deposit	3,997,620	1,975,822	\$ 2,021,798
U.S. agency securities	<u>49,676,270</u>	<u>6,084,540</u>	<u>43,591,730</u>
Total	<u>\$148,673,890</u>	<u>\$103,060,362</u>	<u>\$45,613,528</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	\$ 7,554
Amount of deposits	21,789,120
Amount of investments	<u>148,673,890</u>
Total	<u>\$170,470,564</u>

**Cochise County**  
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	Statement of net position		Statement of fiduciary net position		
	Governmental activities	Business-type activities	Investment trust funds	Agency funds	Total
Cash in bank and on hand	\$ 476,300	\$ 569,017		\$915,352	\$ 1,960,669
Cash and investments held by County Treasurer	69,424,969	3,390,845	\$95,445,712		168,261,526
Cash—restricted		248,369			248,369
<b>Total</b>	<u>\$69,901,269</u>	<u>\$4,208,231</u>	<u>\$95,445,712</u>	<u>\$915,352</u>	<u>\$170,470,564</u>

**Note 4 - Due from other governments**

Due from other governments totaling \$11,169,554 at June 30, 2020, included \$1,630,819 in state-shared revenue from highway user fees, \$1,370,346 in state-shared sales taxes, \$312,740 in state-shared vehicle license taxes, \$887,652 in county excise taxes, and \$5,497,086 in Cares Act money. The remaining balance of \$1,470,911 represents amounts receivable from various state and federal government grantor agencies.

**Note 5 - Capital assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,557,210			\$ 2,557,210
Construction in progress	2,436,642	\$ 5,662,368	\$4,302,932	3,796,078
Total capital assets not being depreciated	<u>4,993,852</u>	<u>5,662,368</u>	<u>4,302,932</u>	<u>6,353,288</u>
Capital assets being depreciated:				
Buildings	49,639,016	272,000	10,714	49,900,302
Improvements other than buildings	10,765,073	2,026,003		12,791,076
Equipment	61,192,738	1,360,730	6,507,629	56,045,839
Infrastructure	111,022,679	2,806,237	3,030	113,825,886
Total capital assets being depreciated	<u>232,619,506</u>	<u>6,464,970</u>	<u>6,521,373</u>	<u>232,563,103</u>
Less accumulated depreciation for:				
Buildings	\$ 21,097,677	\$ 1,250,722	\$ 4,770	\$ 22,343,629
Improvements other than buildings	3,390,596	445,980		3,836,576
Equipment	37,641,274	4,570,635	5,952,550	36,259,359
Infrastructure	46,779,456	1,545,414	3,030	48,321,840
Total accumulated depreciation	<u>108,909,003</u>	<u>7,812,751</u>	<u>5,960,350</u>	<u>110,761,404</u>
Total capital assets being depreciated, net	<u>123,710,503</u>	<u>(1,347,781)</u>	<u>561,023</u>	<u>121,801,699</u>
<b>Governmental activities, capital assets, net</b>	<u>\$128,704,355</u>	<u>\$ 4,314,587</u>	<u>\$4,863,955</u>	<u>\$128,154,987</u>



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	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 1,599,900</u>	_____	_____	<u>\$ 1,599,900</u>
Total capital assets not being depreciated	<u>1,599,900</u>	_____	_____	<u>1,599,900</u>
Capital assets being depreciated:				
Buildings	4,559,025			4,559,025
Improvements other than buildings	6,653,580	\$ 435,937		7,089,517
Equipment	2,800,357			2,800,357
Infrastructure	<u>2,259,884</u>			<u>2,259,884</u>
Total	<u>16,272,846</u>	<u>435,937</u>	_____	<u>16,708,783</u>
Less accumulated depreciation for:				
Buildings	\$ 1,857,288	\$ 87,386		\$ 1,944,674
Improvements other than buildings	5,720,591	183,600		5,904,191
Equipment	2,703,832	27,534		2,731,366
Infrastructure	<u>81,072</u>	<u>56,497</u>		<u>137,569</u>
Total accumulated depreciation	<u>10,362,783</u>	<u>355,017</u>	_____	<u>10,717,800</u>
Total capital assets being depreciated, net	<u>5,910,063</u>	<u>80,920</u>	_____	<u>5,990,983</u>
Business-type activities capital assets, net	<u>\$ 7,509,963</u>	<u>\$ 80,920</u>	\$ _____	<u>\$ 7,590,883</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$3,280,487
Public safety	445,496
Highways and streets	1,613,808
Health and welfare	16,650
Education	23,618
Internal service funds	<u>2,432,782</u>
Total governmental activities depreciation expense	<u>\$7,812,751</u>
Business-type activities:	
Solid Waste Operations	\$ 210,430
Bisbee-Douglas International Airport	<u>144,587</u>
Total business-type activities depreciation expense	<u>\$ 355,017</u>

**Note 6 - Long-term liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2020:

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	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within 1 year
<b>Governmental activities</b>					
Net pension/OPEB liabilities	\$92,732,974	\$ 6,959,400	\$ 625,611	\$ 99,066,763	
Compensated absences payable	<u>5,507,028</u>	<u>3,146,426</u>	<u>2,901,739</u>	<u>5,751,715</u>	<u>\$4,048,437</u>
Total governmental activities long-term liabilities	<u>\$98,240,002</u>	<u>\$10,105,826</u>	<u>\$3,527,350</u>	<u>\$104,818,478</u>	<u>\$4,048,437</u>
<b>Business-type activities</b>					
Net pension/OPEB liabilities	\$ 2,293,846	\$ 1,433	\$ 39,909	\$ 2,255,370	
Landfill closure and postclosure care costs payable	3,592,934	247,901	271	3,840,564	\$ 20,388
Compensated absences payable	244,712	205,806	151,071	299,447	199,858
Fund held for others	<u>122,318</u>	<u>669</u>	<u>1,600</u>	<u>121,387</u>	<u>                    </u>
Total business-type activities long-term liabilities	<u>\$ 6,253,810</u>	<u>\$ 455,809</u>	<u>\$ 192,851</u>	<u>\$ 6,516,768</u>	<u>\$ 220,246</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 postclosure care costs in each period that the County operates the landfill. These costs will be paid from solid waste fees in the Solid Waste Operations Fund. At June 30, 2020, the County reported closure and postclosure care costs for 2 landfills discussed below.

At June 30, 2020, the County has reported landfill closure and postclosure care liabilities totaling \$3,840,564. 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, 2020. The liability reported for the Eastern Regional landfill of \$507,659 is based on 100 percent use of the landfill’s capacity. This landfill was closed in 2002. The liability reported for the Western Regional landfill of \$3,332,905 is based on the use of 28.54 percent of the landfill’s estimated capacity. The County will recognize the remaining estimated cost of closure and post closure care of \$8,345,109 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 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**Compensated absences**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2020, the County paid for compensated absences as follows: 72.84 percent from the General Fund, 6.23 percent from the Highway and Streets Fund, 4.95 percent from the enterprise funds, and 15.98 percent from other funds.

**Note 7 - Risk management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a

# Cochise County

## Notes to financial statements

### June 30, 2020

cost it considered to be economically justifiable. Therefore, the County joined and is covered by 3 public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Cochise Combined Trust, which are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 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 \$50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk-management services. The County is responsible for paying a premium, based on an experience-rating formula, that allocates pool expenditures and liabilities among the members.

The County provides health, prescription, vision, dental, life, and short-term disability benefits to its employees and their dependents through the Cochise Combined Trust (Trust) currently composed of 2 member entities. The Trust provides the benefits through a self-funding agreement with its participants and has contracted with a third party to administer the program. The County is responsible for paying the premium. If it withdraws from the Trust, the County is responsible for a proportional share of any claims run-out costs, including administrative costs, that exceed trust fund reserves.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. The Cochise Combined Trust receives an independent audit annually. All 3 pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit. If a pool were to become insolvent, the County would be assessed an additional contribution.

## Note 8 - 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, 2020, the County reported the following aggregate amounts related to pension and other post-employment benefits (OPEB) for all plans to which it contributes:

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<b>Statement of net position and statement of activities</b>	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Net OPEB asset	\$ 928,367	\$ 4,262	\$ 932,629
Net pension and OPEB liability	99,066,763	2,255,370	101,322,133
Deferred outflows of resources related to pensions and OPEB	17,460,746	303,516	17,764,262
Deferred inflows of resources related to pensions and OPEB	5,271,466	249,362	5,520,828
Pension and OPEB expense	6,751,621	182,962	6,934,583

The County’s accrued payroll and employee benefits includes \$408,161 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020. Also, the County reported \$8,310,317 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, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

<b>ASRS</b>	<b>Retirement</b>	
	<b>Initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
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

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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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.45 percent of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the ASRS pension plan for the year ended June 30, 2020 were \$3,176,996.

During fiscal year 2020, the County paid for ASRS pension contributions as follows: 61 percent from the General Fund, 16 percent from major funds, and 23 percent from other funds.

**Liability**—At June 30, 2020, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

<b>ASRS</b>	<b>Net pension liability</b>
Pension	\$37,422,682

The net pension liability was measured as of June 30, 2019. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. 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, 2019. The County's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

<b>ASRS</b>	<b>Proportion</b>	<b>Decrease from</b>
Pension	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	0.26%	(0.01)

**Expense**—For the year ended June 30, 2020, the County recognized the following pension expense.

<b>ASRS</b>	<b>Pension expense</b>
Pension	\$3,248,216

**Deferred outflows/inflows of resources**—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<b>ASRS</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 676,051	\$ 7,036
Changes of assumptions or other inputs	158,187	1,490,245
Net difference between projected and actual earnings on pension plan investments		841,133
Changes in proportion and differences between County contributions and proportionate share of contributions	836,039	1,629,735
County contributions subsequent to the measurement date	<u>3,176,996</u>	
Total	<u>\$4,847,273</u>	<u>\$3,968,149</u>

The \$3,176,996 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, 2021. 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	
2021	\$ (629,920)
2022	(1,731,697)
2023	(161,533)
2024	225,278

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

<b>ASRS</b>	
Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

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

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

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ASRS	Target	Long-term
Asset class	allocation	expected geometric real rate of return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	<u>20%</u>	5.85%
Total	<u>100%</u>	

**Discount rate**—The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate**—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$53,261,145	\$37,422,682	\$24,185,804

**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 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their 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



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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](http://www.psprs.com).

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

<b>PSPRS</b>	<b>Initial membership date:</b>		
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012 and before July 1, 2017</b>	
<b>Retirement and disability</b>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	
Benefit percent			
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<b>Survivor benefit</b>			
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		
<b>CORP</b>	<b>Initial membership date:</b>		<b>AOC probation and surveillance officers:</b>
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012 and before July 1, 2018</b>	<b>On or after July 1, 2018</b>
<b>Retirement and disability</b>			
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	



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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
Benefit percent			
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed	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		
<b>Survivor benefit</b>			
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 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms**—At June 30, 2020, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	70	38
Inactive employees entitled to but not yet receiving benefits	30	34
Active employees	<u>70</u>	<u>42</u>
Total	<u>170</u>	<u>114</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, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member— pension	County—pension
PSPRS Sheriff	7.65%-11.65%	50.40%
CORP Detention	8.41%	26.12%
CORP AOC	8.41%	30.71%

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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.

	<b>Pension</b>
PSPRS Sheriff	37.97%
CORP Detention	18.97%
CORP AOC	22.96%

The County’s contributions to the plans for the year ended June 30, 2020, were:

	<b>Pension</b>
PSPRS Sheriff	\$2,927,213
CORP Detention	614,285
CORP AOC	684,566

During fiscal year 2020, the County paid for PSPRS and CORP pension contributions as follows: 78 percent from the General Fund and 22 percent from other nonmajor funds.

**Pension liability**—At June 30, 2020, the County reported the following net pension liabilities:

	<b>Net pension liability</b>
PSPRS Sheriff	\$36,031,296
CORP Detention	6,507,386
CORP AOC (County’s proportionate share)	7,614,859

The net pension liabilities were measured as of June 30, 2019, and the total liability used to calculate the liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

<b>PSPRS and CORP—pension</b>	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5%
Price inflation	2.5%
Cost-of-living adjustment	1.75
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of

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return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP		
Asset class	Target allocation	Long-term expected geometric real rate of return
Short-term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private Equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	<u>16%</u>	4.75%
Total	<u>100%</u>	

**Discount rates**—At June 30, 2019, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability PSPRS-Sheriff	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2019	<u>\$51,998,563</u>	<u>\$18,026,247</u>	<u>\$33,972,316</u>
Changes for the year:			
Service cost	988,563		988,563
Interest on the total pension liability	3,809,328		3,809,328
Differences between expected and actual experience in the measurement of the pension liability	54,071		54,071
Changes of assumptions or other inputs	1,377,328		1,377,328
Contributions—employer		2,774,136	(2,774,136)
Contributions—employee		403,241	(403,241)
Net investment income		1,027,398	(1,027,398)
Benefit payments, including refunds of employee contributions	(3,019,446)	(3,019,446)	
Administrative expense		(18,846)	18,846
Other changes		(15,619)	15,619
Net changes	<u>3,209,844</u>	<u>1,150,864</u>	<u>2,058,980</u>
Balances at June 30, 2020	<u>\$55,208,407</u>	<u>\$19,177,111</u>	<u>\$36,031,296</u>

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Changes in the net pension liability CORP-Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2019	<u>\$11,831,346</u>	<u>\$6,100,279</u>	<u>\$5,731,067</u>
Changes for the year:			
Service cost	317,614		317,614
Interest on the total pension liability	875,544		875,544
Differences between expected and actual experience in the measurement of the pension liability	277,148		277,148
Changes of assumptions or other inputs	312,821		312,821
Contributions—employer		527,420	(527,420)
Contributions—employee		154,457	(154,457)
Net investment income		331,548	(331,548)
Benefit payments, including refunds of employee contributions	(634,580)	(634,580)	
Administrative expense		(6,617)	6,617
Net changes	<u>1,148,547</u>	<u>372,228</u>	<u>776,319</u>
Balances at June 30, 2020	<u>\$12,979,893</u>	<u>\$6,472,507</u>	<u>\$6,507,386</u>

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, 2019. The County's proportion measured as of June 30, 2019, and the changes from its proportion measured as of June 30, 2018 were:

CORP AOC	Proportion June 30, 2019	Decrease from June 30, 2018
Pension	1.80%	(0.01)

**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 7.3 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
PSPRS Sheriff			
Net pension liability	\$43,391,685	\$36,031,296	\$30,019,559
CORP Detention			
Net pension liability	\$8,274,463	\$6,507,386	\$5,072,734
CORP AOC			
County's proportionate share of the net pension liability	\$9,783,069	\$7,614,859	\$5,847,641

**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, 2020, the County recognized the following pension expense:

	<b>Pension expense</b>
PSPRS Sheriff	\$4,494,667
CORP Detention	931,742
CORP AOC (County's proportionate share)	1,206,085

**Pension deferred outflows/inflows of resources**—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>PSPRS—Sheriff</b>		
Differences between expected and actual experience	\$ 511,246	\$137,589
Changes of assumptions or other inputs	1,811,443	
Net difference between projected and actual earnings on pension plan investments	211,498	
County contributions subsequent to the measurement date	<u>2,927,213</u>	
Total	<u>\$5,461,400</u>	<u>\$137,589</u>
<b>CORP—Detention</b>		
Differences between expected and actual experience	\$ 490,764	\$140,739
Changes of assumptions or other inputs	350,818	
Net difference between projected and actual earnings on pension plan investments	86,511	
County contributions subsequent to the measurement date	<u>614,285</u>	
Total	<u>\$1,542,378</u>	<u>\$140,739</u>
<b>CORP—AOC</b>		
Differences between expected and actual experience	\$ 544,099	\$216,567
Changes of assumptions or other inputs	488,163	
Net difference between projected and actual earnings on pension plan investments	143,167	
Changes in proportion and differences between County contributions and proportionate share of contributions	468,344	90,548
County contributions subsequent to the measurement date	<u>684,566</u>	
Total	<u>\$2,328,339</u>	<u>\$307,115</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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Cochise County**  
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	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP AOC</b>
Year ending June 30			
2021	\$1,351,455	\$294,271	\$409,523
2022	538,248	238,686	351,500
2023	444,557	230,121	345,350
2024	62,338	24,276	230,285

**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](http://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:

<b>EORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<b>Retirement and disability</b>		
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
<b>Benefit percent</b>		
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
<b>Survivor benefit</b>		
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.

**Cochise County**  
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**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, 2020, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered payroll. Also, statute required the County to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County’s required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 39.72 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County contributions to the pension plan for the year ended June 30, 2020, was \$998,444.

During fiscal year 2020, the County paid for EORP pension contributions entirely from the General Fund.

**Pension liability**—At June 30, 2020, 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	\$13,512,989
State’s proportionate share of the EORP net pension liability associated with the County	<u>1,270,081</u>
Total	<u>\$14,783,070</u>

The net pension liability was measured as of June 30, 2019, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2019, reflects changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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, 2019. The County’s proportion measured as of June 30, 2019 and the change from its proportions measured as of June 30, 2018, were:

EORP	Proportion June 30, 2019	Increase from June 30, 2018
Pension	2.04%	0.38

**Expense**—For the year ended June 30, 2020, the County recognized pension expense for EORP of \$(2,969,790) and revenue of \$(88,297) for the County’s proportionate share of the State’s appropriation to EORP and the designated court fees.

**Cochise County**  
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**Deferred outflows/inflows of resources**—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>EORP</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ 301,275	\$ 12,815
Changes of assumptions or other inputs	42,482	384,004
Net difference between projected and actual earnings on pension plan investments	91,934	
Changes in proportion and differences between County contributions and proportionate share of contributions	1,670,253	53,072
County contributions subsequent to the measurement date	<u>998,444</u>	
Total	<u>\$3,104,388</u>	<u>\$449,891</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, 2021. 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	
2021	\$1,630,002
2022	(23,445)
2023	25,673
2024	23,823

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

<b>EORP</b>	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75%
Price inflation	2.5%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:



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EORP	Target allocation	Long-term expected geometric real rate of return
Asset class		
Short-term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	<u>16%</u>	4.75%
Total	<u>100%</u>	

**Discount rate**—At June 30, 2019, the discount rate used to measure the EORP total pension liability was 7.3 percent which was a decrease of 0.10 from the discount rate used as of June 30, 2018. 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 7.3 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
County’s proportionate share of the net pension liability	\$15,474,405	\$13,512,989	\$11,842,391

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

**Note 9 - Interfund transactions**

**Interfund receivables and payables**—Interfund balances at June 30, 2020, were as follows:

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

Payable from	Payable to				Total
	General Fund	Other governmental funds	Solid Waste Operations Fund	Internal service funds	
General Fund		\$167,622	\$1,294	\$ 1,510	\$ 170,426
Capital Projects Fund	\$ 1,162				1,162
Highway and Streets Fund	8,931				8,931
Other governmental funds	519,367			297,874	817,241
Solid Waste Operations Fund	6,438				6,438
BDI Airport Fund	531				531
Other enterprise fund	66,998				66,998
Internal service funds	2,994			2,368	5,362
<b>Total</b>	<u>\$606,421</u>	<u>\$167,622</u>	<u>\$1,294</u>	<u>\$301,752</u>	<u>\$1,077,089</u>

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, 2020, were as follows:

Transfers from	Transfers to				Total
	General Fund	Capital Projects Fund	Other governmental funds	BDI Airport Fund	
General Fund			\$ 177,967		\$ 177,967
Capital Projects Fund				\$23,005	23,005
Highway and Streets Fund	\$202,639		875,424		1,078,063
Other governmental funds	209,322		745,394		954,716
BDI Airport Fund		\$265,000			265,000
<b>Total</b>	<u>\$411,961</u>	<u>\$265,000</u>	<u>\$1,798,785</u>	<u>\$23,005</u>	<u>\$2,498,751</u>

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

**Note 10 - County Treasurer's investment pool**

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

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

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

**Cochise County**  
**Notes to financial statements**  
**June 30, 2020**

A majority of all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$7,554 of cash and \$1,953,115 of deposits and \$248,369 in restricted cash. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed in Note 3.

Details of each major investment classification follow:

<b>Investment type</b>	<b>Principal</b>	<b>Interest rates</b>	<b>Maturities</b>	<b>Amount</b>
State Treasurer’s investment pool 7	\$95,000,000	None stated	None stated	\$95,000,000
Certificates of deposit	3,994,000	1.04-1.32%	Up to 5 years	3,997,620
U.S. agency securities	49,000,000	1.00–2.64%	Up to 5 years	49,676,270

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

<b>Statement of net position</b>	
Assets	<u>\$168,261,526</u>
Net position	<u>\$168,261,526</u>
Net position held in trust for:	
Internal participants	\$ 72,815,814
External participants	<u>95,445,712</u>
Total net position held in trust	<u>\$168,261,526</u>
<b>Statement of changes in net position</b>	
Total additions	\$349,826,002
Total deductions	<u>340,673,555</u>
Net increase	<u>9,152,447</u>
Net position held in trust:	
July 1, 2019	<u>159,109,079</u>
June 30, 2020	<u>\$168,261,526</u>

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

**A. Summary of significant accounting policies**

Basis of accounting

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

Capital assets

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

# Cochise County

## Notes to financial statements

### June 30, 2020

#### Program revenues

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

#### B. Cash

At June 30, 2020, the carrying amount of the Cochise Private Industry Council, Inc.'s deposits was \$78,281 and the bank balance was \$100,724.

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

#### C. Due from other governments

Due from other governments consists of the following grants receivable at June 30, 2020:

Program	Amount
<i>Cochise County, Arizona</i>	
WIOA Adult Program	\$ 57,968
WIOA Dislocated Workers	56,707
WIOA Youth Program	34,784
WIOA Rapid Response	8,945
Other	<u>4,000</u>
Total	<u>\$162,404</u>

#### D. Capital assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Capital assets being depreciated:				
Furniture and equipment	\$ 166,537	\$ 2,739	\$(44,724)	\$ 124,552
Leasehold improvements	<u>13,351</u>			<u>13,351</u>
Total capital assets being depreciated	179,888	2,739	(44,724)	137,903
Less accumulated depreciation:	<u>(154,073)</u>	<u>(10,355)</u>	<u>44,724</u>	<u>(119,704)</u>
Total capital assets being depreciated, net	<u>\$ 25,815</u>	<u>\$ (7,616)</u>	<u>\$</u>	<u>\$ 18,199</u>

#### E. Due to related party

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

During 2020, ARIZONA@WORK SEAZ paid \$264,965 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 \$34,316 as of June 30, 2020.

## Other Required Supplementary Information

**Cochise County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**General Fund**  
**Year ended June 30, 2020**

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Taxes	\$ 34,091,917	\$ 34,386,909	\$ 34,902,503	\$ 515,594
Licenses and permits	31,000	31,000	33,222	2,222
Fees, fines, and forfeits	1,268,400	1,268,400	1,739,068	470,668
Intergovernmental	17,119,076	17,183,175	23,479,896	6,296,721
Charges for services	2,800,710	2,800,710	3,092,976	292,266
Investment income	200,000	200,000	560,658	360,658
Miscellaneous	<u>29,272,802</u>	<u>29,496,532</u>	<u>724,647</u>	<u>(28,771,885)</u>
Total revenues	<u>84,783,905</u>	<u>85,366,726</u>	<u>64,532,970</u>	<u>(20,833,756)</u>
Expenditures:				
Assessor	2,146,647	2,146,647	1,891,530	255,117
Attorney	2,956,244	3,276,244	3,035,169	241,075
Board of Supervisors	3,640,169	4,459,916	3,299,587	1,160,329
Cochise Aging and Social Services	8,588,967	8,639,617	8,431,013	208,604
General government	29,775,502	28,962,160	9,551,744	19,410,416
Health	1,515,776	1,448,027	1,282,186	165,841
Judicial system	11,075,791	11,284,439	10,357,318	927,121
Public and legal defenders	1,790,060	1,775,736	1,613,455	162,281
Recorder	565,527	621,527	594,908	26,619
Public safety	21,405,661	21,428,852	20,963,608	465,244
School Superintendent	484,180	484,180	442,467	41,713
Treasurer	<u>1,153,150</u>	<u>1,153,150</u>	<u>1,073,006</u>	<u>80,144</u>
Total expenditures	<u>85,097,674</u>	<u>85,680,495</u>	<u>62,535,991</u>	<u>23,144,504</u>
Excess (deficiency) of revenues over expenditures	(313,769)	(313,769)	1,996,979	2,310,748
Other financing sources:				
Sale of capital assets	30,000	30,000	10,452	(19,548)
Transfers in	<u>283,769</u>	<u>283,769</u>	<u>411,961</u>	<u>128,192</u>
Total other financing sources	<u>313,769</u>	<u>313,769</u>	<u>422,413</u>	<u>108,644</u>
Net change in fund balances			2,419,392	2,419,392
Fund balances, July 1, 2019	<u>25,651,191</u>	<u>25,651,191</u>	<u>25,651,191</u>	
Fund balances, June 30, 2020	<u>\$ 25,651,191</u>	<u>\$ 25,651,191</u>	<u>\$ 28,070,583</u>	<u>\$ 2,419,392</u>

See accompanying notes to budgetary comparison schedule.

**Cochise County**  
**Required supplementary information**  
**Budgetary comparison schedule**  
**Highway and Streets Fund**  
**Year ended June 30, 2020**

	<b>Budgeted amounts</b>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Taxes	\$ 300,000	\$ 5,008		\$ (5,008)
Intergovernmental	11,650,000	11,650,000	11,914,219	264,219
Charges for services	490,500	490,500	124,211	(366,289)
Investment income	50,000	50,000	174,934	124,934
Miscellaneous	<u>8,580,793</u>	<u>8,378,154</u>	<u>335,247</u>	<u>(8,042,907)</u>
Total revenues	<u>21,071,293</u>	<u>20,573,662</u>	<u>12,548,611</u>	<u>(8,025,051)</u>
Expenditures:				
Current:				
Highways and streets	<u>20,921,293</u>	<u>18,762,814</u>	<u>13,783,066</u>	<u>4,979,748</u>
Total expenditures	<u>20,921,293</u>	<u>18,762,814</u>	<u>13,783,066</u>	<u>4,979,748</u>
Excess (deficiency) of revenues over expenditures	150,000	1,810,848	(1,234,455)	(3,045,303)
Other financing sources (uses):				
Sale of capital assets			292,003	292,003
Transfers out	<u>(150,000)</u>	<u>(1,810,848)</u>	<u>(1,078,063)</u>	<u>732,785</u>
Total other financing sources and uses	<u>(150,000)</u>	<u>(1,810,848)</u>	<u>(786,060)</u>	<u>1,024,788</u>
Net change in fund balances			<u>(2,020,515)</u>	<u>(2,020,515)</u>
Fund balances, July 1, 2019			<u>11,627,035</u>	<u>11,627,035</u>
Fund balances, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,606,520</u>	<u>\$ 9,606,520</u>

See accompanying notes to budgetary comparison schedule.

**Cochise County**  
**Required supplementary information**  
**Notes to budgetary comparison schedules**  
**June 30, 2020**

**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.



**Cochise County**  
**Required supplementary information**  
**Schedule of the County's proportionate share of the net pension liability**  
**Cost-sharing pension plans**  
**June 30, 2020**

Arizona State Retirement System	Reporting fiscal year (Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
County's proportion of the net pension liability	0.26%	0.27%	0.26%	0.26%	0.27%	0.29%	
County's proportionate share of the net pension liability	\$ 37,422,682	\$ 38,087,839	\$ 40,054,284	\$ 42,744,608	\$ 42,532,701	\$ 42,685,890	
County's covered payroll	27,248,793	27,317,312	25,122,131	24,779,581	25,133,395	26,034,337	
County's proportionate share of the net pension liability as a percentage of its covered payroll	137.3%	139.4%	159.4%	172.5%	169.2%	163.96%	Information not available
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan— Administrative Office of the Courts	Reporting fiscal year (Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
County's proportion of the net pension liability	1.80%	1.81%	1.61%	1.58%	1.72%	1.76%	
County's proportionate share of the net pension liability	\$ 7,614,859	\$ 6,521,429	\$ 6,456,911	\$ 4,457,185	\$ 4,178,318	\$ 3,949,941	
County's covered payroll	2,253,381	2,097,458	1,828,728	1,745,725	1,912,811	1,959,540	
County's proportionate share of the net pension liability as a percentage of its covered payroll	337.9%	310.9%	353.1%	255.3%	218.44%	201.57%	Information not available
Plan fiduciary net position as a percentage of the total pension liability	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan	Reporting fiscal year (Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
County's proportion of the net pension liability	2.04%	1.66%	1.78%	1.95%	1.84%	1.87%	
County's proportionate share of the net pension liability	\$ 13,512,989	\$ 10,482,318	\$ 21,749,157	\$ 18,427,509	\$ 14,367,585	\$ 12,532,950	
State's proportionate share of the net pension liability associated with the County	1,270,081	1,796,077	4,513,931	3,804,807	4,479,215	3,842,719	
Total	\$ 14,783,070	\$ 12,278,395	\$ 26,263,088	\$ 22,232,316	\$ 18,846,800	\$ 16,375,669	Information not available
County's covered payroll	\$ 2,067,858	\$ 1,499,119	\$ 1,291,276	\$ 1,357,975	\$ 1,544,807	\$ 1,722,405	
County's proportionate share of the net pension liability as a percentage of its covered payroll	653.5%	699.2%	1684.3%	1357.0%	930.06%	727.64%	
Plan fiduciary net position as a percentage of the total pension liability	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

**Cochise County**  
**Required supplementary information**  
**Schedule of changes in the County's net pension liability and related ratios**  
**Agent pension plans**  
**June 30, 2020**

Public Safety Personnel Retirement System—Sheriff	Reporting fiscal year (Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
Total pension liability							
Service cost	\$ 988,563	\$ 949,321	\$ 1,037,941	\$ 912,659	\$ 897,651	\$ 864,164	
Interest on the total pension liability	3,809,328	3,575,183	3,282,075	3,306,647	3,212,596	2,633,247	
Changes of benefit terms			705,650	344,258		1,126,739	
Differences between expected and actual experience in the measurement of the pension liability	54,071	1,034,834	(187,240)	(1,789,290)	(213,315)	273,161	
Changes of assumptions or other inputs	1,377,328		2,581,911	1,605,977		5,093,748	
Benefit payments, including refunds of employee contributions	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	
Net change in total pension liability	3,209,844	2,760,554	4,571,610	1,619,422	1,245,104	7,387,767	
Total pension liability—beginning	51,998,563	49,238,009	44,666,399	43,046,977	41,801,873	34,414,106	
Total pension liability—ending (a)	\$ 55,208,407	\$ 51,998,563	\$ 49,238,009	\$ 44,666,399	\$ 43,046,977	\$ 41,801,873	
Plan fiduciary net position							
Contributions—employer	\$ 2,774,136	\$ 2,321,111	\$ 2,447,945	\$ 3,414,120	\$ 2,816,097	\$ 1,590,648	
Contributions—employee	403,241	416,973	572,902	542,026	533,148	480,171	
Net investment income	1,027,398	1,159,997	1,994,903	95,788	479,555	1,625,439	
Benefit payments, including refunds of employee contributions	(3,019,446)	(2,798,784)	(2,848,727)	(2,760,829)	(2,651,828)	(2,603,292)	Information not available
Hall/Parker settlement		(702,104)					
Pension plan administrative expense	(18,846)	(18,355)	(18,052)	(14,183)	(12,070)		
Other changes	(15,619)	(130,940)	(45,634)	133,030	11,916	(884,905)	
Net change in plan fiduciary net position	1,150,864	247,898	2,103,337	1,409,952	1,176,818	208,061	
Plan fiduciary net position—beginning	18,026,247	17,778,349	15,675,012	14,265,060	13,088,242	12,880,181	
Plan fiduciary net position—ending (b)	\$ 19,177,111	\$ 18,026,247	\$ 17,778,349	\$ 15,675,012	\$ 14,265,060	\$ 13,088,242	
County's net pension liability—ending (a) - (b)	\$ 36,031,296	\$ 33,972,316	\$ 31,459,660	\$ 28,991,387	\$ 28,781,917	\$ 28,713,631	
Plan fiduciary net position as a percentage of the total pension liability	34.74%	34.67%	36.11%	35.09%	33.14%	31.31%	
Covered payroll	\$ 5,323,875	\$ 5,288,422	\$ 4,783,431	\$ 4,745,782	\$ 4,885,979	\$ 4,681,028	
County's net pension liability as a percentage of covered payroll	676.79%	642.39%	657.68%	610.89%	589.07%	613.40%	

See accompanying notes to pension plan schedules.

**Cochise County**  
**Required supplementary information**  
**Schedule of changes in the County's net pension liability and related ratios**  
**Agent pension plans**  
**June 30, 2020**  
**(Concluded)**

Corrections Officer Retirement Plan—Detention	Reporting fiscal year						2014 through 2011
	(Measurement date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							
Service cost	\$ 317,614	\$ 342,971	\$ 330,614	\$ 297,814	\$ 292,414	\$ 282,410	
Interest on the total pension liability	875,544	840,121	724,260	742,741	666,802	574,310	
Changes of benefit terms		(647,977)	1,384,226	13,188		133,007	
Differences between expected and actual experience in the measurement of the pension liability	277,148	513,693	(331,887)	(636,880)	512,038	(165,636)	
Changes of assumptions or other inputs	312,821		301,101	362,499		798,887	
Benefit payments, including refunds of employee contributions	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	
Net change in total pension liability	1,148,547	250,893	1,769,602	216,814	1,020,658	1,174,077	
Total pension liability—beginning	11,831,346	11,580,453	9,810,851	9,594,037	8,573,379	7,399,302	
Total pension liability—ending (a)	<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>	<u>\$ 8,573,379</u>	
Plan fiduciary net position							
Contributions—employer	\$ 527,420	\$ 469,110	\$ 448,799	\$ 400,307	\$ 268,393	\$ 222,257	
Contributions—employee	154,457	195,131	184,017	197,513	171,671	141,534	
Net investment income	331,548	396,107	648,996	32,454	182,577	617,823	
Benefit payments, including refunds of employee contributions	(634,580)	(797,915)	(638,712)	(562,548)	(450,596)	(448,901)	Information not available
Administrative expense	(6,617)	(6,693)	(6,077)	(4,989)	(4,869)		
Other changes		(118)	(33)	36,666	(25,999)	(497,992)	
Net change in plan fiduciary net position	372,228	255,622	636,990	99,403	141,177	34,721	
Plan fiduciary net position—beginning	6,100,279	5,844,657	5,207,667	5,108,264	4,967,087	4,932,366	
Plan fiduciary net position—ending (b)	<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>	<u>\$ 4,967,087</u>	
County's net pension liability—ending (a) - (b)	\$ 6,507,386	\$ 5,731,067	\$ 5,735,796	\$ 4,603,184	\$ 4,485,773	\$ 3,606,292	
Plan fiduciary net position as a percentage of the total pension liability	49.87%	51.56%	50.47%	53.08%	53.24%	57.94%	
Covered payroll	\$ 2,318,248	\$ 2,477,913	\$ 2,268,355	\$ 2,239,735	\$ 2,168,765	\$ 1,960,381	
County's net pension liability as a percentage of covered payroll	280.70%	222.31%	252.86%	205.52%	206.84%	183.96%	

See accompanying notes to pension plan schedules.

**Cochise County**  
**Required supplementary information**  
**Schedule of County pension contributions**  
**June 30, 2020**

	Reporting fiscal year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
<b>Arizona State Retirement System</b>								
Statorily required contribution	\$ 3,176,996	\$ 2,945,070	\$ 2,965,840	\$ 2,701,331	\$ 2,688,971	\$ 2,738,453	\$ 2,774,744	
County's contributions in relation to the statorily required contribution	<u>3,176,996</u>	<u>2,945,070</u>	<u>2,965,840</u>	<u>2,701,331</u>	<u>2,688,971</u>	<u>2,738,453</u>	<u>2,774,744</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 28,791,204	\$ 27,248,793	\$ 27,317,312	\$ 25,122,131	\$ 24,779,581	\$ 25,133,395	\$ 26,034,337	
County's contributions as a percentage of covered payroll	11.03%	10.81%	10.86%	10.75%	10.85%	10.90%	10.66%	
<b>Corrections Officer Retirement Plan— Administrative Office of the Courts</b>								
Statorily required contribution	\$ 684,566	\$ 718,941	\$ 477,270	\$ 363,649	\$ 332,346	\$ 284,626	\$ 273,752	
County's contributions in relation to the statorily required contribution	<u>684,566</u>	<u>718,941</u>	<u>477,270</u>	<u>363,649</u>	<u>332,346</u>	<u>284,626</u>	<u>273,752</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 2,356,028	\$ 2,253,381	\$ 2,097,458	\$ 1,828,728	\$ 1,745,725	\$ 1,912,811	\$ 1,959,540	
County's contributions as a percentage of covered payroll	29.06%	31.90%	22.75%	19.89%	19.04%	14.88%	13.97%	
<b>Elected Officials Retirement Plan</b>								
Statorily required contribution	\$ 998,444	\$ 975,743	\$ 314,179	\$ 303,450	\$ 319,124	\$ 363,029	\$ 398,234	
County's contributions in relation to the statorily required contribution	<u>998,444</u>	<u>975,743</u>	<u>13,397</u>	<u>303,450</u>	<u>319,124</u>	<u>363,029</u>	<u>398,234</u>	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Information not available
County's covered payroll	\$ 1,727,778	\$ 2,067,858	\$ 1,499,119	\$ 1,291,276	\$ 1,357,975	\$ 1,544,807	\$ 1,722,405	
County's contributions as a percentage of covered payroll	57.79%	47.19%	0.89%	23.50%	23.50%	23.50%	23.12%	

**Cochise County**  
**Required supplementary information**  
**Schedule of County pension contributions**  
**June 30, 2020**  
**(Concluded)**

<b>Public Safety Personnel Retirement System—Sheriff</b>	<b>Reporting fiscal year</b>							<b>2013 through 2011</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 2,927,213	\$ 2,763,453	\$ 2,359,040	\$ 2,411,458	\$ 2,413,915	\$ 1,854,142	\$ 1,590,648	
County's contributions in relation to the actuarially determined contribution	<u>2,927,213</u>	<u>2,763,453</u>	<u>1,724,096</u>	<u>2,411,458</u>	<u>3,413,915</u>	<u>2,854,142</u>	<u>1,590,648</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ 634,944	\$ -	\$ (1,000,000)	\$ (1,000,000)	\$ -	Information not available
County's covered payroll	\$ 5,698,159	\$ 5,323,875	\$ 5,288,422	\$ 4,783,431	\$ 4,745,782	\$ 4,885,979	\$ 4,681,028	
County's contributions as a percentage of covered payroll	51.37%	51.91%	32.60%	50.41%	71.94%	58.41%	33.98%	
<b>Corrections Officer Retirement Plan—Detention</b>	<b>Reporting fiscal year</b>							<b>2013 through 2011</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 614,285	\$ 547,986	\$ 516,924	\$ 437,766	\$ 384,058	\$ 268,394	\$ 222,257	
County's contributions in relation to the actuarially determined contribution	<u>614,285</u>	<u>547,986</u>	<u>516,924</u>	<u>437,766</u>	<u>384,058</u>	<u>268,394</u>	<u>222,257</u>	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
County's covered payroll	\$ 2,715,762	\$ 2,318,249	\$ 2,577,913	\$ 2,268,355	\$ 2,239,735	\$ 2,168,765	\$ 1,960,381	
County's contributions as a percentage of covered payroll	22.62%	23.64%	20.05%	19.30%	17.15%	12.38%	11.34%	

See accompanying notes to pension plan schedules.

**Cochise County**  
**Required supplementary information**  
**Notes to pension plan schedules**  
**June 30, 2020**

**Note 1 – Actuarially determined contribution rates**

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

Actuarial cost method	Entry age normal
Amortization method	Level percentage-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	28 years for PSPRS; 18 years for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS and from 4.0%–7.25% to 3.5%–6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

**Cochise County**  
**Required supplementary information**  
**Notes to pension plan schedules**  
**June 30, 2020**

**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 increased the PSPRS-, CORP-, and CORP–AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-, CORP-, and CORP–AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them.

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

# SINGLE AUDIT REPORT





LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Cochise County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of Cochise County as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority and Cochise Private Industry Council, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

### **Internal control over financial reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-03 and 2020-04 to be significant deficiencies.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **County response to findings**

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

## **Purpose of this report**

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

Lindsey A. Perry, CPA, CFE  
Auditor General

April 21, 2021



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Cochise County, Arizona

### Report on compliance for each major federal program

We have audited Cochise County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020, except for the Housing Voucher Cluster (Assistance Listing number 14.871), a major federal program administered by the County's Housing Authority. The major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that major federal program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Cochise County's basic financial statements include the operations of the Cochise Private Industry Council, Inc., which was reported as a discretely presented component unit and expended \$2,135,073 in federal awards that are not included in Cochise County's schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of the Cochise Private Industry Council, Inc. because it engaged other auditors to perform its audit.

### ***Management's responsibility***

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

### ***Auditors' responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to

above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on each major federal program***

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on internal control over compliance**

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

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

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

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

Lindsey A. Perry, CPA, CFE  
Auditor General

April 21, 2021



# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Summary of auditors' results

### Financial statements

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

### Federal awards

#### Internal control over major programs

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

#### Identification of major programs

Assistance Listings number	Name of federal program or cluster
14.871	Housing Voucher Cluster
20.106	Airport Improvement Program
21.019	Coronavirus Relief Fund

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

# Financial statement findings

## 2020-01

The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies

**Condition**—The County did not appropriately limit and restrict employee access to payroll processing records. As such, 14 employees could change employee pay rates in the County’s system, including their own, without independent approval and 10 of these employees could add or remove employees from payroll records. Further, 7 of the 14 employees could approve and finalize payroll amounts to be paid to employees, including themselves, without independent approval. We noted no instances of fraud or misuse of public monies for the payroll transactions we tested.

**Effect**—The County was exposed to an increased risk of fraud and misuse of public monies because employees could overpay themselves or other employees without detection.

**Cause**—The County did not develop written policies and procedures to monitor the activities of employees who were assigned incompatible roles when it outsourced its payroll processing to a third-party servicer and was unable to prevent employees from changing their own pay rates without an independent review. In addition, they did not adequately separate the responsibilities of adding or removing employees and changing employee pay rates from the responsibilities of processing and approving amounts paid to employees. Further, the County did not monitor these employees’ activities and whether the new payroll processing procedures effectively protected County monies and reduced the risk of fraud and the potential for misusing them.

**Criteria**—Separation of responsibilities for making and approving changes to the employee payroll records and the responsibilities for processing and approving payroll amounts to be paid to employees is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused and employees are paid at authorized pay rates for the actual time they worked.

**Recommendations**—The County should develop and implement written policies and procedures for processing payroll that:

1. Limit incompatible roles being assigned to employees in the payroll system to the extent possible, such as separating the ability to add or remove employees and change employee pay rates from the ability to process and approve payroll amounts to be paid to employees.
2. Require that continual monitoring of employees’ activities be performed, especially when incompatible role assignments cannot be avoided, to help protect County monies and reduce the risk of fraud and the potential misuse of public monies.

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

This finding is similar to prior-year finding 2019-01.

## 2020-02

County departments did not prepare and retain appropriate payroll records to document that employee pay rate increases were authorized, increasing the risk of fraud and potential misuse of public monies

**Condition**—Contrary to County procedures, County departments did not complete a Personnel Action Form to document approvals for employee pay rate increases for 33 of 60 employees tested. Consequently, the County's employee personnel records, maintained by the Human Resources Department, did not include any documentation that employee pay rate increases were authorized.

**Effect**—County employees could be paid at rates that include unauthorized pay increases causing employee overpayments, which increases the risk of fraud and potential misuse of public monies.

**Cause**—The Human Resources Department processed employee pay rate increases without enforcing the County's required Personnel Action Forms to be completed and approved. Instead, the Human Resources Department allowed County departments to submit informal emails to request pay rate changes and did not retain them in the employee personnel records.

**Criteria**—The County's procedures require County departments to complete, approve, and submit a Personnel Action Form to the Human Resources Department to help ensure that employees are paid at authorized pay rates.

**Recommendations**—The County should:

1. Require the Human Resources Department to enforce all County departments to complete and submit properly approved Personnel Action Forms to support the authorization of all employee pay rate changes before such changes are made.
2. Ensure the Human Resources Department retains those forms within the employee personnel records.

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

## 2020-03

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk

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

**Effect**—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

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

**Criteria**—The County should follow a credible industry source such as the National Institute of Standards and Technology to help effectively manage risk at the County. Effectively managing risk should address the risk of unauthorized access and use, modification, or loss of sensitive information.

**Recommendations**—The County should:

1. Ask responsible administrative officials and management over finance, IT, and other entity functions for input in the County’s process for managing risk.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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

This finding is similar to prior-year finding 2019-02.

## 2020-04

**The County’s control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data**

**Condition**—The County’s control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

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

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

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

**Criteria**—The County should follow a credible industry source such as the National Institute of Standards and Technology to implement effective internal controls that protect its IT systems and help ensure the integrity and accuracy of the data it maintains, as follows:



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

**Recommendations**—The County should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

**Restricting access**—To restrict access to its IT systems and data, develop, document, and implement processes to:

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

**Managing system configurations and changes**—To configure IT systems securely and manage system changes, develop, document, and implement processes to:

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

**Securing systems and data**—To secure IT systems and data, develop, document, and implement processes to:

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

**Ensuring operations continue**—To ensure operations continue, develop, document, and implement processes to:

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

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

This finding is similar to prior-year finding 2019-03.

## **Federal award findings and questioned costs**

None reported.

# COUNTY SECTION

**COCHISE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2019 - 6/30/2020**

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
<b>DEPARTMENT OF AGRICULTURE</b>									
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-053052 A4 ADHS19-207425		\$477,316	\$477,316	N/A	\$0
COMMODITY SUPPLEMENTAL FOOD PROGRAM	10.565		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-053052 A4 ADHS19-207425		\$49,149	\$49,149	FOOD DISTRIBUTION CLUSTER	\$49,149
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$175,740	\$351,480	\$351,480	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$351,480
WATERSHED PROTECTION AND FLOOD PREVENTION	10.904					\$239,400	\$239,400	N/A	\$0
NATIONAL FOREST SYSTEM LAW ENFORCEMENT	10.101	18-LE-11030500-003				\$8,114	\$8,114	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<b>\$175,740</b>	<b>\$1,125,459</b>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>									
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241					\$254,235	\$254,235	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$3,286,185	\$3,286,185	HOUSING VOUCHER CLUSTER	\$3,286,185
FAMILY SELF-SUFFICIENCY PROGRAM	14.896					\$77,038	\$77,038	N/A	\$0
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						<b>\$3,617,458</b>			
<b>DEPARTMENT OF THE INTERIOR</b>									
DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENTS	15.227					\$5,838	\$5,838	N/A	\$0
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>						<b>\$5,838</b>	<b>\$5,838</b>		
<b>DEPARTMENT OF JUSTICE</b>									
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2016-VA-GX-0046		\$79,341	\$79,341	N/A	\$0
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606					\$46,285	\$46,285	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-19-003 DC-19-021 DC-20-003		\$90,281	\$90,281	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>						<b>\$215,907</b>			
<b>DEPARTMENT OF TRANSPORTATION</b>									
AIRPORT IMPROVEMENT PROGRAM	20.106					\$464,085	\$464,085	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-PTS-015 2019-AL-012 2019-PTS-011		\$4,495	\$4,495	HIGHWAY SAFETY CLUSTER	\$4,495
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>						<b>\$468,580</b>			
<b>DEPARTMENT OF TREASURY</b>									
CORONAVIRUS RELIEF FUND	21.019	COVID-19	ARIZONA OFFICE OF THE GOVERNOR	ERMT-20-025		\$5,497,086	\$5,497,086	N/A	\$0
<b>TOTAL DEPARTMENT OF TREASURY</b>						<b>\$5,497,086</b>			
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES</b>									
GRANTS TO STATES	45.310		ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS	2018-0010-0-A 2018L0300-01 2018-0260-5		\$27,930	\$27,930	N/A	\$0
<b>TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES</b>						<b>\$27,930</b>			
<b>ENVIRONMENTAL PROTECTION AGENCY</b>									
BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	66.818					\$48,906	\$48,906	N/A	\$0
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>						<b>\$48,906</b>			
<b>DEPARTMENT OF EDUCATION</b>									
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010		ARIZONA DEPARTMENT OF EDUCATION	18FLCCCL-813161-02A 18FT17H-813161-03A		\$19,677	\$19,677	N/A	\$0
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365		ARIZONA DEPARTMENT OF EDUCATION	18FELENG-813161-66A 19FELENG-813161-66A		\$13,352	\$13,352	N/A	\$0
PRESCHOOL DEVELOPMENT GRANTS	84.419		ARIZONA DEPARTMENT OF EDUCATION	GRA-STATE-16-0785-01-Y3		\$93,400	\$93,400	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>						<b>\$13,352</b>	<b>\$126,429</b>		
<b>DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION</b>									
HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	90.401					\$62,902	\$39,374	N/A	\$0
2018 HAVA ELECTION SECURITY GRANTS	90.404					\$39,374	\$62,902	N/A	\$0
<b>TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION</b>						<b>\$102,276</b>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
SPECIAL PROGRAMS FOR THE AGING_TITLE III, PART B GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044		SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION	107-21		\$170,525	\$170,525	AGING CLUSTER	\$170,525
PUBLIC HEALTH EMERGENCY PREPAREDNESS INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133164 ADHS17-133164 A5 ADHS17-133164 A8		\$313,092	\$313,092	N/A	\$0
CHILDHOOD LEAD POISONING PREVENTION PROJECTS, STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-180472		\$83,899	\$83,899	N/A	\$0
CHILDHOOD LEAD POISONING PREVENTION PROJECTS, STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197					\$3,425	\$3,425	N/A	\$0
FAMILY PLANNING SERVICES	93.217		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-109191 A6 IGA2020-038		\$78,972	\$78,972	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177676 NH23IP922599-02-01		\$128,415	\$128,415	N/A	\$0
CHILD SUPPORT ENFORCEMENT GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D18-002162 D16-002160		\$19,201	\$19,201	N/A	\$0
PREVENTIVE HEALTH SERVICES, SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.597		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D16-002163		\$41,619	\$41,619	N/A	\$0
PREVENTIVE HEALTH SERVICES, SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-071556 A4 CT040475		\$20,797	\$20,797	N/A	\$0

PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.991	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-109191 A6	\$41,186	\$41,186	N/A	\$0
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u>\$901,131</u>			
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>							
			HT-17-2726 HT-18-2826 HT-18-2827				
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	CITY OF TUCSON		\$191,043	\$191,043	N/A	\$0
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>				<u>\$191,043</u>			
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2018-EP-00012-S01 EMF-2020-EP-00009				
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042		16-AZDOGH-OPSG-160400-02 17-AZDOHS-OPSG-170401-02 18-AZDOHS-OPSG-180401-02	\$71,621	\$71,621	N/A	\$0
		ARIZONA DEPARTMENT OF HOMELAND SECURITY	17-AZDOHS-HSGP-170400-01 18-AZDOHS-HSGP-180400-01				
HOMELAND SECURITY GRANT PROGRAM	97.067			\$1,572,555	\$1,572,555	N/A	\$0
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>				<u>\$1,644,176</u>			
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>				<u>\$194,930</u>	<u>\$13,972,219</u>		

**Please Note:**

*Italicized award lines indicate pass-through funding*

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

**COCHISE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2019 - 6/30/2020**

**Significant Accounting Policies Used in Preparing the SEFA**

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

**10% De Minimis Cost Rate**

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

**Basis of presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes Cochise County's federal grant activity for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Federal Assistance Listings number**

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2020 *Federal Assistance Listings* . When no Federal Assistance Listings number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used.

# COUNTY RESPONSE



## Cochise County Finance Department

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

**Keith Buonocore**  
Finance Director

April 21, 2021

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

Dear Ms. Perry:

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

Sincerely,

Keith Buonocore  
Cochise County Finance Director



**Cochise County**  
**Corrective Action Plan**  
**Year ended June 30, 2020**

**Financial Statement Findings:**

**The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies (Finding 2020-01)**

Contact: Keith Buonocore, Finance Director  
Anticipated completion date: Corrected in FY2021  
Corrective Action Plan: Concur

The County has implemented the Auditor's recommendation for improved separation of duties and compensating controls for those individuals tasked with processing employee data and those individuals tasked with processing bi-weekly payroll. Authorities have been modified and maintained so that no one individual has access to make unauthorized changes to employee data and make unauthorized changes in executing bi-weekly payroll. User authorities have been set up and routinely monitored to avoid any future occurrence. The County has established guidelines for access to the payroll information, developed formal policies and procedures, maintained records securely, complied with recordkeeping laws, restricted access, maintained an access log for monitoring, investigated incidents of unauthorized access, and provided training. To help protect sensitive employee information, the County has implemented effective data security controls, and trained employees and supervisors.

**County departments did not prepare and retain appropriate payroll records to document that employee pay rate increases were authorized, increasing the risk of fraud and potential misuse of public monies (Finding 2020-02)**

Contact: Keith Buonocore, Finance Director  
Anticipated completion date: Corrected in FY2021  
Corrective Action Plan: Concur

The County has implemented the Auditor's recommendation for retaining appropriate payroll records to show that employee pay rate increases were fully documented and authorized by processing Personnel Action Forms electronically and stored electronically. The County has developed a records-management program that addresses who has access to the records.

**The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk (Finding 2020-03)**

Contact: Joe Casey, Director of Information Technology  
Anticipated completion date: June 30, 2021  
Corrective Action Plan: Concur

The County has developed a spreadsheet that identifies all county systems and defines what data resides on each system. Currently verifying the data types with system owners and the system owner is assigning a Data steward to each system.

The County procured Varonis, which will be used to scan the systems to verify restricted and internal data only reside on systems secured at the appropriate level.

**The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data (Finding 2020-04)**

Contact: Joe Casey, Director of Information Technology

Anticipated completion date: June 30, 2021

Corrective Action Plan: Concur

**Restricting access –**

- Categorized User Roles for TROCS, and actively defining user roles for ADP and NewWorld.
- Configuring Connectwise Mangle (IT Trouble ticketing and CM system) to send a ticket every, quarter, or semi-annual based on the account and system (E.g., TROCS admins every 6 months, and Agency users every 3 months). The list of accounts and permissions will be sent to the appropriate manager to verify the employee's permissions. They will have 2 weeks to confirm permissions or the account will be disabled.
- Formalizing process for Agency users.

**Managing system configurations and changes–**

- Developed a draft Change management plan.
- Actively configuring automated system to support the change management plan.

**Securing systems and data –**

- Procured Varonis, which will be used to monitor creation and action of administrator accounts. This system will be monitored by the cyber security team.

**Ensuring operations continue –**

- Completing Business impact analysis and Disaster recovery plan



## Cochise County Finance Department

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**Keith Buonocore**  
Finance Director

April 21, 2021

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

Dear Ms. Perry:

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

Sincerely,

Keith Buonocore  
Cochise County Finance Director

## **Cochise County**

### **Summary schedule of prior audit findings**

**Year ended June 30, 2020**

#### **Prior Financial Statement Findings:**

##### **Finding 2019-01**

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

Status: Corrected in FY2021

See Finding 2020-01 in the Schedule of Findings and Questioned Costs for corrective actions on this item.

##### **Finding 2019-02**

**This finding initially occurred in fiscal year 2017.**

##### **Managing risk**

Contact: Joe Casey, Director of Information Technology

Status: Completion date of June 30, 2021

Corrective Action Plan: Concur

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

##### **Finding 2019-03**

**This finding initially occurred in fiscal year 2017.**

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

Contact: Joe Casey, Director of Information Technology

Status: Completion date of June 30, 2021

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

