



REPORT HIGHLIGHTS

FINANCIAL STATEMENT AND SINGLE AUDITS

Our Conclusion

Cochise County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued opinions on the County's financial statements and schedule of expenditures of federal awards and issued reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2015 financial statements and schedule is reliable. Our Office did not report any weaknesses in the County's internal control or instances of noncompliance over financial reporting and major federal programs.



2015

Year Ended June 30, 2015

Condensed financial information

Statement of net position—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—Shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—Shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—Shows the remaining net position balance after allocating the net investment in capital assets and restricted balances. The balance was negative at June 30, 2015, because the County implemented new pension accounting standards. Additional information on these new standards is included on the next page.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. Net position decreased by approximately \$2.3 million, or 2.1 percent, in fiscal year 2015.

Schedule of expenditures of federal awards—During fiscal year 2015, the County expended nearly \$10.5 million in federal awards. The County's federal award expenditures decreased by \$238,000, or 2.2 percent, compared to fiscal year 2014.

Condensed statement of net position Governmental and business-type activities

As of June 30, 2015
(In thousands)

Assets	
Current and other assets	\$ 75,289
Capital assets, net of depreciation	<u>133,423</u>
Total assets	<u>208,712</u>
Deferred outflow of resources	<u>18,632</u>
Liabilities	
Current liabilities	5,965
Noncurrent liabilities:	
Net pension liability	91,062
Other	<u>9,084</u>
Total liabilities	<u>106,111</u>
Deferred inflows of resources	<u>9,978</u>
Net position	
Net investment in capital assets	131,415
Restricted	11,119
Unrestricted (deficit)	<u>(31,279)</u>
Total net position	<u>\$111,255</u>

Condensed statement of activities Governmental and business-type activities

For the year ended June 30, 2015
(In thousands)

Program revenues	
Governmental activities	\$ 33,438
Business-type activities	4,384
General revenues	
Governmental activities	57,269
Business-type activities	<u>320</u>
Total revenues	<u>95,411</u>
Expenses	
Governmental activities	93,230
Business-type activities	<u>4,516</u>
Total expenses	<u>97,746</u>
Change in net position	(2,335)
Net position—beginning, as restated	<u>113,590</u>
Net position—ending	<u>\$111,255</u>

Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2015 (In thousands)

Department of Housing and Urban Development	\$ 2,651
Department of Interior	1,958
Department of Labor	1,637
Department of Homeland Security	1,457
Department of Agriculture	1,159
Other	<u>1,622</u>
Total federal expenditures	<u>\$10,484</u>

Significant pension reporting changes in fiscal year 2015

The Governmental Accounting Standards Board (GASB) issued new pension accounting standards for all state and local governments that resulted in significant reporting changes starting in fiscal year 2015. The County is required to follow these new standards because its employees are members in the State of Arizona's defined benefit pension plans. The new GASB standards are designed to increase the transparency, consistency, and comparability of pension information across governments. In addition, they require all governments to report more robust pension information, including their share of any unfunded, or net, pension liability, which was \$91 million for the County at June 30, 2015. The net pension liability is calculated by subtracting the pension plans' assets from the estimated pension obligations and means that the assets are less than estimated pension obligations. This liability reduced the County's unrestricted net position.

It is important to note that the new reporting requirements will not change the actual cost of providing pension benefits. As they always have, the County and its participating employees will continue to pay their required contributions to cover the estimated pension benefits. The County's contributions were \$7.5 million in fiscal year 2015.