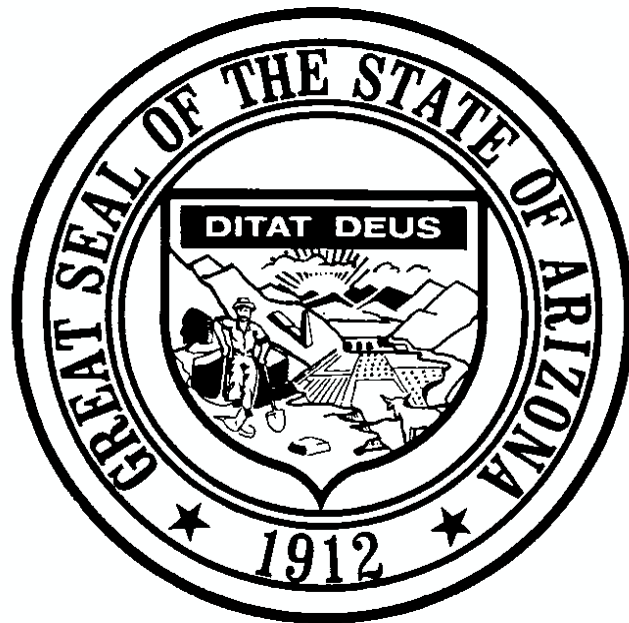


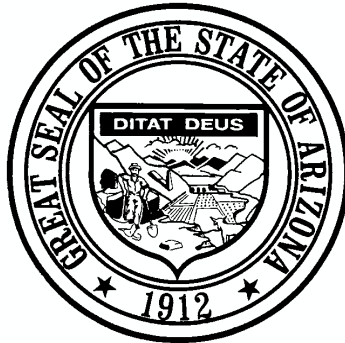
# STATE OF ARIZONA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019



**Douglas A. Ducey**  
**GOVERNOR**



**PREPARED BY  
ARIZONA DEPARTMENT OF ADMINISTRATION  
GENERAL ACCOUNTING OFFICE**



STATE OF ARIZONA  
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# INTRODUCTORY SECTION

**INTRODUCTORY SECTION**





**Douglas A. Ducey**  
Governor

**Andy Tobin**  
Director

## **ARIZONA DEPARTMENT OF ADMINISTRATION**

OFFICE OF THE DIRECTOR  
100 NORTH FIFTEENTH AVENUE • SUITE 403  
PHOENIX, ARIZONA 85007  
(602) 542-1500

March 30, 2020

The Honorable Douglas A. Ducey,  
Governor of the State of Arizona;  
Members of the Legislature;  
Robert M. Brutinel, Chief Justice of the Supreme Court;  
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2019. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

U.S. generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditors' Report.

### **INTERNAL CONTROLS**

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

### **INDEPENDENT AUDIT**

An annual financial audit of the financial reporting entity of the State is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted 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. Their report on the basic financial statements has been included in the financial section of this report. In addition, A.R.S. § 41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report.

## **FINANCIAL REPORTING ENTITY OF THE STATE**

The accompanying CAFR includes all funds of the State (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in a separate column in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the financial reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the financial reporting entity of the State.

## **ARIZONA**

The State of Arizona was admitted to the Union as the 48<sup>th</sup> state in 1912. Arizona is the sixth largest state by area, with 113,909 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

## **PROFILE OF THE GOVERNMENT**

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a Governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), Superior Court, justice of the peace courts, and municipal courts. The Superior Court, justice of the peace courts, and municipal courts are excluded from the financial reporting entity of the State as these entities do not meet GASB criteria for inclusion. The Supreme Court is the highest court in the State and is comprised of seven justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

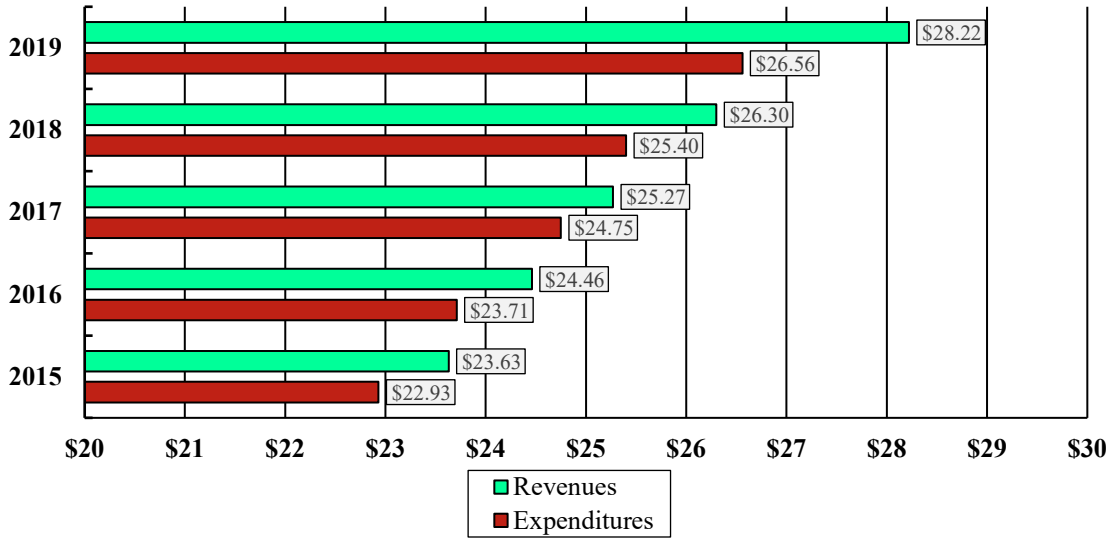
## **BUDGETARY CONTROLS**

Budgetary control is maintained through Legislative appropriation and the Executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. The appropriated funds are controlled by the Executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations that continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

**GENERAL FUND BALANCE**

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

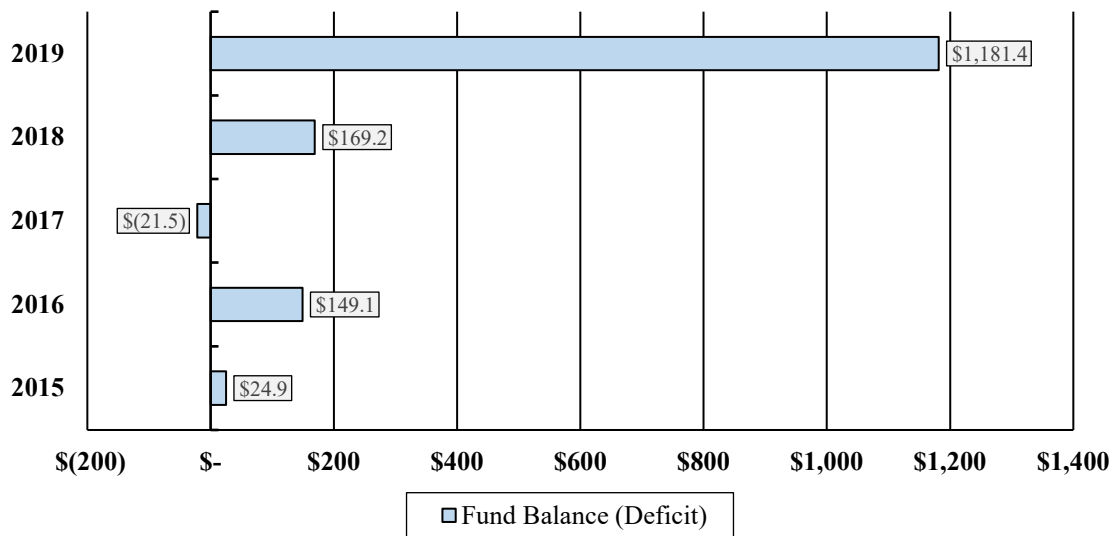
**Graph 1**  
**General Fund Revenues and Expenditures for the last 5 fiscal years**  
*(Dollars in billions)*



The General Fund ended the June 30, 2019 fiscal year with a total fund balance of \$1.2 billion. This compares to the previous year’s total fund balance of \$169.2 million.

Graph 2 summarizes the General Fund Balance (Deficit) for the last five fiscal years:

**Graph 2**  
**General Fund Balance (Deficit) for the last 5 fiscal years**  
*(Dollars in millions)*



## **ECONOMIC CONDITION AND OUTLOOK**

As a result of the COVID-19 outbreak, economic uncertainties have arisen. However, the related financial impact and duration cannot be reasonably estimated at this time.

## **MAJOR INITIATIVES**

The Major Initiatives for the year ended June 30, 2019, were as follows:

- The fiscal year 2019 budget guaranteed a 20% teacher salary increase by school year 2020 (fiscal year 2021) with \$272 million for this initiative for a total of \$644 million by fiscal year 2021. Additionally, the budget restored per-pupil funding to the long suspended additional assistance formula that supports soft capital items like textbooks and technology, along with personnel. The budget contemplated full restoration of additional assistance totaling \$371 million by fiscal year 2021.
- The School Facilities Board received \$120 million to fund initiatives. Of the \$120 million, \$86 million was directed to construct five new schools or school expansions in Chandler (three schools), Queen Creek, and Tolleson school districts. The other \$34 million was dedicated to school building renewal grants to help maintain school facilities.
- The three public universities received \$27 million in funding to service up to \$1 billion in bonds for the university investments in research and development infrastructure and deferred maintenance projects. This capital investment aided: the University of Arizona's \$18 million renovation of the School of Animal and Comparative Biomedical Sciences Building; a portion of Arizona State University's \$90 million Hayden Library renovation; and Northern Arizona University's \$17 million Science Annex Renovation and \$139 million multi-discipline science, technology, engineering, and math building.
- The budget increased funding for medical and developmentally disabled providers by a total of \$27 million, expanding access and improving quality care for our most vulnerable citizens.
- Preventative road surface maintenance spending increased by \$25.6 million for a total of \$41 million, which represents the highest recorded amount spent in State history.
- The National Guard Readiness Center located in Tucson received \$24 million (\$6 million from General Fund and \$18 million from the Federal Government) that that will improve overall operations, readiness, and training techniques.
- The State-only developmentally disabled program received \$10.7 million, which fixed a recession-era shortfall and guaranteed funding for free developmental evaluations of children, case management, and room and board.
- To address the high-priority needs and costs associated with Arizona resident students, the budget allocated \$8 million in one-time General Fund resources to provide more budget flexibility to the universities.
- Two state parks, Oracle State Park near Tucson and Buckskin Mountain State Park near Parker, received combined funding totaling \$6.5 million to renovate and expand access.
- The Department of Child Safety received \$5 million for the third year of the five-year process of replacing the obsolete Children's Information Library and Data Source system. The replacement will help the Department complete critical functions for the welfare of Arizona children.
- To ensure the safety of Arizona's children across school campuses, \$3 million was provided in targeted funding to increase behavioral and mental health resources for schools across the state.
- With a \$3.6 million investment, the budget expanded the "Second Chance" initiative at the Department of Corrections which is aimed at reducing recidivism of released inmates. Efforts to lower substance abuse for 1,560 inmates were funded with \$1.7 million. Education services were provided to an additional 486 inmates for \$1.4 million. Lastly, \$500,000 was devoted to employment services and training at Lewis and Perryville complexes for 975 inmates.
- To honor Arizona's retired military service personnel, the military retiree pension exemption was increased from \$2,500 to \$3,500 for an annual ongoing cost of \$2 million.
- Arizona Schools for the Deaf and the Blind were allocated \$1.6 million to hire 21 new-early childhood teachers. This will double the number of monthly visits from two to four visits for hearing and vision-impaired infants and toddlers.
- The Department of Public Safety received \$1.4 million to increase patrol coverage and response times at night, which will reduce fatalities and save lives. Additionally, \$2.9 million was dedicated to enhance the Southern Arizona Border Strike Force to secure the Arizona border.

- To increase Arizona's food bank capacity to accept, distribute, store, and serve more farm-fresh produce, \$1 million was invested in the food bank network's capital equipment, materials, and supplies. The State's investment will decrease food waste, increase access to healthy foods for low-income families, and improve health outcomes.
- The Department of Public Safety received \$800,000 to establish the Arizona Pharmaceutical Diversion and Drug Theft Task Force that will coordinate with two Arizona agencies, the Department of Health Services and the Board of Pharmacy, to participate in opioid enforcement with the aims of reducing drug abuse and trafficking.
- In recognition of the threatening nature of wildfires in Arizona, \$650,000 was dedicated for additional fire prevention funding.

#### **AWARDS AND ACKNOWLEDGMENTS**

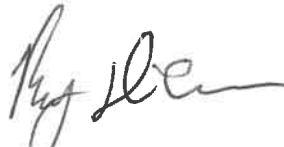
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2018. This was the fifteenth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

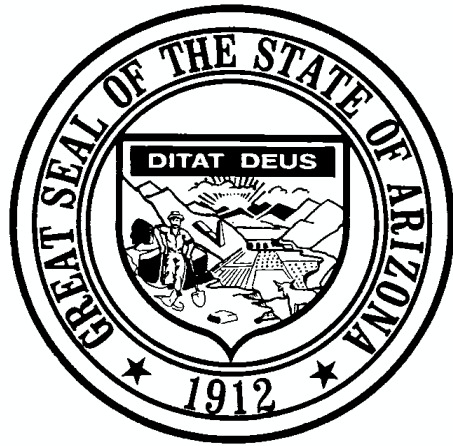
We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, council, administration, office, institution of higher education, and all other organizations within the reporting entity.



Andy Tobin  
Director



Ray Di Ciccio  
Interim State Comptroller





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Arizona**

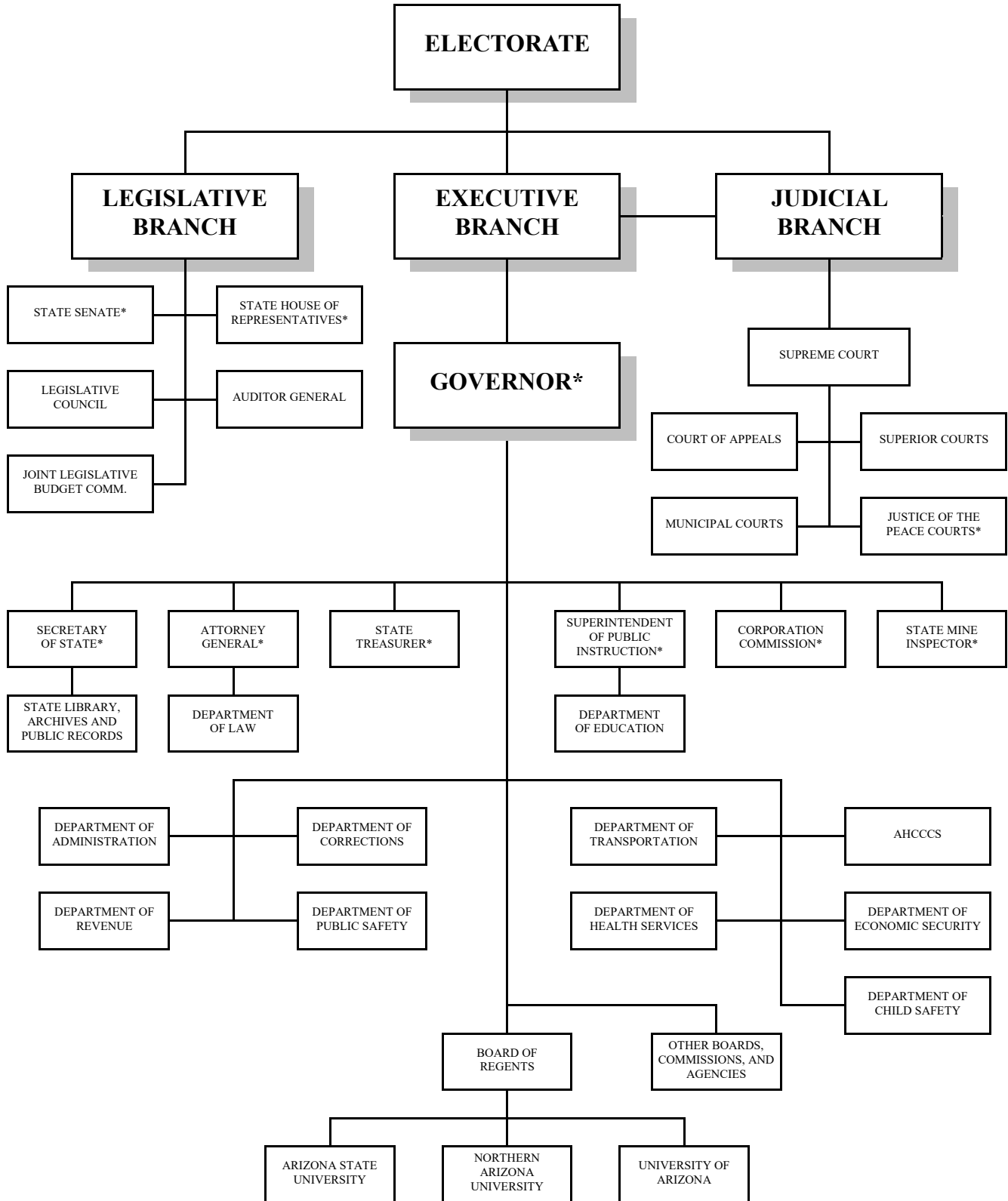
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# ARIZONA STATE GOVERNMENT ORGANIZATION



\*ELECTED OFFICIALS



STATE OF ARIZONA  
**PRINCIPAL STATE OFFICIALS**  
 JUNE 30, 2019

**ELECTED OFFICIALS**

Douglas A. Ducey, Governor	Kathy Hoffman, Superintendent of Public Instruction
Senator Karen Fann, President of the Senate	Bob Burns, Chairman - Corporation Commission
Representative Russell Bowers, Speaker of the House	Boyd Dunn, Commissioner - Corporation Commission
Katie Hobbs, Secretary of State	Sandra Kennedy, Commissioner - Corporation Commission
Mark Brnovich, Attorney General	Justin Olson, Commissioner - Corporation Commission
Joe Hart, State Mine Inspector	Lea Márquez Peterson, Commissioner - Corporation Commission
Kimberly Yee, State Treasurer	

**APPOINTED OFFICIALS**

**Executive Officials**

Andy Tobin, Director - Department of Administration

Charles L. Ryan, Director - Department of Corrections - through September, 2019

David Shinn, Director - Department of Corrections - current

Michael Traylor, Director - Department of Economic Security – through October, 2019

Dr. Cara M. Christ, Interim Director - Department of Economic Security

Gregory A. McKay, Director - Department of Child Safety - through September, 2019

Mike Faust, Director - Department of Child Safety - current

Carlton Woodruff, Interim Director - Department of Revenue

Frank Milstead, Director - Department of Public Safety

Dr. Cara M. Christ, Director - Department of Health Services

Jami Snyder, Director – Arizona Health Care Cost Containment System

John S. Halikowski, Director - Department of Transportation

**Judicial Officials**

Scott Bales, Chief Justice - Supreme Court - through July, 2019

Robert M. Brutinel, Chief Justice - Supreme Court - current

**Legislative Officials**

Michael E. Braun, Executive Director - Legislative Council

Richard Stavneak, Director - Joint Legislative Budget Committee

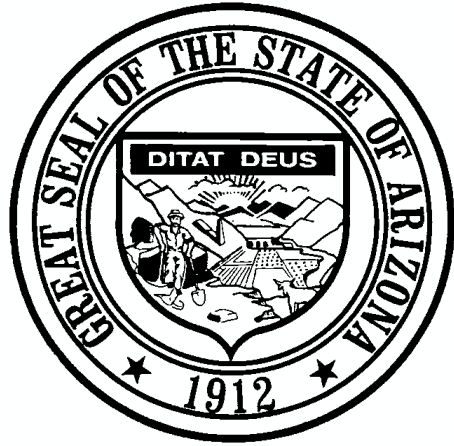
Lindsey Perry, CPA, CFE, Auditor General - Office of the Auditor General

**University Officials**

Dr. Michael M. Crow, President - Arizona State University

Dr. Rita Cheng, President - Northern Arizona University

Dr. Robert C. Robbins, President - University of Arizona



# FINANCIAL SECTION



**INDEPENDENT  
AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**



**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**ARIZONA AUDITOR GENERAL**  
**LINDSEY A. PERRY**

**JOSEPH D. MOORE**  
DEPUTY AUDITOR GENERAL

## Independent auditors' report

The Honorable Doug Ducey, Governor  
State of Arizona

The Honorable Karen Fann, President  
Arizona State Senate

The Honorable Russell "Rusty" Bowers, Speaker  
Arizona House of Representatives

The Honorable Robert M. Brutinel, Chief Justice  
Arizona Supreme Court

### **Report on the financial statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State'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 certain departments, the State's retirement systems and plans, and certain discretely presented component units, which account for the following percentages of the assets and deferred outflows of resources and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion units affected	Assets and deferred outflows of resources	Revenues, additions, and other financing sources
<b>Government-wide statements</b>		
<b>Governmental activities</b>		
Arizona Department of Transportation	60.81%	11.53%
Arizona Health Care Cost Containment System	4.50%	34.55%
Early Childhood Development and Health Board	0.90%	0.37%
<b>Business-type activities</b>		
Arizona Correctional Industries	0.26%	0.69%
Arizona Department of Transportation	0.01%	0.01%
Arizona State Lottery	1.17%	15.34%
<b>Aggregate discretely presented component units</b>	<b>97.54%</b>	<b>93.27%</b>
<b>Fund statements</b>		
<b>Major fund—General Fund</b>		
Arizona Health Care Cost Containment System	31.18%	39.67%
<b>Major fund—Transportation and Aviation Planning, Highway Maintenance and Safety Fund</b>		
Arizona Department of Transportation	100.00%	100.00%
<b>Aggregate remaining fund information</b>		
Arizona Correctional Industries	0.05%	0.36%
Arizona Department of Transportation	0.24%	5.37%
Arizona Health Care Cost Containment System	0.25%	4.28%
Arizona State Lottery	0.22%	7.94%
Arizona State Retirement System	67.82%	36.85%
Corrections Officer Retirement Plan	3.61%	2.47%
Early Childhood Development and Health Board	0.60%	0.95%
Elected Officials' Retirement Plan	0.53%	0.57%
Public Safety Personnel Retirement System	13.82%	10.37%

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 departments, retirement systems and plans, and discretely presented component units, 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. Of the aggregate discretely presented component units, the other auditors did not audit in accordance with *Government Auditing Standards*, the financial statements of the Arizona Power Authority and the Universities-Affiliated Component Units, except for those of the Arizona State University Preparatory Academy, Inc.

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 State'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 State'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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of matter***

As discussed in Note 8 to the financial statements, the State restated beginning net position and fund balance for the year ended June 30, 2019, to correct misstatements in its previously issued financial statements. Our opinion is not modified with respect to this matter.

### ***Other matters***

#### *Required supplementary information*

U.S. generally accepted accounting principles require that the following be presented to supplement the basic financial statements:

<b>Required supplementary information</b>	<b>Pages</b>
Management's discussion and analysis	21 - 33
Budgetary comparison schedules	149 - 164
Infrastructure assets	165 - 168
Schedules of the State's proportionate share of the net pension liability— cost-sharing pension plans	169 - 170
Schedules of changes in the State's net pension liability and related ratios—agent pension plans	171 - 172
Schedules of State pension contributions	173 - 175
Notes to required supplementary information—pension plan schedules	176
Schedule of changes in the State's total OPEB liability and related ratios	177

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 and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate 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 reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the State'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 State'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 State's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE  
Auditor General

March 30, 2020

MANAGEMENT'S  
DISCUSSION  
AND  
ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$30.3 billion (reported as net position). Of this amount, a deficit of \$3.8 billion exists for unrestricted net position, \$9.9 billion is restricted for specific purposes (restricted net position), and \$24.2 billion is net investment in capital assets.
- After adjustments, the State's total net position increased in fiscal year 2019 by \$3.1 billion. Net position of governmental activities increased by \$2.7 billion, while net position of the business-type activities increased by \$366.8 million.

#### Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$10.1 billion, an increase of \$1.5 billion from the beginning of the year. After accounting for non-spendable, restricted, and committed fund balances of \$6.1 billion, \$2.0 billion, and \$1.4 billion, respectively, the State's unassigned fund balance had a surplus of \$685.6 million, or 6.8% of combined fund balances.
- The Land Endowments Fund reported fund balance at fiscal year-end of \$6.1 billion, an increase of \$142.0 million during the year. In addition, beginning fund balance was restated (increased) by \$85.6 million due to an understatement of investment earnings in the prior fiscal year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net position at fiscal year-end of \$4.0 billion, an increase of \$374.9 million during the year.

#### Long-term Debt:

- The State's total long-term primary government debt decreased during the fiscal year to \$8.8 billion, a decrease of \$35.9 million or (0.4%). Changes during the year included the addition of revenue bonds of \$543.2 million. Also, the State retired \$361.2 million of revenue bonds and \$242.9 million of COPs. Included within the change of long-term primary government debt are increases and decreases in net issuance premiums of \$88.0 million and \$79.1 million, respectively.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 37**.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

### Government-wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

**The Statement of Net Position (pages 37-39)** presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

**The Statement of Financial Position (page 41)** presents the State's Universities-affiliated component units' assets and liabilities, with the difference between the two reported as net assets.

**The Statements of Activities (pages 42-43)** present information showing how the State's net position/net assets changed during the most recent fiscal year. All changes in net position/net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Government-wide statements report three activities:

- *Governmental Activities* - Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* - The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's three universities are examples of business-type activities.
- *Discretely Presented Component Units* - Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. The Arizona Finance Authority, the Arizona Power Authority, the Rio Nuevo Multipurpose Facilities District, the Arizona Commerce Authority, and the Arizona Public School Credit Enhancement are discretely presented component units reported by the State. The State has included component units affiliated with the Universities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), as adopted by the Financial Accounting Standards Board. These organizations include the Arizona State University Enterprise Partners, the University of Arizona Foundation, the Arizona Capital Facilities Finance Corporation, and other non-major component units affiliated with the Universities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the Governmental Accounting Standards Board (GASB), and include a statement of financial position (**page 41**) and a statement of activities (**page 44**). See **pages 69-72 and 134-145** for more information on discretely presented component units.

## **Fund Financial Statements (Reporting the State's Major Funds)**

The fund financial statements begin on **page 46** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 182** begins the individual fund data for the non-major funds. The State's funds are divided into three categories - governmental, proprietary, and fiduciary - each category uses different accounting approaches.

- *Governmental funds* - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules (**pages 48 and 52-53**) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

**Governmental fund financial statements can be found on pages 46-47 and 50-51 of this report.**

- *Proprietary funds* - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public - such as the State's Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is presented at the end of the proprietary fund financial statements on **pages 55-56**.

**Proprietary fund financial statements can be found on pages 54-59 of this report.**

- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on **page 60**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

**Fiduciary fund financial statements can be found on pages 60 and 61 of this report.**

## **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Notes to the financial statements begins on page 69 of this report.**

## **Required Supplementary Information**

Following the basic financial statements is additional Required Supplementary Information (RSI) that further explains and supports the information in the financial statements. The RSI includes budgetary expenditure comparison schedules for the General Fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. GAAP expenditures for the fiscal year. The RSI also includes up to ten years of information on the State's pension and other postemployment benefits (OPEB) plans, including schedules on the State's proportionate share of the net pension liability, changes in the net pension liability and related ratios, changes in the total OPEB liability and related ratios, and State pension contributions. The RSI also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure.

**Required supplementary information begins on page 149 of this report.**

## **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, all fiduciary funds, non-major component units, and non-major universities - affiliated component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as are major funds on the governmental funds and proprietary funds financial statements. Budgetary expenditure comparison schedules for the non-major special revenue funds and the Land Endowment Fund are also included.

**Other supplementary information begins on page 182 of this report.**



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements.

### State of Arizona-Primary Government Net Position as of June 30, 2019 and 2018 (expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 7,756,523	\$ 6,387,349	\$ 2,685,971	\$ 2,200,067	\$ 10,442,494	\$ 8,587,416
Capital assets	25,093,264	24,411,378	5,942,988	5,706,158	31,036,252	30,117,536
Other non-current assets	7,638,174	7,220,397	2,867,499	3,011,258	10,505,673	10,231,655
Total Assets	40,487,961	38,019,124	11,496,458	10,917,483	51,984,419	48,936,607
Deferred outflows of resources	769,419	860,297	357,390	310,578	1,126,809	1,170,875
Current liabilities	5,172,165	5,018,151	1,111,713	969,732	6,283,878	5,987,883
Non-current liabilities	9,098,147	9,940,243	6,222,552	6,159,180	15,320,699	16,099,423
Total Liabilities	14,270,312	14,958,394	7,334,265	7,128,912	21,604,577	22,087,306
Deferred inflows of resources	664,063	404,702	505,585	451,916	1,169,648	856,618
Net position:						
Net investment in capital assets	22,109,991	21,486,658	2,073,576	1,994,555	24,183,567	23,481,213
Restricted	8,136,654	7,552,460	1,809,076	1,669,917	9,945,730	9,222,377
Unrestricted	(3,923,640)	(5,522,793)	131,346	(17,239)	(3,792,294)	(5,540,032)
Total Net Position	\$ 26,323,005	\$ 23,516,325	\$ 4,013,998	\$ 3,647,233	\$ 30,337,003	\$ 27,163,558

For the year ended June 30, 2019, the State's combined net position totaled \$30.3 billion reflecting an increase of \$3.1 billion during the current fiscal year.

The largest portion of the State's net position (79.7%) represents net investment in capital assets of \$24.2 billion. Additions to land, roads, and bridges provided the majority of the governmental activities increase in net investment in capital assets of \$623.3 million. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net position also included \$9.9 billion (32.8%) of resources that are subject to external restrictions on how they may be used. The governmental activities increase in restricted net position of \$584.2 million is largely a result of an increase of \$271.4 million in the amount restricted by the State's Constitution for basic education funded by the Land Endowments Fund and an increase of \$194.3 million in the amount restricted for health and welfare. The business-type activities increase in restricted net position of \$139.2 million is primarily due to an increase of \$213.7 million in the amount restricted for the Unemployment Compensation Fund offset by a decrease of \$80.4 million in the amount restricted for Other.

After accounting for the above net position restrictions, the State has a remaining deficit of \$3.8 billion (12.5%) reported as unrestricted net position.

**More detailed information regarding beginning net position restatements is on page 127.**

**State of Arizona-Primary Government**  
**Changes in Net Position for Fiscal Years June 30, 2019 and 2018**  
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,447,525	\$ 1,302,561	\$ 4,536,148	\$ 4,398,074	\$ 5,983,673	\$ 5,700,635
Operating grants and contributions	15,659,663	14,957,252	1,659,758	1,573,533	17,319,421	16,530,785
Capital grants and contributions	519,021	718,794	27,255	20,699	546,276	739,493
General revenues:						
Sales taxes	7,673,015	7,194,123	81,418	75,642	7,754,433	7,269,765
Income taxes	5,579,102	4,946,644	—	—	5,579,102	4,946,644
Tobacco taxes	287,875	298,369	—	—	287,875	298,369
Property taxes	42,208	55,112	—	—	42,208	55,112
Motor vehicle and fuel taxes	2,202,693	1,950,380	—	—	2,202,693	1,950,380
Other taxes	701,912	638,988	—	—	701,912	638,988
Unrestricted investment earnings	165,228	42,463	136,913	50,825	302,141	93,288
Unrestricted grants and contributions	29,964	35,324	—	—	29,964	35,324
Gain on sale of trust land	201,327	161,953	—	—	201,327	161,953
Miscellaneous revenue	245,486	178,298	77,764	79,617	323,250	257,915
Total Revenues	<u>34,755,019</u>	<u>32,480,261</u>	<u>6,519,256</u>	<u>6,198,390</u>	<u>41,274,275</u>	<u>38,678,651</u>
Expenses:						
General government	793,504	933,641	—	—	793,504	933,641
Health and welfare	16,873,025	16,254,160	—	—	16,873,025	16,254,160
Inspection and regulation	149,976	156,149	—	—	149,976	156,149
Education	7,161,842	6,538,614	—	—	7,161,842	6,538,614
Protection and safety	1,601,975	1,954,842	—	—	1,601,975	1,954,842
Transportation	842,112	834,697	—	—	842,112	834,697
Natural resources	235,835	230,505	—	—	235,835	230,505
Intergovernmental revenue sharing	3,708,063	3,480,014	—	—	3,708,063	3,480,014
Interest on long-term debt	172,071	153,914	—	—	172,071	153,914
Universities	—	—	5,476,780	5,166,157	5,476,780	5,166,157
Other business-type activities	—	—	1,178,051	1,156,810	1,178,051	1,156,810
Total Expenses	<u>31,538,403</u>	<u>30,536,536</u>	<u>6,654,831</u>	<u>6,322,967</u>	<u>38,193,234</u>	<u>36,859,503</u>
Excess (deficiency) before contributions and transfers	3,216,616	1,943,725	(135,575)	(124,577)	3,081,041	1,819,148
Contributions to permanent endowments	—	—	6,838	5,702	6,838	5,702
Transfers	(495,502)	(530,492)	495,502	530,492	—	—
Change in Net Position	<u>2,721,114</u>	<u>1,413,233</u>	<u>366,765</u>	<u>411,617</u>	<u>3,087,879</u>	<u>1,824,850</u>
Net Position - Beginning, as restated	23,601,891	22,103,092	3,647,233	3,235,616	27,249,124	25,338,708
Net Position - Ending	<u>\$ 26,323,005</u>	<u>\$ 23,516,325</u>	<u>\$ 4,013,998</u>	<u>\$ 3,647,233</u>	<u>\$ 30,337,003</u>	<u>\$ 27,163,558</u>

For additional information on the difference between fiscal year 2018 ending net position and fiscal year 2019 beginning net position, see Note 8.B.

## Change in Net Position

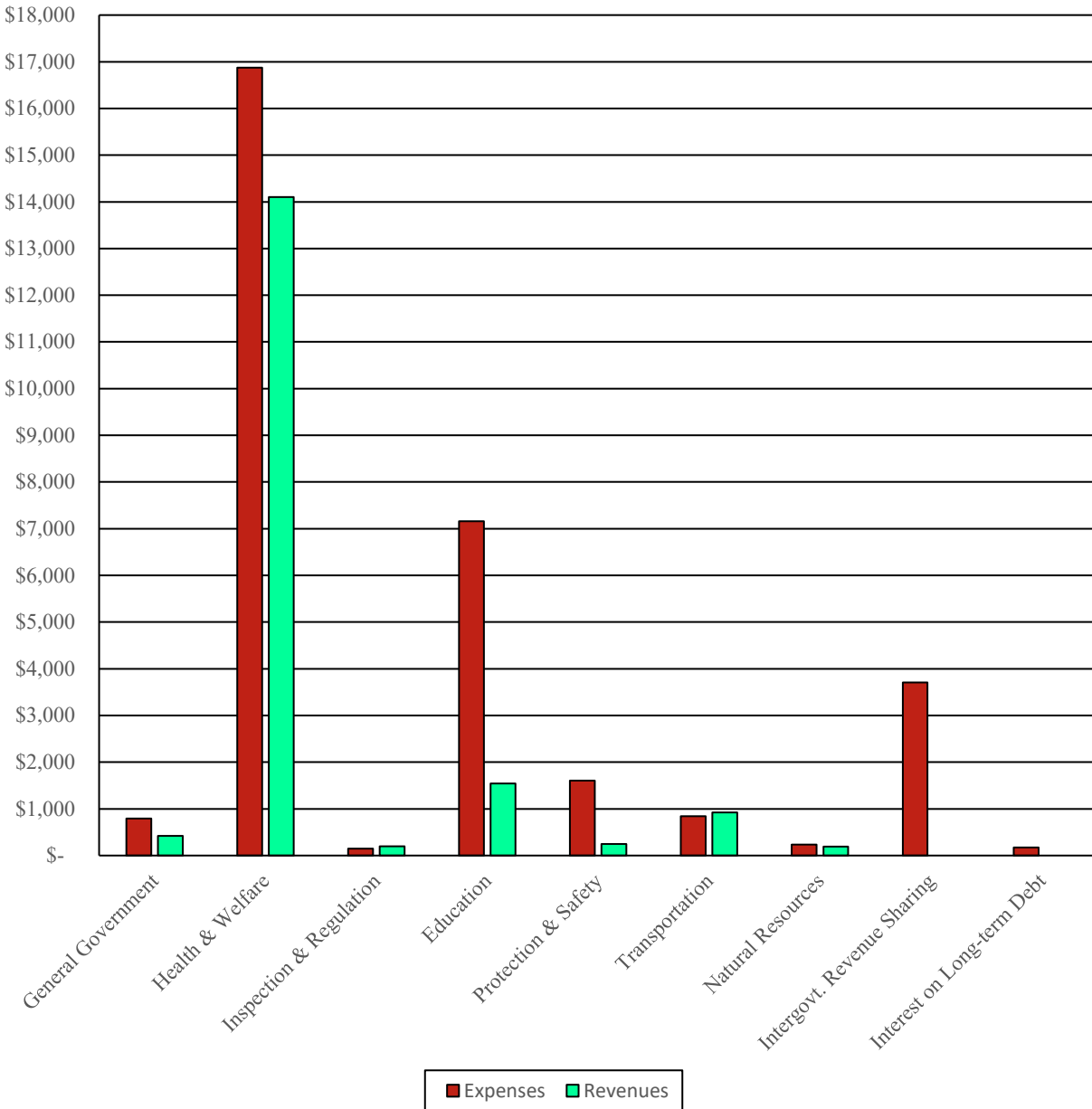
*Governmental Activities* - Net Position increased by \$2.7 billion from fiscal year 2018, or a 12% increase from fiscal year 2018. Reported sales and income tax revenues increased by \$478.9 million, or 7% and \$632.5 million, or 13%, from fiscal year 2018, respectively. The increase in tax collections generally reflects increased economic activity in the State during fiscal year 2019. Net taxable sales increased by 7% from fiscal year 2018, resulting in the increased reported sales tax revenue. The largest increases in net taxable sales during fiscal year 2019 were in retail, contracting, and restaurants and bars. The increase in income tax revenue for the State during fiscal year 2019 reflects increases in withholding, individual, and corporate tax collections. During fiscal year 2019, motor vehicle and fuel taxes increased by \$252.3 million, or 13%. In addition, unrestricted investment earnings increased by \$122.8 million, or 289%, due to increased interest earnings and market appreciation. Furthermore, operating grants and contributions increased by \$702.4 million (5%) over fiscal year 2018. This increase is mostly attributable to the rise in federal and local government grants received by the Arizona Health Care Cost Containment System (AHCCCS) as a result of the increase in expenses incurred due to utilization, capitation rate increases, the additional opioid substance use disorders grants, and enrollment growth. The increase in operating grants and contributions discussed above was offset by a decrease of \$156.1 million in the amount of gains in the fair value of the Permanent Fund investment portfolio from fiscal year 2018. The increase in health and welfare expenses of \$618.9 million (4%) resulted mostly from the increase in expenses for AHCCCS programs, as indicated above. The increase in education expenses of \$623.2 million (10%) was primarily due to the first year of a 3-year plan to raise teacher salaries by 20%, the first year of a 5-year plan to restore additional assistance funding, increased student enrollment growth, and inflation. Expenses decreased by \$352.9 million (18%) for protection and safety primarily due to a decrease in the pension expense for the Corrections Officer Retirement Plan (CORP). Pension expense was higher in the prior fiscal year as a result of a court decision for CORP that adjusted the cost-of-living benefits for retirees who became members before July, 20, 2011. In addition, pension expense was reduced in the current fiscal year due to statutory changes in benefit terms for automatic cost-of-living adjustments for CORP.

A comparison of the net cost (income) of services by function for the State's governmental activities is shown below for fiscal years 2018 and 2019. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

### Governmental Activities (expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2019	2018	2019	2018
<b>Functions/Programs:</b>				
General government	\$ 793,504	\$ 933,641	\$ 373,125	\$ 571,416
Health and welfare	16,873,025	16,254,160	2,772,886	2,887,092
Inspection and regulation	149,976	156,149	(48,446)	(28,385)
Education	7,161,842	6,538,614	5,616,986	4,880,778
Protection and safety	1,601,975	1,954,842	1,355,163	1,739,733
Transportation	842,112	834,697	(79,437)	(200,091)
Natural resources	235,835	230,505	41,783	73,458
Intergovernmental revenue sharing	3,708,063	3,480,014	3,708,063	3,480,014
Interest on long-term debt	172,071	153,914	172,071	153,914
<b>Total Governmental Activities</b>	<b>\$ 31,538,403</b>	<b>\$ 30,536,536</b>	<b>\$ 13,912,194</b>	<b>\$ 13,557,929</b>

**Expenses and Program Revenues  
Governmental Activities for Fiscal Year 2019  
(in millions of dollars)**



*Business-type Activities* - Net Position increased by \$366.8 million from fiscal year 2018, or 10%. This increase is primarily due to increases in net position for the Universities and the Unemployment Compensation Fund of \$129.0 million and \$213.7 million, respectively. Non-operating revenues and transfers from the General Fund more than offset the Universities' operating loss of \$1.4 billion. The Universities' operating revenues increased by \$177.5 million over fiscal year 2018 primarily due to an increase in net student tuition and fees revenue, largely as a result of increased enrollment and modest increases in nonresident tuition and fee rates. Other significant increases included an increase in investment income and in intergovernmental revenue. These increases were offset by the Universities' rise in operating expenses of \$285.4 million over fiscal year 2018 primarily due to increases in expenses for instructional, student support, and research activities. Also, the Unemployment Compensation Fund's unemployment assessment revenue decreased by \$83.3 million and cost of sales and benefits decreased by \$16.1 million, as compared to the prior fiscal year. In addition, unemployment assessment revenue of \$421.5 million was higher than the cost of sales and benefits of \$230.3 million during fiscal year 2019.

A comparison of the net cost (income) of services by function for the State's business-type activities is shown below for the fiscal years 2018 and 2019. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State's taxpayers by each of these functions.

**Business-type Activities  
(expressed in thousands)**

	Total Cost of Services		Net Cost (Income) of Services	
	2019	2018	2019	2018
<b>Functions/Programs:</b>				
Universities	\$ 5,476,780	\$ 5,166,157	\$ 906,292	\$ 790,392
Other	1,178,051	1,156,810	(474,622)	(459,731)
Total Business-type Activities	\$ 6,654,831	\$ 6,322,967	\$ 431,670	\$ 330,661

**FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements.

**General Fund**

The General Fund is the chief operating fund of the State. At June 30, 2019, the non-spendable, restricted and committed fund balances were: \$6.6 million, \$339.1 million, and \$150.1 million, respectively.

The fund balance of the State's General Fund increased \$1.0 billion during the fiscal year. Revenues exceeded expenditures by \$1.7 billion, before other financing sources and uses. However, other financing sources and uses offset this excess by \$655.4 million, which consist primarily of transfers to the Universities in support of higher education, offset by legislative transfers from other funds to the General Fund. Overall revenues increased by \$1.9 billion (7%) and expenditures increased by \$1.2 billion (5%) from fiscal year 2018. Primary reasons for increases in fund balance during the fiscal year are increased collections of sales and income taxes and increased intergovernmental revenue, including a rise in federal and local government funding received by AHCCCS. Primary reasons for decreases in fund balance during the fiscal year are due to expenditure increases for health and welfare, education, and intergovernmental revenue sharing. The significant increases and decreases were discussed in the government-wide financial analysis beginning on **page 25**.

**Transportation and Aviation Planning, Highway Maintenance and Safety Fund**

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance increased \$182.3 million during fiscal year 2019. Although revenues exceeded expenditures by \$477.8 million, transfers to non-major governmental funds of \$310.9 million to pay debt service, largely offset this excess. Overall, revenue increased by \$114.2 million (4%) and expenditures decreased by \$94.0 million (3%), as compared to the prior fiscal year.

**Land Endowments Fund**

The Land Endowments Fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. For fiscal year 2019, the Land Endowments Fund total fund balance increased \$142.0 million. Endowment investments increased \$234.9 million at fiscal year end, mainly due to a net increase in the fair value of investments of \$225.9 million, receipts from land sales of \$141.6 million, and realized gains of \$97.0 million. This was partially offset by increased distributions resulting from Proposition 123.

## Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial analysis beginning on **page 25**.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Differences between the original budget and the final amended budget resulted in a \$2.3 billion net increase in appropriations for the General Fund. Some of the significant changes in the General Fund appropriations were:

- \$681.3 million increase due to prior fiscal year obligations that were paid in the current fiscal year per A.R.S. § 35-191.
- The \$976.7 million increase to the Department of Education's original budget is primarily due to the basic state aid deferred payment from fiscal year 2018, which was appropriated as a supplemental appropriation in the fiscal year 2019 budget, as well as additional state aid funding.
- The \$350.6 million increase to the General Accounting Office's original budget is primarily due to General Fund transfers for the School Facilities Board (SFB) for the construction of facilities for school districts, for the Universities for the Capital Infrastructure Fund, and for the Budget Stabilization Fund (BSF). The transfer of monies to the BSF is not included in the General Appropriations Act. The BSF is described more fully in the accompanying Notes to the Financial Statements beginning on **page 78**.
- The \$88.7 million increase to the Department of Economic Security's original budget is primarily due to supplemental appropriations for child-care subsidies to increase the number of children served and to increase maximum reimbursement levels, and for the division of developmental disabilities program expenses.
- The \$53.9 million increase to the AHCCCS' original budget is primarily due to supplemental appropriation increases for voluntary payments from political subdivisions related to graduate medical education.
- The \$49.1 million increase to the Universities' original budget is primarily due to one-time funding increases, operating lump sum appropriations, and for lease-purchase payments for research infrastructure facilities.

The actual expenditures were less than the final budget by \$1.2 billion. Of this amount, \$112.9 million will continue as legislative multiple fiscal year spending authority for fiscal years 2020 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$1.0 billion represents the unused portion of the State's legislatively authorized annual operating budget.

**Additional budgetary information can be found on pages 149-161 of this report.**

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totaled \$31.0 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 3%, with a 3% increase in capital assets used for governmental activities and a 4% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$488.3 million.

Major capital asset activity during the current fiscal year included the following:

- The ADOT started or completed roads and bridges totaling \$698.9 million during the fiscal year.
- The Universities' additions to capital assets totaled \$829.4 million and included increased investments in buildings to support instruction, research, and public service missions, as well as building renewal and other capital projects.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2019 and 2018 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,680,293	\$ 3,653,652	\$ 299,057	\$ 271,323	\$ 3,979,350	\$ 3,924,975
Buildings	2,490,482	2,500,455	7,365,896	6,769,269	9,856,378	9,269,724
Improvements other than buildings	207,893	191,861	15,739	15,739	223,632	207,600
Equipment	956,995	944,679	1,668,165	1,619,251	2,625,160	2,563,930
Software and other intangibles	416,770	401,994	160,295	138,205	577,065	540,199
Collections (non-depreciable)	—	—	22,330	21,574	22,330	21,574
Infrastructure	16,473,601	16,330,422	630,125	602,869	17,103,726	16,933,291
Construction in progress	2,953,055	2,468,637	342,683	582,438	3,295,738	3,051,075
Development in progress	114,547	37,790	77,364	88,190	191,911	125,980
Total Capital Assets	27,293,636	26,529,490	10,581,654	10,108,858	37,875,290	36,638,348
Less: accumulated depreciation	(2,200,372)	(2,118,112)	(4,638,666)	(4,402,700)	(6,839,038)	(6,520,812)
Total Capital Assets, Net	\$ 25,093,264	\$ 24,411,378	\$ 5,942,988	\$ 5,706,158	\$ 31,036,252	\$ 30,117,536

As provided by GASB Statement No. 34, the State has elected to record its infrastructure assets, which the ADOT is responsible for maintaining, using the modified approach as described in Note 1.G. Assets accounted for under the modified approach include 6,822 center lane miles of roads (21,532 travel lane miles) and 4,860 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.55 was achieved for fiscal year 2019.

The State manages its bridges using the Bridge Management System. To comply with federal standards, the State is expected to maintain its bridges to a condition where not more than 10.0% are classified as poor. The State's most recent assessment indicated that 1.4% of the bridges were so classified for fiscal year 2019.

The State's most notable and largest highway construction project to date began in fiscal year 2016 and was for the design, construction, and 30-year maintenance of the Loop 202 South Mountain Freeway. The project is a 22-mile, 8 lane freeway that will complete the Loop 202 and Loop 101 freeway system. Right-of-way cost estimates, not contractually committed, brings the total project cost estimate to \$2.0 billion, not including financing costs. The project's completion date is anticipated to occur in late 2019. Actual costs incurred by the ADOT through June 30, 2019 for this project are \$1.4 billion.

**More detailed information regarding capital assets is on pages 98 and 99.**

## Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9, Section 5, provides that the State may contract debts not to exceed \$350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

- The ADOT issued revenue bonds for \$262.0 million to pay the costs of design, right-of-way purchase, and/or construction of certain freeways and other routes within Maricopa County.
- The Universities issued revenue bonds for \$281.2 million to fund the construction and renovation of capital facilities.

### State of Arizona-Primary Government Outstanding Major Long-Term Debt as of June 30, 2019 and 2018 (expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ 2,366,595	\$ 2,371,765	\$ 3,296,480	\$ 3,109,245	\$ 5,663,075	\$ 5,481,010
Grant anticipation notes	223,885	177,420	—	—	223,885	177,420
Certificates of participation	1,393,865	1,585,995	451,831	502,636	1,845,696	2,088,631
Capital leases	152,153	189,581	124,952	131,134	277,105	320,715
Total	\$ 4,136,498	\$ 4,324,761	\$ 3,873,263	\$ 3,743,015	\$ 8,009,761	\$ 8,067,776

**More detailed information regarding long-term debt can be found on pages 114-125**

## ECONOMIC CONDITION AND OUTLOOK

As a result of the COVID-19 outbreak, economic uncertainties have arisen. However, the related financial impact and duration cannot be reasonably estimated at this time.

*The following budgetary information is based on the State of Arizona's Fiscal Year 2020 Appropriations Report.*

The State's fiscal year 2020 General Fund budget reflects projected growth in base revenues of 4.4%. The net revenues are projected to increase from \$11.4 billion in fiscal year 2019 to \$11.9 billion in fiscal year 2020. General Fund spending is projected to increase from \$10.7 billion in fiscal year 2019 to \$11.9 billion in fiscal year 2020. The budget includes increased spending for K-12 education changes, one-time transportation funding, increases for Department of Economic Security spending, and one-time payoff of operating debt-financing. The General Fund fiscal year 2020 cash balance is projected to be a \$65 million balance.

The enacted budget's 3-year spending plan provides estimates of fiscal year 2021 and fiscal year 2022 spending.

The fiscal year 2021 General Fund budget is forecasted to have revenues of \$11.5 billion and expenditures of \$11.5 billion, with a \$42 million balance. After accounting for legislation enacted separately from the budget and technical adjustments, fiscal year 2021 revenues are projected to be \$11.5 billion compared to spending of \$11.5 billion. The fiscal year 2021 balance is estimated to be \$43 million. The structural balance (difference between ongoing revenues and expenditures and excludes one-time adjustments and BSF balance) for fiscal year 2020 is estimated to be \$139 million. The fiscal year 2021 spending projection includes statutory formula caseload growth and removal of fiscal year 2020 spending categorized as one-time in the fiscal year 2020 budget process. Fiscal year 2021 ongoing revenues are primarily based on a base growth rate of 3.4% as negotiated between the Executive and the Legislature, but also incorporate separately enacted tax law changes. It also reflects new one-time spending, including \$64 million in one-time fiscal year 2021 spending to complete SFB school construction projects started in fiscal year 2020 and start SFB projects anticipated to begin in fiscal year 2021, \$14 million of funding for teacher pay raises that will be funded from an ongoing funding source starting in fiscal year 2022, and \$80 million for costs of a 27<sup>th</sup> pay period.

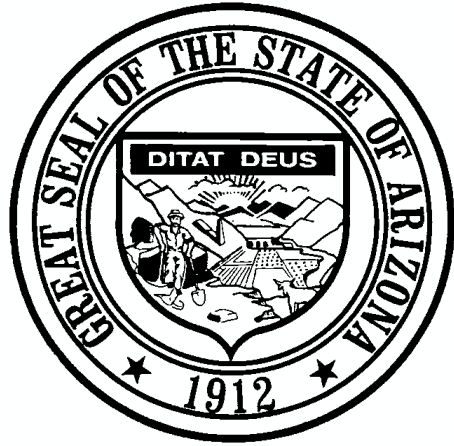


The fiscal year 2022 General Fund budget is forecasted to have revenues of \$11.9 billion and expenditures of \$11.9 billion, with a \$5 million balance. After accounting for technical adjustments, fiscal year 2022 revenues are projected to be \$11.9 billion compared to spending of \$11.9 billion. The fiscal year 2022 budget is estimated to have a \$12 million balance. The structural balance for fiscal year 2021 is estimated to be \$27 million. The fiscal year 2022 spending includes statutory formula caseload growth and removal of one-time fiscal year 2021 spending. Fiscal year 2022 ongoing revenues reflect a negotiated base growth rate of 3.7%, further adjusted for previously enacted tax law changes. It also reflects new one-time spending, including \$46 million to complete SFB school construction projects anticipated to start in fiscal year 2021 and start SFB projects anticipated to begin in fiscal year 2022 and \$30 million to reduce the K-12 rollover.

### **CONTACTING THE STATE COMPTROLLER'S OFFICE**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5601. You may also access and print this report at <https://gao.az.gov/financials>.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 69**.



# BASIC FINANCIAL STATEMENTS

**BASIC FINANCIAL STATEMENTS**

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2019  
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 3,015	\$ 425,087	\$ 428,102	\$ 32,554
Cash with U.S. Treasury	—	1,101,115	1,101,115	—
Cash and pooled investment with State Treasurer	4,709,576	220,539	4,930,115	480,858
Restricted cash and pooled investments with State Treasurer	363,335	—	363,335	—
Cash held by trustee	—	—	—	7,878
Collateral investment pool	52,478	—	52,478	—
Short-term investments	—	378,530	378,530	—
Restricted investments held by trustee	—	—	—	722
Receivables, net of allowances:				
Taxes	777,690	76,626	854,316	—
Interest	101,924	2,424	104,348	4,653
Loans and notes	65,952	3,203	69,155	60,194
Other	177,932	264,365	442,297	8,221
Internal balances	(11,620)	11,620	—	—
Due from U.S. Government	1,043,370	160,929	1,204,299	—
Due from local governments	115,230	—	115,230	—
Due from others	324,618	—	324,618	—
Due from component units	7,348	—	7,348	—
Due from primary government	—	—	—	3,756
Inventories, at cost	10,384	17,828	28,212	—
Other current assets	15,291	23,705	38,996	624
Total Current Assets	<u>7,756,523</u>	<u>2,685,971</u>	<u>10,442,494</u>	<u>599,460</u>
Noncurrent Assets:				
Restricted assets:				
Cash	12	26,408	26,420	—
Cash and pooled investments with State Treasurer	1,291,253	—	1,291,253	11,965
Cash held by trustee	45,653	291,106	336,759	21,844
Investments	3,566	—	3,566	—
Investments held by trustee	—	384,796	384,796	1,762
Receivables, net of allowances:				
Loans and notes	190,167	28,662	218,829	641,714
Securities held in escheat	41,784	—	41,784	—
Equity interest in joint venture	—	10,011	10,011	—
Investments	—	1,519,693	1,519,693	81,027
Endowment investments	6,040,351	594,777	6,635,128	—
Net OPEB asset	25,388	69	25,457	—
Other noncurrent assets	—	11,977	11,977	23,310
Capital assets:				
Infrastructure, land, and other non-depreciable	23,198,437	741,434	23,939,871	18,186
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,894,827	5,201,554	7,096,381	79,230
Total Noncurrent Assets	<u>32,731,438</u>	<u>8,810,487</u>	<u>41,541,925</u>	<u>879,038</u>
Total Assets	<u>40,487,961</u>	<u>11,496,458</u>	<u>51,984,419</u>	<u>1,478,498</u>

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
JUNE 30, 2019  
(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	\$ 629,581	\$ 244,437	\$ 874,018	\$ 1,062
Related to OPEB	33,931	24,434	58,365	—
Loss on debt refundings	105,907	73,221	179,128	38,099
Interest rate swap	—	15,298	15,298	—
Total Deferred Outflows of Resources	769,419	357,390	1,126,809	39,161
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	570,421	260,477	830,898	21,392
Payable for securities purchased	—	71	71	—
Accrued liabilities	997,418	128,382	1,125,800	5,564
Obligations under securities loan agreements	52,478	—	52,478	—
Tax refunds payable	15,523	—	15,523	—
Due to U.S. Government	350,371	87	350,458	—
Due to local governments	1,533,862	—	1,533,862	—
Due to others	666,790	105,236	772,026	—
Due to component units	3,756	—	3,756	—
Due to primary government	—	—	—	7,348
Unearned revenue	111,879	280,189	392,068	2,535
Current portion of accrued insurance losses	148,241	34,698	182,939	—
Current portion of long-term debt	553,117	277,604	830,721	39,434
Current portion of other long-term liabilities	168,309	24,969	193,278	56
Total Current Liabilities	5,172,165	1,111,713	6,283,878	76,329
Noncurrent Liabilities:				
Unearned revenue	75,789	—	75,789	7,674
Accrued insurance losses	367,699	429,517	797,216	—
Funds held for others	—	10,819	10,819	—
Net pension liability	3,875,196	1,360,120	5,235,316	2,201
Net OPEB liability	557,542	326,082	883,624	—
Long-term debt	4,027,492	3,970,803	7,998,295	582,360
Derivative instrument - interest rate swap	—	15,298	15,298	—
Other long-term liabilities	194,429	109,913	304,342	—
Total Noncurrent Liabilities	9,098,147	6,222,552	15,320,699	592,235
Total Liabilities	14,270,312	7,334,265	21,604,577	668,564
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	509,101	153,785	662,886	1,054
Related to OPEB	154,962	134,537	289,499	—
Resources received before time requirements met	—	215,312	215,312	—
Gain on debt refundings	—	1,951	1,951	—
Total Deferred Inflows of Resources	664,063	505,585	1,169,648	1,054

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2019  
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 22,109,991	\$ 2,073,576	\$ 24,183,567	\$ 56,941
Restricted for:				
General government	64,262	—	64,262	—
Health and welfare	253,050	—	253,050	—
Inspection and regulation	7,834	—	7,834	—
Education	450,465	—	450,465	—
Protection and safety	15,184	—	15,184	—
Natural resources	17,027	—	17,027	—
Unemployment Compensation	—	1,114,746	1,114,746	—
Capital projects	954,133	22,802	976,935	—
Debt service	—	31,314	31,314	82,866
Permanent funds and University funds:				
Expendable	89,713	345,993	435,706	—
Nonexpendable	6,276,220	272,468	6,548,688	—
Loans and other financial assistance:				
Expendable	8,766	—	8,766	624,296
Other	—	21,753	21,753	12,864
Unrestricted (deficit)	(3,923,640)	131,346	(3,792,294)	71,074
Total Net Position	\$ 26,323,005	\$ 4,013,998	\$ 30,337,003	\$ 848,041

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA  
**STATEMENT OF FINANCIAL POSITION**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2019  
(Expressed in Thousands)

**ASSETS**

Cash and cash equivalent investments	\$ 144,196
Receivables:	
Pledges receivable	269,612
Other receivables	<u>67,579</u>
Total receivables	<u>337,191</u>
Investments:	
Investments in securities	2,352,549
Other investments	<u>97,692</u>
Total investments	<u>2,450,241</u>
Net direct financing leases	61,202
Property and equipment, net of accumulated depreciation	196,696
Other assets	<u>30,416</u>
Total Assets	<u>3,219,942</u>

**LIABILITIES**

Accounts payable and accrued liabilities	34,942
Liability under endowment trust agreements	509,045
Long-term debt	339,624
Deferred revenue	24,981
Other liabilities	<u>42,736</u>
Total Liabilities	<u>951,328</u>

**NET ASSETS**

With donor restrictions	2,078,359
Without donor restrictions	<u>190,255</u>
Total Net Assets	<u>\$ 2,268,614</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<b><u>FUNCTIONS/PROGRAMS</u></b>				
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government	\$ 793,504	\$ 279,469	\$ 140,910	\$ —
Health and welfare	16,873,025	508,029	13,592,110	—
Inspection and regulation	149,976	176,676	21,746	—
Education	7,161,842	60,979	1,483,877	—
Protection and safety	1,601,975	121,157	125,655	—
Transportation	842,112	215,860	186,846	518,843
Natural resources	235,835	85,355	108,519	178
Intergovernmental revenue sharing	3,708,063	—	—	—
Interest on long-term debt	172,071	—	—	—
Total Governmental Activities	<u>31,538,403</u>	<u>1,447,525</u>	<u>15,659,663</u>	<u>519,021</u>
Business-type Activities:				
Universities	5,476,780	2,907,908	1,635,325	27,255
Other	1,178,051	1,628,240	24,433	—
Total Business-type Activities	<u>6,654,831</u>	<u>4,536,148</u>	<u>1,659,758</u>	<u>27,255</u>
Total Primary Government	<u>\$ 38,193,234</u>	<u>\$ 5,983,673</u>	<u>\$ 17,319,421</u>	<u>\$ 546,276</u>
<b>COMPONENT UNITS:</b>				
Arizona Finance Authority	\$ 82,465	\$ 81,114	\$ 12,381	
Other Component Units	60,731	25,230	4,522	
Total Component Units	<u>\$ 143,196</u>	<u>\$ 106,344</u>	<u>\$ 16,903</u>	

General Revenues:

- Taxes:
  - Sales
  - Income
  - Tobacco
  - Property
  - Motor vehicle and fuel
  - Other
- Unrestricted investment earnings
- Unrestricted grants and contributions
- Gain on sale of trust land
- Payments from primary government
- Miscellaneous
- Contributions to permanent endowments
- Transfers
- Total General Revenues, Contributions, and Transfers
- Change in Net Position
- Net Position - Beginning, as restated
- Net Position - Ending

The Notes to the Financial Statements are an integral part of this statement. For beginning balance restatement detail, see Notes 8. B and 15. L.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
\$ (373,125)		\$ (373,125)	
(2,772,886)		(2,772,886)	
48,446		48,446	
(5,616,986)		(5,616,986)	
(1,355,163)		(1,355,163)	
79,437		79,437	
(41,783)		(41,783)	
(3,708,063)		(3,708,063)	
(172,071)		(172,071)	
<u>(13,912,194)</u>		<u>(13,912,194)</u>	
	\$ (906,292)	(906,292)	
	474,622	474,622	
	<u>(431,670)</u>	<u>(431,670)</u>	
<u>(13,912,194)</u>	<u>(431,670)</u>	<u>(14,343,864)</u>	
			\$ 11,030
			<u>(30,979)</u>
			<u>(19,949)</u>
7,673,015	81,418	7,754,433	—
5,579,102	—	5,579,102	—
287,875	—	287,875	—
42,208	—	42,208	—
2,202,693	—	2,202,693	—
701,912	—	701,912	—
165,228	136,913	302,141	15,141
29,964	—	29,964	66
201,327	—	201,327	—
—	—	—	40,762
245,486	77,764	323,250	250
—	6,838	6,838	—
<u>(495,502)</u>	<u>495,502</u>	<u>—</u>	<u>—</u>
<u>16,633,308</u>	<u>798,435</u>	<u>17,431,743</u>	<u>56,219</u>
2,721,114	366,765	3,087,879	36,270
<u>23,601,891</u>	<u>3,647,233</u>	<u>27,249,124</u>	<u>811,771</u>
<u>\$ 26,323,005</u>	<u>\$ 4,013,998</u>	<u>\$ 30,337,003</u>	<u>\$ 848,041</u>

STATE OF ARIZONA  
**STATEMENT OF ACTIVITIES**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUES</b>			
Contributions	\$ 56,322	\$ 348,361	\$ 404,683
Rental revenue	43,314	—	43,314
Sales and services	50,338	—	50,338
Net investment income	47,763	93,075	140,838
Grants and aid	27,706	1,839	29,545
Other revenues	28,425	5,304	33,729
Net assets released from restrictions	244,581	(244,581)	—
Total Revenues	<u>498,449</u>	<u>203,998</u>	<u>702,447</u>
<b>EXPENSES</b>			
Program services:			
Payments to Universities	223,264	—	223,264
Leasing related expenses	12,209	—	12,209
Payments on behalf of Universities	20,568	—	20,568
Other program services	9,619	—	9,619
Management and general expenses	114,168	—	114,168
Fundraising expenses	13,876	—	13,876
Interest	9,972	—	9,972
Depreciation and amortization	10,533	—	10,533
Other expenses	12,698	—	12,698
Total Expenses	<u>426,907</u>	<u>—</u>	<u>426,907</u>
Increase in Net Assets, before gain	71,542	203,998	275,540
Gain on acquisition	3,334	—	3,334
Increase in Net Assets	74,876	203,998	278,874
Net Assets - Beginning, as restated	115,379	1,874,361	1,989,740
Net Assets - Ending	<u>\$ 190,255</u>	<u>\$ 2,078,359</u>	<u>\$ 2,268,614</u>

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA  
**BALANCE SHEET**  
GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
<b>ASSETS</b>			
Cash	\$ 180	\$ —	\$ 28
Cash and pooled investments with State Treasurer	2,798,662	340,911	126,003
Collateral investment pool	18,707	—	33,088
Receivables, net of allowances:			
Taxes	615,114	69,277	—
Interest	378	—	101,546
Loans and notes	38,393	2,544	215,182
Other	99,243	5,363	3,173
Due from U.S. Government	936,567	82,800	—
Due from local governments	115,230	—	—
Due from component units	—	—	—
Due from others	324,618	—	—
Due from other funds	51,694	28,038	196
Inventories, at cost	7,585	212	—
Restricted assets:			
Cash	12	—	—
Cash and pooled investments with State Treasurer	64,203	1,153,540	—
Cash held by trustee	22	1,790	—
Investments	3,566	—	—
Securities held in escheat	41,784	—	—
Endowment investments	—	—	6,040,351
Other	—	—	25
Total Assets	<u>\$ 5,115,958</u>	<u>\$ 1,684,475</u>	<u>\$ 6,519,592</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 358,796	\$ 115,417	\$ 5,960
Accrued liabilities	611,505	10,915	263
Obligations under securities loan agreements	18,707	—	33,088
Tax refunds payable	4,573	10,950	—
Due to U.S. Government	338,173	—	—
Due to local governments	1,124,986	159,815	—
Due to component units	3,756	—	—
Due to others	650,254	—	1
Due to other funds	108,282	19,284	13,618
Unearned revenue	82,862	1,746	100,729
Total Liabilities	<u>3,301,894</u>	<u>318,127</u>	<u>153,659</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>632,698</u>	<u>12,527</u>	<u>303,463</u>
Fund Balances:			
Nonspendable	6,617	212	6,062,470
Restricted	339,116	956,126	—
Committed	150,050	397,483	—
Unassigned	685,583	—	—
Total Fund Balances	<u>1,181,366</u>	<u>1,353,821</u>	<u>6,062,470</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,115,958</u>	<u>\$ 1,684,475</u>	<u>\$ 6,519,592</u>

The Notes to the Financial Statements are an integral part of this statement.

OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 2,807	\$ 3,015
1,187,118	4,452,694
683	52,478
93,299	777,690
—	101,924
—	256,119
30,143	137,922
24,003	1,043,370
—	115,230
7,348	7,348
—	324,618
109,462	189,390
541	8,338
—	12
436,845	1,654,588
43,841	45,653
—	3,566
—	41,784
—	6,040,351
—	25
<u>\$ 1,936,090</u>	<u>\$ 15,256,115</u>

\$ 55,346	\$ 535,519
68,522	691,205
683	52,478
—	15,523
—	338,173
249,061	1,533,862
—	3,756
16,535	666,790
11,640	152,824
2,331	187,668
<u>404,118</u>	<u>4,177,798</u>

432	949,120
—	6,069,299
703,495	1,998,737
828,045	1,375,578
—	685,583
<u>1,531,540</u>	<u>10,129,197</u>
<u>\$ 1,936,090</u>	<u>\$ 15,256,115</u>

STATE OF ARIZONA  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 JUNE 30, 2019  
 (Expressed in Thousands)

**Total fund balances - governmental funds** \$ 10,129,197

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 governmental funds. 25,008,682

Certain revenues collected after year-end are not available soon enough to pay for current period expenditures and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds. 949,120

Internal service funds are used by management to charge the costs of certain activities 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. (385,282)

The allocation of the internal service funds accumulated net gain results in an amount due to business-type activities, which is not reported in the governmental funds. (51,418)

Net OPEB assets held in trust for future benefits are not available in the current period and, therefore, are not reported in the governmental funds. 25,303

Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental funds. These amounts consist of:

Loss on refunding of debt	105,907	
Related to pensions	622,129	
Related to OPEB	<u>33,315</u>	761,351

Certain liabilities and related accrued interest are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. These amounts consist of:

Net pension	(3,830,987)	
Net OPEB	(548,681)	
Revenue bonds	(2,366,595)	
Grant anticipation notes	(223,885)	
Certificates of participation	(1,393,865)	
Accrued interest on certificates of participation	(19,038)	
Capital leases	(152,153)	
Premium on debt	(444,111)	
Compensated absences	(150,716)	
Pollution remediation obligations	(27,910)	
Other	<u>(16,008)</u>	(9,173,949)

Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. (285,456)

Deferred inflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental funds. These amounts consist of:

Related to pensions	(501,959)	
Related to OPEB	<u>(152,584)</u>	(654,543)

**Net position of governmental activities** \$ 26,323,005

The Notes to the Financial Statements are an integral part of this statement.



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STATE OF ARIZONA  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND
<b>REVENUES</b>			
Taxes:			
Sales	\$ 6,660,976	\$ 316,144	\$ —
Income	5,498,061	—	—
Tobacco	57,388	—	—
Property	31,911	10,297	—
Motor vehicle and fuel	63,028	1,955,205	—
Other	585,896	—	—
Intergovernmental	14,631,155	721,248	—
Licenses, fees, and permits	110,121	165,380	7,605
Hospital and nursing facility assessments	—	—	—
Earnings on investments	101,446	32,429	243,653
Sales and charges for services	124,519	50,463	38,340
Fines, forfeitures, and penalties	20,837	—	—
Gaming	7,097	—	—
Tobacco settlement	98,938	—	—
Proceeds from sale of trust land	—	—	141,616
Other	232,849	5,926	11,659
Total Revenues	<u>28,224,222</u>	<u>3,257,092</u>	<u>442,873</u>
<b>EXPENDITURES</b>			
Current:			
General government	719,401	—	6,373
Health and welfare	16,043,519	—	6,714
Inspection and regulation	37,800	—	—
Education	6,001,225	—	278,279
Protection and safety	1,273,697	—	8,622
Transportation	—	813,253	—
Natural resources	66,721	—	4,983
Intergovernmental revenue sharing	2,232,531	1,465,877	—
Debt service:			
Principal	119,962	—	—
Interest and other fiscal charges	24,227	—	—
Capital outlay	37,597	500,155	162
Total Expenditures	<u>26,556,680</u>	<u>2,779,285</u>	<u>305,133</u>
Excess (Deficiency) before Expenditures	<u>1,667,542</u>	<u>477,807</u>	<u>137,740</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	327,726	15,009	6,833
Transfers out	(983,828)	(310,894)	(2,554)
Capital lease and installment purchase contracts	689	—	—
Proceeds from sale of capital assets	—	343	—
Bonds issued	—	—	—
Grant anticipation notes issued	—	—	—
Premium on debt issued	—	—	—
Total Other Financing Sources (Uses)	<u>(655,413)</u>	<u>(295,542)</u>	<u>4,279</u>
Net Change in Fund Balances	1,012,129	182,265	142,019
Fund Balances - Beginning, as restated	<u>169,237</u>	<u>1,171,556</u>	<u>5,920,451</u>
Fund Balances - Ending	<u>\$ 1,181,366</u>	<u>\$ 1,353,821</u>	<u>\$ 6,062,470</u>

The Notes to the Financial Statements are an integral part of this statement. For beginning balance restatement detail, see Note 8. A.

OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 678,468	\$ 7,655,588
—	5,498,061
230,487	287,875
—	42,208
184,460	2,202,693
116,016	701,912
250,391	15,602,794
367,378	650,484
316,040	316,040
111,870	489,398
48,216	261,538
199,676	220,513
92,582	99,679
—	98,938
—	141,616
34,702	285,136
<u>2,630,286</u>	<u>34,554,473</u>
145,477	871,251
733,632	16,783,865
123,078	160,878
889,567	7,169,071
312,573	1,594,892
39,238	852,491
153,538	225,242
9,655	3,708,063
369,560	489,522
184,727	208,954
329,200	867,114
<u>3,290,245</u>	<u>32,931,343</u>
<u>(659,959)</u>	<u>1,623,130</u>
643,596	993,164
(189,565)	(1,486,841)
345	1,034
—	343
262,010	262,010
62,465	62,465
41,449	41,449
<u>820,300</u>	<u>(126,376)</u>
160,341	1,496,754
1,371,199	8,632,443
<u>\$ 1,531,540</u>	<u>\$ 10,129,197</u>

STATE OF ARIZONA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

**Net change in fund balances - total governmental funds** \$ 1,496,754

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. Also, infrastructure was adjusted to primarily reflect reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital outlay to non-capital. This is the amount by which capital outlays exceeded depreciation and infrastructure adjustments in the current period.

Capital outlay	867,114	
Infrastructure adjustment	(24,134)	
Depreciation expense	<u>(142,888)</u>	700,092

The net expense of the internal service funds allocable to governmental activities is included in the Statement of Activities. (8,288)

Net change in certain revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are reported as unavailable deferred inflows of resources in the governmental funds:

Sales taxes	17,427	
Income taxes	81,041	
Tobacco settlement	7,500	
Operating grants	95,929	
Capital grants	(19,120)	
Other revenue	<u>(1,087)</u>	181,690

Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In fiscal year 2019, gains resulting from current year land sales exceeded mortgage payments received. In addition, accrued interest on land sales contracts is reported as revenues in the Statement of Activities but are not reported as revenues in the governmental funds.

Excess of gains on sale of land over mortgage receipts	59,711	
Accrued interest on land sales' contracts	<u>(41,080)</u>	18,631

Pension and OPEB contributions are reported as expenditures in the governmental funds in the fiscal year contributed. However, current year contributions are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability and net OPEB asset/liability are measured a year before the State's current fiscal year-end financial statements. Pension and OPEB expenses, which are the changes in the net pension liability and net OPEB asset/liability, adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, are reported in the Statement of Activities.

Pension contributions made during fiscal year 2019	321,851	
Pension expense and pension-related grant expense	<u>(50,598)</u>	271,253
OPEB contributions during fiscal year 2019	24,271	
OPEB expense	<u>(36,720)</u>	(12,449)

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

Certain expenses reported in Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

AHCCCS accrued programmatic costs	(115,314)	
Compensated absences	18,835	
Pollution remediation obligation	(7,288)	
Interest on long-term obligations	2,214	
Other expenses	(6,499)	(108,052)

Debt proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

GANs issued	(62,465)	
Bonds issued	(262,010)	
Premium on debt issued	(41,449)	(365,924)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities and deferred outflows of resources in the Statement of Net Position. Governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities. In the current year, these amounts consist of:

Debt service principal	489,522	
Debt premium/discount amortization	51,051	
Amortization of deferred losses on refundings	(16,382)	524,191

Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as other financing sources in the governmental funds; however, these amounts are reported as liabilities in the Statement of Net Position.

Governmental funds capital leases and installment purchase contracts	(1,034)	
One-time write off of a capital lease liability does not provide current financial resources, and, therefore, is not reported in the funds	24,250	23,216

**Change in net position of governmental activities**

\$ 2,721,114

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
 PROPRIETARY FUNDS  
 JUNE 30, 2019  
 (Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 381,465	\$ 43,622	\$ 425,087	\$ —
Cash with U.S. Treasury	—	1,101,115	1,101,115	—
Cash and pooled investments				
with State Treasurer	83,803	136,736	220,539	256,882
Short-term investments	254,938	123,592	378,530	—
Receivables, net of allowances:				
Taxes	—	76,626	76,626	—
Interest	1,249	1,175	2,424	—
Loans and notes	3,203	—	3,203	—
Other	229,324	35,041	264,365	40,012
Due from U.S. Government	160,929	—	160,929	—
Due from other funds	—	—	—	4,011
Inventories, at cost	6,450	11,378	17,828	2,045
Other current assets	23,634	71	23,705	15,266
Total Current Assets	<u>1,144,995</u>	<u>1,529,356</u>	<u>2,674,351</u>	<u>318,216</u>
Noncurrent Assets:				
Restricted assets:				
Cash	26,408	—	26,408	—
Cash held by trustee	291,106	—	291,106	—
Investments held by trustee	384,796	—	384,796	—
Receivables, net of allowances:				
Loans and notes	28,662	—	28,662	—
Equity interest in joint venture	10,011	—	10,011	—
Investments	1,117,208	402,485	1,519,693	—
Endowment investments	594,777	—	594,777	—
Net OPEB asset	—	69	69	85
Other noncurrent assets	1,280	10,697	11,977	—
Capital assets:				
Land and other non-depreciable	732,727	8,707	741,434	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	5,168,952	32,602	5,201,554	84,582
Total Noncurrent Assets	<u>8,355,927</u>	<u>454,560</u>	<u>8,810,487</u>	<u>84,667</u>
Total Assets	<u>9,500,922</u>	<u>1,983,916</u>	<u>11,484,838</u>	<u>402,883</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	239,239	5,198	244,437	7,452
Related to OPEB	23,875	559	24,434	616
Loss on debt refundings	73,221	—	73,221	—
Interest rate swap	15,298	—	15,298	—
Total Deferred Outflows of Resources	<u>351,633</u>	<u>5,757</u>	<u>357,390</u>	<u>8,068</u>

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**  
(Expressed in Thousands)

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>UNIVERSITIES</u>	<u>OTHER</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 244,757	\$ 15,720	\$ 260,477	\$ 34,903
Payable for securities purchased	—	71	71	—
Accrued liabilities	70,748	57,634	128,382	1,719
Due to U.S. Government	—	87	87	12,198
Due to others	24,860	80,376	105,236	—
Due to other funds	—	39,798	39,798	779
Unearned revenue	280,028	161	280,189	—
Current portion of accrued insurance losses	—	34,698	34,698	148,241
Current portion of long-term debt	277,604	—	277,604	—
Current portion of other long-term liabilities	23,222	1,747	24,969	12,470
Total Current Liabilities	<u>921,219</u>	<u>230,292</u>	<u>1,151,511</u>	<u>210,310</u>
Noncurrent Liabilities:				
Accrued insurance losses	—	429,517	429,517	367,699
Funds held for others	10,819	—	10,819	—
Net pension liability	1,328,161	31,959	1,360,120	44,209
Net OPEB liability	317,730	8,352	326,082	8,861
Long-term debt	3,970,803	—	3,970,803	—
Derivative instrument - interest rate swap	15,298	—	15,298	—
Other long-term liabilities	109,913	—	109,913	155,634
Total Noncurrent Liabilities	<u>5,752,724</u>	<u>469,828</u>	<u>6,222,552</u>	<u>576,403</u>
Total Liabilities	<u>6,673,943</u>	<u>700,120</u>	<u>7,374,063</u>	<u>786,713</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	149,217	4,568	153,785	7,142
Related to OPEB	132,290	2,247	134,537	2,378
Resources received before time requirements met	215,312	—	215,312	—
Gain on debt refundings	1,951	—	1,951	—
Total Deferred Inflows of Resources	<u>498,770</u>	<u>6,815</u>	<u>505,585</u>	<u>9,520</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,032,267	41,309	2,073,576	84,582
Restricted for:				
Unemployment compensation	—	1,114,746	1,114,746	—
Capital projects	22,802	—	22,802	—
Debt service	31,314	—	31,314	—
Universities fund:				
Expendable	345,993	—	345,993	—
Nonexpendable	272,468	—	272,468	—
Other	—	21,753	21,753	—
Unrestricted (deficit)	<u>(25,002)</u>	<u>104,930</u>	<u>79,928</u>	<u>(469,864)</u>
Total Net Position	<u>\$ 2,679,842</u>	<u>\$ 1,282,738</u>	<u>\$ 3,962,580</u>	<u>\$ (385,282)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			51,418	
Net position of business-type activities			<u>\$ 4,013,998</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands).

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES</b>				
Sales and charges for services:				
Student tuition and fees, net of scholarship allowances of \$779,748	\$ 2,318,748	\$ —	\$ 2,318,748	\$ —
Auxiliary enterprises, net of scholarship allowances of \$38,218	454,569	—	454,569	—
Educational department	134,591	—	134,591	—
Other	—	1,175,162	1,175,162	1,068,009
Assessments	—	430,709	430,709	—
Intergovernmental	670,454	2,501	672,955	—
Nongovernmental grants and contracts	245,708	—	245,708	—
Fines, forfeitures, and penalties	—	2,261	2,261	—
Settlement income	—	20,108	20,108	—
Other	60,394	389	60,783	3,315
Total Operating Revenues	<u>3,884,464</u>	<u>1,631,130</u>	<u>5,515,594</u>	<u>1,071,324</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and benefits	1,508,796	1,076,918	2,585,714	929,033
Scholarships and fellowships	348,716	—	348,716	—
Personal services	3,118,117	38,079	3,156,196	42,518
Contractual services	—	25,090	25,090	36,293
Depreciation and amortization	324,136	3,234	327,370	18,068
Insurance	—	480	480	49,574
Other	—	15,419	15,419	16,488
Total Operating Expenses	<u>5,299,765</u>	<u>1,159,220</u>	<u>6,458,985</u>	<u>1,091,974</u>
Operating Income (Loss)	<u>(1,415,301)</u>	<u>471,910</u>	<u>(943,391)</u>	<u>(20,650)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Share of State sales tax revenues	81,418	—	81,418	—
Intergovernmental	399,414	—	399,414	—
Gifts and donations	312,626	—	312,626	—
Gain on sale of capital assets	96	27	123	816
Investment income	109,214	49,631	158,845	120
Endowment earnings on investments	7,123	—	7,123	—
Gain on extinguishment of debt	—	—	—	4,657
Other non-operating revenue	13,780	3,078	16,858	6
Distributions	—	(14,964)	(14,964)	—
Interest expense	(146,569)	—	(146,569)	—
Other non-operating expense	(22,341)	(3,867)	(26,208)	(8,359)
Total Non-Operating Revenues (Expenses)	<u>754,761</u>	<u>33,905</u>	<u>788,666</u>	<u>(2,760)</u>
Income (Loss) Before Contributions and Transfers	<u>(660,540)</u>	<u>505,815</u>	<u>(154,725)</u>	<u>(23,410)</u>
Capital grants and contributions	27,255	—	27,255	8,842
Contributions to permanent endowments	6,838	—	6,838	—
Transfers in	755,426	15	755,441	9,401
Transfers out	—	(259,939)	(259,939)	(11,226)
Change in Net Position	<u>128,979</u>	<u>245,891</u>	<u>374,870</u>	<u>(16,393)</u>
Total Net Position - Beginning	<u>2,550,863</u>	<u>1,036,847</u>	<u>3,587,710</u>	<u>(368,889)</u>
Total Net Position - Ending	<u>\$ 2,679,842</u>	<u>\$ 1,282,738</u>	<u>\$ 3,962,580</u>	<u>\$ (385,282)</u>
Change in net position of enterprise funds			\$ 374,870	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(8,105)	
Change in net position of business-type activities			<u>\$ 366,765</u>	

The Notes to the Financial Statements are an integral part of this statement.



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STATE OF ARIZONA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNIVERSITIES	OTHER	TOTAL ENTERPRISE FUNDS	ACTIVITIES - INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ —	\$ 562,677	\$ 562,677	\$ —
Receipts from assessments	—	459,173	459,173	—
Receipts from student tuition and fees	2,296,600	—	2,296,600	—
Receipts from sales and services of auxiliary enterprises	456,556	—	456,556	—
Receipts from sales and services of educational departments	134,559	—	134,559	—
Receipts from interfund services / premiums	—	—	—	1,065,630
Receipts from grants and contracts	860,931	2,501	863,432	—
Receipts from student loans collected	6,876	—	6,876	—
Receipts from settlement income	—	12,148	12,148	—
Payments to suppliers, prize winners, claimants, or insurance companies	(1,471,112)	(497,931)	(1,969,043)	(1,001,890)
Payments to employees	(3,123,790)	(58,005)	(3,181,795)	(46,264)
Payments to retirees	—	—	—	(14,476)
Payments for scholarships and fellowships	(358,358)	—	(358,358)	—
Payments for student loans issued	(2,231)	—	(2,231)	—
Other receipts	45,184	4,642	49,826	7,948
Other payments	—	(52)	(52)	(8,359)
Net Cash Provided (Used) by Operating Activities	(1,154,785)	485,153	(669,632)	2,589
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Receipts from custodial funds	280,269	—	280,269	—
Receipts from share of State sales tax	81,493	—	81,493	—
Receipts from grants and contributions	1,797,974	—	1,797,974	—
Transfers from other funds	659,501	15	659,516	41
Custodial funds disbursed	(272,022)	—	(272,022)	—
Grants and contributions disbursed	(1,069,410)	—	(1,069,410)	—
Distributions	—	(44,964)	(44,964)	—
Transfers to other funds	—	(210,841)	(210,841)	(11,226)
Other receipts	17,980	—	17,980	—
Net Cash Provided (Used) by Non-capital Financing Activities	1,495,785	(255,790)	1,239,995	(11,185)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	335	27	362	1,885
Proceeds from capital debt, installment purchase contracts, and capital leases	327,713	—	327,713	—
Receipts from federal subsidy	3,947	—	3,947	—
Receipts from capital grants and contributions	50,506	—	50,506	—
Transfers from other funds	71,122	—	71,122	9,360
Acquisition and construction of capital assets	(572,809)	(12,160)	(584,969)	(11,489)
Interest paid on capital debt, installment purchase contracts, and capital leases	(168,978)	—	(168,978)	—
Principal paid on capital debt, installment purchase contracts, and capital leases	(153,680)	—	(153,680)	—
Net Cash (Used) by Capital and Related Financing Activities	(441,844)	(12,133)	(453,977)	(244)

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u>
	<u>UNIVERSITIES</u>	<u>OTHER</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>ACTIVITIES - INTERNAL SERVICE FUNDS</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	1,046,423	413,661	1,460,084	—
Interest and dividends from investments	70,210	39,549	109,759	119
Change in cash collateral received from securities lending transactions	—	(1,877)	(1,877)	—
Purchase of investments	(801,931)	(383,046)	(1,184,977)	—
Net Cash Provided by Investing Activities	<u>314,702</u>	<u>68,287</u>	<u>382,989</u>	<u>119</u>
Net Increase (Decrease) in Cash and Cash Equivalents	213,858	285,517	499,375	(8,721)
Cash and Cash Equivalents - Beginning	<u>568,924</u>	<u>995,956</u>	<u>1,564,880</u>	<u>265,603</u>
Cash and Cash Equivalents - Ending	<u>\$ 782,782</u>	<u>\$ 1,281,473</u>	<u>\$ 2,064,255</u>	<u>\$ 256,882</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (1,415,301)	\$ 471,910	\$ (943,391)	\$ (20,650)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	324,136	3,234	327,370	18,068
Provision for uncollectible accounts	—	—	—	—
Miscellaneous expense	(10,343)	(428)	(10,771)	(3,696)
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables, net of allowances	(118,122)	10,833	(107,289)	(2,992)
Decrease in due from other funds	—	—	—	543
Decrease in inventories, at cost	677	983	1,660	892
(Increase) decrease in other assets	(3,915)	1,341	(2,574)	1,126
Decrease in net OPEB asset	—	31	31	52
Decrease in equity interest in joint venture	1,447	—	1,447	—
(Increase) decrease in deferred pension outflows of resources	(38,923)	(699)	(39,622)	1,790
(Increase) in deferred OPEB outflows of resources	(8,995)	(204)	(9,199)	(215)
Increase (decrease) in accounts payable	44,339	(5,068)	39,271	(278)
Increase in accrued liabilities	6,303	34,439	40,742	4
Increase in due to U.S. Government	—	87	87	3,702
Increase in due to other funds	—	—	—	4
Increase in due to others	—	152	152	—
Increase in unearned revenue	65,739	95	65,834	—
Increase (decrease) in accrued insurance losses	—	(31,739)	(31,739)	5,663
(Decrease) in net pension liability	(77,356)	(2,003)	(79,359)	(8,143)
Increase in net OPEB liability	14,508	628	15,136	318
Increase in other liabilities	—	137	137	3,693
Increase in deferred pension inflows of resources	63,699	1,252	64,951	2,580
Increase (decrease) in deferred OPEB inflows of resources	(2,678)	172	(2,506)	128
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,154,785)</u>	<u>\$ 485,153</u>	<u>\$ (669,632)</u>	<u>\$ 2,589</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES</b>				
Contribution of capital assets from other funds	\$ —	\$ —	\$ —	\$ 8,842
Acquisition of capital assets through capital leases	16,015	—	16,015	—
Increase in fair value of investments	33,137	13,056	46,193	—
Increase in fair value of investments held by trustee	10,069	—	10,069	—
Amortization of bond premium	24,138	—	24,138	—
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ 83,359</u>	<u>\$ 13,056</u>	<u>\$ 96,415</u>	<u>\$ 8,842</u>

STATE OF ARIZONA  
**STATEMENT OF FIDUCIARY NET POSITION**  
 FIDUCIARY FUNDS  
 JUNE 30, 2019  
 (Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
Cash	\$ 358,059	\$ —	\$ 4,132
Cash and pooled investments with State Treasurer	—	983	75,494
Receivables, net of allowances:			
Accrued interest and dividends	54,105	3,792	3
Securities sold	28,589	—	—
Futures contracts	4,816	—	—
Contributions	126,869	—	—
Court fees	926	—	—
Due from other funds	9,123	—	—
Other	54,342	—	7
Total receivables	<u>278,770</u>	<u>3,792</u>	<u>10</u>
Investments, at fair value:			
Short-term investments	666,570	—	—
Fixed income securities	12,218,644	3,811,956	—
Equity	26,813,905	—	—
Global trading strategies	920,811	—	—
Real assets	890,430	—	—
Real estate	6,909,441	—	—
Private equity	1,383,208	—	—
Private credit	1,604,558	—	—
Collateral investment pool	631,176	47,583	—
Other investments	466,995	—	—
Total investments	<u>52,505,738</u>	<u>3,859,539</u>	<u>—</u>
Due from others	—	—	77,388
Custodial securities in safekeeping	—	—	456,022
Prepaid benefits	—	—	—
Property and equipment, net of accumulated depreciation	3,465	—	—
Total Assets	<u>53,146,032</u>	<u>3,864,314</u>	<u>613,046</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>1,525</u>	<u>—</u>	<u>—</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	25,645	—	—
Payable for securities purchased	28,371	49,749	—
Management fee payable	—	185	—
Obligation under securities loan agreements	631,176	47,583	—
Futures contracts payable	6,111	—	—
Due to local governments	—	—	10,474
Due to others	—	—	602,572
Due to other funds	9,123	—	—
Net pension liability	6,976	—	—
Total Liabilities	<u>707,402</u>	<u>97,517</u>	<u>613,046</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>824</u>	<u>—</u>	<u>—</u>
<b>NET POSITION</b>			
Restricted for:			
Pension benefits	49,937,633	—	—
Other post-employment benefits	2,501,698	—	—
Held in trust for pool participants	—	3,766,797	—
Total Net Position	<u>\$ 52,439,331</u>	<u>\$ 3,766,797</u>	<u>\$ —</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
	<u>TRUST FUNDS</u>	<u>TRUST FUNDS</u>
<b>ADDITIONS:</b>		
Member contributions	\$ 1,384,704	\$ —
Employer contributions	2,301,613	—
Non-employer entity contributions	24,985	—
Member purchase of service credit	24,069	—
Court fees	10,944	—
Investment income:		
Net increase in fair value of investments	2,601,732	9,474
Interest income	91,004	86,826
Dividends	507,873	—
Other investment income	108,260	—
Securities lending income	23,039	484
Total investment income	<u>3,331,908</u>	<u>96,784</u>
Less investment expenses:		
Investment activity expenses	254,699	2,017
Securities lending expenses	12,644	212
Net investment income	<u>3,064,565</u>	<u>94,555</u>
Capital share and individual account transactions:		
Shares sold	—	5,386,502
Reinvested interest income	—	85,436
Shares redeemed	—	(5,218,038)
Net capital share and individual account transactions	<u>—</u>	<u>253,900</u>
Other additions	<u>11,665</u>	<u>—</u>
Total Additions	<u>6,822,545</u>	<u>348,455</u>
<b>DEDUCTIONS:</b>		
Retirement, disability, and survivor benefits	4,259,026	—
Health insurance subsidy	137,733	—
Refunds to withdrawing members, including interest	308,570	—
Administrative expense	39,353	—
Dividends to investors	—	94,676
Other deductions	1,645	—
Total Deductions	<u>4,746,327</u>	<u>94,676</u>
Change in net position restricted in trust for:		
Pension benefits	2,027,338	—
Other post-employment benefits	48,880	—
Pool participants	—	253,779
Net Position - Beginning	<u>50,363,113</u>	<u>3,513,018</u>
Net Position - Ending	<u>\$ 52,439,331</u>	<u>\$ 3,766,797</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
 COMPONENT UNITS  
 JUNE 30, 2019  
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 10,735	\$ 21,819	\$ 32,554
Cash and pooled investments with State Treasurer	274,892	205,966	480,858
Cash held by trustee	7,878	—	7,878
Restricted investments held by trustee	—	722	722
Receivables, net of allowances:			
Interest	4,653	—	4,653
Loans and notes	59,671	523	60,194
Other	4,315	3,906	8,221
Due from primary government	279	3,477	3,756
Other current assets	—	624	624
Total Current Assets	<u>362,423</u>	<u>237,037</u>	<u>599,460</u>
Noncurrent Assets:			
Restricted assets:			
Cash and pooled investments with State Treasurer	11,965	—	11,965
Cash held by trustee	—	21,844	21,844
Investments held by trustee	—	1,762	1,762
Loans and notes receivable, net of allowances	629,270	12,444	641,714
Investments	81,027	—	81,027
Other noncurrent assets	—	23,310	23,310
Capital assets:			
Land and other non-depreciable	—	18,186	18,186
Buildings, equipment, and other depreciable, net of accumulated depreciation	10	79,220	79,230
Total Noncurrent Assets	<u>722,272</u>	<u>156,766</u>	<u>879,038</u>
Total Assets	<u>1,084,695</u>	<u>393,803</u>	<u>1,478,498</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	741	321	1,062
Loss on debt refundings	33,018	5,081	38,099
Total Deferred Outflows of Resources	<u>33,759</u>	<u>5,402</u>	<u>39,161</u>

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
 COMPONENT UNITS  
 JUNE 30, 2019  
 (Expressed in Thousands)

	ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 303	\$ 21,089	\$ 21,392
Accrued liabilities	4,516	1,048	5,564
Due to primary government	7,348	—	7,348
Unearned revenue	—	2,535	2,535
Current portion of long-term debt	29,815	9,619	39,434
Current portion of other long-term liabilities	56	—	56
Total Current Liabilities	<u>42,038</u>	<u>34,291</u>	<u>76,329</u>
Noncurrent Liabilities:			
Unearned revenue	2,157	5,517	7,674
Net pension liability	1,293	908	2,201
Long-term debt	395,884	186,476	582,360
Total Noncurrent Liabilities	<u>399,334</u>	<u>192,901</u>	<u>592,235</u>
Total Liabilities	<u>441,372</u>	<u>227,192</u>	<u>668,564</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	933	121	1,054
Total Deferred Inflows of Resources	<u>933</u>	<u>121</u>	<u>1,054</u>
<b>NET POSITION</b>			
Net investment in capital assets	10	56,931	56,941
Restricted for:			
Debt service	73,613	9,253	82,866
Loans and other financial assistance	597,703	26,593	624,296
Other	—	12,864	12,864
Unrestricted	4,823	66,251	71,074
Total Net Position	<u>\$ 676,149</u>	<u>\$ 171,892</u>	<u>\$ 848,041</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
 COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Finance Authority	\$ 82,465	\$ 81,114	\$ 12,381
Other Component Units	60,731	25,230	4,522
Total	<u>\$ 143,196</u>	<u>\$ 106,344</u>	<u>\$ 16,903</u>

General Revenues:  
 Unrestricted investment earnings  
 Unrestricted grants and contributions  
 Payments from primary government  
 Miscellaneous  
 Change in Net Position  
 Net Position - Beginning, as restated  
 Net Position - Ending

The Notes to the Financial Statements are an integral part of this statement. For beginning balance restatement detail, see Note 15. L.



NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA FINANCE AUTHORITY	OTHER COMPONENT UNITS	TOTAL
\$ 11,030	\$ —	\$ 11,030
—	(30,979)	(30,979)
11,882	3,259	15,141
—	66	66
—	40,762	40,762
36	214	250
22,948	13,322	36,270
653,201	158,570	811,771
\$ 676,149	\$ 171,892	\$ 848,041

STATE OF ARIZONA  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2019  
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
<b>ASSETS</b>					
Cash and cash equivalent investments	\$ 15,496	\$ 98,472	\$ 6,161	\$ 24,067	\$ 144,196
Receivables:					
Pledges receivable, net of allowances	156,536	65,735	—	47,341	269,612
Other receivables	7,204	—	451	59,924	67,579
Total receivables	<u>163,740</u>	<u>65,735</u>	<u>451</u>	<u>107,265</u>	<u>337,191</u>
Investments:					
Investments in securities	1,135,404	986,281	15,371	215,493	2,352,549
Other investments	83,167	—	—	14,525	97,692
Total investments	<u>1,218,571</u>	<u>986,281</u>	<u>15,371</u>	<u>230,018</u>	<u>2,450,241</u>
Net direct financing leases	20,035	—	36,773	4,394	61,202
Property and equipment, net of accumulated depreciation	13,583	2,292	134,828	45,993	196,696
Other assets	<u>17,327</u>	<u>3,610</u>	<u>6</u>	<u>9,473</u>	<u>30,416</u>
Total Assets	<u>1,448,752</u>	<u>1,156,390</u>	<u>193,590</u>	<u>421,210</u>	<u>3,219,942</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	17,638	7,061	720	9,523	34,942
Liability under endowment trust agreements	250,356	223,707	—	34,982	509,045
Long-term debt	92,493	—	234,367	12,764	339,624
Deferred revenue	—	—	—	24,981	24,981
Other liabilities	<u>28,755</u>	<u>—</u>	<u>8,356</u>	<u>5,625</u>	<u>42,736</u>
Total Liabilities	<u>389,242</u>	<u>230,768</u>	<u>243,443</u>	<u>87,875</u>	<u>951,328</u>
<b>NET ASSETS</b>					
With donor restrictions	946,915	905,105	—	226,339	2,078,359
Without donor restrictions	<u>112,595</u>	<u>20,517</u>	<u>(49,853)</u>	<u>106,996</u>	<u>190,255</u>
Total Net Assets	<u>\$ 1,059,510</u>	<u>\$ 925,622</u>	<u>\$ (49,853)</u>	<u>\$ 333,335</u>	<u>\$ 2,268,614</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY ENTERPRISE PARTNERS	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
<b>REVENUES</b>					
Contributions	\$ 205,161	\$ 155,705	\$ —	\$ 43,817	\$ 404,683
Rental revenue	1,982	—	14,987	26,345	43,314
Sales and services	27,177	5,100	11,436	6,625	50,338
Net investment income	98,589	31,901	463	9,885	140,838
Grants and aid	—	—	—	29,545	29,545
Other revenues	9,599	12,786	4,565	6,779	33,729
Total Revenues	342,508	205,492	31,451	122,996	702,447
<b>EXPENSES</b>					
Program services:					
Payments to Universities	118,909	76,961	2,152	25,242	223,264
Leasing related expenses	—	—	—	12,209	12,209
Payments on behalf of Universities	—	14,852	—	5,716	20,568
Other program services	—	—	—	9,619	9,619
Management and general expenses	40,827	7,153	9,512	56,676	114,168
Fundraising expenses	—	8,616	—	5,260	13,876
Interest	1,444	—	8,365	163	9,972
Depreciation and amortization	831	—	9,314	388	10,533
Other expenses	11,067	—	52	1,579	12,698
Total Expenses	173,078	107,582	29,395	116,852	426,907
Increase in Net Assets, before gain	169,430	97,910	2,056	6,144	275,540
Gain on acquisition	—	—	—	3,334	3,334
Increase in Net Assets	169,430	97,910	2,056	9,478	278,874
Net Assets - Beginning	890,080	827,712	(51,909)	323,857	1,989,740
Net Assets - Ending	\$ 1,059,510	\$ 925,622	\$ (49,853)	\$ 333,335	\$ 2,268,614

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STATE OF ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the State of Arizona (the State) conform to U.S. Generally Accepted Accounting Principles (U.S. GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**A. REPORTING ENTITY**

The State is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units. Component Units' footnote disclosures are presented in Note 15 - *Discretely Presented Component Unit Disclosures*.

***Component Units***

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Where the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity if it is fiscally dependent on the State and there is a potential for the organization to either provide specific financial benefits to, or to impose specific financial burdens on, the State. Further, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading.

In addition, GASB requires that legally separate, tax-exempt entities that meet *all* of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Northern Arizona Capital Facilities Finance Corporation (NACFFC), the Thunderbird School of Global Management (Thunderbird), and the Arizona State University Athletic Facilities District (ASUAFD) are blended with the Universities' financial statements. The NACFFC was established for the purpose of acquiring, developing, constructing, and operating student housing and other capital facilities and equipment for the use and benefit of Northern Arizona University's (NAU) students. The NACFFC's debt outstanding is expected to be repaid entirely or almost entirely with resources from the NAU. The Thunderbird primarily exists to benefit the Arizona State University (ASU) by providing a framework for global education programming. The ASUAFD was formed pursuant to the provisions of Arizona Revised Statutes (A.R.S.) Title 48, Chapter 26 and supports the ASU's efforts to construct, reconstruct, finance, furnish, maintain, and improve intercollegiate athletic facilities located on the ASU's property, including utilities, roads, parking areas or buildings necessary for full use of the athletic facilities.

The State reports the following component units as fiduciary funds:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, pension plan that benefits employees of the State and participating political subdivisions and school districts. The ASRS is administered in accordance with provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms. The State has the ability to impose its will on the ASRS as the State Legislature can modify the plan design and benefits. Additionally, per A.R.S. § 38-721, the State Legislature appropriates monies to pay for the administrative expenses of the ASRS. Complete financial statements may be obtained from the ASRS's administrative office at P.O. Box 33910, Phoenix, AZ 85067-3910, (602) 240-2000, or its website at <https://www.azasrs.gov>.

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The Public Safety Personnel Retirement System (PSPRS) is an agent, multiple-employer public employee retirement system that benefits public safety employees of certain state, county, and local governments. The PSPRS is jointly administered by the Board of Trustees and 230 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The Board of Trustees, which is comprised of a nine-member board, serve a fixed five-year term. Two board members are appointed by the President of the Senate, two are appointed by the Speaker of the House of Representatives, and five are appointed by the Governor. The State has the ability to impose its will on the PSPRS as the State Legislature can modify the plan design and benefits. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at [www.psprs.com](http://www.psprs.com).

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer public employee retirement plan that benefits elected officials and judges of certain state, county, and local governments who were members of the plan on December 31, 2013, and remain in the plan. As part of the 2013 Fifty-first Legislature, House Bill 2608 effectively closed the EORP to new members and created the Elected Officials' Defined Contribution Retirement System, with an effective date of January 1, 2014. The Board of Trustees of the PSPRS administers the EORP plan according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The State has the ability to impose its will on the EORP as the State Legislature can modify the plan design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at [www.psprs.com](http://www.psprs.com).

The Corrections Officer Retirement Plan (CORP) is a multiple-employer public employee retirement plan that benefits prison and jail employees of certain state, county, and local governments. CORP includes a cost-sharing multiple employer plan for Administrative Office of the Courts (AOC) probation officers and an agent multiple-employer plan for all other members. Pension reform legislation (Senate Bill 1442) passed in 2017 that created a new tier of benefits for those members who will become members on or after July 1, 2018. Senate Bill 1442 closed CORP to new members for corrections and detention positions. Newly hired corrections and detention officers who work in state prisons, county jails, and municipalities will receive retirement benefits through the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). CORP remains open for new hires of the AOC's probation and surveillance positions. Those hired into these positions will have a choice of enrolling in the defined benefit plan or in the PSPDCRP. The Board of Trustees of the PSPRS, 28 local boards of the CORP, and 15 local boards of the AOC administer the plans according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. The State has the ability to impose its will on the CORP and AOC as the State Legislature can modify the plans design and benefits. Complete financial statements may be obtained from the PSPRS's administrative office at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, (602) 255-5575, or its website at [www.psprs.com](http://www.psprs.com).

The State reports the following discretely presented component units:

*Major Component Unit:*

Arizona Finance Authority (AFA) - In the Fifty-second Legislature - Second Regular Session (2016), the State Legislature passed into law House Bill 2666 (HB2666) that established the AFA. The AFA was created to provide a one-stop shop for financing, supporting expanding and relocating businesses, communities' infrastructure needs, and first-time homebuyers. The Water Infrastructure Finance Authority (WIFA), the Greater Arizona Development Authority (GADA), and the Arizona Industrial Development Authority (AIDA) are established in the AFA by HB2666 for this purpose. Also enacted by this law, the powers, duties, and responsibilities of the Arizona Health Facilities Authority, the Arizona Housing Finance Authority, and the Arizona International Development Authority succeed to the AIDA. The AFA is governed by a five-member board of directors that also governs the AFA's WIFA, GADA, and AIDA. Members are appointed by the Governor and serve at the pleasure of the Governor; thus, the State has the ability to impose its will on AFA.

The AFA's WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The AFA's WIFA has also entered into an agreement with the U.S. Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The AFA's GADA provides cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The AFA's AIDA provides cost-effective capital for private borrowers by reducing their financing costs through the issuance of tax-exempt bonds. Complete financial statements for AFA's WIFA and GADA may be obtained from the administrative office at 100 North 7th Avenue, Suite 100, Phoenix, AZ 85007, (602) 364-1323. Complete financial statements for AFA's AIDA may be obtained from Kutak Rock LLP's administrative office at 8601 North Scottsdale Road, Suite 300, Scottsdale, AZ 85253.

*Non-major Component Units:*

Rio Nuevo Multipurpose Facilities District (Rio Nuevo) - The Rio Nuevo was established in 1999 with the passage of Proposition 400 by the voters in the Cities of Tucson and South Tucson. Under A.R.S. § 42-5031, the District can utilize tax incremental financing to help develop multipurpose facilities in the downtown Tucson area. The Rio Nuevo is governed by a nine-member board of directors, with five members appointed by the Governor, two members appointed by the President of the Senate, and the remaining two members appointed by

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the Speaker of the House of Representatives. All board of directors can be removed at will; thus, the State has the ability to impose its will on Rio Nuevo. Complete financial statements may be obtained from Rio Nuevo's administrative office at 400 West Congress, Suite 152, Tucson, AZ 85701, (520) 623-7336, or its website at <https://rionuevo.org>.

Arizona Power Authority (APA) - The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. The APA is required to follow specific State policies; thus, the State has the ability to impose its will on APA. Complete financial statements may be obtained from the APA's administrative office at 1810 West Adams Street, Phoenix, AZ 85007-2679, (602) 368-4265.

Arizona Commerce Authority (ACA) - The ACA is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion, and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus, and responsiveness; and advancement of public policy to meet the State's economic development objectives. The ACA is governed by a nineteen-member board of directors consisting of the Governor serving as Chairperson, a Chief Executive Officer, and seventeen members consisting of private sector business leaders serving staggered three-year terms, of which, nine are appointed by the Governor, four are appointed by the President of the Senate, and the other four are appointed by the Speaker of the House of Representatives. A financial benefit/burden relationship exists between the State and ACA as its primary funding source is the allocated State General Fund withholding tax revenues received in each fiscal year according to A.R.S. § 43-409. Complete financial statements may be obtained from the ACA's administrative office at 100 North 7<sup>th</sup> Avenue, Suite 400, Phoenix, AZ 85007, (602) 845-1200.

Arizona Public School Credit Enhancement (APSCE) - The APSCE was established to assist achievement district schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financings issued by or on behalf of achievement district schools. The APSCE is governed by a three-member board of directors that is established by A.R.S. § 15-2152 and consists of the Governor (or designee), State Treasurer (or designee), and the director of the Department of Administration (or designee). A financial benefit/burden relationship exists between the State and APSCE as monies were appropriated by the State Legislature for partial capitalization of its fund. Separate financial statements are not prepared for the APSCE.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of the ASU Preparatory Academy, Inc. (ASU Prep), and Campus Research Corporation (CRC). The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.

The following discretely presented component units of the State affiliated with the Universities are reported as *major* component units:

Arizona State University Enterprise Partners (ASUEP) - The ASUEP's resources are disbursed at the discretion of the ASUEP's independent board of directors, in accordance with donor directions and the ASUEP policy. The directors of the ASUEP make all decisions regarding the ASUEP's business affairs, including distributions made to the ASU. The economic resources held by the ASUEP are significant to the ASU and are entirely for the benefit of the ASU.

Arizona Capital Facilities Finance Corporation (ACFFC) - The ACFFC provides facilities for use by students of ASU or ASU itself. A fiscal dependency and financial benefit/burden relationship exists between the ACFFC and the ASU.

University of Arizona Foundation (U of A Foundation) - The U of A Foundation advances the U of A by building relationships, securing philanthropic support, and stewarding assets. The restricted resources held by the U of A Foundation are significant to the U of A and can only be used by, or for the benefit of, the U of A or its constituents.

The following discretely presented component units of the State affiliated with the Universities are reported as *non-major* component units:

Arizona State University Alumni Association (ASU Alumni Association) and Sun Angel Foundation - These two component units of the State affiliated with the Universities receive funds primarily through donations, dues, and/or affinity partners and contribute funds to the ASU for support of various programs. The economic resources held by these two component units are significant to the ASU and are entirely for the benefit of the ASU.

Arizona State University Research Park, Inc. (ASU Research Park) - The ASU Research Park manages a research park to promote and support research activities in coordination with ASU. In developing the research park, bonds were issued that are guaranteed by the ASU. A fiscal dependency and financial benefit/burden relationship exists between the ASU Research Park and the ASU.

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ASU Preparatory Academy, Inc. (ASU Prep) - The ASU Prep prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities.

University of Arizona Alumni Association (U of A Alumni Association) - The U of A Alumni Association was established to serve the U of A, its graduates, former students, and friends by cultivating lifelong connections, strengthening commitment to the U of A and inspiring advocacy, engagement, and giving. The economic resources held by the U of A Alumni Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Law College Association (Law Association) - The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The economic resources held by the Law Association are significant to the U of A and are entirely or almost entirely for the benefit of the U of A.

University of Arizona Campus Research Corporation (CRC) - The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (Tech Park), the original U of A Tech Park at Rita Road and the U of A Tech Park at the Bridges, related properties and entities. The CRC currently leases from the U of A all the buildings at the UA Tech Park at Rita Road. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Tech Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices, and programs.

University of Arizona Eller Executive Education (EEE) - The EEE was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders. The U of A president appoints all EEE board members and can remove any member at will; thus, the U of A can impose its will on the EEE.

Northern Arizona University Foundation, Inc. (NAU Foundation) - The NAU Foundation receives gifts and bequests, administers and invests in securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission. The restricted resources of the NAU Foundation can only be used by, or for the benefit of the NAU or its constituents.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation and the ASUAFD, may be obtained as follows:

ASUEP, ACFFC, ASU Alumni Association, Sun Angel Foundation, ASU Research Park, and the ASU Prep - contact ASU Financial Services at (480) 965-3601

U of A Alumni Association - The University of Arizona Alumni Association, P.O. Box 210109, Tucson, AZ 85721-0109

Law Association - Law College Association, James E. Rogers College of Law at the University of Arizona, 1201 E. Speedway Blvd., Tucson, AZ 85721-0176

CRC - The University of Arizona Science and Technology Park, 9070 South Rita Road, Suite 1750, Tucson, AZ 85747

EEE - Eller Executive Education, P.O. Box 210108, Tucson, AZ 85721-0108

NAU Foundation and NACFFC - Northern Arizona University, Comptroller's Office, P.O. Box 4069, Flagstaff, AZ 86011

The financial statements of the ASUAFD are not available as of June 30, 2019, as there was no financial activity.

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Foundation Comptroller at the following address: The University of Arizona Foundation, Financial Services Office, 1111 N. Cherry Ave., Room 403, Tucson, AZ 85721-0109.

***Related Organizations***

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB for inclusion. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organization described below is not included in the State's financial statements.



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Arizona Sports and Tourism Authority (the Authority) - A.R.S. § 5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, may be re-appointed for one full subsequent term, and can be removed only for cause.

**Joint Ventures**

As described in Note 11, the U of A participates in joint ventures. In accordance with U.S. GAAP, the financial activities of these joint ventures are not included in the State's financial statements.

**B. BASIS OF PRESENTATION**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State 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 usefulness of the information.

**Government-wide statements** provide information about the primary government and its component units. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. 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.

The **Statement of Net Position** presents the State's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The total of assets and deferred outflows of resources, minus the total of liabilities and deferred inflows of resources, is reported as net position. Both the governmental and business-type activities are presented on a consolidated basis by column.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- operating grants and contributions
- capital grants and contributions, including special assessments

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

**Fund financial statements** provide information about the State's funds, including fiduciary funds. 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 non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

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

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*The Transportation and Aviation Planning, Highway Maintenance and Safety Fund* - accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport. The fund primarily receives revenues from motor vehicle and fuel taxes and federal grants.

*The Land Endowments Fund* - holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise fund:

*The Universities* - account for transactions of the State's three universities, which comprise the State's university system.

Additionally, the State reports the following fund types:

*Internal Service Funds* - account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, data processing, telecommunications, information technology, personnel administration, postage and mailing, and surplus material services provided to State agencies on a cost-reimbursement basis.

*Pension and Other Employee Benefit Trust Funds* - account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, for which the State acts as a trustee. These retirement and other post-employment benefit plans accumulate resources to pay pension, health insurance premium subsidies, and long-term disability benefits of State employees and employees of other governmental entities participating in the plans.

*Investment Trust Funds* - account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

*Agency Funds* - account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State.

### C. MEASUREMENT FOCUS AND 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. However, the agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

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 measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for net pension liability, net other postemployment benefits (OPEB) liability, principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expense is incurred for purposes for which restricted and unrestricted net position are available, the State considers restricted and unrestricted amounts to have been spent in that order.

### D. DEPOSITS AND INVESTMENTS

#### 1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Position (unrestricted/restricted) "Cash", "Cash with U.S. Treasury", "Cash and pooled investments with State Treasurer", "Cash held by trustee" and "Collateral investment pool". For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- *Cash (not with State Treasurer)* - includes un-deposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

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- *Cash with U.S. Treasury* - consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.
- *Cash and pooled investments with State Treasurer* - consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's pooled investments are described in Note 2.
- *Cash held by trustee* - consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.
- *Collateral investment pool* - consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

## 2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using State Street prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or based on an evaluation bid. Equities are priced utilizing the primary exchange closing price. All bonds are priced using an evaluated bid, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). The evaluated bid is based on a compilation of primary observable market information or a broker quote in a non-active market.

The ASRS' publicly traded investments are reported at fair value determined by the custodial agents. The agents' determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. The derivative instruments held by the ASRS consist of futures, forward contracts, options, swaps, rights, and warrants. Fair value of derivative instruments are determined by the custodial agent and reported on the Statement of Fiduciary Net Position. The fair value of limited partnership investments are based on estimated current values and accepted industry practice. Fair value is based on estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable fair values.

For the PSPRS, the EORP, and the CORP, short term investments are reported at cost plus accrued interest.

A schedule of investments measured at fair value and additional information regarding the inputs used to determine the fair value of investments are provided in Note 2.

## E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for prior periods including assessments for underpayments, penalties, and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred inflows of resources.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2019. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2019, but not collected until the following month.

## F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the proprietary funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the governmental funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

## G. CAPITAL ASSETS

Capital assets are stated at cost or, if donated, at acquisition value. Interest incurred during the construction of capital assets, net of interest earned on the invested proceeds over the same period, is only capitalized in the proprietary funds.

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Most capital assets are depreciated over their estimated useful lives. However, the State reports most infrastructure assets using the modified approach, as provided by the GASB. Under this approach, rather than being depreciated, costs to maintain and preserve these assets are expensed. This approach is discussed further in the Required Supplementary Information portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

Asset Category	General State Policy		Other Authorized Agency Policies	
	Capitalization Threshold	Estimated Useful Life (years)	Capitalization Threshold	Estimated Useful Life (years)
Land	All capitalized	Not depreciated	All Capitalized	Not Depreciated
Buildings	All capitalized	25 - 40	\$0 - \$100,000	10 - 50
Improvements other than buildings	\$5,000	15	—	—
Equipment	\$5,000	3 - 15	\$0 - \$5,000	3 - 25
Infrastructure	All capitalized	Not depreciated	\$0 - \$100,000	10 - 100
Software	\$1,000,000	5 - 10	\$1,000,000 - \$5,000,000	5 - 10
Other intangibles	\$100,000	Varied	\$100,000	Varied

Other intangibles include non-software licenses and permits, patents, copyrights and trademarks, websites, rights-of-way and easements, and natural resource extraction rights. These are amortized over the shorter of the legal or estimated useful life if the useful life is definite or limited. If the life is indefinite or unlimited, they are not amortized. In addition, rights-of-way and easements are amortized only if the value is separable from the underlying land and natural resource extraction rights are not amortized unless the value of the underlying asset is identifiable.

The State is trustee to approximately 9.2 million acres of land acquired through U.S. Government land grants in the early 1900's. The State's unit of account for trust land is total acres for purposes of applying GASB requirements. Grazing lease agreements with open recreation use comprise the primary use of trust land and the nominal charge received from lease agreements fund the cost of the State's stewardship responsibilities. Trust land is classified as a capital asset. It does not meet the GASB definition of an investment as it's not held primarily for the purpose of income or profit nor does it have a present service capacity based solely on its ability to generate cash or to be sold to generate cash. The State acquired a substantial portion of trust land at no cost and its acquisition value has not been reliably estimated. Accordingly, trust land is not reported in the accompanying financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. Except for the ASU, all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair value at the date of acquisition or acquisition value if donated. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes. The ASU capitalizes all works of art and historical treasures with a unit cost of \$5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 6, respectively.

**H. DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period, and therefore will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets.

**I. INVESTMENT EARNINGS**

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

**J. SCHOLARSHIP ALLOWANCES**

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Position. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarships

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awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Position.

**K. UNEARNED REVENUE**

In the government-wide, governmental fund, and proprietary fund financial statements, unearned revenue is recorded when cash, receivables, or other assets are received prior to their being earned.

**L. POSTEMPLOYMENT BENEFITS**

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

**M. COMPENSATED ABSENCES**

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by the GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered due and payable.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State employment is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 hours if working in a public safety activity or an emergency response activity). An employee who separates from State employment is paid for all unused compensatory leave at a rate of compensation not less than the higher of: (1) the average regular rate received by such employee during the last three years of employment or (2) the final regular rate received by such employee.

For sick leave policy, see Note 12.C.

**N. LONG-TERM OBLIGATIONS**

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method or the effective interest method. Bonds and COPs are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, other issuances, and premiums and discounts on debt as other financing sources and uses in the current period. Long-term obligations are more fully described in Note 6.

**O. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period, and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources decrease net position or fund balance, similar to liabilities.

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**P. NET POSITION/FUND BALANCES**

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is “Net Position” on the government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on the governmental fund financial statements.

Net position is reported in three categories:

**Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

**Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Five classifications are available for reporting fund balances:

**Nonspendable fund balance** includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted or committed) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

**Restricted fund balances** have constraints placed upon the use of the resources that are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions, voter initiatives, or court orders.

**Committed fund balances** can be used only for specific purposes pursuant to constraints imposed by a formal action of the Arizona State Legislature, the State’s highest level of decision-making authority. This formal action is the passage of law by the Legislature, creating, modifying, or rescinding fund balance commitments.

**Assigned fund balance** includes amounts that are constrained by the State’s intent to be used for a specific purpose, but are neither restricted nor committed. The State does not have policies or procedures comparable to the policies that underlie this classification and, accordingly, does not report assigned fund balances.

**Unassigned fund balance** is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which restricted, committed, and unassigned fund balance is available, the State considers restricted, committed, and unassigned amounts to have been spent in that order.

**Budget Stabilization Fund**

The State’s Budget Stabilization Fund (BSF) was enacted in 1990 by A.R.S. § 35-144. The BSF is administered by the State Treasurer, who is responsible for transferring General Fund money into and out of the BSF as required by law. The BSF is designed to set revenue aside during times of above-trend economic growth and to utilize this revenue during times of below-trend growth. The BSF is also known as the “Rainy Day Fund.”

There is a statutory formula to calculate the amount to be appropriated to (deposit) or transferred out (withdrawal) of the BSF. The amount is based on calculations from the Arizona Economic Estimates Commission (EEC). The EEC compares the annual growth rate of real adjusted Arizona personal income (AZPI) for the calendar year ending in the fiscal year to the trend growth rate of real adjusted AZPI for the most recent 7 years. AZPI in the BSF formula is defined as total AZPI less transfer payments, adjusted by the gross domestic product price deflator index. If the annual growth rate exceeds the trend growth rate, the “excess” percent multiplied by General Fund revenue of the prior fiscal year would equal the amount to be deposited into the BSF. If the annual growth rate of AZPI is both less than 2% and less than the trend growth rate, the deficiency when multiplied by the General Fund revenue of the prior year would equal the amount to be withdrawn from the BSF. The BSF’s total fund balance cannot be larger than 10% of the current year’s General Fund revenues, excluding the beginning balance.

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The budgets developed by the Governor and the Joint Legislative Budget Committee and submitted to the State Legislature at the start of each regular session include estimates of the amount to be appropriated to or transferred from the BSF for the upcoming budget year. The final determination of the amount is done by the EEC on June 1 of the budget year. The EEC calculations, however, do not result in any automatic deposits or withdrawals, as they must be authorized by legislative action. Additionally, by a two-thirds majority, the State Legislature, with the concurrence of the Governor, can decrease a deposit or increase a withdrawal. The BSF's fund balance, including earnings on investments, as of June 30, 2019, was \$743.0 million.

**Q. NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No.83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement is effective for financial statements for periods beginning after June 15, 2018. The implementation of this standard had no effect on the financial statements.

GASB Statement No.88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires that additional essential information related to debt, including direct borrowings and direct placements, be disclosed in the notes to the financial statements. This statement is effective for financial statements for periods beginning after June 15, 2018. The State has implemented the requirements of this standard.

**NOTE 2. DEPOSITS AND INVESTMENTS**

**A. DEPOSITS AND INVESTMENT POLICIES**

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, the Industrial Commission (the Commission), and the Insurance Department Guaranty Funds (IDGF). These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes, or a governing board, or both, and are described below.

A.R.S. § 35-312, § 35-313, and § 35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by entities which are U.S. dollar denominated, commercial paper issued by entities which are U.S. dollar denominated, bankers acceptances, collateralized repurchase agreements, money market mutual funds, exchange traded funds, equities, and other securities. The State Treasurer is not allowed to invest in foreign investments unless the investment is denominated in U.S. dollars.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool - FF&C, Local Government Investment Pool - Medium Term, and Local Government Investment Pool - Medium Term FF&C]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the Dodd-Frank Act of 2010. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with A.R.S. § 35-311.

In September 2008, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of \$39.4 million was transferred to the Lehman Brothers Pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities.

In December 2011, the United States Bankruptcy Court for the Southern District of New York entered an order confirming the Modified Third Amended Lehman Brothers Joint Plan of Liquidation. During the current year, approximately \$0.4 million was received as payout of funds being held by the Indenture Trustee for Lehman Brothers securities. The payout received will be allocated to participants based on the participant's share balance and then transferred to the LGIP, reducing the carry or cost basis in the Lehman Brothers Pool. As of June 30, 2019, the carry or cost basis and the fair value for the Lehman Brothers Pool were \$21.4 million and \$0.2 million, respectively. There was a distribution in June 2019 during fiscal year 2019. Future distributions are generally expected every year thereafter. The remaining amount to be recovered is unknown.

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The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Position Value (NPV) of the shares. The NPV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

The Central Arizona Water Conservation District is an individual investment account.

The State Treasurer's deposits and investments disclosures include the amounts reported by the State's component units as (unrestricted/restricted) "Cash and pooled investments with State Treasurer" in the accompanying financial statements, as applicable.

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a "prudent person" acting in a like capacity and familiar with the same matters would use in the conduct of an enterprise of a like character and with like aims as that of the system.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, derivatives, commodities, real estate, loans, and direct investments in partnerships. Per A.R.S. § 38-718, no more than 80% of the ASRS' assets may be invested at any given time in equities, measured at fair value. No more than 40% of the ASRS' assets may be in non-U.S. public investments, measured at fair value. No more than 60% of the ASRS' assets may be invested internally, measured at fair value. No more than 10% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank, measured at fair value. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per A.R.S. § 38-848F(1), § 38-803A(4), and § 38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80% of the combined assets of the system or other plans that the Board of Trustees manages in corporate stocks, based on cost value of such stocks irrespective of capital appreciation. In addition, the PSPRS, the EORP, and the CORP investments shall be restricted to stocks and exchange traded funds that, except for bank and insurance stocks and membership interests in limited liability companies, are either: (1) listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended, (2) designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended, (3) listed or approved on issuance for listing on an exchange registered under the laws of this State or any other State, (4) listed or approved on issuance for listing on an exchange registered of a foreign country with which the U.S. is maintaining diplomatic relations at the time of purchase, except that no more than 20% of the combined assets of the system or other plans that the board manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation, or (5) an exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the Investment Company Act of 1940, and that is both traded on a public exchange and based on a publicly recognized index. Not more than 5% of the combined assets of the system or other plans that the board manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the U.S. government or corporate stock issued by a bank or insurance company. Not more than 5% of the voting stock of any one corporation shall be owned by the system and other plans that the board administers, except that this limitation does not apply to membership interests in limited liability companies.

The Arizona Board of Regents (ABOR) governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per A.R.S. § 23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under A.R.S. § 38-718.

Per A.R.S. § 20-665 and § 20-687, the IDGF's board of directors shall submit to the director the fund's plan of operations. Investment policies adopted pursuant to the plans of operation authorize the IDGF to invest monies in obligations issued or guaranteed by the United States or any of its senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; certain corporate obligations; specified state and local government bonds; interest earning investments such as share, checking, savings accounts, or certificate of deposits.



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**B. CUSTODIAL CREDIT RISK - DEPOSITS AND INVESTMENTS**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer's, the Retirement Systems', and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the ASRS must be equal to at least 100% of the bank balance required to be collateralized (102% for the State Treasurer, the PSPRS, the EORP, and the CORP). Beyond this requirement, these organizations do not have a formal policy specifically addressing custodial credit risk on deposits, except for the State Treasurer. The State statutes require surety collateral for the State Treasurer to consist of either: (1) U.S. Government obligations, State obligations, or obligations of counties or municipalities within the State, (2) State Treasurer's warrant notes, or (3) the safekeeping receipt of the financial institution accepting the deposit.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regard to custodial credit risk for investments. As of June 30, 2019, the State had \$88.9 million in securities that were uninsured, not registered in the State's name, and held by either the counterparty or counterparty's trust department or agent, but not in the State's name.

**C. INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating A.R.S. limitations into their investment policy and setting forth various thresholds or parameters relating to interest rate risk in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASRS has not adopted a specific formal policy for interest rate risk, but does set more restrictive requirements in its contracts with money managers.

The ASU's policies do not limit the overall maturity of the investments held by the operating and endowment funds; however, the operating fund investment policy includes guidelines addressing diversification and liquidity. The capital projects fund's portfolio is not limited as to the overall maturity of its investments, with the funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission approves and contracts with different investment managers of fixed income securities in order to manage the exposure to interest rate risk with each different manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

The IDGF's investment policy requires that the maximum final maturity on an individual investment is 4 years or less.

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The following table presents the State Treasurer's, the ASRS', the ASU's, the Commission's, and the IDGF's weighted average maturity in years by investment type as of June 30, 2019 (expressed in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (in years)</b>
Asset backed securities	\$ 417,704	2.90
Certificates of deposit (negotiable)	96,128	0.43
Commercial mortgage backed securities	154,773	25.77
Commercial paper	2,667,948	0.08
Commingled funds - fixed income	2,177,960	*
Corporate notes & bonds	2,723,168	3.88
Government bonds	1,046,322	7.68
Money market mutual funds	349,983	0.09
Private market fixed income	7,484,331	*
Repurchase agreements	3,324,209	—
U.S. agency mortgage backed securities	1,750,936	19.33
U.S. agency mortgage backed securities - full faith	675,494	22.44
U.S. agency securities	568,451	1.75
U.S. agency securities - full faith	85,950	1.23
U.S. Treasury securities	3,053,882	1.47
Other	1,322	23.91
<b>Total</b>	<b>\$ 26,578,561</b>	

\*Weighted average maturity information for some securities is not available.

The PSPRS, the EORP, and the CORP do not have a formal policy in regard to interest rate risk. The PSPRS, the EORP, and the CORP utilize effective duration to identify and manage its interest rate risk.

The following table presents the PSPRS', the EORP's, and the CORP's effective duration by investment type as of June 30, 2019 (expressed in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Effective Duration (in years)</b>
Asset backed securities	\$ 63	0.09
U.S. agency securities	7,540	19.14
Corporate notes & bonds	602,723	*
<b>Total</b>	<b>\$ 610,326</b>	

\*Duration calculations for some securities are not available.

The U of A does not have a formal policy in regard to interest rate risk. The NAU's investment policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The NAU's endowment fund portfolio has no such limitation.

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The following table presents the interest rate risk for the NAU, the U of A, and other State agencies utilizing the segmented time distribution as of June 30, 2019 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit (negotiable)	\$ 27,344	\$ 9,441	\$ 17,410	\$ 493	\$ —
Corporate notes & bonds	495,513	115,441	325,552	54,520	—
Government bonds	1,652	1,500	152	—	—
Money market mutual funds	211,836	211,836	—	—	—
U.S. agency securities	127,875	44,865	79,960	3,050	—
U.S. Treasury securities	51,884	—	51,702	182	—
Other	6,164	—	2,073	3,020	1,071
Total	\$ 922,268	\$ 383,083	\$ 476,849	\$ 61,265	\$ 1,071

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes as of June 30, 2019 (expressed in thousands):

Interest Rate Terms	Corporate Notes & Securities	U.S. Agency Securities	Other	Total
Investments (including full faith) with coupon tied to the London Interbank Offered Rate (LIBOR) plus/minus a fixed basis point which resets monthly, quarterly, or semi-annually.	\$ 689,147	\$ 138,136	\$ —	\$ 827,283
Asset backed securities with coupon tied to the LIBOR plus/minus a fixed basis point which resets from monthly to quarterly.	69,826	—	—	69,826
Mortgage backed securities (including full faith) - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value of the investment.	87,448	1,876,859	—	1,964,307
U.S. Treasury securities with coupon tied to the U.S. Treasury 3 month bill money market yield plus/minus a fixed basis point which resets weekly.	—	—	4,999	4,999
Investments - where on certain specified dates, the issuer can call the investment. If the investment is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than the increases in the coupon interest rate.	129,555	10,000	—	139,555
Other investments (including full faith) with high sensitivity to rate changes.	—	82,006	—	82,006
Total	\$ 975,976	\$ 2,107,001	\$ 4,999	\$ 3,087,976

**D. CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, notes, negotiable certificates of deposit, and municipal bonds must carry an investment grade rating by any NRSRO. For securities of, or any other interests in, any open-end management type investment company or investment trust, including exchange traded funds, the underlying investments must be securities which are allowable under State statutes. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies, or repurchase agreements. The underlying securities for repurchase agreements are either directly guaranteed by the U.S. Government (Treasury securities) or implicitly guaranteed by the U.S. Government (agency securities).

The ASRS has not adopted a formal policy with respect to credit risk.

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The PSPRS', the EORP's, and the CORP's investment policies are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by Standard and Poor's (S & P). Fixed income securities must have a minimum quality rating of Baa3 by Moody's and BBB by S & P at the time of purchase. The portion of the bond portfolio in securities rated Baa3 through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20% or less of the fair value of the fixed income portfolio. Commercial paper must have a minimum quality rating of P-1 by Moody's and A-1 by S & P at the time of purchase.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and be of the two highest rating categories for short-term obligations of at least two of the NRSROs. In addition, the Universities do not have formal policies that specifically address credit risk over endowment funds. The Universities' endowment funds are primarily invested in their Foundations' endowment pools, which are not rated. The Foundations' investment committees manage the credit risk of the pools' investments. Also, the ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

The Commission's investment policy requires that purchases of fixed income securities will consist of U.S. Treasury or Federal agency obligations or those bonds rated not less than Baa3 by Moody's or BBB- by S & P, except for fixed income managers who have been hired to manage funds in a specialized manner (high yield).

The IDGF's investment policy requires that investments shall be limited to those securities or other investments with a rating no lower than BBB- from S & P.

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2019. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair Value	B							Not Rated
		AAA	AA	A	BBB	BB	Thru C	A-1 / A-2	
Asset backed securities	\$ 400,681	\$ 340,033	\$ 4,977	\$ —	\$ 1,757	\$ 23	\$ 1	\$ 36,191	\$ 17,699
Certificates of deposit (negotiable)	105,881	—	—	20,000	—	—	—	75,878	10,003
Commercial mortgage backed securities	154,773	135,554	6,638	—	—	—	—	—	12,581
Commercial paper	2,667,948	—	—	—	—	—	—	2,665,450	2,498
Commingled funds - fixed income	2,177,960	—	—	—	—	—	—	—	2,177,960
Corporate notes & bonds	3,843,057	83,524	431,550	1,391,205	1,279,399	19,243	5,980	4,987	627,169
Government bonds	1,034,837	123,321	895,431	12,596	508	—	—	—	2,981
Money market mutual funds	561,819	561,819	—	—	—	—	—	—	—
Private market fixed income	7,484,331	—	—	—	—	—	—	—	7,484,331
Repurchase agreements	1,775,000	—	1,775,000	—	—	—	—	—	—
U.S. agency mortgage backed securities	1,738,027	1,609	1,729,553	—	5,109	—	—	—	1,756
U.S. agency securities	703,866	54,006	649,860	—	—	—	—	—	—
Other	37,188	—	—	—	—	—	—	—	37,188
<b>Total</b>	<b>\$ 22,685,368</b>	<b>\$ 1,299,866</b>	<b>\$ 5,493,009</b>	<b>\$ 1,423,801</b>	<b>\$ 1,286,773</b>	<b>\$ 19,266</b>	<b>\$ 5,981</b>	<b>\$ 2,782,506</b>	<b>\$ 10,374,166</b>

**E. CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', the Universities', and the Commission's investment policies provide that no more than 5% of their investments shall be invested in securities issued by a single corporation and its subsidiaries/affiliates. However, securities issued by the U.S. government or its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities are exempt. The State Treasurer also exempts from this policy the purchase of Treasurer Warrant Notes for the State Agencies Diversified pool, provided the maximum amount of the notes purchased shall not exceed 50% of the market value of the pool, bonds issued by an agency of the State, and pre-refunded municipal bonds issued by any entity that are invested in obligations issued or guaranteed by the U.S. government or any of its

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agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities. The PSPRS', the EORP's, and the CORP's investment policies state that no more than 5% of the Fund or its fixed income portfolio at fair value shall be invested in bonds issued by any one institution, agency, or corporation other than bonds issued as direct obligations of, and fully guaranteed by, the U.S. Government. The IDGF's investment policies state that no more than 5% of its investment portfolio or \$5 million, whichever is less, shall be invested with any one issuer, with the exception of the U.S. government, its agencies, or instrumentalities. At June 30, 2019, no investments in any one issuer exceeded more than 5% of the primary government's total investments.

**F. FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS, the PSPRS, the EORP, and the CORP are the primary State agencies that have foreign currency risk. Per A.R.S. § 38-718, no more than 40% of the ASRS' assets may be invested in foreign securities and those investments shall be made only by investment managers with expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. According to State statutes, the PSPRS, the EORP, and the CORP shall not invest more than 20% of the combined assets of the system or other plans that the Board of Trustees manages in foreign securities.

The following table summarizes the State's foreign currency risk as of June 30, 2019 (expressed in thousands):

<b>Foreign Currency Risk by Investment Type at Fair Value</b>				
<b>Currency</b>	<b>Short Term</b>	<b>Equities</b>	<b>Other Investments</b>	<b>Total</b>
Australian Dollar	\$ 1,640	\$ 457,923	\$ —	\$ 459,563
Brazilian Real	140	28,463	—	28,603
British Pound Sterling	4,387	1,129,048	55,963	1,189,398
Canadian Dollar	3,259	682,204	—	685,463
Chilean Peso	78	3,604	—	3,682
Chinese Yuan Renminbi	240	2,138	—	2,378
Columbian Peso	45	1,568	—	1,613
Czech Koruna	18	385	—	403
Danish Krone	225	119,520	—	119,745
Euro Currency	5,631	2,240,671	336,798	2,583,100
Hong Kong Dollar	1,820	312,666	—	314,486
Hungarian Forint	26	752	—	778
Indian Rupee	199	25,566	—	25,765
Indonesian Rupiah	157	7,221	—	7,378
Japanese Yen	11,061	1,658,336	—	1,669,397
Malaysian Ringgit	54	7,395	—	7,449
Mexican Peso	163	12,287	2,563	15,013
New Israeli Shekel	400	49,388	—	49,788
New Taiwan Dollar	1,307	40,259	—	41,566
New Zealand Dollar	210	31,114	—	31,324
Norwegian Krone	434	69,452	4	69,890
Philippine Peso	49	3,518	—	3,567
Polish Zloty	64	4,156	—	4,220
Qatari Riyal	(152)	3,530	—	3,378
Singapore Dollar	678	114,398	—	115,076
South African Rand	52	21,825	—	21,877
South Korean Won	142	45,806	—	45,948
Swedish Krona	720	219,050	—	219,770
Swiss Franc	1,331	538,078	—	539,409
Thai Baht	966	11,375	—	12,341
Turkish Lira	104	1,512	—	1,616
UAE Dirham	132	2,146	—	2,278
Total	\$ 35,580	\$ 7,845,354	\$ 395,328	\$ 8,276,262

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**G. FAIR VALUE MEASUREMENT OF INVESTMENTS**

Fair value measurements are categorized within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) as follows:

- Level 1 - Quoted prices for identical investments in active markets that are accessible at the measurement date;
- Level 2 - Inputs, other than quoted market prices included in Level 1, that are observable, either directly or indirectly;
- Level 3 - Prices or valuations that require inputs that are significant to the fair value measurement and unobservable.

**1. Primary Government (excluding Universities and Retirement Systems)**

**a. Investments Classified in Fair Value Hierarchy**

The investments held by the primary government (excluding Universities and Retirement Systems) at June 30, 2019, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 348,756	\$ —	\$ 348,756	\$ —
Certificates of deposit (negotiable)	95,878	—	95,878	—
Commercial mortgage backed securities	106,826	—	106,826	—
Commercial paper	2,665,450	—	2,665,450	—
Corporate notes & bonds	1,842,081	—	1,842,081	—
Equities	3,769,830	3,769,830	—	—
Government bonds	159,358	—	159,358	—
Money market mutual funds	29,308	7,974	21,334	—
Repurchase agreements	3,324,209	—	3,324,209	—
Security lending collateral investments	100,060	—	100,060	—
U.S. agency mortgage backed securities	1,201,577	—	1,201,577	—
U.S. agency mortgage backed securities - full faith	675,494	—	675,494	—
U.S. agency securities	474,288	—	474,288	—
U.S. agency securities - full faith	85,950	—	85,950	—
U.S. Treasury securities	2,822,398	209,880	2,612,518	—
Other	32,346	31,024	1,322	—
Total investments by fair value level	<u>17,733,809</u>	<u>\$ 4,018,708</u>	<u>\$ 13,715,101</u>	<u>\$ —</u>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Bank loan partnership fund	21,161			
Foreign large value fund	28,079			
High yield short term duration bond fund	22,895			
Total investments measured at the NAV	<u>72,135</u>			
Total investments measured at fair value	<u>\$ 17,805,944</u>			

Investments categorized as Level 1 of the fair value hierarchy are primarily valued using prices quoted in active markets for those investments. Investments categorized as Level 2 of the fair value hierarchy are primarily valued using evaluated bids. The evaluated bid is based on a compilation of primary observable market information or a broker quote in a non-active market.

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**b. Investments Measured at the NAV**

The investments held at June 30, 2019, valued using the NAV per share were as follows (expressed in thousands):

<b>Investments Measured at the NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
Bank loan partnership fund	\$ 21,161	—	N/A	N/A
Foreign large value fund	28,079	—	N/A	N/A
High yield short term duration bond fund	22,895	—	N/A	N/A
Total	<u>\$ 72,135</u>			

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2. Universities

a. Investments Classified in Fair Value Hierarchy

The investments held by the Universities at June 30, 2019, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 58,978	\$ —	\$ 58,978	\$ —
Certificates of deposit (negotiable)	27,594	—	27,594	—
Commercial mortgage backed securities	8,845	—	8,845	—
Commercial paper	2,498	—	2,498	—
Corporate notes & bonds	897,133	—	897,133	—
Equities	9,276	7,623	495	1,158
Equity mutual funds	45,934	12,415	33,519	—
Fixed income mutual funds	3,350	1,315	2,035	—
Government bonds	20,972	—	20,972	—
Money market mutual funds	532,255	207,258	324,997	—
Mutual funds - asset allocation	652	652	—	—
Real estate	61,717	—	—	61,717
U.S. agency securities	221,553	15,790	205,763	—
U.S. Treasury securities	283,368	283,368	—	—
Total investments by fair value level	2,174,125	\$ 528,421	\$ 1,582,829	\$ 62,875
<b>Other Investments at Fair Value</b>				
ASU Foundation Endowment Pool	250,356			
NAU Foundation Investment Pool	34,586			
U of A - Academic Enhancement Fund Trust	247,812			
U of A Foundation	200,596			
U of A - Split Interest Endowment	9,526			
Total other investments at fair value	742,876			
<b>Investments Measured at the NAV</b>				
Equity mutual funds	3,264			
Total investments measured at the NAV	3,264			
Total investments measured at fair value	\$ 2,920,265			

Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange, and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are primarily valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments categorized as Level 3 of the fair value hierarchy are valued using various methods. The fair value of equities are valued using multiple pricing options. For managed assets, business appraisers use valuation methodologies based on a number of assumptions to create the price. For non-managed assets, pricing is provided by various sources including the issuer or private investment manager. Real estate is valued by using either (1) the market approach industry standard valuation technique which includes independent appraisals or (2) the income approach to measuring fair value which discounts future amounts to a single current amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.



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**b. Other Investments at Fair Value**

The fair value of the ASU's position in the ASU Foundation Endowment Pool is based on the ASU's proportionate share of the Pool, which is valued at marked-to-market monthly. The fair values of the U of A Academic Enhancement Fund Trust and Interest in Permanent Endowment are derived from their respective custodial bank's independent pricing services. The U of A has beneficial interests in these investment accounts, and determines fair value based on the U of A's percentage of beneficial interest, which is the unit of account for purposes of fair value determination. The fair value of the U of A's position in the U of A Foundation Pool is based on the U of A's proportionate share of the Pool, which is valued at marked-to-market monthly.

**c. Investments Measured at the NAV**

The investments held by the Universities at June 30, 2019, valued using the NAV per share were as follows (expressed in thousands):

<b>Investments Measured at the NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
Equity mutual funds	\$ 3,264	—	Quarterly	90 days
Total	<u>\$ 3,264</u>			

Equity mutual funds include event-driven hedge funds investing in corporate financial restructurings, major operations reorganizations, distressed situations, and other events.

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**3. Retirement Systems**

**a. Investments Classified in Fair Value Hierarchy**

The investments held by the ASRS, PSPRS, CORP, and EORP at June 30, 2019, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset backed securities	\$ 9,970	\$ —	\$ 9,970	\$ —
Commercial mortgage backed securities	39,102	—	39,102	—
Corporate notes & bonds	479,467	—	479,467	—
Government bonds	1,471,715	51,227	875,732	544,756
Opportunistic equity	10,134	10,134	—	—
Real estate	44,076	—	—	44,076
U.S. agency mortgage backed securities	549,359	—	549,359	—
U.S. equities	10,651,769	10,407,031	465	244,273
Non-U.S. equities	7,915,789	7,760,652	678	154,459
Other	6,740	1,111	5,629	—
Total investments by fair value level	<u>21,178,121</u>	<u>\$ 18,230,155</u>	<u>\$ 1,960,402</u>	<u>\$ 987,564</u>
<b>Investments Measured at the NAV</b>				
Commingled funds - fixed income	2,177,960			
Commingled funds - international emerging markets	1,995,312			
Commingled funds - U.S. equities	2,013,444			
Distressed debt funds	1,707,276			
Global trading strategies	920,811			
Private credit	1,604,558			
Private debt funds	5,451,597			
Private equity funds	5,610,665			
Real assets	890,430			
Real estate	797,237			
Real estate funds	6,068,128			
Risk parity	466,995			
Other credit funds	325,458			
Total investments measured at the NAV	<u>30,029,871</u>			
Cash and short term instruments	666,570			
Securities lending collateral	631,176			
Total investments	<u>\$ 52,505,738</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 are primarily valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 securities, whose stated market prices are unobservable by the marketplace, are primarily priced using discounted cash flow techniques. Real estate assets classified in Level 3 are real estate investments valued by external appraisals generally obtained at least annually and performed by an independent appraiser.

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**b. Investments Measured at the NAV**

The investments held by the ASRS, PSPRS, CORP, and EORP at June 30, 2019, valued using the NAV per share were as follows (expressed in thousands):

<b>Investment Measured at the NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
Commingled funds - fixed income	\$ 2,177,960	\$ —	Daily	2 days
Commingled funds - international emerging markets	1,995,312	—	Daily	1 - 2 days
Commingled funds - U.S. equities	2,013,444	—	Monthly	5 days
Distressed debt funds	1,707,276	909,212	N/A	N/A
Global trading strategies	920,811	51,366	Monthly, Quarterly, Annually	5 days - 1 year
Private credit	1,604,558	924,606	Daily, Monthly, Quarterly, Annually	1 day - 1 year
Private debt funds	5,451,597	3,636,788	N/A	N/A
Private equity funds	5,610,665	3,449,426	N/A	N/A
Real assets	890,430	437,660	Daily, Monthly, Quarterly, Annually	1 day - 1 year
Real estate	797,237	673,190	Daily, Monthly, Quarterly, Annually	1 day - 1 year
Real estate funds	6,068,128	2,971,956	N/A	N/A
Risk parity	466,995	—	Monthly, Quarterly, Annually	5 days
Other credit funds	325,458	1,286,613	N/A	N/A
Total	<u>\$ 30,029,871</u>	<u>\$ 14,340,817</u>		

*Commingled Funds* - The types of strategies within commingled funds include investments in fixed income, public equity, real estate, commodities, and multi-asset type funds. Investments in the commingled multi-asset fund are in a fund that invests in liquid public securities. Multi-asset class strategies invest tactically within and across asset classes, seeking to exploit quantitative or fundamental drivers of asset class returns or risk allocations as market conditions warrant. The funds have a perpetual life. Redemption frequencies range from daily to monthly. There are no plans to liquidate the total portfolio.

*Global Trading Strategies (GTS)* - GTS investments are designed to offer risk reduction, uncorrelated returns and liquidity.

*Private Credit* - Private credit investments are held in funds that focus on debt instruments.

*Private Debt and Other Credit Funds* - Private debt and other credit investments are primarily invested within limited partnerships or limited liability companies. The types of investment strategies within these structures consist of corporate debt, asset backed, and special situations. These investments generally have an approximate life of seven to ten years and are generally illiquid. Redemption restrictions are in place throughout the life of the investment. Distributions are received as investments are realized. There are no plans to liquidate the portfolio.

*Private Equity and Distressed Debt Funds* - Private equity and distressed debt investments are primarily invested within limited partnerships. The types of investment strategies within these partnerships include: buyouts, distressed debt, special situations, secondaries, mezzanine, and venture capital. These investments generally have an approximate life of ten years and are considered illiquid. Redemptions are generally restricted over the life of the partnerships. During the life of the partnerships, distributions are received as underlying partnership investments are realized. There are no plans to liquidate the total portfolio.

*Real Assets* - Real asset investments are held in assets like gas, oil, minerals, and timber.

*Real Estate Funds* - Investments in real estate funds are invested within limited partnerships or limited liability companies. Real estate investments include opportunistic, stabilized, and development assets within multi-family and senior housing, industrial, retail, office, and self-storage, with a North America focus. Redemption restrictions are generally in place throughout the life of the investment unless an early termination right exists. If the early termination right is exercised, the result is an acceleration of distributions and the approximate life of the investment would be reduced. Distributions are received as investments are realized. There are no plans to liquidate the portfolio.

*Risk Parity* - Risk Parity investments focus on allocation of risk or volatility to be more resistant to market downturns.

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**c. Other Investments at Cost Plus Accrued Interest**

Reinvested cash collateral held related to securities lending activities is reported based on the cash deposit value of the collateral held, which approximates fair value. Accordingly, securities lending cash collateral held is not categorized within the fair value level hierarchy.

**H. SECURITIES LENDING**

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

**1. Arizona State Retirement System**

The ASRS is permitted by A.R.S. § 38-718(G) to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with borrowers to loan securities and have the same securities redelivered at a later date. Securities eligible for loan include U.S. fixed income securities, U.S. equities, and international equities. The ASRS currently receives as collateral at least 102% of the fair value of the loaned securities and maintains collateral at no less than 100% for the duration of the loan. At year-end, the ASRS had limited counter party risk to borrowers because the collateral held by the ASRS for each loan exceeded the fair value owed to the ASRS. Securities loaned are initially fully collateralized by cash (USD), U.S. Government or agency securities, sovereign debt, corporate bonds and/or equities. Cash collateral may be reinvested (under certain constraints) in: (a) instruments issued or fully guaranteed by the U.S. Government, Federal agencies, or sponsored agencies or sponsored corporations, (b) repurchase agreements, (c) money market mutual funds, (d) commercial paper, (e) certificates of deposit, and (f) bank notes. The ASRS records the reinvested cash collateral as an asset, and the cash collateral received as an obligation, for securities on loan on the Statement of Fiduciary Net Position. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. The obligation for securities on loan is recorded as a liability because the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2019, the fair value of securities on loan was \$1.2 billion; of which \$138.6 million were cash collateralized loans. Cash of \$143.6 million received as collateral for securities loaned was reinvested and had a net position value of \$143.6 million, as of June 30, 2019. The securities lending payable at June 30, 2019 was \$143.6 million. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. There are no statutory restrictions on the dollar amount of security loans that may be made by the ASRS. The ASRS is indemnified against gross negligence and borrower default by the lending agents, but is not indemnified against cash collateral reinvestment risk.

**2. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan**

The PSPRS, the EORP, and the CORP are permitted by A.R.S. Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized by cash and securities. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102% of the fair value of the loaned U.S. securities and 105% of the fair value of the loaned foreign securities, plus any applicable accrued interest in the case of debt securities. Securities on loan are carried at fair value. As of June 30, 2019, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$372.6 million, \$13.9 million, and \$97.5 million, respectively. At June 30, 2019, the values of the cash collateral for the PSPRS, the EORP, and the CORP were \$375.3 million, \$14.0 million, and \$98.2 million, respectively. At June 30, 2019, the values of the non-cash collateral for the PSPRS, the EORP, and the CORP were \$4.6 million, \$174 thousand, and \$1.2 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent. The PSPRS, the EORP, and the CORP have no credit risk because the associated value of the collateral held exceed the value of the securities loaned.

**3. State Treasurer**

The State Treasurer is permitted under A.R.S. § 35-313 and § 35-324 to enter into securities lending transactions. The State Treasurer's custodial bank manages the securities lending program through a contractual agreement. At fiscal year-end, the State Treasurer had no credit risk exposure to borrowers because the amount the State Treasurer owes to the borrowers exceeds the amount the borrowers owe the State Treasurer. All securities are eligible for loan, but equities and U.S. Treasuries comprise a majority of securities that are on loan. There are no restrictions on the dollar amount of security loans that may be made by the State Treasurer. Securities are loaned for collateral that may include cash (U.S. currency), U.S. and international equities, and other assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. Securities are loaned for collateral valued at not less than 102% of the fair value of the securities loaned at the close of trading on the preceding business day. Investments made with cash collateral are done on an individual investment pool basis and are restricted to the limitations for that investment pool set forth in the State Treasurer's investment policy, except for investments made for certain endowment equity pools. Permitted investments for these equity pools include those investments authorized in section IV of the State Treasurer's investment policy. Cash collateral investments include: (a) obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities including repurchase and tri-party repurchase

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agreements collateralized at no less than 102% by securities, 100% by cash, and 102% by mortgage-backed securities and (b) U.S. 2a-7 money market mutual funds which are regulated by the Securities and Exchange Commission and rated in the highest category by at least one NRSRO.

The State Treasurer records the cash collateral received as an asset and the same amount as obligations under securities loan agreements. As of June 30, 2019, the cost and fair value of securities on loan were \$891.5 million and \$877.1 million, respectively. The associated fair value of the invested collateral was \$896.3 million, of which \$100.1 million was invested cash collateral. All securities loans can be terminated on demand by either the State Treasurer or the borrower. For the cash collateral investments, the weighted average maturity was one day. The State Treasurer does not have the ability to pledge or sell the non-cash collateral unless there is a borrower default. The State Treasurer is indemnified against gross negligence, bad faith, or willful misconduct and borrower default by the lending agent. There were no borrower defaults during the current fiscal year.

At June 30, 2019, the State Treasurer had \$100.1 million outstanding as payable for securities lending, and the following securities on loan were uninsured and held by the bank trust department not in the Treasurer’s name:

U.S. Treasury securities	\$	679,637,401
Equities		99,115,324
Corporate notes		470,864
Total Fair Value	\$	<u>779,223,589</u>

**I. DERIVATIVES**

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- Settlement factors: It has one or more reference rates and one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- Leverage: It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Net Settlement: Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

**1. Arizona State Retirement System**

The ASRS’s derivatives are considered “Investment Derivative Instruments” as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The ASRS’s derivative instruments, which consist of futures contracts, forward contracts, options, swaps, rights, and warrants, are measured at fair value and reported on the Statement of Fiduciary Net Position. Changes in fair values of derivative instruments are reported as net increase (decrease) in fair value of investments on the Statement of Changes in Fiduciary Net Position.

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The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of derivative instruments for the year then ended as reported in the June 30, 2019 financial statements were as follows (expressed in thousands):

<b>Investment Derivatives by Type</b>					
<b>Investment Derivatives</b>	<b>Changes in Fair Value (1)</b>		<b>Fair Value at June 30, 2019</b>		
	<b>Classification</b>	<b>Amount (2)</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
Commodity futures long	Net (decrease) in fair value of investments	\$ (21,807)	Not applicable	\$ —	\$ 109,343
Commodity futures short	Net increase in fair value of investments	9,214	Not applicable	—	(15,517)
Fixed income futures short	Net increase in fair value of investments	65	Not applicable	—	—
Foreign currency forwards	Net (decrease) in fair value of investments	(1,795)	Futures receivable	—	—
Index futures long	Net increase in fair value of investments	12,454	Not applicable	—	416,112
Index futures short	Net (decrease) in fair value of investments	(33,964)	Not applicable	—	(252,760)
Rights	Net (decrease) in fair value of investments	(53)	Equity securities	343	—
Warrants	Net increase in fair value of investments	25	Equity securities	—	—
Total		<u>\$ (35,861)</u>		<u>\$ 343</u>	<u>\$ 257,178</u>

(1) Excludes futures margin payments

(2) Negative values refer to losses

The fair value of derivative instruments reported by the ASRS is based on quoted market prices off national exchanges. The fair values of foreign currency forward contracts are based on mathematical models and are valued using a pricing service, which uses published Reuter's foreign currency rates as the primary source for the calculation.

The maximum amount of loss due to credit risk that the ASRS would incur if the counterparties to the derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security or netting arrangement, is the total unrealized gain of derivatives at the end of the reporting period.

The ASRS has no general investment policy requiring collateral or other security to support derivative instruments. Each investment manager hired has discretion with respect to derivative investments and risk control. Each investment manager is governed by its Investment Manager Agreement.

The ASRS has no general investment policy with respect to netting arrangements. The ASRS's investment managers have master netting arrangements to allow net settlement with the same counterparty in the event the counterparty defaults on its obligations.

As of June 30, 2019, investing activity in derivative instruments were exchange traded contracts. The ASRS did not have any over-the-counter investment derivative instruments as of June 30, 2019. Accordingly, the ASRS was not exposed to loss in case of default of all counterparties of over-the-counter positions as of June 30, 2019.

The ASRS has exposure to interest rate risk due to the investment in fixed income futures. The required risk disclosures are included in the Interest Rate Risk schedule in Note 2.C. The ASRS did not have any derivative instruments highly sensitive to interest rate risk changes as of June 30, 2019.

The ASRS is exposed to foreign currency risk on its foreign currency forward contracts and future contracts. See the Foreign Currency Risk schedule in Note 2.F. for additional information on currency risk exposure. A summary of foreign currency risk from derivative instruments as of June 30, 2019, was as follows (expressed in thousands):

<b>Derivative Instruments Foreign Currency Risk</b>		
<b>Currency Name</b>	<b>Options</b>	<b>Total Exposure</b>
Australian Dollar	\$ 1	\$ 1
Euro Currency	343	343
Total	<u>\$ 344</u>	<u>\$ 344</u>

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**2. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan**

The PSPRS, the EORP, and the CORP have adopted a derivative policy that specifically authorizes external investment managers to enter into certain derivative contracts based on an analysis that the use of such derivatives will have a positive impact on the PSPRS', the EORP's, and the CORP's ability to manage their underlying assets and liabilities. The investment program, indirectly through its external managers, holds investments in futures contracts. External money managers enter into certain derivative instruments primarily to enhance the performance and reduce the volatility of the PSPRS', the EORP's, and the CORP's portfolios, to gain or hedge exposure to certain markets, and to manage interest rate risk. The external managers are required to follow certain controls, documentation and risk management procedures when employing these financial instruments.

Changes in fair value for the year and outstanding futures contracts as of June 30, 2019 were as follows (expressed in thousands):

<b>Investment Derivatives by Type</b>					
<b>Investment Derivatives</b>	<b>Changes in Fair Value</b>		<b>Classification</b>	<b>Fair Value at June 30, 2019</b>	
	<b>Classification</b>	<b>Amount</b>		<b>Amount</b>	<b>Notional</b>
Foreign currency forwards	Net (decrease) in fair value of investments	\$ (274)	Not applicable	\$ —	\$ —
US equity index futures	Net increase in fair value of investments	18,485	Equity securities	5,593	321,569
Total		<u>\$ 18,211</u>		<u>\$ 5,593</u>	<u>\$ 321,569</u>

**3. Arizona State University**

Refer to Note 6.A.4.c. for information on debt derivatives utilized by the ASU.

**J. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS**

The State Treasurer issues separately published Annual Audited Financial Statements. These financial statements provide additional information relating to the State Treasurer's total investing activities, including the investment trust funds. A copy of the State Treasurer's Office Annual Audited Financial Statements can be obtained from their office at: Office of the Arizona State Treasurer, 1700 W. Washington Street, Phoenix, AZ 85007, (602) 542-7800, or their website at <https://aztreasury.gov>.

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**NOTE 3. RECEIVABLES/UNAVAILABLE REVENUE/UNEARNED REVENUE**

**A. TAXES RECEIVABLE**

At June 30, 2019, taxes receivable were as follows (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Government-wide Total
Sales	\$ 595,962	\$ —	\$ 67,217	\$ —	\$ 663,179
Income - individual and corporate	286,891	—	—	—	286,891
Property tax	1,077	—	—	—	1,077
Motor vehicle and fuel	—	69,277	—	—	69,277
Luxury	7,419	—	19,626	—	27,045
Unemployment	—	—	—	76,626	76,626
Other	—	—	6,456	—	6,456
Gross taxes receivable	891,349	69,277	93,299	76,626	1,130,551
Allowance for uncollectible taxes	(276,235)	—	—	—	(276,235)
Net Taxes Receivable	\$ 615,114	\$ 69,277	\$ 93,299	\$ 76,626	\$ 854,316

**B. UNAVAILABLE REVENUE**

At June 30, 2019, the components of unavailable revenue for governmental funds were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Other Governmental Funds	Total Governmental Funds
<b>Unavailable Revenue for Governmental Funds:</b>					
Delinquent sales tax	\$ 172,620	\$ —	\$ —	\$ —	\$ 172,620
Delinquent income tax	145,682	—	—	—	145,682
Tobacco settlement	51,000	—	—	—	51,000
Child support administrative reimbursements	4,073	—	—	—	4,073
Grants	219,302	12,527	—	—	231,829
Drug rebates	38,218	—	—	—	38,218
Land sales receivable	—	—	300,331	—	300,331
Land leases receivable	—	—	3,132	—	3,132
Other	1,803	—	—	432	2,235
Total Unavailable Revenue for Governmental Funds	\$ 632,698	\$ 12,527	\$ 303,463	\$ 432	\$ 949,120



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**C. UNEARNED REVENUE**

At June 30, 2019, the components of unearned revenue were as follows (expressed in thousands):

<b>Unearned Revenue for Governmental Funds:</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Total Unearned Revenue</b>
General Fund:			
Advance insurance premium taxes	\$ 56,148	\$ —	\$ 56,148
Advance county acute and long term care payments	26,578	—	26,578
Other	136	—	136
Transportation & Aviation Planning, Highway			
Maintenance & Safety Fund:			
Magazine subscriptions	1,746	—	1,746
Land Endowments Fund:			
Advance land lease payments	24,940	75,789	100,729
Non-Major Funds:			
Advance payments for Hawaii/Arizona PMMIS Alliance	1,489	—	1,489
Advance renewal of contractors' license assessment	723	—	723
Other	119	—	119
Total Unearned Revenue for Governmental Funds	<u>\$ 111,879</u>	<u>\$ 75,789</u>	<u>\$ 187,668</u>

**Unearned Revenue for Proprietary Funds:**

	<b>Current</b>
Universities:	
Unexpended cash advances received	\$ 135,559
Auxiliary sales and services	28,840
Student tuition and fees	112,560
Other	3,069
Non-Major Funds:	
Other	161
Total Unearned Revenue for Proprietary Funds	<u>\$ 280,189</u>

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**NOTE 4. CAPITAL ASSETS**

Capital asset activities for the fiscal year ended June 30, 2019 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
<b>Governmental Activities:</b>					
Non-depreciable capital assets:					
Land	\$ 3,653,652	\$ 59,985	\$ (34,493)	\$ 1,149	\$ 3,680,293
Construction in progress	2,468,637	709,880	—	(225,462)	2,953,055
Development in progress	37,790	40,654	—	36,103	114,547
Infrastructure	16,301,538	—	—	149,004	16,450,542
Total Non-depreciable Capital Assets	22,461,617	810,519	(34,493)	(39,206)	23,198,437
Depreciable capital assets:					
Buildings	2,500,455	22,431	(17,772)	(14,632)	2,490,482
Improvements other than buildings	191,861	8,548	(1,083)	8,567	207,893
Equipment	944,679	61,256	(47,652)	(1,288)	956,995
Software and other intangibles	401,994	146	(187)	14,817	416,770
Infrastructure	28,884	—	—	(5,825)	23,059
Total Depreciable Capital Assets	4,067,873	92,381	(66,694)	1,639	4,095,199
Less accumulated depreciation for:					
Buildings	(1,067,701)	(60,923)	12,400	4,696	(1,111,528)
Improvements other than buildings	(134,788)	(6,826)	588	(4,239)	(145,265)
Equipment	(655,585)	(68,150)	45,279	19,443	(659,013)
Software and other intangibles	(245,300)	(24,607)	187	(15)	(269,735)
Infrastructure	(14,738)	(450)	—	357	(14,831)
Total Accumulated Depreciation	(2,118,112)	(160,956)	58,454	20,242	(2,200,372)
Total Depreciable Capital Assets, Net	1,949,761	(68,575)	(8,240)	21,881	1,894,827
Total Governmental Activities Capital Assets, Net	\$ 24,411,378	\$ 741,944	\$ (42,733)	\$ (17,325)	\$ 25,093,264
<b>Business-type Activities:</b>					
Non-depreciable capital assets:					
Land	\$ 271,323	\$ 31,823	\$ (4,089)	\$ —	\$ 299,057
Construction in progress	582,438	305,842	(253,847)	(291,750)	342,683
Development in progress	88,190	11,264	—	(22,090)	77,364
Collections	21,574	1,125	(369)	—	22,330
Total Non-depreciable Capital Assets	963,525	350,054	(258,305)	(313,840)	741,434
Depreciable capital assets:					
Buildings	6,769,269	365,951	(59,895)	290,571	7,365,896
Improvements other than buildings	15,739	—	—	—	15,739
Equipment	1,619,251	96,737	(48,064)	241	1,668,165
Software and other intangibles	138,205	—	—	22,090	160,295
Infrastructure	602,869	32,092	(5,770)	934	630,125
Total Depreciable Capital Assets	9,145,333	494,780	(113,729)	313,836	9,840,220
Less accumulated depreciation for:					
Buildings	(2,797,734)	(205,320)	42,418	4	(2,960,632)
Improvements other than buildings	(14,777)	(106)	—	41	(14,842)
Equipment	(1,197,270)	(91,010)	44,817	7	(1,243,456)
Software and other intangibles	(117,158)	(12,267)	—	—	(129,425)
Infrastructure	(275,761)	(18,667)	4,117	—	(290,311)
Total Accumulated Depreciation	(4,402,700)	(327,370)	91,352	52	(4,638,666)
Total Depreciable Capital Assets, Net	4,742,633	167,410	(22,377)	313,888	5,201,554
Total Business-type Activities Capital Assets, Net	\$ 5,706,158	\$ 517,464	\$ (280,682)	\$ 48	\$ 5,942,988

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Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	\$	32,896
Health and welfare		28,422
Inspection and regulation		971
Education		2,163
Protection and safety		64,205
Transportation		22,245
Natural resources		10,054
Total Governmental Activities	\$	<u>160,956</u>

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Universities	\$	324,136
Other		3,234
Total Business-type Activities	\$	<u>327,370</u>

**NOTE 5. PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

The State contributes to several pension plans. The ASRS, PSPRS – Department of Public Safety (PSA), CORP – Department of Corrections (DCA), and EORP are described below. Benefits are established by State statutes and provide retirement, disability, and survivor benefits to State employees. The PSPRS’ Attorney General Investigators, Department of Liquor License and Control Investigators, the ASU Campus Police, the NAU Campus Police, the U of A Campus Police, State Park Rangers, Department of Emergency and Military Affairs, and Game and Fish Department agent multiple-employer defined benefit pension plans and the cost-sharing multiple-employer defined benefit pension plan are not further disclosed because of their relative insignificance to the State’s financial statements. Employees participate in either the agent plan or the cost-sharing plan based on their date of hire. The CORP’s Department of Juvenile Corrections, Department of Public Safety Dispatchers, and Department of Public Safety Detention agent multiple-employer defined benefit pension plans are not further disclosed because of their relative insignificance to the State’s financial statements. Also, the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP), the Elected Officials’ Defined Contribution Retirement System, the Teachers Insurance Annuity Association/College Retirement Equities Fund, and Fidelity Investments Tax-Exempt Services Company defined contribution plans are not further disclosed because of their relative insignificance to the State’s financial statements.

The State contributes to several OPEB plans. The Arizona Department of Administration (ADOA) Defined Benefit Healthcare Plan is described below. The ASRS Health Benefit Supplement Fund (HBS), ASRS Long Term Disability Fund (LTD), and EORP health insurance premium subsidy cost-sharing multiple-employer defined benefit post-employment plans are not further disclosed because of their relative insignificance to the State’s financial statements. The PSPRS’ Department of Public Safety, Attorney General Investigators, Department of Liquor License and Control Investigators, the ASU Campus Police, the NAU Campus Police, the U of A Campus Police, State Park Rangers, Department of Emergency and Military Affairs, and Game and Fish Department agent multiple-employer defined benefit post-employment plans are not further disclosed because of their relative insignificance to the State’s financial statements. The CORP’s Department of Corrections, Department of Juvenile Corrections, Department of Public Safety Dispatchers, and Department of Public Safety Detention agent multiple-employer defined benefit post-employment plans are not further disclosed because of their relative insignificance to the State’s financial statements. Also, the PSPRS health insurance premium subsidy cost-sharing multiple-employer defined benefit post-employment plan is not further disclosed because of its relative insignificance to the State’s financial statements.

Changes in the State's net pension liability and total OPEB (asset)/liability during the fiscal year ended June 30, 2019, were as follows (expressed in thousands):

	Pension		OPEB	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Beginning balance	\$ 4,490,297	\$ 1,436,487	\$ 515,352	\$ 310,847
Increases	610,031	202,424	195,889	31,227
Decreases	(1,225,132)	(278,791)	(179,087)	(16,061)
Ending Balance	<u>\$ 3,875,196</u>	<u>\$ 1,360,120</u>	<u>\$ 532,154</u>	<u>\$ 326,013</u>

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For the year ended June 30, 2019, the State recognized pension expense for all plans to which it contributes of \$216.8 million, (\$40.4) million of grant expense for EORP, and \$57.6 million of OPEB expense. Also, the State reported \$317.7 million of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes, \$4.1 million of grant expenditures related to EORP, and \$24.3 million of OPEB contributions as expenditures in the governmental funds related to all OPEB plans to which it contributes.

**A. ARIZONA STATE RETIREMENT SYSTEM**

**Benefits Provided**—Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Retirement 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 after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions**—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent of the members' annual covered payroll, and statute required the State to contribute at the actuarially determined rate of 11.18 percent of the active members' annual covered payroll. In addition, the State was required by statute to contribute at the actuarially determined rate of 10.41 percent of annual covered payroll of retired members who worked during fiscal year 2019 for the State in positions that an employee who contributes to the ASRS would typically fill. The State's contributions to the pension plan for the year ended June 30, 2019, were \$256.4 million.

During fiscal year 2019, the State paid for ASRS pension contributions from governmental funds as follows: 70.66 percent from the General Fund, 14.13 percent from major funds, and 15.21 percent from other funds.

**Pension Liability**—At June 30, 2019, the State reported a liability of \$3.1 billion for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total pension liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ending June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. The State's proportion of the net pension liability was based on the State's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The State's proportion measured as of June 30, 2018, was 21.87 percent, which was a decrease of 0.02 from its proportion measured as of June 30, 2017.

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**Pension Expense and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2019, the State recognized pension expense for ASRS of \$57.0 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 84,038	\$ 16,817
Changes of assumptions or other inputs	80,721	270,467
Net difference between projected and actual earnings on pension plan investments	—	73,357
Changes in proportion and differences between State contributions and proportionate share of contributions	89,409	82,354
State contributions subsequent to the measurement date	256,422	—
Total	<u>\$ 510,590</u>	<u>\$ 442,995</u>

The \$256.4 million reported as deferred outflows of resources related to ASRS pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	
2020	\$ 30,990
2021	(75,664)
2022	(111,277)
2023	(32,876)

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

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

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

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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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

**Discount Rate**—At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future 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 State’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate**—The following table presents the State’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the State’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 (expressed in thousands):

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
State’s proportionate share of the net pension liability	\$ 4,348,526	\$ 3,050,477	\$ 1,965,979

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

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**B. PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND CORRECTIONS OFFICER RETIREMENT PLAN**

**Benefits Provided**—PSPRS and CORP retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<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>On or after July 1, 2017</b>
<b>PSPRS 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	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 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		

\* With actuarially reduced benefits.

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	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018
<b>CORP 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
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent: Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
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.	

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

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

	PSPRS PSA	CORP DCA
Retirees or beneficiaries currently receiving benefits	1,365	3,330
Inactive employees entitled to but not yet receiving benefits	165	1,237
Active employees	1,042	8,098
Total	<u>2,572</u>	<u>12,665</u>

The CORP – DCA plan was closed to new members as of July 1, 2018.



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

	<u>Active Member – Pension</u>	<u>State – Pension</u>
PSPRS – PSA Tiers 1 & 2	7.65% - 11.65%	90.35%
PSPRS – PSA Tier 3	10.28%	85.60%
CORP – DCA	8.41%	28.38%

In addition, statute required the State to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked during fiscal year 2019 for the State in positions that an employee who contributes to the PSPRS or CORP would typically fill and PSPDCRP members in addition to the State's required contributions to PSPDCRP.

	<u>Pension</u>
PSPRS – PSA	75.32%
CORP – DCA	20.66%

The State's contributions to the pension plan for the year ended June 30, 2019, were (expressed in thousands):

	<u>Pension</u>
PSPRS – PSA Tiers 1 & 2	\$ 64,344
PSPRS – PSA Tier 3	1,880
CORP – DCA	85,872

During fiscal year 2019, the State paid for PSPRS and CORP pension contributions as follows: 62.98 percent from the General Fund and 37.02 percent from other funds.

**Pension Liability**—At June 30, 2019, the State reported the following net pension liabilities (expressed in thousands):

	<u>Net Pension Liability</u>
PSPRS – PSA	\$ 835,065
CORP – DCA	851,891

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

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

**PSPRS and CORP – Pension**

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

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

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

**Discount Rate**—At June 30, 2018, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension 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**  
 (expressed in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>PSPRS – PSA</b>			
Balances at June 30, 2018	\$ 1,191,509	\$ 360,590	\$ 830,919
Changes for the year:			
Service cost	16,072	—	16,072
Interest on the total pension liability	86,027	—	86,027
Differences between expected and actual experience in the measurement of the pension liability	(13,749)	—	(13,749)
Contributions - employer	—	52,147	(52,147)
Contributions - employee	—	7,271	(7,271)
Net investment income	—	24,371	(24,371)
Benefit payments, including refunds of employee contributions	(74,045)	(74,045)	—
Administrative expense	—	(370)	370
Other changes	—	785	(785)
Net changes	14,305	10,159	4,146
Balances at June 30, 2019	\$ 1,205,814	\$ 370,749	\$ 835,065

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>CORP – DCA</b>			
Balances at June 30, 2018	\$ 1,876,561	\$ 883,173	\$ 993,388
Changes for the year:			
Service cost	51,918	—	51,918
Interest on the total pension liability	136,973	—	136,973
Changes of benefit terms	(102,231)	—	(102,231)
Differences between expected and actual experience in the measurement of the pension liability	(72,298)	—	(72,298)
Contributions – employer	—	66,030	(66,030)
Contributions – employee	—	27,055	(27,055)
Net investment income	—	63,503	(63,503)
Benefit payments, including refunds of employee contributions	(103,053)	(103,053)	—
Administrative expense	—	(961)	961
Other changes	—	232	(232)
Net changes	(88,691)	52,806	(141,497)
Balances at June 30, 2019	\$ 1,787,870	\$ 935,979	\$ 851,891

**Sensitivity of the State’s Net Pension Liability to Changes in the Discount Rate**—The following table presents the State’s net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the State’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate (expressed in thousands):

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
<b>PSPRS – PSA</b>			
Net pension liability	\$ 979,419	\$ 835,065	\$ 715,754
<b>CORP – DCA</b>			
Net pension liability	\$ 1,107,774	\$ 851,891	\$ 644,858

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

**Pension Expense**—For the year ended June 30, 2019, the State recognized the following pension expense (expressed in thousands):

	Pension Expense
PSPRS – PSA	\$ 106,644
CORP – DCA	11,156

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**Deferred Outflows/Inflows of Resources**—At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>PSPRS – PSA</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,789	\$ 14,149
Changes of assumptions or other inputs	39,401	—
Net difference between projected and actual earnings on pension plan investments	5,643	—
State contributions subsequent to the measurement date	66,224	—
Total	\$ 121,057	\$ 14,149

<b>CORP – DCA</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ —	\$ 92,540
Changes of assumptions or other inputs	74,033	—
Net difference between projected and actual earnings on pension plan investments	9,477	—
State contributions subsequent to the measurement date	85,872	—
Total	\$ 169,382	\$ 92,540

The amounts reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<b>Year Ending June 30</b>	<b>PSPRS PSA</b>	<b>CORP DCA</b>
2020	\$ 21,898	\$ 19,410
2021	15,919	(2,128)
2022	3,836	(11,195)
2023	(969)	(10,261)
2024	—	(4,856)

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**C. ELECTED OFFICIALS' RETIREMENT PLAN**

**Benefits Provided**—Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

	<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
Benefit percent:		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<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 .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 of the plan.

**Contributions**—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the State to contribute at the actuarially determined rate of 61.5 percent of active EORP members' annual covered payroll. Also, statute required the State to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the State's required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the State to contribute 30.16 percent of annual covered payroll of retired members who worked during fiscal year 2019 for the State in positions that an employee who contributes to the EORP would typically fill. The State's contributions to the pension plan for the year ended June 30, 2019, were \$12.4 million, including \$4.1 million related to State support, as a nonemployer contributing entity.

During fiscal year 2019, the State paid for EORP pension contributions as follows: 97.29 percent from the General Fund and 2.71 percent from other funds. In addition, during fiscal year 2019, the State, as a nonemployer contributing entity, paid for EORP pension contributions as follows: 100.00 percent from the General Fund.

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**Pension Liability**—At June 30, 2019, the amount the State recognized as its proportionate share of the net pension liability, the related State support, as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the State were as follows (expressed in thousands):

State's proportionate share of the EORP net pension liability	\$ 130,335
State's proportionate share of the EORP net pension liability, as a nonemployer contributing entity	78,268
Total	<u>\$ 208,603</u>

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

The State's proportion of the net pension liability was based on the State's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The State's proportion measured as of June 30, 2018, was 15.09 percent, which was a decrease of 3.52 from its proportion measured as of June 30, 2017. The State's proportion, as a nonemployer contributing entity, measured as of June 30, 2018, was 14.12 percent, which was an increase of 0.13 from its proportion measured as of June 30, 2017.

**Pension Expense, Grant Expense, and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2019, the State recognized a negative pension expense for EORP of \$44.9 million and revenue of \$2.1 million for the designated court fees. In addition, the State recognized a negative grant expense of \$40.4 million, as a result of its requirement to contribute to EORP as a nonemployer contributing entity. At June 30, 2019, the State and the State, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	The State		The State, as a nonemployer contributing entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 2,033	\$ —	\$ 1,221
Changes of assumptions or other inputs	812	54,258	488	32,584
Net difference between projected and actual earnings on pension plan investments	1,131	—	679	—
Changes in proportion and differences between State contributions and proportionate share of contributions	18,774	2,352	46	13,233
State contributions subsequent to the measurement date	8,261	—	4,125	—
Total	<u>\$ 28,978</u>	<u>\$ 58,643</u>	<u>\$ 5,338</u>	<u>\$ 47,038</u>

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The amounts reported as deferred outflows of resources related to EORP pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year ending June 30</u>	<u>The State</u>	<u>The State, as a nonemployer contributing entity</u>
2020	\$ (35,037)	\$ (42,435)
2021	(2,429)	(3,113)
2022	(480)	(288)
2023	20	11

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

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

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

The long-term expected rate of return on EORP pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

**Discount Rate**—At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.4 percent, which was an increase of 3.49 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and non-employer contributions will be made as currently required by 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Sensitivity of the State's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate**—The following table presents the State's and the State's, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the State's and the State's, as a result of its requirement to contribute to EORP as a nonemployer contributing entity, proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate (expressed in thousands):

	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
State's proportionate share of the net pension liability	\$ 149,655	\$ 130,335	\$ 113,912
State's proportionate share of the net pension liability, as a nonemployer contributing entity	89,870	78,268	68,406

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

**D. ARIZONA DEPARTMENT OF ADMINISTRATION DEFINED BENEFIT HEALTHCARE PLAN**

**Plan Description**—The ADOA provides medical and accident benefits to retired State employees and their dependents, which is a single-employer defined benefit post-employment plan. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. ADOA does not issue a separate, publicly available financial report.

**Benefits Provided**—The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree, except for NAU, which through the ADOA plan pays its medical costs directly. Premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State.

**Funding Policy**—The ADOA's current funding policy is pay-as-you-go for OPEB benefits. Therefore, the current funded ratio (ratio of assets to the Total OPEB Liability) is 0.00% and there are no dedicated assets at this time to offset the total OPEB liability.

**Contributions**—The State's contribution to the ADOA OPEB plan for the year ended June 30, 2019, was \$28.1 million.

**Employees Covered by Benefit Terms**—At June 30, 2019, the following employees were covered by the ADOA OPEB plan's benefit terms:

Retirees or beneficiaries currently receiving benefits	7,582
Active employees	56,162
Total	<u>63,744</u>

**OPEB Liability**—At June 30, 2019, the State reported a liability of \$875.5 million for the ADOA total OPEB liability. The total OPEB liability was measured as of June 30, 2018 by rolling forward the total OPEB liability as of June 30, 2017. The total OPEB liability measured as of June 30, 2017 was determined by an actuarial valuation as of that date.



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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Salary increases	2.7% to 7.2% varying by years of service
Discount rate	3.87%
Healthcare cost trend rates	
Medical (pre-65)	6.0% graded to 4.5% over 4 years
Medical (post-65)	4.5%
Prescription drug	8.5% graded to 4.5% over 4 years
Administrative costs	3.0%
Contribution trend rates	6.5% graded to 4.5% over 4 years
Mortality rates	
Employees	RP-2014 employee mortality tables projected generationally from 2014 with 1% improvement per year
Healthy retirees and spouses	2017 State retirees of Arizona mortality tables projected generationally from 2017 with 1% improvement per year
Disabled retirees	RP-2014 disabled retiree mortality tables projected generationally from 2014 with 1% improvement per year

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**Discount Rate**—The discount rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond index.

**Changes in the Total OPEB Liability**  
 (expressed in thousands):

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
Balance at June 30, 2018	\$ 846,763
Changes for the year:	
Service cost	62,281
Interest on the total OPEB liability	32,074
Changes of assumptions or other inputs	(39,410)
Benefit payments	(26,183)
Net changes	<u>28,762</u>
Balance at June 30, 2019	<u>\$ 875,525</u>

The total OPEB liability as of June 30, 2018 reflects an increase in the discount rate due to changes in the bond index.

**Sensitivity of the State's Total OPEB Liability to Changes in the Discount Rate**—The following table presents the State's total OPEB liabilities calculated using the discount rate of 3.87 percent, as well as what the State's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB liability	\$ 1,023,697	\$ 875,525	\$ 758,012

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**Sensitivity of the State’s Total OPEB Liability to Changes in the Healthcare Cost and Contribution Trend Rates**—The following table presents the State’s total OPEB liabilities calculated using the current healthcare cost and contribution trend rates stated in the actuarial assumptions, as well as what the State’s total OPEB liability would be if it were calculated using healthcare cost and contribution trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates (expressed in thousands):

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 741,447	\$ 875,525	\$ 1,048,515

**OPEB Expense and Deferred Outflows/Inflows of Resources**—For the year ended June 30, 2019, the State recognized OPEB expense of \$48.9 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ 22,492
Changes of assumptions or other inputs	—	235,563
State benefit payments subsequent to the measurement date	28,101	—
Total	<u>\$ 28,101</u>	<u>\$ 258,055</u>

The \$28.1 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

<u>Year Ending June 30</u>	
2020	\$ (45,454)
2021	(45,454)
2022	(45,454)
2023	(45,454)
2024	(45,454)
Thereafter	(30,785)

**NOTE 6. LONG-TERM OBLIGATIONS**

**A. REVENUE BONDS**

**Governmental Activities**

**1. Department of Administration**

The State has pledged portions of its revenues towards the payment of debt service on the State Lottery Revenue Bonds Series 2010A. These bonds provide additional working capital to the State to pay appropriated expenditures of the State’s General Fund. The bonds are payable solely from and secured by pledged revenues consisting of, until July 1, 2012, amounts distributable to the State’s General Fund from the State Lottery pursuant to Lottery law, and from and after July 1, 2012, all Lottery revenues deposited to the Lottery Fund net of operating expenses of the Lottery. At June 30, 2019, pledged revenues totaled \$226.0 million, of which 16.6% (\$37.5 million) was required to cover debt service. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of July 1, 2029, is \$375.0 million.

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**2. Arizona Department of Transportation**

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.4 billion.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of the Highway Revenue Bonds that could be outstanding at any time to \$1.3 billion. Also during fiscal year 2007, the ADOT received legislative authority to begin issuing Highway Revenue Bonds with maturities of up to 30 years in length, replacing the 20-year maturity requirement that had been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$1.3 billion in outstanding Highway Revenue Bonds issued since 2011. Proceeds from the bonds finance portions of the ADOT's Five-Year Transportation Facilities Construction Program, and to refund certain maturities of outstanding Highway Revenue bond issues. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$1.8 billion. Principal and interest paid for the current year and total pledged revenues were \$144.2 million and \$656.8 million, respectively. The annual principal and interest payments on the bonds required 22.0% of the pledged revenues.

The Maricopa County Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$575.0 million.

The ADOT has pledged future transportation excise taxes to repay \$732.4 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2009. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County and to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$862.3 million. Principal and interest paid for the current year and total pledged revenues were \$143.7 million and \$311.2 million, respectively. The annual principal and interest payments on the bonds required 46.2% of the pledged revenues.

On August 23, 2018, the ADOT issued \$262.0 million of Transportation Excise Tax Revenue Bonds Series 2018, with interest rates ranging from 2.0% to 5.0% and serial maturities ranging from 2020 to 2025. Net proceeds totaled \$289.2 million, after receipt of \$28.5 million of original premium and payment of \$1.3 million of issuance costs and underwriter's discount. Proceeds of the Series 2018 bonds are being used to pay: (i) the costs of design, right-of-way purchase, and/or construction of certain freeways and other routes within Maricopa County, Arizona, and (ii) the costs of issuing the Series 2018 bonds.

**3. School Facilities Board**

The SFB has pledged portions of its gross revenues towards payment of current and outstanding fiscal year debt related to State school improvement revenue refunding bonds. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301. At June 30, 2019, pledged revenues totaled \$760.9 million, of which 8.4% (\$64.1 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2020 are \$64.1 million.

**Business-Type Activities**

**4. Universities**

**a. University of Arizona**

The U of A's bonded debt consists of various issues of system revenue bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure and for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80% of the debt service payments are payable from the U of A's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery as defined by State Statute. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain U of A gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the U of A's system revenue bonds.

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On April 23, 2019, the U of A sold System Revenue Bonds Series 2019A (2019A Bonds) for \$55.405 million and Taxable Series 2019B (2019B Bonds) for \$15.950 million dated May 8, 2019 as described in the following table.

Series	Amount	Description	Interest Rate Range	Maturity Dates
2019A	\$ 55,405,000	Serial Bonds	4.00 - 5.00%	2020 - 2044
2019B	7,435,000	Serial Bonds	2.70 - 3.65%	2022 - 2034
	3,860,000	Term Bonds	3.80%	June 1, 2039
	4,655,000	Term Bonds	3.90%	June 1, 2044

The 2019A Serial Bonds maturing on or after June 1, 2030 will be subject to optional redemption on June 1, 2029 and on any date thereafter without premium. The 2019A Bonds sold at a premium of \$9.677 million. The U of A realized net proceeds of \$64.700 million after payment of \$382 thousand for issuance costs and underwriter discounts. The net proceeds were used to finance the Student Success District project at the Main Campus.

The 2019B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on U.S. Treasury Securities plus 15 basis points. The 2019B Bonds with maturity on June 1, 2039 and June 1, 2044 are subject to mandatory redemption without premium pursuant to the debt documents. The U of A realized net proceeds of \$15.800 million after payment of \$150 thousand for issuance costs and underwriter discounts. The net proceeds will be used to finance a portion of the Biomedical Sciences Partnership Building (BSPB) 3<sup>rd</sup> and 4<sup>th</sup> floor Finish Shell Space project at the Phoenix Biomedical Campus.

On May 1, 2019, the U of A sold SPEED Revenue Bonds Taxable Series 2019 (2019 SPEED) for \$15.400 million dated May 15, 2019 as described below.

Series	Amount	Description	Interest Rate Range	Maturity Dates
2019	\$ 7,550,000	Serial Bonds	2.54 - 3.64%	2020 - 2034
	3,555,000	Term Bonds	3.84%	Aug 1, 2039
	4,295,000	Term Bonds	3.94%	Aug 1, 2044

The 2019 SPEED Revenue Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on the U.S. Treasury Securities plus 15 basis points. The 2019 SPEED Revenue Bonds with maturity on August 1, 2039 and August 1, 2044 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The U of A contributed \$192 thousand for issuance costs and underwriter discounts. The net proceeds of \$15.400 million will be used to finance a portion of the BSPB 3<sup>rd</sup> and 4<sup>th</sup> floor Finish Shell Space project at the Phoenix Biomedical Campus.

In fiscal year 2017, the U of A refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2012A. At June 30, 2019, the outstanding principal balance of the refunded bonds was \$9.650 million, which will be paid by investments held in an irrevocable trust with a fair value of \$10.717 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the U of A's financial statements.

The U of A's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act (ARRA). As such, the U of A is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the U of A must file certain required information to the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the U of A by the Federal government may be reduced or eliminated due to such issues as failure by the U of A to submit the required information, any amounts owed by the U of A to the Federal government, or changes in the law that would reduce or eliminate such payments. Due to the Federal sequestration, the U of A will receive a 6.2% reduction (totaling \$94 thousand) in the Federal interest subsidy for the August 1, 2019 debt service payment and a 5.9% reduction (totaling \$175 thousand) in the Federal interest subsidy for the February 1 and August 1, 2020 debt service payments.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2019. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income or other restricted revenues. At June 30, 2019, pledged revenues totaled \$1.31 billion of which

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7.0% (\$92.2 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 5.1% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$2.02 billion.

**b. Northern Arizona University**

The Series 2009A and 2010 Bonds were issued as designated Build America Bonds under the provisions of the ARRA. As such, the NAU is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the NAU must file certain required information with the Federal government between 90 and 45 days prior to the interest payment date. The amount paid to the NAU by the Federal government may be reduced or eliminated due to such issues as failure by the NAU to submit the required information, any amounts owed by the NAU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2019, the Federal government reduced federal direct payment claims filed between October 1, 2017 and September 30, 2018 by 6.2% due to the federal budget sequestration resulting in a \$221 thousand reduction in direct payments to the NAU. For accounting purposes, any direct payments received from the U.S. Treasury Department are recorded as non-operating revenue.

For the 2010 and 2013 revenue bonds, up to 80% of the debt service payments are payable from the NAU's SPEED revenue bond account monies, which are derived from certain revenues of the Lottery. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the NAU's system revenue bonds.

The NAU has pledged portions of its gross revenues towards the payment of debt related to system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2019. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. Pledged revenues have averaged \$305 million for the prior five years. For fiscal year 2019, pledged revenues totaled \$330 million, of which 10.4% (\$34.3 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 8.5% of pledged revenues. Future pledged revenues required to pay all remaining related debt service for the bonds through final maturity of June 1, 2044 is \$703.8 million.

**c. Arizona State University**

As of June 30, 2019, the ASU had issued a combination of fixed and variable rate bonds, of which \$1.6 billion is outstanding. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. Certain revenue bonds of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities in an irrevocable trust to pay all future debt service. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of defeased bonds outstanding at June 30, 2019 totaled \$179.8 million.

The ASU has pledged gross revenues as defined in the bond indentures towards the payment of debt related to various senior lien system revenue bonds and subordinate bonds outstanding at June 30, 2019. These related system revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. The pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, net investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2019, pledged revenues totaled \$1.78 billion, of which 5.8% (\$103.9 million, net of federal direct payments) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the ASU's senior and subordinate revenue bonds through final maturity of July 1, 2049 total \$2.5 billion. In addition to a senior pledge of revenues for ASU system revenue bonds, the ASU has pledged the same revenues on a subordinated basis to secure the ASU SPEED revenue bonds and the Series 2006 ASU Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2019 totaled \$2.2 million with annual debt service payments of approximately \$1.1 million through July 1, 2021.

In June 2008, the Legislature approved the SPEED which provides the Universities with capital improvement funds for critical construction and deferred maintenance projects. SPEED projects are debt financed with revenue bonds and repaid primarily with Lottery revenues. Specifically, up to 80% of SPEED debt service is paid from Lottery revenues, with the balance being the responsibility of the ASU as evidenced by the subordinated pledge of the ASU revenues.

In April 2019, the ASU issued \$194.5 million of system revenue bonds, Series 2019A and B, with an average maturity of 17.4 years and an average interest rate of 3.32%. The bonds were issued to partially fund the construction of Interdisciplinary Science and Technology Building 7 and the Health Futures Center, and to fully fund the Hayden Library renovation project and classroom and laboratory renovations. In addition to using pledged revenues to pay the debt service, the ASU will pay half the debt service of the 2019A bonds from the Capital Infrastructure Fund (CIF) established by the State pursuant to A.R.S. § 15-1671. Pursuant to the CIF Law, State General Fund

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monies will be appropriated and deposited into the ASU's CIF in fiscal year 2019 through fiscal year 2043. The fiscal year 2019 deposit of \$11.9 million will be adjusted annually by the lesser of 2.0% or the change in the U.S. Gross Domestic Product Price Deflator between the two prior fiscal years, but will not be less than the prior fiscal year's appropriated amount. CIF funds are available to pay up to one-half of the debt service on debt financed capital projects of the ASU. While funding for the payment of debt service will be made as described, pledged revenues secure all of the 2019 Bonds.

The Taxable series 2010A System Revenue Bonds and the Taxable Series 2010A SPEED Revenue Bonds were issued as Build America Bonds under the provisions of the ARRA. As such, the ASU is eligible to receive Federal Direct Payments from the U.S. Treasury equal to 35% of the interest owed on each interest payment date. The amount paid to the ASU by the Federal government may be reduced or limited due to such issues as failure by the ASU to submit the required information, offsets to reflect any amounts owed by the ASU to the Federal government, or changes in the law that would reduce or eliminate such payments. During fiscal year 2019, the ASU received Federal Direct Payments totaling \$3.5 million, net of \$0.2 million or 6.2% reduction due to the federal budget sequestration. For accounting purposes, any direct payments received from the U.S. Treasury are recorded as nonoperating revenue.

The ASU has two series of variable rate demand system revenue refunding bonds outstanding, Series 2008A and Series 2008B, totaling \$79.6 million with final maturities of July 1, 2034. The interest rate in effect on June 30, 2019 was 1.80% for the Series 2008A bonds and Series 2008B bonds. The ASU's variable rate demand bonds have remarketing features which allow bondholders to put debt back to the ASU. In accordance with GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities*, the total outstanding principal balance for variable rate demand bonds is required to be classified as a current liability. As of May 4, 2016, the ASU executed a self-liquidity facility agreement to provide liquidity if the bonds are put by bondholders. It is the ASU's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the official statement; however, in the absence of a "take out agreement" the ASU has classified the total outstanding principal balance of the 2008 bonds as a current liability.

Securities and cash restricted for bonds debt service held by the trustee at June 30, 2019 totaled \$84.4 million.

Effective January 1, 2007, the ASU entered into a \$103 million notional amount swap agreement (hedging derivative instrument) expiring on July 1, 2034, in conjunction with the 2008 variable rate demand system revenue refunding bonds (2008 Bonds). The outstanding \$79.2 million notional amount at June 30, 2019 is not exchanged; it is only the basis on which the interest payments are calculated and it decreases as principal payments are made on the 2008 Bonds. The intention of the swap is to effectively convert the variable rate interest on the 2008 Bonds to a synthetic fixed rate. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2019 was 1.90%.

At June 30, 2019, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(1.90)
Net interest rate swap payments		2.01
Variable-rate bond coupon payments	Spread to SIFMA	1.80
Synthetic fixed interest rate on bonds		3.81

The ASU continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the ASU effectively pays a fixed rate on the debt. If the counterparty defaults or if the swap is terminated, the ASU will revert to paying a variable rate. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

The ASU is exposed to interest rate risk based on the SIFMA indexed variable payment received from the counterparty versus the variable rate paid to bondholders. The swap exposes the ASU to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds.

As of June 30, 2019, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA- by Fitch, A+ by S&P, and Aa2 by Moody's as of June 30, 2019. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

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As of June 30, 2019, the swap had a fair value of \$(15.3) million, which represents the cost to the ASU to terminate the swap. The June 30, 2018 fair value was \$(11.0) million. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. In accordance with GASB 53, as amended by GASB 63, the fair value of the ASU's hedging derivative instrument is reported on the statement of net position as a deferred outflow of resources (interest rate swap) and a liability (derivative instrument - interest rate swap).

**Summary of Revenue Bonds**

The following schedule summarizes revenue bonds outstanding at June 30, 2019 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2019
Governmental Activities:				
Department of Transportation	2009 - 2019	2020 - 2038	2.00 - 5.00%	\$ 2,013,195
School Facilities Board	2013	2020	2.01%	62,865
Department of Administration	2010	2020 - 2029	3.5 - 5.00%	290,535
Business-type Activities:				
University Revenue Bonds	2008 - 2019	2020 - 2050	1.80 - 6.64%	3,296,480

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2019 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service						
	Governmental Activities			Business-type Activities			
	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2020	\$ 275,470	\$ 114,109	\$ 389,579	\$ 111,790	\$ 156,407	\$ 1,525	\$ 269,722
2021	222,255	103,197	325,452	114,005	151,290	1,455	266,750
2022	233,375	92,087	325,462	120,215	145,880	1,380	267,475
2023	242,820	80,922	323,742	129,430	139,951	1,302	270,683
2024	254,950	68,796	323,746	135,385	133,603	1,221	270,209
2025 - 2029	732,400	195,499	927,899	720,645	565,056	4,725	1,290,426
2030 - 2034	306,670	63,856	370,526	682,580	393,568	1,970	1,078,118
2035 - 2039	98,655	11,536	110,191	620,250	234,935	—	855,185
2040 - 2044	—	—	—	492,965	93,604	—	586,569
2045 - 2049	—	—	—	166,395	11,354	—	177,749
2050	—	—	—	2,820	—	—	2,820
Total	\$ 2,366,595	\$ 730,002	\$ 3,096,597	\$ 3,296,480	\$ 2,025,648	\$ 13,578	\$ 5,335,706

**B. GRANT ANTICIPATION NOTES**

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal-aid revenues. The balance of GANs issued in prior years and outstanding at the start of the fiscal year was \$177.4 million.

On April 11, 2019, the ADOT issued \$62.5 million of GANs Series 2019A, with an interest rate of 5.0% and serial maturities ranging from 2020 to 2034. Net proceeds totaled \$75.0 million, after receipt of \$12.9 million of original issue premium and payment of \$438 thousand of issuance costs and underwriter's discount. GAN proceeds are being used to pay: (i) a portion of the costs of certain infrastructure projects throughout the State, and (ii) pay the costs of issuing the Series 2019A Notes.

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The ADOT has pledged federal revenues to repay \$223.9 million in outstanding GANs. Proceeds from the GANs pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and to refund certain maturities of various outstanding GANs. The GANs are payable solely from federal revenues and are payable through 2034. The total principal and interest remaining to be paid on the GANs is \$295.4 million. Principal and interest paid for the current year and total pledged revenues were \$25.5 million and \$596.5 million, respectively. The annual principal and interest payments on the GANs required 4.3% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2019
Governmental Activities:				
Department of Transportation	2011-2019	2020-2034	4.00 - 5.00%	\$ 223,885

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Governmental Activities		
	Total Principal	Total Interest	Total Debt Service
2020	\$ 19,665	\$ 11,189	\$ 30,854
2021	19,760	10,208	29,968
2022	20,755	9,223	29,978
2023	21,800	8,185	29,985
2024	22,875	7,095	29,970
2025 - 2029	76,395	19,858	96,253
2030 - 2034	42,635	5,721	48,356
Total	\$ 223,885	\$ 71,479	\$ 295,364

**C. CERTIFICATES OF PARTICIPATION**

**Governmental Activities**

**1. Department of Administration**

The State has issued COPs to finance construction or improvements of various capital assets. Additionally, the State issued COPs Series 2010A and 2010B to finance the acquisition of certain property from the State by the trustee, with which the proceeds of were deposited to the State's General Fund to pay appropriated expenditures of the State. The COPs Series 2010A and 2010B sale-leaseback transactions are nominal sales, with the State retaining all rights of ownership and control of the properties. Accordingly, they are accounted for under the financing method since the State has such an extensive continuing involvement in the properties for the entire duration of the agreement. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The certificates are collateralized by numerous individual property units, including office complexes, museums, courts, labs, the State hospital, the Coliseum and Exposition Center, the Schools for the Deaf and the Blind, and prisons located throughout the State. In the event of default, the properties would revert to the trustee, and the underlying asset value would be removed from the accompanying financial statements. For a majority of the outstanding COPs, the scheduled payments of principal and interest are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.



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**2. School Facilities Board**

The SFB has issued COPs to refinance prior certificates and to finance the purchase, construction, and equipment for several school sites. In the event of default, the properties will revert to the trustee. Additionally, the SFB Series 2010 COPs are not subject to mandatory sinking fund prepayment. However, as a means to provide a source of funds that will be available to pay the principal with respect to the Series 2010 COPs at maturity, the lease agreement with the trustee for the 2010 COPs will provide for mandatory sinking fund payments to be made as part of the base rent due under the lease. The SFB Series 2010 COPs are subject to extraordinary mandatory prepayment from unexpended proceeds pursuant to the debt documents. On February 6, 2014, the SFB redeemed \$9.5 million of the Series 2010 COPs pursuant to the extraordinary mandatory prepayment provisions in the debt documents. Beginning August 15, 2012, annual deposits to the sinking fund were scheduled to be made on August 15 of each year through August 15, 2027, at which time, the accumulated balance (including investment earnings and losses) in the sinking fund will be sufficient to retire the Series 2010 COPs on their stated maturity date of September 1, 2027. The sinking fund deposit requirements were adjusted to reflect the extraordinary mandatory prepayment redemption which occurred on February 6, 2014. All proceeds received from the issuance of the Series 2010 COPs have been expended as of June 30, 2015. As a result, the extraordinary mandatory prepayment discussed above no longer applies. All other prepayment provisions remain in force pursuant to the debt documents.

**Business-Type Activities**

**3. Universities**

**a. University of Arizona**

The U of A utilizes COPs to acquire buildings, equipment, and land. The COPs are generally callable, and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the accompanying financial statements and the control of the assets would return to the trustee.

**b. Arizona State University**

As of June 30, 2019, the ASU has issued fixed rate COPs. The ASU's long-term obligations generally are structured with level debt service, semi-annual interest, and call options at a prescribed date. The ASU utilizes COPs to acquire buildings, equipment, and land. The COPs are generally callable and collateralized by the acquired asset which is subject to a leasehold interest by the trustee. In the event of a default, the underlying asset value would be removed from the accompanying financial statements.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2019 totaled \$7.9 million.

A summary of the COPs issued as of June 30, 2019 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
<b>Governmental Activities:</b>					
Department of Administration:					
General Fund Budget Reconciliation 2010A	2010	2030	\$ 709,090	\$ 505,215	4.00 - 5.25%
General Fund Budget Reconciliation 2010B	2010	2030	289,705	204,000	3.25 - 5.00%
Refund 2001 PLTO, 2002A/2004B COPs	2013	2029	62,630	25,555	3.00 - 5.00%
Refund 2005 Gov Office Lease Rev Capitol Mall, 2008A COP	2016	2028	163,995	150,460	3.00 - 5.00%
Kingman Prison 2016	2017	2025	119,880	87,655	3.00 - 5.00%
School Facilities Board:					
Refunding Certificates of 2003B	2011	2020	11,100	7,600	3.25%
Refunding Certificates of 2004B	2011	2020	10,000	6,900	4.00 - 5.00%
Refunding Certificates of 2008	2011	2020	37,685	26,185	5.00%
Qualified School Construction 2010	2011	2028	91,325	81,820	6.00%
Refunding Certificates of 2003B and 2004A	2014	2020	29,945	4,700	5.00%
Refunding Certificates of 2005A-3	2014	2020	55,040	18,030	2.38%
Refunding Certificates of 2008	2016	2024	263,545	257,835	2.35 - 5.00%
<b>Total Governmental Activities</b>			<u>\$ 1,843,940</u>	<u>\$ 1,375,955</u>	

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Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
<b>Business-type Activities:</b>					
Arizona State University:					
2006 Certificates of Participation	2006	2031	\$ 15,810	\$ 9,595	4.53%
2011A Mercado Refunding Certificates of Participation	2011	2025	8,465	4,380	4.27%
2013 A/B Refunding Certificates of Participation	2013	2027	64,780	56,465	3.09%
University of Arizona:					
Fixed Student Union	1999	2020	21,607	266	5.13%
Biomedical Research Collaborative Bldg. Project	2006	2031	18,240	11,415	4.30 - 5.00%
Refund COPs 2003A	2012	2022	10,190	3,740	3.02 - 3.42%
Refund COPs 2002B	2012	2023	20,600	10,095	4.00 - 5.00%
Refund COPs 2003B & 2004A	2012	2031	124,940	100,470	3.00 - 5.00%
Refund COPs 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	2015	2025	89,470	52,305	5.00%
Refund COPs 2006C, 2006D, & 2007A	2015	2025	13,810	9,230	1.92 - 3.09%
Refund COPs 2007B	2018	2022	27,135	16,740	5.00%
Refund COPs 2007D	2018	2031	32,430	28,555	5.00%
Northern Arizona University:					
2013 Refunding COPs	2013	2031	36,005	31,650	4.78%
2015 Refunding COPs	2015	2031	18,825	14,290	4.92%
<b>Total Business-type Activities</b>			<u>\$ 502,307</u>	<u>\$ 349,196</u>	

Principal and interest debt service requirements on COPs outstanding at June 30, 2019 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2020	\$ 180,670	\$ 63,410	\$ 244,080	\$ 41,686	\$ 16,585	\$ 58,271
2021	136,970	56,041	193,011	42,710	14,409	57,119
2022	144,075	49,018	193,093	42,970	12,271	55,241
2023	150,845	42,314	193,159	37,915	10,122	48,037
2024	151,905	35,523	187,428	36,990	8,265	45,255
2025-2029	529,440	92,944	622,384	109,700	22,472	132,172
2030-2031	82,050	2,048	84,098	37,225	2,386	39,611
Total	<u>\$ 1,375,955</u>	<u>\$ 341,298</u>	<u>\$ 1,717,253</u>	<u>\$ 349,196</u>	<u>\$ 86,510</u>	<u>\$ 435,706</u>

**D. DIRECT PLACEMENTS**

Within governmental activities, the State issued a direct placement during fiscal year 2018 to refund the remaining portion of a COP. The direct placement is collateralized by a prison and forensic lab. In the event of default, the facilities would revert to the trustee, any accrued and unpaid obligations for which monies are lawfully available would be paid, and the underlying asset value would be removed from the accompanying financial statements. For business-type activities, the ASU issued direct placements in prior fiscal years to refund COPs. The direct placements are collateralized by the acquired asset which is subject to a leasehold interest by the trustee. In the event of a default, the underlying asset value would be removed from the accompanying financial statements.

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A summary of the Direct Placements issued as of June 30, 2019 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
<b>Governmental Activities:</b>					
Department of Administration:					
Refund remaining portion of 2008A COP	2018	2028	\$ 31,570	\$ 17,910	1.75
<b>Business-type Activities:</b>					
Arizona State University:					
2014 A/B Refunding Certificates of Participation	2015	2031	\$ 84,525	\$ 64,280	3.04
2017 Refunding Certificates of Participation	2018	2027	44,815	38,355	1.87
<b>Total Business-type Activities</b>			<u>\$ 129,340</u>	<u>\$ 102,635</u>	

Principal and interest debt service requirements on the Direct Placements at June 30, 2019 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2020	\$ 13,900	\$ 192	\$ 14,092	\$ 11,285	\$ 2,412	\$ 13,697
2021	5	70	75	7,050	2,256	9,306
2022	5	70	75	7,170	2,120	9,290
2023	5	70	75	3,600	2,051	5,651
2024	—	70	70	3,670	1,980	5,650
2025 - 2029	3,995	245	4,240	45,835	6,938	52,773
2030 - 2031	—	—	—	24,025	488	24,513
Total	<u>\$ 17,910</u>	<u>\$ 717</u>	<u>\$ 18,627</u>	<u>\$ 102,635</u>	<u>\$ 18,245</u>	<u>\$ 120,880</u>

**E. LEASES**

**1. Leases**

The State has entered into capital lease agreements for the acquisition of buildings and equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Position. A lease is reported as a capital lease if one or more of the following criteria are met:

- Title to or ownership of the asset is transferred to the State at the end of the lease.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

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The future minimum lease payments for long-term capital leases as of June 30, 2019 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2020	\$ 17,855	\$ 11,309
2021	16,601	11,315
2022	16,329	11,156
2023	15,914	10,817
2024	13,852	10,836
2025 - 2029	51,602	52,202
2030 - 2034	40,521	45,512
2035 - 2039	—	9,310
2040 - 2044	—	528
2045 - 2072	—	4,047
Total minimum lease payments	172,674	167,032
Less: amount representing interest	(20,521)	(42,080)
Present Value of Net Minimum Lease Payments	\$ 152,153	\$ 124,952

**2. Capital Assets Financed through Capital Leases**

The following table summarizes the historical costs of assets acquired under capital leases (expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$ 10	\$ 8,241
Buildings	221,048	186,479
Equipment	7,592	2,583
	228,650	197,303
Less: accumulated depreciation	(48,386)	(63,817)
Carrying Value	\$ 180,264	\$ 133,486

**F. COMPENSATED ABSENCES**

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2019, the State paid for compensated absences from governmental funds as follows: 78.78% from the General Fund, 14.92% from other funds, and 6.30% from other major funds.

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**G. CHANGES IN LONG-TERM OBLIGATIONS**

The following is a summary of changes in Long-term Obligations (expressed in thousands):

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>	<u>Due Thereafter</u>
<b>Governmental Activities:</b>						
Long-term Debt:						
Revenue bonds	\$ 2,371,765	\$ 262,010	\$ (267,180)	\$ 2,366,595	\$ 275,470	\$ 2,091,125
Grant anticipation notes	177,420	62,465	(16,000)	223,885	19,665	204,220
Certificates of participation	1,554,425	—	(178,470)	1,375,955	180,670	1,195,285
Direct placements	31,570	—	(13,660)	17,910	13,900	4,010
Capital leases	189,581	1,034	(38,462)	152,153	14,308	137,845
Premiums and discounts on debt	453,713	41,449	(51,051)	444,111	49,104	395,007
<b>Total Long-term Debt</b>	<u>4,778,474</u>	<u>366,958</u>	<u>(564,823)</u>	<u>4,580,609</u>	<u>553,117</u>	<u>4,027,492</u>
Other Long-term Liabilities:						
Compensated absences	333,757	169,683	(184,620)	318,820	156,598	162,222
Pollution remediation obligations	20,622	7,288	—	27,910	5,245	22,665
Accrued relocation costs	29,783	6,500	(20,275)	16,008	6,466	9,542
<b>Total Other Long-term Liabilities</b>	<u>384,162</u>	<u>183,471</u>	<u>(204,895)</u>	<u>362,738</u>	<u>168,309</u>	<u>194,429</u>
<b>Total Long-term Obligations</b>	<u>\$ 5,162,636</u>	<u>\$ 550,429</u>	<u>\$ (769,718)</u>	<u>\$ 4,943,347</u>	<u>\$ 721,426</u>	<u>\$ 4,221,921</u>
<b>Business-type Activities:</b>						
Long-term Debt:						
Revenue bonds	\$ 3,109,245	\$ 281,205	\$ (93,970)	\$ 3,296,480	\$ 188,065	\$ 3,108,415
Certificates of participation	389,136	—	(39,940)	349,196	41,686	307,510
Direct placements	113,500	—	(10,865)	102,635	11,285	91,350
Capital leases	131,134	181	(6,363)	124,952	6,511	118,441
Installment purchase contracts	769	—	(707)	62	20	42
Notes payable	—	15,835	(1,836)	13,999	457	13,542
Premiums and discounts on debt	342,647	46,508	(28,072)	361,083	29,580	331,503
<b>Total Long-term Debt</b>	<u>4,086,431</u>	<u>343,729</u>	<u>(181,753)</u>	<u>4,248,407</u>	<u>277,604</u>	<u>3,970,803</u>
Other Long-term Liabilities:						
Compensated absences	110,649	121,850	(117,241)	115,258	17,269	97,989
U of A capital commitments	19,574	10,000	(9,950)	19,624	7,700	11,924
<b>Total Other Long-term Liabilities</b>	<u>130,223</u>	<u>131,850</u>	<u>(127,191)</u>	<u>134,882</u>	<u>24,969</u>	<u>109,913</u>
<b>Total Long-term Obligations</b>	<u>\$ 4,216,654</u>	<u>\$ 475,579</u>	<u>\$ (308,944)</u>	<u>\$ 4,383,289</u>	<u>\$ 302,573</u>	<u>\$ 4,080,716</u>

The above long-term obligations relating to governmental activities include internal service funds. Amounts for compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, because \$168.104 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net position.

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**NOTE 7. INTERFUND TRANSACTIONS**

**INTERFUND BALANCES AND TRANSFERS**

**Interfund Receivables/Payables**

Interfund balances as of June 30, 2019 were as follows (expressed in thousands):

Due From	Due To					
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Internal Service Funds	Total Due To
General Fund	\$ —	\$ 27,320	\$ 196	\$ 77,375	\$ 3,391	\$ 108,282
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	6,075	—	—	13,209	—	19,284
Land Endowments Fund	—	—	—	13,618	—	13,618
Non-Major Governmental Funds	10,903	6	—	178	553	11,640
Non-Major Enterprise Funds	34,716	—	—	5,082	—	39,798
Internal Service Funds	—	712	—	—	67	779
<b>Total Due From</b>	<b>\$ 51,694</b>	<b>\$ 28,038</b>	<b>\$ 196</b>	<b>\$ 109,462</b>	<b>\$ 4,011</b>	<b>\$ 193,401</b>

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

**Interfund Transfers**

Transfers for the year ended June 30, 2019 were as follows (expressed in thousands):

Transferred From	Transferred To							
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$ —	\$ 13,833	\$ —	\$ 254,356	\$ 715,606	\$ —	\$ 33	\$ 983,828
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	—	—	—	310,894	—	—	—	310,894
Land Endowments Fund	1,116	—	—	1,438	—	—	—	2,554
Non-Major Governmental Funds	165,317	1,176	6,833	6,856	—	15	9,368	189,565
Non-Major Enterprise Funds	151,175	—	—	68,944	39,820	—	—	259,939
Internal Service Funds	10,118	—	—	1,108	—	—	—	11,226
<b>Total Transfers In</b>	<b>\$ 327,726</b>	<b>\$ 15,009</b>	<b>\$ 6,833</b>	<b>\$ 643,596</b>	<b>\$ 755,426</b>	<b>\$ 15</b>	<b>\$ 9,401</b>	<b>\$ 1,758,006</b>

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) legislative appropriations from the General Fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

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<b>NOTE 8. ACCOUNTING CHANGES</b>
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**A. FUND FINANCIAL STATEMENTS**

Fund Balance has been restated as follows (expressed in thousands):

	<b>Governmental Funds</b>
	<b>Land Endowments Fund</b>
Fund Balance, as previously reported	\$ 5,834,885
Prior period adjustment	85,566
Fund Balance, as restated	\$ 5,920,451

**B. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Government-wide Net Position has been restated as follows (expressed in thousands):

	<b>Governmental Activities</b>
Net Position, as previously reported	\$ 23,516,325
Prior period adjustment	85,566
Net Position, as restated	\$ 23,601,891

**Prior period adjustment**

The Land Endowments Fund beginning fund balance was restated by \$85.6 million due to an understatement of investment earnings in the prior fiscal year.

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**NOTE 9. GOVERNMENTAL FUND BALANCES**

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet for the year ended June 30, 2019 were as follows (expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Total
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 6,617	\$ 212	\$ —	\$ —	\$ 6,829
Permanent fund principal	—	—	6,062,470	—	6,062,470
<b>Restricted for:</b>					
General government	12,639	—	—	51,623	64,262
Health and welfare	230,611	—	—	74,608	305,219
Inspection and regulation	5,222	—	—	2,612	7,834
Education	6,501	—	—	442,748	449,249
Protection and safety	15,184	—	—	—	15,184
Natural resources	3,530	—	—	13,497	17,027
Debt service	—	—	—	64,049	64,049
Capital projects	—	956,126	—	54,358	1,010,484
School facilities improvements	65,429	—	—	—	65,429
<b>Committed to:</b>					
General government	—	—	—	214,568	214,568
Health and welfare	12,705	—	—	249,912	262,617
Inspection and regulation	916	—	—	165,595	166,511
Education	19,205	—	—	—	19,205
Protection and safety	—	—	—	105,786	105,786
Transportation	—	397,483	—	—	397,483
Natural resources	40,867	—	—	92,184	133,051
School facilities improvements	76,357	—	—	—	76,357
<b>Unassigned:</b>	685,583	—	—	—	685,583
Total Fund Balances	\$ 1,181,366	\$ 1,353,821	\$ 6,062,470	\$ 1,531,540	\$ 10,129,197

**NOTE 10. DEFICIT NET POSITION**

The Risk Management Fund (RMF), an internal service fund, reported a deficit net position of \$372.0 million primarily due to the RMF receiving annual funding only for expected paid insurance losses (including loss adjustment expenditures) within the State's self-insured retention for the specific fiscal year. Accrued insurance losses of the RMF beyond the specific fiscal year are not considered when determining funding for each fiscal year.

The Retiree Accumulated Sick Leave Fund (RASL), an internal service fund, pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The \$162.3 million deficit net position is primarily due to the above funding mechanism.



**NOTE 11. JOINT VENTURES**

**A. LARGE BINOCULAR TELESCOPE CORPORATION**

The U of A is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the U of A and the INAF Astrophysical Observatory in Florence, Italy. The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope located in Arizona. The current members of the LBT are the U of A, Istituto Nazionale di Astrofisica, Ohio State University, and LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25% of the LBT's construction costs and annual operating costs. As of June 30, 2019, the U of A has made total cash contributions of \$18.4 million and contributions of services and materials of \$3.4 million, which is recorded as equity interest in joint venture on the Statement of Net Position. The U of A's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$1.6 million in calendar year 2019, as a reduction in its equity interest. At June 30, 2019, the equity interest totaled \$10.0 million. According to the most recent audited financial statements of the LBT for the year ended December 31, 2018, assets, liabilities, revenues, and expenses totaled \$119.2 million, \$3.7 million, \$16.7 million, and \$19.3 million, respectively.

Information regarding the LBT's financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services Office, 1303 E. University Blvd., Box 4, Tucson, AZ 85719-0521.

**B. GIANT MAGELLAN TELESCOPE ORGANIZATION**

The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction, and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the U of A. The U of A comprises two of the fifteen members of the GMTO Board of Directors, and is one of twelve founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the U of A does not have a defined equity interest, as a founder the U of A will receive viewing rights to the telescope in proportion to their voluntary contributions to the project. The U of A has recognized an intangible asset related to the costs incurred during the design, development, and construction/commissioning phases. The U of A has also signed agreements outlining capital commitments to the GMTO between June 2016 and June 2022. Capital commitments in the amount of \$19.6 million related to the GMT as of June 30, 2019 are reported in Note 6.G.

The U of A has contributed a total of \$56.5 million to the GMTO as of June 30, 2019. The U of A has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2019, the U of A has received contractual payments related to the project from the GMTO and related partners totaling \$78.3 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

**NOTE 12. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE**

**A. INSURANCE LOSSES**

The Department of Administration - Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Industrial Commission Special Fund (Special Fund) provides payment of workers' compensation benefits. The fund processes payment of claims for injured workers where the employer failed to provide workers' compensation insurance; provides continual workers' compensation benefits for bankrupt self-insured employers; provides partial coverage of workers' compensation benefits for second injury claims (apportionment claims); provides vocational rehabilitation benefits; and provides continuing medical benefits for pre-1973 workers' compensation claims.

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The Insurance Department Guaranty Funds (Guaranty Fund) provides payment for settlement of covered claims and return of unearned premiums under certain property and casualty insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 6, and contractual obligations under certain life, annuity and disability insurance contracts of insolvent insurance companies in accordance with A.R.S. Title 20, Chapter 3, Article 7. The Guaranty Fund records claims liability when the reported loss is probable and reasonably estimated based on reserves established by either experienced claims adjusters of the Guaranty Fund, by a third party administrator handling claim files, or by actuaries. The claims liability includes an estimate for incurred but not reported (IBNR) claims.

To provide funding for the payments of claims, the Guaranty Fund may direct the payment of assessments by member insurers under A.R.S. § 20-666 and A.R.S. § 20-686. Assessments under A.R.S. § 20-666 may not exceed 1% of net direct written premiums by member insurers. Under A.R.S. § 20-686, there are two classes of assessments: Class A assessments that are paid by each member insurer to cover administrative costs and other general expenses; and Class B assessments levied by account and paid by member insurers licensed to write insurance covered by the account, that pay the costs related to an impaired insurer or insolvent insurer pursuant to A.R.S. § 20-685. The total assessments under A.R.S. § 20-686 on a member insurer for each account may not exceed 2% of that member insurer's average annual premium received in the State during the three calendar years preceding the year in which an insurer becomes impaired or insolvent.

The Health Insurance Trust Fund (HITF) provides self-funded health insurance benefit plans that are available to employees and retirees in accordance with A.R.S. § 38-654. The HITF receives funding from legislative appropriations, premiums collected from agencies and employees for the health insurance benefit plans, and investment earnings on premiums collected from employees. Premium rates are set using a prospective experience rating method.

To ensure that the HITF remains financially solvent, reserving is required. The reserving methods used by the HITF actuary are based on generally accepted actuarial principles and comply with A.R.S. § 20-516. The HITF's reserves are estimates of the plan's claim liabilities for the current plan year and future periods. Contract reserves are generally known as the IBNR liability – the estimated liability for an enrollee. The IBNR liability is estimated using the monthly pattern of incurred and paid claims. The calculation of the IBNR liability is based upon the claim lag pattern experience through December 31, 2018, trended forward. The amount to hold for the IBNR liability is calculated by taking the distribution of the claim probabilities.

The Risk Management Fund and the Special Fund record claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the Risk Management Fund's and the Special Fund's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, loss development factors, and an estimate for IBNR claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund and the Special Fund. As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Assessments on gross premium revenues and settlement income primarily fund the Special Fund. To provide funding for the payment of these workers' compensation benefits, the Special Fund may direct the payment of assessments into the State Treasury under A.R.S. § 23-1065(A) (general liability assessment - not to exceed 1.0%) and A.R.S. § 23-1065(F) (apportionment assessment - not to exceed .5%), in a total amount not to exceed 1.5% of all premiums received by private insurance carriers and what would have been paid by self-insured employers if they had been fully insured by an insurance carrier authorized to transact workers compensation insurance during the immediately preceding calendar year. The Special Fund was determined to be actuarially sound since June 30, 2015 and as a result did not levy an A.R.S. § 23-1065(A) or A.R.S. § 23-1065(F) assessment since calendar year 2015.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2019. The total estimated loss reserve of \$231.0 million decreased by 9.7%, or \$24.9 million, from the prior year estimated loss reserve of \$255.9 million. The 9.7% reduction in estimated loss reserves was primarily the result of decreases in reported claims reserves for all reward categories. A confidence level of 80 percent was used in calculating medical and compensation related liabilities. A confidence level of 80 percent indicates a confidence that the estimated liability will be adequate to cover actual costs 80 out of 100 years. The reserves are discounted at an assumed rate of .90% for the compensation benefits and zero percent for the medical benefits. For medical benefits, it is assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The Special Fund has filed proofs of claim with bankruptcy trustees for bankrupt self-insured employers. Additionally, the Special Fund has filed proofs of claim with ancillary receivers and liquidators regarding the recovery of statutory deposits and other monies for insurance carrier insolvencies that the Special Fund was responsible for prior to July 1, 2015. Effective July 1, 2015, the responsibility for insolvent carriers was transferred to the Department of Insurance Guaranty Fund. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier and bankrupt self-insured employer deposits as revenue at the time received rather than recording a receivable.

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Occasionally, the Risk Management Division agrees with claimants to purchase an annuity contract to settle specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State obtains a release agreement from the claimant and transfers its obligation to make future periodic payments to an assignment company. The State requires a secondary guarantor which is obtained when the assignment company transfers the obligation to make the payments through the use of a qualified assignment (typically a life insurance company with an approved rating). As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three fiscal years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2018 and June 30, 2019 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2018	\$ 441,617	\$ 52,105	\$ (67,781)	\$ 425,941
2019	425,941	68,019	(61,863)	432,097
Industrial Commission Special Fund:				
2018	263,893	4,630	(12,585)	255,938
2019	255,938	(15,056)	(9,846)	231,036
Insurance Department Guaranty Funds:				
2018	148,858	117,628	(26,470)	240,016
2019	240,016	16,223	(23,060)	233,179
Health Insurance Trust Fund:				
2018	84,454	833,195	(833,313)	84,336
2019	84,336	814,065	(814,558)	83,843

**B. LITIGATION**

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers' compensation, medical malpractice, health benefit settlements, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the Risk Management Fund, Industrial Commission Special Fund, Insurance Department Guaranty Funds, and the Health Insurance Trust Fund.

**C. ACCUMULATED SICK LEAVE**

Sick leave includes any approved period of paid absence granted to an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit shall be paid either in a lump sum or in installments over a three-year period. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of \$165.7 million at June 30, 2019.

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**D. UNCLAIMED PROPERTY**

The State of Arizona’s Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately \$1.6 billion (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$30.1 million and mutual funds valued at \$11.6 million. In accordance with A.R.S. § 44-313 and A.R.S. § 44-314, for fiscal year 2019, \$24.5 million was deposited in the Department of Revenue Administrative Fund, \$2.5 million was deposited in the Housing Trust Fund, \$2.0 million was deposited in the Seriously Mentally Ill Housing Trust Fund, \$91.5 million was deposited in the General Fund, and \$683 thousand was deposited in other funds as required by State statute. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. At June 30, 2019, \$647.9 million of this liability is reported in the General Fund, because it is the fund to which the property ultimately escheats in Arizona.

**E. CONSTRUCTION COMMITMENTS**

The ADOT had outstanding commitments under construction contracts of \$2.2 billion at June 30, 2019 as presented in the following table (expressed in thousands):

	<b>Remaining Commitments</b>
Local government assistance	\$ 178,786
State highways	
Construction	1,206,123
Design	185,340
Right of way	190,904
Utilities	28,125
Planning and research	46,955
Other	402,136
Total	<u>\$ 2,238,369</u>

**F. ARIZONA STATE LOTTERY**

Winners are offered the option of cash or 30-year annuity for the PICK on-line game. The annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, S & P, Moody’s, Duff & Phelps, or Weiss. Purchases of annuities transfer liabilities for prizes to the insurance company. However, the Lottery may incur liabilities for prizes in the event of a default of an insurance company. Aggregate future payments to prize winners on existing annuities totaled \$52.8 million at June 30, 2019. Approximately \$50.4 million of the total aggregate future payments at June 30, 2019 relate to annuities purchased from five separate insurance companies, of which approximately \$20.2 million relates to a single insurance company.

**NOTE 13. TOBACCO SETTLEMENT**

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State recorded tobacco settlement revenue of \$98.9 million in the fund statements and the government-wide statements in fiscal year 2019. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2019.

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**NOTE 14. SUBSEQUENT EVENTS**

The State entered into a forward delivery contract for \$425.0 million in Refunding Certificates of Participation, Series 2019A (Series 2019A Certificates) that were issued in July 2019 to: (1) refund, in advance of maturity, Certificates of Participation, Series 2010A and (2) pay costs of issuance. The Series 2019A Certificates include serial certificates with interest rates of 5.00% and maturity dates ranging from 2019 to 2029. The Series 2019A Certificates are subject to extraordinary redemption prior to their stated maturity dates pursuant to the debt documents.

The State entered into a forward delivery contract for \$246.4 million in Lottery Revenue Refunding Bonds, Series 2019 (Series 2019 Bonds) that were issued in October 2019 to: (1) refund, in advance of maturity, Lottery Revenue Bonds, Series 2010A and (2) pay costs of issuance. The Series 2019 Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2020 to 2029. The Series 2019 Bonds are not subject to optional redemption prior to maturity.

In January 2020, the NAU issued \$34.2 million in System Revenue Refunding Bonds, Series 2020A (NAU Series 2020A Bonds), and \$78.5 million in System Revenue Refunding Bonds, Series 2020B (NAU Series 2020B Bonds). The NAU Series 2020A Bonds include both serial and term bonds with interest rates ranging from 1.79% to 3.46% and maturity dates ranging from 2020 to 2044 and were issued to: (1) refund, in advance of maturity, the Series 2012 Bonds and the Series 2014 Bonds, and (2) pay costs of issuance. The NAU Series 2020B Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2025 to 2039 and were issued to: (1) refund, in advance of maturity, the Series 2009A Bonds, and (2) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the NAU Series 2020A Bonds are subject to optional and mandatory redemption, and the NAU Series 2020B Bonds are subject to optional redemption.

In January 2020, the U of A issued \$72.2 million in System Revenue Refunding Bonds, Series 2020. The bonds include both serial and term bonds with interest rates ranging from 2.01% to 3.20% and maturity dates ranging from 2023 to 2042 and were issued to: (1) refund, in advance of maturity, the Series 2012A Bonds and the Series 2013A Bonds, and (2) pay costs of issuance. The bonds are subject to optional and mandatory redemption prior to their stated maturity dates pursuant to the debt documents.

In February 2020, the Arizona Department of Transportation issued \$510.3 million in Highway Revenue Refunding Bonds, Series 2020 to: (1) refund, in advance of maturity, Subordinated Bonds, Series 2011A and Series 2013A, and (2) pay costs of issuance. The bonds include both serial and term bonds with interest rates ranging from 1.68% to 3.17% and maturity dates ranging from 2020 to 2038. The bonds are subject to optional redemption, mandatory redemption, and purchase in lieu of redemption prior to their stated maturity dates pursuant to the debt documents.

In February 2020, the U of A issued \$108.2 million in SPEED Revenue Refunding Bonds, Series 2020A (U of A Series 2020A Bonds), and \$19.6 million in SPEED Revenue Refunding Bonds, Series 2020B (U of A Series 2020B Bonds). The U of A Series 2020A Bonds include both serial and term bonds with interest rates ranging from 3.13% to 5.00% and maturity dates ranging from 2020 to 2044 and were issued to: (1) refund, in advance of maturity, the Series 2010 Bonds, and (2) pay costs of issuance. The U of A Series 2020B Bonds include both serial and term bonds with interest rates ranging from 1.74% to 3.29% and maturity dates ranging from 2020 to 2043 and were issued to: (1) refund, in advance of maturity, the Series 2013 Bonds, and (2) pay costs of issuance. Additionally, the U of A entered into a forward delivery contract for \$23.1 million in SPEED Revenue Refunding Bonds, Series 2020C (U of A Series 2020C Bonds). The U of A Series 2020C Bonds will include serial bonds with interest rates of 5.00% and maturity dates ranging from 2022 to 2029 and will be issued in May 2021 to: (1) refund, in advance of maturity, the Series 2011 Bonds, and (2) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the U of A Series 2020A Bonds and U of A Series 2020B Bonds are subject to optional and mandatory redemption, and the U of A Series 2020C Bonds are subject to optional redemption.

In March 2020, the NAU issued \$36.3 million in SPEED Revenue Refunding Bonds, Series 2020A (NAU Series 2020A SPEED Bonds), and \$39.8 million in SPEED Revenue Refunding Bonds, Series 2020B (NAU Series 2020B SPEED Bonds). The NAU Series 2020A SPEED Bonds include both serial and term bonds with interest rates ranging from 1.79% to 3.21% and maturity dates ranging from 2020 to 2043 and were issued to: (1) refund, in advance of maturity, the Series 2013 Bonds, and (2) pay costs of issuance. The NAU Series 2020B SPEED Bonds include serial bonds with interest rates of 5.00% and maturity dates ranging from 2021 to 2030 and were issued to: (1) refund, in advance of maturity, the Series 2010 Bonds, and (2) pay costs of issuance. Prior to their stated maturity dates pursuant to the debt documents, the NAU Series 2020A SPEED Bonds are subject to optional and mandatory redemption, and the NAU Series 2020B SPEED Bonds are not subject to optional redemption.

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**NOTE 15. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The accounting policies of the State's component units conform to U.S. GAAP applicable to governmental units adopted by the GASB, except for those component units affiliated with the State's Universities. Because the component units affiliated with the Universities are not governmental entities, they follow FASB statements for not-for-profit organizations for financial reporting purposes. Each component unit has a June 30 year-end.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Measurement Focus and Basis of Accounting**

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting.

**2. Net Assets**

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

- *Without donor restrictions* - includes assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *With donor restrictions* - includes temporarily and permanently restricted assets and contributions for which donor-imposed restrictions have not been met (either by the passage of time or by actions of the Foundations or university), or require that the corpus be invested in perpetuity. Donor-restricted contributions are classified as such even if restrictions are satisfied in the same reporting period in which the contributions are received.

**3. Investments**

The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership and fund interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, less an investment management fee.

In addition, investments include Universities' endowment funds totaling \$477.2 million managed by the Foundations. These funds are primarily held in pooled endowment funds managed for the Universities under service contracts with the Foundations and invested in the Foundations' investment pools.

**4. Income Taxes**

The Universities-affiliated component units qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, except for the ACFFC and, accordingly, there is no provision for income taxes in the accompanying financial statements. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any unrelated business income would be taxable. The ACFFC is exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

**5. Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in with donor restrictions net assets.

**6. Net Assets Released from Restriction**

The Universities-affiliated component units' expenses are not incurred in the with donor restrictions net asset category. As the restrictions on donor-restricted net assets are met, the net assets are released from restriction and reclassified to net assets without donor restrictions. The total net assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

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**7. Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position by the component units that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets.

**8. Endowments**

The management of the ASUEP and the U of A Foundation endowments is governed by laws in the State of Arizona created under the Arizona Management of Charitable Funds Act.

The ASUEP has interpreted State statute as requiring the preservation of the fair value of the original gifts at the gift date of the donor-restricted endowment funds. As a result of this interpretation, the ASUEP classifies as with donor restriction net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The ASUEP investment policies are reviewed periodically. The long-term financial objectives are to produce a relatively predictable and stable payout stream that increases over time at least as fast as the general rate of inflation and to preserve intergenerational equity by achieving growth of the investments at a rate that at least keeps pace with the general rate of inflation, net of spending.

The U of A Foundation endowment payout rate is a percentage (4% of the average fair value at the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the U of A Foundation's Board. The U of A Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds: the net rate of return earned by each endowment account in each of the five most recent fiscal years; the net real rate of return (as measured by the Higher Education Price Index) earned by the endowment pool in each of the five most recent fiscal years (i.e., the duration and preservation of the endowment pool); payout rates established by other university endowments as published in the National Association of College and University Business Officers - Teachers, Insurance, and Annuity Study of Endowments; any unusual or extraordinary circumstances impacting the U of A flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.); the extent to which programs benefiting from the payout rate rely on these funds to achieve their goals and objectives; general economic conditions; the possible effect of inflation or deflation; and the expected total return from income and appreciation of investments per the most recent asset allocation study.

The U of A Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the payout and the endowment fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The U of A Foundation expects its endowment funds to provide an annual average rate of return of 7.9% with a standard deviation of 14.8% over a 20 year period.

**9. Use of Estimates**

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B. DEPOSITS AND INVESTMENTS**

**1. Component Units**

**a. Deposits and Investment Policies**

The investments of the AFA's WIFA are stated at fair value, except guaranteed investment contracts, which are stated at cost since they are non-participating contracts.

**b. Custodial Credit Risk - Deposits and Investments**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. The AFA's WIFA does not have a formal policy regarding custodial credit risk for deposits.

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Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The AFA's WIFA does not have a formal policy regarding custodial credit risk for investments.

**c. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AFA's WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the AFA's WIFA utilizing the segmented time distribution method as of June 30, 2019 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	More than 5
Guaranteed investment contracts	\$ 8,145	\$ —	\$ —	\$ 8,145
Money market mutual funds	7,878	7,878	—	—
U.S. agency securities	62,247	6,463	55,784	—
U.S. Treasury securities	10,635	—	1,096	9,539
Total	\$ 88,905	\$ 14,341	\$ 56,880	\$ 17,684

**d. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The AFA's WIFA does not have a formal policy regarding credit risk but their investments are in accordance with the master bond indenture. The following table presents the AFA's WIFA's investments which were rated by S & P and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2019 (expressed in thousands):

Investment Type	Fair Value	AAA	Not Rated
Guaranteed investment contracts	\$ 8,145	\$ —	\$ 8,145
Money market mutual funds	7,878	—	7,878
U.S. agency securities	62,247	62,247	—
Total	\$ 78,270	\$ 62,247	\$ 16,023

**e. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The AFA's WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. At June 30, 2019, investments in any one issuer that were more than 5% of the AFA's WIFA's total investments are in U.S. Bank (fair value of \$54.3 million, or 15.0%).

**f. Fair Value Measurement**

The AFA's WIFA's investments at June 30, 2019, categorized within the fair value hierarchy established by U.S. GAAP, were as follows (expressed in thousands):

Investment by Fair Value Level	June 30, 2019	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. agency securities	\$ 62,247	\$ —	\$ 62,247	\$ —
U.S. Treasury securities	10,635	—	10,635	—
Total	\$ 72,882	\$ —	\$ 72,882	\$ —

Investments categorized as Level 2 are valued using significant other observable inputs. In addition, the AFA's WIFA had \$7.9 million invested in money market funds as well as \$8.1 million in guaranteed investment contracts that were recorded at cost.



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**2. Universities-Affiliated Component Units**

**a. Investment Summary**

The investments held by the ASUEP and the U of A Foundation at June 30, 2019, were as follows (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Money market funds and cash equivalents	\$ 124,148
Domestic/international equity securities and mutual funds	623,663
Domestic/international fixed income obligations and mutual funds	395,689
Absolute return limited partnerships and funds	299,501
Diversifying strategies	111,672
Real assets	142,395
Private capital limited partnerships	242,073
Other	265,711
Total Investments	<u>\$ 2,204,852</u>

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**b. Investments Classified in Fair Value Hierarchy**

The investments held by the ASUEP and the U of A Foundation at June 30, 2019, categorized within the fair value hierarchy, were as follows (expressed in thousands):

Investments by Fair Value Level	June 30, 2019	Fair Value Measurement Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds and cash equivalents	\$ 124,148	\$ 124,126	\$ —	\$ 22
Domestic/international equity securities and mutual funds	495,912	390,328	—	105,584
Domestic/international fixed income obligations and mutual funds	313,450	290,367	6,213	16,870
Absolute return limited partnerships and funds	50,334	50,334	—	—
Diversifying strategies	12,125	4	—	12,121
Real assets	142,342	37,326	—	105,016
Private capital limited partnerships	113,673	—	—	113,673
Charitable trust receivable	1,313	—	—	1,313
Assets with limited use	8,423	8,423	—	—
Assets held under split-interest agreements	7,456	7,456	—	—
Other	129,778	46,611	—	83,167
Total investments by fair value level	1,398,954	\$ 954,975	\$ 6,213	\$ 437,766
<b>Investments Measured at the NAV</b>				
ASUEP - Domestic/international equity securities and mutual funds	24,605			
ASUEP - Domestic/international fixed income obligations and mutual funds	82,239			
ASUEP - Diversifying strategies	99,547			
ASUEP - Real assets	53			
ASUEP - Private capital limited partnerships	2,336			
U of A Foundation - Multi-strategy hedge funds	111,014			
U of A Foundation - Equity long-only hedge funds	103,146			
U of A Foundation - Equity long/short hedge funds	47,811			
U of A Foundation - Fixed income hedge funds	57,979			
U of A Foundation - Natural resources limited partnerships	96,354			
U of A Foundation - Private capital limited partnerships	126,064			
U of A Foundation - Private real estate limited partnerships	39,579			
U of A Foundation - Private credit limited partnerships	32,363			
Total investments measured at the NAV	823,090			
Total investments measured at fair value	\$ 2,222,044			

Investments categorized as Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical assets or liabilities which provides the most reliable fair value measurement because it is directly observable to the market. Investments categorized as Level 2 of the fair value hierarchy are valued using other significant observable inputs such as quoted prices for similar securities, interest rates, or credit risk, which are either directly or indirectly observable as of the report date. Investments categorized as Level 3 of the fair value hierarchy are measured using management's best estimate of fair value, where the inputs included in the determination of fair value are not observable and require significant management judgment or estimation. The ASUEP also had liabilities at fair value totaling \$276,455, including \$7,152 in unrealized swap liability valued using level 2 valuation techniques, and \$269,303 in assets held for others valued using level 3 valuation techniques.

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**c. Investments Measured at the NAV**

The investments held by the ASUEP and the U of A Foundation at June 30, 2019, valued using the NAV per share, and were as follows (expressed in thousands):

<b>Investments Measured at the NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
ASUEP - Domestic/international equity securities and mutual funds	\$ 24,605	\$ —	N/A	N/A
ASUEP - Domestic/international fixed income obligations and mutual funds	82,239	—	N/A	N/A
ASUEP - Diversifying strategies	99,547	—	N/A	N/A
ASUEP - Real assets	53	—	N/A	N/A
ASUEP - Private capital	2,336	—	N/A	N/A
U of A Foundation - Multi-strategy hedge funds	111,014	7,500	Monthly, quarterly, annually	14 - 90 days
U of A Foundation - Equity long-only hedge funds	103,146	—	Monthly, quarterly, semi-annually, triennially	30 - 90 days
U of A Foundation - Equity long/short hedge funds	47,811	—	Annually, triennially, quinquennially	60 - 120 days
U of A Foundation - Fixed income hedge funds	57,979	—	Quarterly	45 - 90 days
U of A Foundation - Natural resources limited partnerships	96,354	37,493	N/A	N/A
U of A Foundation - Private capital limited partnerships	126,064	110,940	N/A	N/A
U of A Foundation - Private real estate limited partnerships	39,579	42,172	N/A	N/A
U of A Foundation - Private credit limited partnerships	32,363	28,385	N/A	N/A
Total	<u>\$ 823,090</u>	<u>\$ 226,490</u>		

**C. ENDOWMENTS**

**1. ASUEP**

The following shows the changes in the ASUEP net assets for the fiscal year ending June 30, 2019 (expressed in thousands):

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ (6,025)	\$ 559,229	\$ 553,204
Adjustment due to reclassification	6,025	(6,025)	—
Investment return:			
Investment income	—	8,736	8,736
Net appreciation	—	63,709	63,709
Changes in assets due to other entities	—	(20,825)	(20,825)
Total investment return	—	51,620	51,620
Contributions/transfers	—	61,696	61,696
Appropriation for payout	—	(26,990)	(26,990)
Reclassification of donor intent	—	512	512
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 640,042</u>	<u>\$ 640,042</u>

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**2. U of A Foundation**

The following shows the changes in the U of A Foundation net assets for the fiscal year ending June 30, 2019 (expressed in thousands):

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 3,710	\$ 862,128	\$ 865,838
Investment return:			
Investment income	—	15,852	15,852
Less: endowment fee	—	(10,346)	(10,346)
Net appreciation	(43)	20,756	20,713
Total investment return	(43)	26,262	26,219
Contributions/transfers	—	61,971	61,971
Appropriation for payout	—	(26,011)	(26,011)
Endowment net assets, end of year	<u>\$ 3,667</u>	<u>\$ 924,350</u>	<u>\$ 928,017</u>

**D. PROGRAM LOANS**

The AFA's WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2019 were as follows (expressed in thousands):

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Clean Water Fund	\$ 433,781	\$ 4,609	\$ (67,252)	\$ 371,138
Drinking Water Fund	332,928	11,460	(26,585)	317,803
Total	<u>\$ 766,709</u>	<u>\$ 16,069</u>	<u>\$ (93,837)</u>	<u>\$ 688,941</u>

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a 0.30% to 3.00% annual administrative fee. When loans have been repaid, the principal and interest for the pledged loans are placed in restricted accounts used to make bond payments. For loans that are not pledged, the money is placed in a fund from which additional loans are made.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the AFA's WIFA to the borrowers and interest on the reserve accrues to the borrowers. As of June 30, 2019, the debt service reserve was \$69 thousand and \$2.1 million for the Clean Water and Drinking Water funds, respectively, and no allowance for loan loss was recorded.

**E. PLEDGES RECEIVABLE**

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and loss allowance. The ASUEP's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 1.20% to 6.00%. An allowance for uncollectible pledges is estimated based on the ASUEP's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges.

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Pledges receivable, as of June 30, 2019, include the following (expressed in thousands):

	<b>ASU Enterprise Partners</b>
Gross pledges receivable	\$ 226,376
Present value discount	(17,528)
Allowance for uncollectible pledges	(52,312)
Net Pledges Receivable	<u>\$ 156,536</u>

**F. DIRECT FINANCING LEASE AGREEMENTS**

**1. ASUEP**

The ASUEP leases a portion of the Fulton Center building (the ASUEP's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASUEP and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASUEP's net investment in this direct financing lease at June 30, 2019 is \$20.0 million.

**2. ACFFC**

Pursuant to a Sublease Agreement, dated April 7, 2004 and amended on December 1, 2017 (the Sublease), Nanotechnology Research, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the Research Park to the ASU. The ASU will make lease payments at times in amounts sufficient to pay all principal and interest on the Series 2009B and 2017 Bonds. The Sublease has successive annual renewals without action from either party through the period ending March 31, 2034. The Sublease is subject to early termination by Nanotechnology or the ASU upon the payment in full of the Series 2009B and 2017 Bonds. Upon termination or expiration of the Sublease, the ACFFC's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. The ACFFC's net investment in the Nanotechnology facility direct financing lease is \$26.7 million at June 30, 2019.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of the ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (Hassayampa, HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease was amended effective July 1, 2016 to change the annual renewal period through June 30, 2039 to correspond with the maturity of the Hassayampa 2016 Bonds. Any right, title, or interest of Hassayampa in and to the academic portions of the Hassayampa project will pass to the ASU without further cost upon payment in full of the Hassayampa 2008 Bonds. Lease payments are based on the fixed interest rates determined by the Hassayampa 2008 and 2016 Bonds maturity schedules. The ACFFC's net investment in the McAllister (HAV) direct financing lease is \$10.1 million at June 30, 2019.

**G. CAPITAL ASSETS**

Capital assets for the ACFFC for the fiscal year ended June 30, 2019 include the following (expressed in thousands):

	<b>ACFFC</b>
Buildings and improvements	\$ 195,901
Furniture, fixtures, and equipment	79,027
Total cost or donated value	<u>274,928</u>
Less: accumulated depreciation	(140,100)
Total Property and Equipment, Net	<u>\$ 134,828</u>

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**H. LONG-TERM OBLIGATIONS**

**1. Component Units**

**a. Summary of Revenue Bonds**

AFA's WIFA bonds are callable and interest is payable semiannually. The bonds are special obligations of AFA's WIFA payable solely from and secured by the AFA's WIFA assets. The obligations are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the AFA's WIFA.

In December 2014, AFA's WIFA issued \$342.6 million of Water Quality Revenue Refunding Bond series 2014A for the purpose of advance refunding a portion of the 2006 Water Quality Revenue Bonds, 2008 Water Quality Revenue Bonds, 2009 Water Quality Revenue Bonds, 2010 Water Quality Revenue Bonds, and the 2012 Water Quality Refunding Bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest in the refunded bonds issues had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The amount of the defeased bonds still outstanding, as of June 30, 2019, was \$325.3 million.

In January 2018, AFA's WIFA defeased \$46.1 million of Water Quality Revenue Bonds, series 2010A, 2010R, 2012A, and 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in expenses in the accompanying financial statements. An in-substance defeasance of \$1.1 million is also included in expenses in the accompanying financial statements. The amount of the defeased bonds still outstanding, as of June 30, 2019, was \$46.1 million.

In May 2018, AFA's WIFA defeased \$81.6 million of Water Quality Revenue Bonds, series 2014R using their own resources. Sufficient assets to pay all principal and interest in the defeased bonds had been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues defeased. The interest paid on the defeasance is included in the accompanying financial statements. An in-substance defeasance of \$2.3 million is also included in expenses in the accompanying financial statements. The amount of the defeased bonds still outstanding, as of June 30, 2019, was \$81.6 million.

The security for the bonds includes a pledge of monies and investments in the accounts held by the Trustee and the Financial Assistance accounts held for AFA's WIFA by the State Treasurer and all pledged loans.

The following schedule summarizes AFA's WIFA revenue bonds outstanding at June 30, 2019 (expressed in thousands):

	<b>Dates Issued</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance at June 30, 2019</b>
Revenue Bonds Outstanding	2009-2015	2020-2028	2.00-5.00%	\$ 366,445

Principal and interest debt service payments on AFA's WIFA revenue bonds outstanding at June 30, 2019 were as follows (expressed in thousands):

<b>Fiscal Year</b>	<b>Annual Debt Service</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 29,815	\$ 17,146	\$ 46,961
2021	28,395	15,770	44,165
2022	43,105	14,049	57,154
2023	44,250	11,915	56,165
2024	44,955	9,710	54,665
2025-2028	175,925	16,450	192,375
<b>Total</b>	<b>\$ 366,445</b>	<b>\$ 85,040</b>	<b>\$ 451,485</b>

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**b. Changes in Long-Term Obligations**

The following is a summary of changes in long-term obligations for AFA's WIFA (expressed in thousands):

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>	<u>Due Thereafter</u>
Long-term Debt:						
Revenue bonds	\$ 437,510	\$ —	\$ (71,065)	\$ 366,445	\$ 29,815	\$ 336,630
Revenue bond premium	63,281	—	(4,027)	59,254	—	59,254
Total Long-term Debt	<u>500,791</u>	<u>—</u>	<u>(75,092)</u>	<u>425,699</u>	<u>29,815</u>	<u>395,884</u>
Other Long-term Liabilities:						
Compensated absences	65	75	(84)	56	56	—
Total Other Long-term Liabilities	<u>65</u>	<u>75</u>	<u>(84)</u>	<u>56</u>	<u>56</u>	<u>—</u>
Total Long-term Obligations	<u>\$ 500,856</u>	<u>\$ 75</u>	<u>\$ (75,176)</u>	<u>\$ 425,755</u>	<u>\$ 29,871</u>	<u>\$ 395,884</u>

**2. Universities-Affiliated Component Units**

A summary of bonds payable as of June 30, 2019 include the following (expressed in thousands):

	<u>Final Maturity</u>	<u>Amount</u>
ASU Enterprise Partners:		
Series 2014A Tax-Exempt Lease Revenue Bonds	2035	\$ 31,390
Series 2014B Taxable Lease Revenue Bonds	2019	930
Series 2014A Revenue Refunding Bonds	2034	35,525
Series 2004A Variable Rate Revenue Bonds	2034	22,420
Series 2004B Variable Rate Revenue Bonds	2022	3,430
Unamortized Bond Discount		(1,202)
ACFFC:		
Series 2018 Tax-Exempt Revenue Bonds	2038	23,550
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2034	23,860
Series 2017 Tax-Exempt Lease Revenue Refunding Bonds	2028	11,055
Series 2016 Tax-Exempt Revenue Refunding Bonds	2039	118,050
Series 2009 Revenue Bonds	2024	21,000
Series 2009B Lease Revenue Refunding Bonds	2022	3,245
Series 2008 Revenue Refunding Bonds	2019	2,400
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	29,005
Unamortized Loan Costs		(2,418)
Deferred Cost of Refunding		(15,391)
Unamortized Bond Premium		20,011

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Scheduled future maturities of Universities-affiliated component units' bonds payable were as follows (expressed in thousands):

Fiscal Year	ASU Enterprise Partners	ACFFC
2020	\$ 4,035	\$ 10,485
2021	4,215	10,710
2022	4,395	11,375
2023	4,600	12,035
2024	4,800	12,720
Thereafter	70,448	177,042
Total	\$ 92,493	\$ 234,367

**I. TAX ABATEMENTS**

The Rio Nuevo receives tax increment financing from state sales tax revenue that can be used to enter into tax rebate agreements with local developers for the purpose of attracting or retaining businesses and new development within the Rio Nuevo District. These tax rebate agreements meet the GASB definition of tax abatements. Rebates reduce the Rio Nuevo recorded state sales tax revenue. As of June 30, 2019, the Rio Nuevo has approved the following tax abatement agreements over \$5.0 million (expressed in thousands):

Project	Tax rebates generated by project during Fiscal Year 2019	Cumulative tax rebates generated by project as of June 30, 2019	Project Rebate Cap
AC Marriott and adjacent retail properties	\$ 419	\$ 1,394	\$ 7,750
Congress Street Block (98 – 130 E. Congress)	—	—	10,600
Hilton Hotel at Cathedral Square	—	—	6,850
Total	\$ 419	\$ 1,394	\$ 25,200

**J. CONDUIT DEBT**

The purpose of the AFA's AIDA is to provide a cost-effective mechanism through which private borrowers can seek financing from private sources through either a private placement or public offering of taxable or tax-exempt bonds issued by the AFA's AIDA. The primary use of funds has been for affordable housing and charter school projects.

Although bonds are issued in the name of the AFA's AIDA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. The AFA's AIDA bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the state and are not enforceable against the State. At June 30, 2019, the outstanding face value of all bonds of the AFA's AIDA was \$5.1 billion.

The purpose of the AFA's GADA is to provide cost-effective capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Principal and interest are payable semi-annually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the AFA's GADA from its fund, which is held by the State Treasurer. Some borrowers also have separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the bonds.

In previous years, the State appropriated a total of \$20.0 million to the AFA's GADA for the express purpose of securing bonds. Although issued in the name of the AFA's GADA, loans funded through the bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to A.R.S. § 41-2259, the bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net position of \$12.0 million in the Pledged Collateral Reserve Fund. At June 30, 2019, the total outstanding face value of all bonds issued by the AFA's GADA was \$27.2 million.



STATE OF ARIZONA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 JUNE 30, 2019

**K. NONEXCHANGE FINANCIAL GUARANTEES**

In accordance with the A.R.S. Title 15, Chapter 16, Article 11, the APSCE has guaranteed outstanding bond obligations of achievement district schools within the State in the amount of \$152.6 million at June 30, 2019. The program leverage ratio will not exceed a ratio of 3.5:1 as a result of the approval of the guaranteed financing being considered. The guarantees extend through the maturity dates of the bonds with the last maturity dates ranging from 2048 to 2053.

If the ASPCE makes a payment in connection with a guaranteed financing from the fund in the event that an achievement school district is unable to make a required debt service payment on a guaranteed bond, the school on whose behalf the payment was made shall repay the amount of the payment plus interest at a rate that is 100 basis points higher than the true interest rate on the guaranteed financing as determined by the ASPCE. Repayments shall be made to the ASPCE fund in equal monthly installments over a twelve-month period or another period as determined by the ASPCE. After the stated repayment period, any outstanding repayment balance shall become immediately due and payable. Any repayment amount owed to the ASPCE that is not otherwise paid remains a lawful obligation of the school and shall be paid from any other monies lawfully available to the school. This may include one or more of the following: (1) the right to all or a portion of the proceeds from the sale or lease of any property serving as collateral for a guaranteed financing, (2) the right to intercept any payments or monies otherwise payable to the school, and (3) the right to any insurance proceeds otherwise payable to the school. Additionally, on request of the ASPCE, the Attorney General shall take any actions necessary to enforce repayment of fund monies by a school.

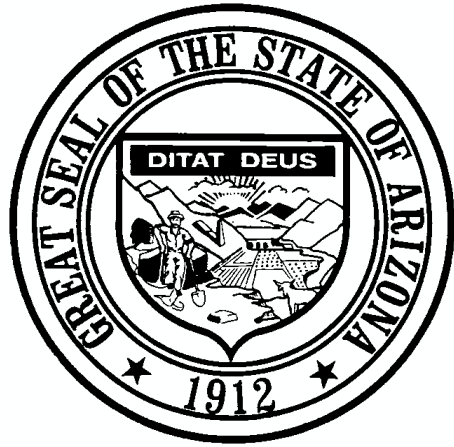
**L. ACCOUNTING CHANGES**

Net Position has been restated for the Component Units as follows (expressed in thousands):

	<u>Component Units</u>
Net Position, as previously reported	\$ 808,137
Correction of error	3,634
Net Position, as restated	<u>\$ 811,771</u>

**Correction of error**

The Arizona Power Authority's beginning net position was restated by \$3.6 million due to improper calculations in the prior year resulting in an overstatement of other current assets (\$0.3 million) and an understatement of other noncurrent assets (\$3.9 million).



REQUIRED  
SUPPLEMENTARY  
INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>			
ADMIN ADJUSTMENT AFIS COLLECTIONS	\$ —	\$ 44,126	\$ 44,126
ADMIN ADJUSTMENT CHILDRENS INFORMATION LIBRARY DCS 141B	—	181,400	181,400
ADMIN ADJUSTMENT GOVERNMENT TRANSFORMATION OFFICE	—	114,627	114,627
ADMIN ADJUSTMENT OFFICE OF GRANTS AND FEDERAL RESOURCES	—	70,788	70,788
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,125,326	1,125,326
ADMIN ADJUSTMENT UTILITIES	—	348,071	348,071
ADULT INFORMATION MANAGEMENT SYSTEM	3,045,000	3,045,000	3,045,000
AFIS COLLECTIONS	9,406,300	9,447,700	8,878,431
BOLIN PLAZA IMPROVEMENTS	25,300	25,300	25,250
BUILDING RENEWAL COSF	12,157,995	12,157,995	5,394,213
BUILDING RENEWAL GF	2,354,680	2,354,680	2,354,680
COP DEBT SERVICE 2009 3RD SS CH 6 SEC 32	60,102,200	60,102,200	60,102,200
COP DEBT SERVICE 2009 6TH SS CH 4 SEC 2A	24,009,800	24,009,800	24,009,800
DEMOLITION OF 1275 W WASHINGTON	1,000,000	1,000,000	335,353
DEPT FINANCIAL INSTITUTIONS E-LICENSING	1,400,000	1,400,000	1,400,000
ELECTED COUNTY OFFICIALS RETIREMENT PLAN LIABILITIES	1,655,500	1,655,500	1,655,500
ENHANCING STATEWIDE DATA SECURITY	4,786,263	4,786,263	4,242,752
GOVERNMENT TRANSFORMATION OFFICE	1,000,000	1,000,000	968,296
HRIS FEASIBILITY STUDY	206,450	206,450	206,450
IMPLEMENT E-LICENSING PROJECTS AT DEQ	4,800,000	4,800,000	2,217,000
IMPLEMENT UPDATES TO THE CRIMINAL JUSTICE IT SYS DPS	2,806,200	2,806,200	550,000
IMPLEMENT UPDATES TO THE INFORMATION TECHNOLOGY SYS AT LOA	1,450,000	1,450,000	1,450,000
IMPROVE AND MAINTAIN NETWORK AND SECURITY INFRASTRUCTURE	281,423	281,423	281,423
MAINTENANCE OF ESSENTIAL COUNTY SERVICES	11,260,000	11,260,000	11,260,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES - 30K-40K	500,000	500,000	500,000
MAINTENANCE OF ESSENTIAL COUNTY SERVICES < 900K POPULATION	7,150,650	7,150,650	7,150,650
MICROWAVE BACKBONE STATEWIDE COM SYSTEM DPS	3,125,000	3,125,000	2,019,800
OPERATING LUMP SUM APPROPRIATION	23,530,900	22,948,600	20,821,909
PROJECT MANAGEMENT OF STATEWIDE AUTOMATION AND IT PROJECTS	818,150	818,150	818,150
PROJECTS RELATED TO EGOVERNMENT	826,428	826,428	639,282
RELIEF	—	12,429	12,429
RELOCATE STATE DATA CENTER	4,697,000	4,697,000	2,334,069
RENOVATE STATE BUILDINGS	10,000,000	10,000,000	646,693
REPLACE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	3,103,000	3,103,000	3,103,000
REPLACE E-PROCUREMENT SYSTEM	6,696,272	6,696,272	6,058,054
SOUTHWEST DEFENSE CONTRACTS	25,000	25,000	25,000
SWEEPS	3,517,000	3,517,000	3,517,000
UPDATE THE HUMAN RESOURCE INFORMATION SYSTEM	821,900	821,900	21,720
UPGRADE CHILDRENS INFO LIBRARY AND DATA SOURCE SYSTEM AT DCS	8,000,000	8,000,000	3,000,000
UTILITIES	7,649,900	7,649,900	5,017,071
WHITE MOUNTAIN APACHE TRIBES WATER RIGHT	2,000,000	2,000,000	—
<b>ADMINISTRATIVE HEARINGS, OFFICE OF</b>			
OPERATING LUMP SUM APPROPRIATION	873,800	868,900	868,900
<b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>			
ADMIN ADJUSTMENT AG CONSULTING AND TRAINING PARI-MUTUEL	—	356	356
ADMIN ADJUSTMENT ANIMAL DAMAGE CONTROL	—	16,615	16,615
ADMIN ADJUSTMENT OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	61,167	61,167
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	259,262	259,262
ADMIN ADJUSTMENT RED IMPORTED FIRE ANT	—	5,800	5,800
AG CONSULTING AND TRAINING PARI-MUTUEL	128,500	128,500	128,294

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
AGRICULTURAL EMPLOYMENT RELATIONS BOARD	23,300	23,300	23,300
ANIMAL DAMAGE CONTROL	65,000	65,000	47,185
OFFSITE NUCLEAR EMERGENCY RESPONSE PLANS	—	275,012	274,772
OPERATING LUMP SUM APPROPRIATION	9,241,800	9,400,000	9,272,079
RED IMPORTED FIRE ANT	23,200	23,200	23,200
STATE VETERINARIAN'S OFFICE	100,161	100,161	100,161
<b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>			
ACA ADULT EXPANSION	537,254,900	497,254,900	441,120,474
ADMIN ADJUSTMENT ACA ADULT EXPANSION	—	18,717,101	18,717,101
ADMIN ADJUSTMENT ALTCS SERVICES	—	14,735,918	14,735,918
ADMIN ADJUSTMENT CHILDRENS REHABILITATIVE SERVICES	—	9,262,919	9,262,919
ADMIN ADJUSTMENT CHIP - SERVICES	—	1,474,823	1,474,823
ADMIN ADJUSTMENT CRISIS SERVICES	—	42,740	42,740
ADMIN ADJUSTMENT DES ELIGIBILITY	—	14,549,875	14,549,875
ADMIN ADJUSTMENT DISPROPORTIONATE SHARE PAYMENTS	—	848,800	848,800
ADMIN ADJUSTMENT GRADUATE MEDICAL EDUCATION	—	25,119,464	25,119,464
ADMIN ADJUSTMENT MEDICAID BEHAVIORAL HEALTH PROPOSITION 204 SERVICES	—	1,237	1,237
ADMIN ADJUSTMENT MEDICAID BEHAVIORAL HEALTH TRADITIONAL SERVICES	—	1,589,460	1,589,460
ADMIN ADJUSTMENT NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES	—	832,875	832,875
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	8,179,761	8,179,761
ADMIN ADJUSTMENT PROP 204 AHCCCS ADMINISTRATION	—	1,527,240	1,527,240
ADMIN ADJUSTMENT PROP 204 DES ELIGIBILITY	—	3,235,843	3,235,843
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	—	49,349,780	49,349,780
ADMIN ADJUSTMENT SUPPORTED HOUSING	—	81,522	81,522
ADMIN ADJUSTMENT TRADITIONAL MEDICAID SERVICES	—	215,926,127	215,926,127
ADOA DATA CENTER	19,325,800	18,703,500	12,347,555
ALTCS SERVICES	1,496,412,300	1,521,412,300	1,504,871,384
BEHAVIORAL HEALTH SERVICES IN SCHOOLS	9,943,700	9,943,700	9,943,700
CHIP - SERVICES	81,846,900	81,846,900	73,208,438
CRISIS SERVICES	14,141,100	14,141,100	14,056,100
DES ELIGIBILITY	88,874,500	91,874,500	85,422,028
DISPROPORTIONATE SHARE PAYMENTS	5,087,100	5,087,100	4,202,300
DSH - VOLUNTARY	21,705,900	21,705,900	7,439,758
GRADUATE MEDICAL EDUCATION	274,684,900	335,142,100	335,140,967
MEDICAID BEHAVIORAL HEALTH CMDP	199,914,500	193,216,900	177,737,924
NON MEDICAID SERIOUSLY MENTALLY ILL SERVICES	77,646,900	77,646,900	75,622,842
OPERATING LUMP SUM APPROPRIATION	90,674,900	89,534,800	81,851,010
PROP 204 AHCCCS ADMINISTRATION	13,042,400	24,421,600	18,462,963
PROP 204 DES ELIGIBILITY	44,358,700	44,358,700	31,908,625
PROPOSITION 204 SERVICES	3,653,827,300	3,653,827,300	3,603,075,129
RURAL HOSPITAL REIMBURSEMENT	28,612,400	28,612,400	28,612,316
SUICIDE PREVENTON COORDINATOR	100,000	100,000	63,262
SUPPORTED HOUSING	5,324,800	5,324,800	4,724,800
SWEEPS	52,600,000	52,600,000	52,600,000
TARGETED INVESTMENTS PROGRAM	70,000,000	70,000,000	65,903,463
TRADITIONAL MEDICAID SERVICES	5,279,263,100	5,281,835,500	5,132,259,673
<b>ARIZONA STATE UNIVERSITY</b>			
ARIZONA FINANCIAL AID TRUST	5,985,800	5,985,800	5,985,800
BIOMEDICAL INFORMATICS	3,746,100	3,755,300	3,755,300
DOWNTOWN PHOENIX CAMPUS	13,746,400	13,804,200	13,804,200

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ECONOMIC DEVELOPMENT	250,000	250,000	250,000
ONE TIME FUNDING	—	4,245,000	4,245,000
OPERATING LUMP SUM APPROPRIATION - MAIN	270,152,300	271,322,300	271,322,300
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	2,443	12,564,143	12,561,700
RESEARCH INFRASTRUCTURE LPP-POLYTECHNIC	—	917,000	917,000
SCETL-CIVICS & CONSTITUTIONALISM	100,000	100,000	100,000
SCHOOL OF CIVIC AND ECONOMIC THOUGHT AND LEADERSHIP	3,000,000	3,907,100	3,907,100
<b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>			
ADMIN ADJUSTMENT CAPITAL POSTCONVICTION PROSECUTION	—	14,144	14,144
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	476,563	476,563
ADMIN ADJUSTMENT STATE GRAND JURY	—	4,833	4,833
CAPITAL POSTCONVICTION PROSECUTION	795,700	802,300	739,739
CHILD AND FAMILY ADVOCACY CENTERS	100,000	100,000	100,000
CRIMINAL DIVISION OPERATING	—	1,500,000	1,403,039
INTERNET CRIMES AGAINST CHILDREN ENFORCEMENT	3,920,723	3,920,723	879,858
MILITARY INSTALLATION-PLANNING	44,306	129,306	81,597
OPERATING LUMP SUM APPROPRIATION	37,550,500	38,062,200	35,776,344
SOUTHERN ARIZONA DRUG ENFORCEMENT	1,193,000	1,205,200	1,175,229
STATE GRAND JURY	180,100	181,100	174,820
TOBACCO ENFORCEMENT	84,400	85,100	80,817
<b>AUDITOR GENERAL</b>			
ADDITIONAL OPERATING EXPENDITURES	—	680,000	680,000
INDEPENDENT CONSULTANT - CHILD WELFARE	74,449	74,449	43,328
OPERATING LUMP SUM APPROPRIATION	23,541,907	23,691,507	19,880,555
<b>CHARTER SCHOOLS, STATE BOARD FOR</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	8,519	8,519
OPERATING LUMP SUM APPROPRIATION	1,185,200	1,209,800	1,078,009
<b>CHILD SAFETY, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT BACKLOG PRIVATIZATION	—	81,206	81,206
ADMIN ADJUSTMENT DCS ADOPTION SERVICES	—	21,241,946	21,241,946
ADMIN ADJUSTMENT DCS ATTORNEY GENERAL LEGAL SERVICES	—	346,726	346,726
ADMIN ADJUSTMENT DCS CASEWORKERS	—	3,785,921	3,785,921
ADMIN ADJUSTMENT DCS CHILD CARE SUBSIDY	—	5,560,231	5,560,231
ADMIN ADJUSTMENT DCS FOSTER CARE PLACEMENT	—	3,727,468	3,727,468
ADMIN ADJUSTMENT DCS FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	—	8,256,064	8,256,064
ADMIN ADJUSTMENT DCS GENERAL COUNSEL	—	9,046	9,046
ADMIN ADJUSTMENT DCS GRANDPARENT STIPENDS	—	773,796	773,796
ADMIN ADJUSTMENT DCS INDEPENDENT LIVING MAINTENANCE	—	123,801	123,801
ADMIN ADJUSTMENT DCS IN-HOME MITIGATION	—	8,045,150	8,045,150
ADMIN ADJUSTMENT DCS IN-HOME PREVENTIVE SUPPORT SERVICES	—	1,176	1,176
ADMIN ADJUSTMENT DCS INSPECTIONS BUREAU	—	49,040	49,040
ADMIN ADJUSTMENT DCS NEW CASE AIDES	—	1,690,375	1,690,375
ADMIN ADJUSTMENT DCS OFFICE OF CHILD WELFARE INVESTIGATIONS	—	28,773	28,773
ADMIN ADJUSTMENT DCS OPERATING LUMP SUM	—	3,915,878	3,915,878
ADMIN ADJUSTMENT DCS OUT-OF-HOME SUPPORT SERVICES	—	1,794,406	1,794,406
ADMIN ADJUSTMENT DCS OVERTIME	—	196,609	196,609
ADMIN ADJUSTMENT DCS PERMANENT GUARDIAN SUBSIDY	—	984,188	984,188
ADMIN ADJUSTMENT DCS PREVENTIVE SERVICES	—	766,545	766,545
ADMIN ADJUSTMENT DCS RECORDS RETENTION STAFF	—	82,968	82,968
ADMIN ADJUSTMENT DCS RETENTION PAY	—	70	70

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT DCS TRAINING RESOURCES	—	1,342,804	1,342,804
ADMIN ADJUSTMENT EMERGENCY AND RESIDENTIAL PLACEMENT	—	8,258,893	8,258,893
CONGREGATE GROUP CARE	98,900,100	98,900,100	78,081,479
DCS ADOPTION SERVICES	278,258,500	278,258,500	238,646,979
DCS ATTORNEY GENERAL LEGAL SERVICES	25,416,800	25,522,800	24,202,330
DCS CASEWORKERS	99,410,600	99,643,800	90,272,344
DCS CHILD CARE SUBSIDY	48,159,400	55,559,400	37,156,639
DCS FOSTER CARE PLACEMENT	52,595,500	52,595,500	46,156,288
DCS FOSTER HOME RECRUITMENT, STUDY AND SUPERVISION	32,753,600	32,753,600	27,953,282
DCS GENERAL COUNSEL	155,500	155,900	154,017
DCS INDEPENDENT LIVING MAINTENANCE	4,660,000	4,660,000	3,595,040
DCS IN-HOME MITIGATION	27,528,800	27,528,800	16,494,822
DCS INSPECTIONS BUREAU	2,470,100	2,479,300	2,291,914
DCS NEW CASE AIDES	3,060,600	3,073,700	2,321,905
DCS OFFICE OF CHILD WELFARE INVESTIGATIONS	9,611,100	9,633,000	8,352,875
DCS OPERATING LUMP SUM	109,892,700	110,157,600	107,891,958
DCS OUT-OF-HOME SUPPORT SERVICES	154,518,900	153,910,900	94,538,534
DCS OVERTIME	8,370,000	8,390,900	4,475,072
DCS PERMANENT GUARDIAN SUBSIDY	12,516,900	12,516,900	11,173,551
DCS PREVENTIVE SERVICES	15,148,300	15,148,300	8,304,202
DCS RECORDS RETENTION STAFF	592,900	594,200	555,551
DCS RETENTION PAY	1,707,000	1,707,000	677,057
DCS TRAINING RESOURCES	9,150,000	9,150,000	2,660,569
KINSHIP CARE	2,000,000	2,608,000	2,351,333
<b>COMMISSION OF AFRICAN-AMERICAN AFFAIRS</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	1,688	1,688
OPERATING LUMP SUM	125,000	127,200	118,182
<b>CORPORATION COMMISSION</b>			
ADMIN ADJUSTMENT DIVISION DATABASE REPLACEMENT	—	778,375	778,375
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,318	1,318
OPERATING LUMP SUM APPROPRIATION	661,500	668,700	668,281
RAILROAD SAFETY INSPECTORS	—	196,600	196,600
RAILROAD WARNING SYSTEMS	47,510	47,510	—
<b>CORRECTIONS, STATE DEPARTMENT OF</b>			
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	—	3,763,666	3,763,666
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	6,084,268	6,084,268
ASPC YUMA CHEYENNE REPAIRS	55,332	55,332	—
CAPITAL OUTLAY APPROPRIATION	7,507,107	7,507,107	5,962,393
COMMUNITY CORRECTIONS	19,147,700	21,418,700	19,323,322
INMATE HEALTH CARE CONTRACTED SERVICES	152,311,700	155,311,700	155,261,735
LOCKING SYSTEMS REPLACEMENT	673,786	673,786	673,769
OPERATING LUMP SUM APPROPRIATION	789,170,200	789,571,800	779,231,110
PRIVATE PRISON COP	17,463,400	17,463,400	17,463,400
PRIVATE PRISON PER DIEM	119,572,400	119,572,400	119,472,620
RELIEF	—	76,589	76,589
SWEEPS	500,000	500,000	500,000
<b>COURT OF APPEALS DIVISION I</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION - DIVISION I	—	50,984	50,984
OPERATING LUMP SUM APPROPRIATION - DIVISION I	10,157,400	11,153,500	11,038,540
<b>COURT OF APPEALS DIVISION II</b>			
OPERATING LUMP SUM - DIVISION II	4,424,000	4,913,000	4,902,495

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>			
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	—	3,225	3,225
ADMIN ADJUSTMENT TUCSON CAMPUS	—	95,043	95,043
ADMIN-STATEWIDE	4,885,800	5,328,773	5,265,894
PHOENIX DAY SCHOOL FOR THE DEAF	4,665,153	4,726,517	4,646,348
PRESCHOOL-OUTREACH PROGRAMS	2,116,428	2,144,267	1,940,763
REGIONAL COOPERATIVES	39,500	40,020	24,023
SCHOOL BUS REPLACEMENT	738,000	369,000	17,973
TUCSON CAMPUS	8,933,219	9,050,723	8,770,822
<b>ECONOMIC OPPORTUNITY, OFFICE OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	34,390	34,390
OPERATING LUMP SUM APPROPRIATION	492,094	496,794	444,152
<b>ECONOMIC SECURITY, DEPARTMENT OF</b>			
ACHIEVING A BETTER LIFE EXPERIENCE ACT PROGRAM	135,766	135,766	120,326
ADMIN ADJUSTMENT ADULT SERVICES	—	1,333,509	1,333,509
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	—	159,537	159,537
ADMIN ADJUSTMENT AZ TRAINING PROGRAM COOLIDGE - TITLE XIX	—	5,766,055	5,766,055
ADMIN ADJUSTMENT CASE MANAGEMENT-STATE ONLY	—	1,509,441	1,509,441
ADMIN ADJUSTMENT CASE MANAGEMENT - TITLE XIX	—	7,617,689	7,617,689
ADMIN ADJUSTMENT CHILD CARE SUBSIDY	—	10,104,649	10,104,649
ADMIN ADJUSTMENT COMMUNITY AND EMERGENCY SERVICES	—	670,782	670,782
ADMIN ADJUSTMENT COORDINATED HOMELESS PROGRAM	—	137,003	137,003
ADMIN ADJUSTMENT COORDINATED HUNGER	—	30,000	30,000
ADMIN ADJUSTMENT COUNTY PARTICIPATION	—	839,865	839,865
ADMIN ADJUSTMENT DDD OPERATING LUMP SUM	—	18,341,543	18,341,543
ADMIN ADJUSTMENT DDD PREMIUM TAX PAYMENT	—	2,969,357	2,969,357
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	—	16,586,316	16,586,316
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	—	1,344,451	1,344,451
ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY	—	3,530,837	3,530,837
ADMIN ADJUSTMENT HOME AND COMMUNITY BASED SVC - TITLE XIX	—	95,939,523	95,939,523
ADMIN ADJUSTMENT INSTITUTIONAL SERVICES - TITLE XIX	—	3,607,204	3,607,204
ADMIN ADJUSTMENT JOBS	—	1,177,644	1,177,644
ADMIN ADJUSTMENT MEDICAL SERVICES - TITLE XIX	—	21,515,791	21,515,791
ADMIN ADJUSTMENT ONETIME DDD PROVIDER PAYMENT PROP 206	—	10,000,000	10,000,000
ADMIN ADJUSTMENT REHABILITATION SERVICES	—	2,200,527	2,200,527
ADMIN ADJUSTMENT STATE FUNDED LONG-TERM CARE SERVICES	—	821,708	821,708
ADMIN ADJUSTMENT SWEEPS	—	4,365,626	4,365,626
ADMIN ADJUSTMENT TANF CASH BENEFITS	—	1,044,752	1,044,752
ADMIN ADJUSTMENT WORKFORCE INVESTMENT ACT SERVICES	—	8,333,248	8,333,248
ADULT SERVICES	8,731,900	8,731,900	8,263,160
ATTORNEY GENERAL LEGAL SERVICES	10,898,800	10,904,900	9,313,596
CASE MANAGEMENT-STATE ONLY	4,303,000	4,313,400	4,143,881
CASE MANAGEMENT - TITLE XIX	90,818,900	91,138,600	82,472,818
CHILD CARE SUBSIDY	98,396,600	96,596,600	90,395,537
CHILD CARE SUBSIDY CCDF	—	48,400,000	—
COMMUNITY AND EMERGENCY SERVICES	3,724,000	3,724,000	2,900,524
COORDINATED HOMELESS PROGRAM	2,522,600	2,522,600	2,325,742
COORDINATED HUNGER	1,754,600	1,754,600	1,692,383
COUNTY PARTICIPATION	8,740,200	8,740,200	4,679,944
DDD ARIZONA EARLY INTERVENTION PROGRAM	6,319,000	6,319,000	2,422,457
DDD CHILDRENS REHABILITATIVE SERVICES-MEDICAID	65,602,800	75,602,800	65,602,800

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DDD OPERATING LUMP SUM	108,384,300	108,655,800	52,510,977
DDD PREMIUM TAX PAYMENT	39,651,300	47,651,300	40,420,814
DDD PROGRAM EXPENSES SUPPLEMENTAL	—	34,471,300	—
DDD PROVIDERS FLAGSTAFF SUPPLEMENTAL	—	500,000	—
DDD STATE-ONLY ROOM AND BOARD EXPENSES - ONE TIME	—	2,000,000	—
DDD TARGETED CASE MANAGEMENT-MEDICAID	8,589,000	8,610,200	8,355,512
DES OPERATING LUMP SUM	154,508,700	157,441,000	138,114,441
DOMESTIC VIOLENCE PREVENTION	9,903,700	9,903,700	9,361,643
FOOD BANK FUNDING STORAGE	—	950,000	—
HOME & COMMUNITY SERVICES - STATE ONLY	13,589,000	13,589,000	10,735,596
HOME AND COMMUNITY BASED SVC - TITLE XIX	1,510,597,700	1,472,664,800	1,383,478,588
INDEPENDENT LIVING REHABILITATION SVCS	166,000	166,000	105,772
INSTITUTIONAL SERVICES - TITLE XIX	58,659,300	58,776,400	52,818,399
JOBS	9,894,700	9,894,700	9,404,372
MEDICAL CLAWBACK	4,185,100	4,185,100	4,185,100
MEDICAL SERVICES-TITLE XIX	256,542,800	276,576,300	209,771,849
ONETIME DDD PROVIDER PAYMENT PROP 206	47,460,100	47,460,100	37,217,732
ONETIME FOOD BANK FUNDING	1,000,000	1,000,000	942,468
REHABILITATION SERVICES	6,594,400	6,594,400	5,117,445
SNAP ARIZONA FARMERS MARKET	—	400,000	79,967
STATE FUNDED LONG-TERM CARE SERVICES	32,959,600	32,959,600	22,023,640
TANF CASH BENEFITS	22,736,400	22,736,400	19,773,785
TRIBAL PASS-THRU FUNDING	4,680,300	4,680,300	4,680,300
WORKFORCE INVESTMENT ACT SERVICES	53,654,600	53,654,600	47,358,601
<b>EDUCATION, BOARD OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	5,677	5,677
OPERATING LUMP SUM	1,142,800	1,146,300	906,211
<b>EDUCATION, DEPARTMENT OF</b>			
ACHIEVEMENT TESTING	9,420,800	9,422,500	9,422,500
ADDITIONAL FUNDING	—	50,000,000	50,000,000
ADDITIONAL STATE AID TO SCHOOLS	413,665,500	413,665,500	413,665,500
ADMIN ADJUSTMENT COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM	—	585,360	585,360
ADMIN ADJUSTMENT OTHER STATE AID TO DISTRICTS	—	227,784	227,784
ADULT EDUCATION	4,498,200	4,502,100	4,502,100
ALTERNATIVE TEACHER DEVELOPMENT PROGRAM	500,000	500,000	500,000
ARIZONA STRUCTURED ENGLISH IMMERSION	4,960,400	4,960,400	4,960,400
BASIC STATE AID DEFERRED PAYMENT	—	930,727,700	930,727,700
BASIC STATE AID ENTITLEMENT	3,167,998,400	3,151,165,000	3,142,448,231
CODE WRITERS INITIATIVE PILOT PROGRAM	—	500,000	500,000
COLLEGE CREDIT BY EXAMINATION INCENTIVE PROGRAM	5,000,000	5,000,000	4,990,167
COMPUTER SCIENCE PILOT PROGRAM	1,000,000	1,000,000	1,000,000
EARLY LITERACY	—	12,000,000	12,000,000
ED LEARNING AND ACCOUNTABILITY SYSTEM	5,300,000	5,300,000	5,127,393
ENGLISH LEARNER ADMINISTRATION	6,495,000	6,509,500	6,509,500
GEOGRAPHIC LITERACY	100,000	100,000	100,000
GIFTED EDUCATION	1,000,000	1,000,000	806,926
HIGH QUALITY TEACHER PROFESSIONAL DEVELOPMENT PILOT PROGRAM	233,272	233,272	11,948
JOBS FOR ARIZONA GRADUATES PROGRAM	100,000	100,000	100,000
JTED COMPLETION GRANTS	2,000,000	2,000,000	1,000,000
JTED SOFT CAPITAL AND EQUIPMENT	1,000,000	1,000,000	1,000,000

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION - ADMIN	9,858,500	10,099,500	10,094,174
OTHER STATE AID TO DISTRICTS	983,900	983,900	60,634
RESULTS BASED FUNDING	38,600,000	38,600,000	38,600,000
SCHOOL SAFETY PROGRAM	4,383,216	4,384,516	3,254,056
SPECIAL EDUCATION FUND	25,529,200	25,529,200	25,529,200
STATE BLOCK GRT FOR VOCATIONAL EDUCATION	11,576,300	11,576,300	11,576,300
TEACHER CERTIFICATION	176,200	178,100	178,100
TRIBAL COLLEGE DUAL ENROLLMENT PROGRAM FUND	250,000	250,000	225,933
<b>EMERGENCY AND MILITARY AFFAIRS, DEPARTMENT OF</b>			
ADEM MATCHING FUND	1,540,900	1,543,300	1,503,719
ADMIN ADJUSTMENT ADEM MATCHING FUND	—	2,485	2,485
ADMIN ADJUSTMENT ADMINISTRATION	—	5,644	5,644
ADMIN ADJUSTMENT MILITARY AFFAIRS	—	3,161	3,161
ADMINISTRATION	1,663,500	1,694,200	1,682,458
DISASTER DECLARATION	—	4,000,000	800,000
EMERGENCY MANAGEMENT	730,900	730,900	730,900
FEDRUARY 2005 WINTER STORMS	49,785	49,785	—
HAZARD MATERIAL CONTINGENCY	1,897	1,897	—
MILITARY AFFAIRS	1,339,800	1,339,800	1,337,484
MILITARY AFFAIRS COMMISSION	61,533	151,533	90,000
NATIONAL GUARD MATCHING FUNDS	1,700,000	1,700,000	386,680
NUCLEAR EMERGENCY MANAGEMENT FUND - GF TSF	—	696,449	—
NUCLEAR EMERGENCY MANAGEMENT FUND - BUCKEYE - GF TRF	—	70,000	—
NUCLEAR EMERGENCY MANAGEMENT FUND - MARICOPA - GF TF	—	695,153	—
SERVICE CONTRACTS	1,515,894	1,515,894	1,338,721
SOUTH EAST ARIZONA READINESS CENTER	3,759,000	3,759,000	—
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	115,515	115,515
OPERATING LUMP SUM APPROPRIATION	13,508,000	13,657,700	13,351,776
<b>EQUAL OPPORTUNITY, GOVERNOR'S OFFICE OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	123	123
<b>EQUALIZATION, STATE BOARD OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	12,511	12,511
OPERATING LUMP SUM APPROPRIATION	643,000	652,000	425,259
<b>EXECUTIVE CLEMENCY, BOARD OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	19,664	19,664
OPERATING LUMP SUM APPROPRIATION	1,112,100	1,137,000	1,000,036
<b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	39,744	39,744
ADMIN ADJUSTMENT REAL ESTATE APPRAISAL	—	12,393	12,393
OPERATING LUMP SUM APPROPRIATION	1,903,200	1,984,800	1,706,294
<b>FORESTRY AND FIRE MANAGEMENT, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	19,564	19,564
ADMIN ADJUSTMENT POSTRELEASE FIREFIGHTING CREWS	—	507,676	507,676
ADMIN ADJUSTMENT STATE FIRE MARSHAL	—	8,314	8,314
ADMIN ADJUSTMENT STATE FIRE SCHOOL	—	4,130	4,130
ENVIRONMENTAL COUNTY GRANTS	250,000	250,000	250,000
FIRE SUPPRESSION SLI	1,065,000	265,000	265,000
GENERAL FUND TRSF TO FIRE SUPPRESSION	—	3,000,000	3,000,000
HAZARDOUS VEGETATION REMOVAL	2,769,523	2,769,523	1,917,133
INMATE FIRE CREWS	686,200	692,400	692,308

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
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GENERAL FUND  
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	2,184,400	3,019,300	3,002,083
POSTRELEASE FIREFIGHTING CREWS	1,000,000	1,009,500	993,876
STATE FIRE MARSHAL	742,600	747,900	718,161
STATE FIRE SCHOOL	172,100	172,600	172,241
<b>GAMING, DEPARTMENT OF</b>			
COUNTY FAIR LIVESTOCK AND AGRICULTURAL	1,779,500	1,779,500	1,779,500
<b>GENERAL ACCOUNTING OFFICE</b>			
ADDITIONAL GILA WORKFORCE DEVELOPMENT AID	200,000	200,000	200,000
COCHISE COUNTY SHERIFF BORDER SECURITY	—	432	432
EQUALIZATION AID - COCHISE	5,848,200	5,848,200	5,848,200
EQUALIZATION AID - GRAHAM	15,717,800	15,717,800	15,717,800
EQUALIZATION AID - NAVAJO	7,107,100	7,107,100	7,107,100
GENERAL FUND TRANSFERS	—	350,521,800	350,521,800
OPERATING STATE AID - COCHISE	4,677,300	4,677,300	4,677,300
OPERATING STATE AID - COCONINO	1,749,200	1,749,200	1,749,200
OPERATING STATE AID - GILA	324,900	324,900	324,900
OPERATING STATE AID - GRAHAM	2,357,900	2,357,900	2,357,900
OPERATING STATE AID - MOHAVE	1,152,700	1,152,700	1,152,700
OPERATING STATE AID - NAVAJO	1,576,500	1,576,500	1,576,500
OPERATING STATE AID - PINAL	1,507,800	1,507,800	1,507,800
OPERATING STATE AID - SANTA CRUZ	84,100	84,100	84,100
OPERATING STATE AID - YAVAPAI	589,900	589,900	589,900
OPERATING STATE AID - YUMA LA PAZ	2,613,500	2,613,500	2,613,500
RURAL COUNTY REIMBURSEMENT SUBSIDY	1,273,800	1,273,800	1,273,800
STEM & WORKFORCE PRG STATE AID COCHISE	1,010,800	1,010,800	1,010,800
STEM & WORKFORCE PRG STATE AID COCONINO	415,600	415,600	415,600
STEM & WORKFORCE PRG STATE AID GILA	146,200	146,200	146,200
STEM & WORKFORCE PRG STATE AID GRAHAM	634,400	634,400	634,400
STEM & WORKFORCE PRG STATE AID MOHAVE	446,900	446,900	446,900
STEM & WORKFORCE PRG STATE AID NAVAJO	342,600	342,600	342,600
STEM & WORKFORCE PRG STATE AID PINAL	96,500	96,500	96,500
STEM & WORKFORCE PRG STATE AID YAVAPAI	699,000	699,000	699,000
STEM & WRKFORCE PRG STATE AID SANTA CRUZ	62,400	62,400	62,400
STEM & WRKFORCE PRG STATE AID YUMA LA PAZ	843,100	843,100	843,100
SWEEPS	5,000,000	5,000,000	5,000,000
WOOLSEY FLOOD DISTRICT	—	73,143	73,143
<b>GOVERNOR, OFFICE OF THE</b>			
FOSTER YOUTH EDUCATION SUCCESS	1,677,980	1,677,980	1,677,980
OPERATING LUMP SUM APPROP - OSPB	2,326,568	2,364,768	1,984,591
OPERATING LUMP SUM APPROPRIATION	7,656,089	7,891,489	6,662,196
<b>HEALTH SERVICES, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT ADULT CYSTIC FIBROSIS	—	26,300	26,300
ADMIN ADJUSTMENT AEA NUCLEAR EMERGENCY MANAGEMENT FUND	—	6,637	6,637
ADMIN ADJUSTMENT AEA OPERATING LUMP SUM APPROPRIATION	—	5,463	5,463
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPN	—	833,687	833,687
ADMIN ADJUSTMENT AIDS REPORTING AND SURVEILLANCE	—	22,837	22,837
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	—	1,688,782	1,688,782
ADMIN ADJUSTMENT ASH - SEXUALLY VIOLENT PERSONS	—	667,016	667,016
ADMIN ADJUSTMENT ASH-RESTORATION TO COMPETENCY	—	389,060	389,060
ADMIN ADJUSTMENT BREAST AND CERVICAL CANCER SCREENING	—	346,867	346,867
ADMIN ADJUSTMENT COUNTY TUBERCULOSIS PROVIDER CARE - CTL	—	94,603	94,603

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
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GENERAL FUND  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	—	152,878	152,878
ADMIN ADJUSTMENT NON RENAL DISEASE MANAGEMENT	—	150,792	150,792
ADMIN ADJUSTMENT POISON CONTROL CENTER FUNDING	—	85,673	85,673
ADMIN ADJUSTMENT RENAL TRANSPLANT DRUGS	—	45,750	45,750
ADULT CYSTIC FIBROSIS	105,200	105,200	105,200
AEA NUCLEAR EMERGENCY MANAGEMENT FUND	—	789,663	731,608
AGENCYWIDE OPERATING LUMP SUM APPN	28,111,700	27,283,400	26,119,733
AIDS REPORTING AND SURVEILLANCE	1,000,000	1,000,000	963,293
ALZHEIMER DISEASE RESEARCH	125,000	125,000	125,000
ARIZONA STATE HOSPITAL - OPERATING	59,835,600	60,250,200	58,275,999
ASH - SEXUALLY VIOLENT PERSONS	9,639,100	9,684,900	9,157,140
ASH-RESTORATION TO COMPETENCY	900,000	900,000	896,103
BREAST AND CERVICAL CANCER SCREENING	1,369,400	1,369,400	776,411
COUNTY TUBERCULOSIS PROVIDER CARE - CTL	590,700	590,700	449,181
HIGH RISK PERINATAL SERVICES	2,093,400	2,093,400	1,733,405
NON RENAL DISEASE MANAGEMENT	198,000	198,000	—
POISON CONTROL CENTER FUNDING	990,000	990,000	599,713
RENAL TRANSPLANT DRUGS	183,000	183,000	137,250
<b>HISTORICAL SOCIETY OF ARIZONA, PRESCOTT</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	53,715	53,715
OPERATING LUMP SUM APPROPRIATION	824,500	832,700	794,918
<b>HISTORICAL SOCIETY, ARIZONA</b>			
FIELD SERVICES AND GRANTS	65,700	65,900	65,900
OPERATING LUMP SUM APPROPRIATION	2,571,400	2,589,300	2,589,300
PAPAGO PARK MUSEUM	535,400	539,800	539,800
<b>HOUSE OF REPRESENTATIVES</b>			
OPERATING LUMP SUM APPROPRIATION	19,714,109	20,379,009	14,773,402
<b>INDEPENDENT REDISTRICTING COMMISSION</b>			
OPERATING LUMP SUM APPROPRIATION	23,959	23,959	—
<b>INDIAN AFFAIRS, ARIZONA COMMISSION OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	1,362	1,362
OPERATING LUMP SUM APPROPRIATION	57,500	60,900	56,970
<b>INSURANCE, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	56,612	56,612
OPERATING LUMP SUM APPROPRIATION	5,616,900	5,628,400	5,044,358
<b>JOINT LEGISLATIVE BUDGET COMMITTEE</b>			
OPERATING LUMP SUM APPROPRIATION	6,154,291	6,170,791	2,307,363
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	378,279	378,279
OPERATING LUMP SUM APPROPRIATION	35,527,300	35,848,900	33,656,303
RELIEF	—	8,000	8,000
<b>LAND DEPARTMENT, STATE</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	636,418	636,418
ADMIN ADJUSTMENT STREAMBED NAVIGABILITY LITIGATION	—	408	408
CAP USER FEES	1,315,200	1,315,200	1,315,116
DUE DILIGENCE FUND	500,000	500,000	39,989
NATURAL RESOURCE CONSERVATION DISTRICTS	389,400	389,400	389,400
OPERATING LUMP SUM APPROPRIATION	9,418,700	9,680,500	9,186,068
STREAMBED NAVIGABILITY LITIGATION	220,000	220,000	42,155
<b>LEGISLATIVE COUNCIL</b>			
OMBUDSMAN-CITIZENS AID OFFICE	1,010,914	1,010,914	885,732

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA  
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GENERAL FUND  
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	17,026,924	17,063,624	5,648,160
<b>LIQUOR, LICENSES, AND CONTROL, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	15,184	15,184
OPERATING LUMP SUM APPROPRIATION	3,098,500	3,086,000	3,072,216
<b>MINE INSPECTOR, STATE</b>			
ABANDONED MINES SAFETY FUND DEPOSIT	194,700	194,700	187,736
ADMIN ADJUSTMENT ABANDONED MINES SAFETY FUND DEPOSIT	—	2,917	2,917
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	42,906	42,906
OPERATING LUMP SUM APPROPRIATION	1,017,800	1,062,200	896,758
<b>NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	509	509
OPERATING LUMP SUM APPROPRIATION	124,000	127,400	118,723
<b>NORTHERN ARIZONA UNIVERSITY</b>			
ARIZONA FINANCIAL AID TRUST	1,326,000	1,326,000	1,326,000
ECONOMIC POLICY INSTITUTE	500,000	500,000	500,000
MEDICAL RESEARCH FND BIO TECHNOLOGY	—	3,000,000	3,000,000
NAU - YUMA	3,067,300	3,071,400	3,071,400
ONE TIME FUNDING	—	1,590,200	1,590,200
OPERATING LUMP SUM APPROPRIATION	89,772,700	89,899,300	89,899,300
RESEARCH INFRASTRUCTURE LEASE-PURCH PYMT	—	5,896,200	5,896,200
TEACHER TRAINING	2,290,600	2,291,700	2,291,700
<b>PARKS BOARD, ARIZONA STATE</b>			
ADMIN ADJUSTMENT KARTCHNER CAVERNS STATE PARK	—	82,800	82,800
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	756,586	756,586
ADMIN ADJUSTMENT SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	—	134,599	134,599
KARTCHNER CAVERNS STATE PARK	2,226,300	2,245,700	2,067,686
OPERATING LUMP SUM APPROPRIATION	12,427,800	12,585,613	11,397,406
ORACLE STATE PARK CAPITAL IMPROVEMENTS	4,000,000	4,000,000	—
SPRF BSF STATE PARKS CAPITAL IMPROVEMENT	2,976,951	2,976,951	508,380
SPRF BUCKSKIN MOUNTAIN STATE PARK CAPITAL IMPROVEMENTS	1,500,000	1,500,000	—
SPRF FY17 SUPPLEMENT MAJOR MAINTENANCE	154,071	154,071	154,071
SPRF ROCKIN' RIVER RANCH CAPITAL DEVELOPMENT	3,672,611	3,672,611	148,005
<b>POSTSECONDARY EDUCATION, COMMISSION FOR</b>			
ARIZONA TEACHER STUDENT LOAN PROGRAM	426,000	426,000	426,000
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP	1,220,800	1,220,800	1,220,800
<b>PUBLIC SAFETY, DEPARTMENT OF</b>			
ACTIC	750,000	750,000	702,582
ADMIN ADJUSTMENT ACTIC	—	148,701	148,701
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE LOCAL SUPPORT	—	58,058	58,058
ADMIN ADJUSTMENT BORDER STRIKE TASK FORCE ONGOING	—	123,556	123,556
ADMIN ADJUSTMENT GIITEM	—	263,173	263,173
BORDER STRIKE TASK FORCE LOCAL SUPPORT	761,700	761,700	627,929
BORDER STRIKE TASK FORCE LOCAL SUPPORT GRANTS	500,000	500,000	500,000
BORDER STRIKE TASK FORCE ONGOING	7,077,000	7,102,500	6,672,945
CIVIL AIR PATROL	150,000	150,000	150,000
GIITEM	11,842,000	11,885,900	11,572,476
GIITEM FUND APPROPRIATION	1,403,400	1,403,400	1,272,693
GIITEM IMPACT APPROPRIATION	655,478	655,478	503,714
GIITEM PERSONNEL	10,232,700	10,276,500	10,082,140
GIITEM SUBACCOUNT	2,395,800	2,395,800	2,066,083
LOAN FOR REIMBURSEMENT - OPERATING FUNDING	—	23,300,000	—

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MOTOR VEHICLE FUEL	4,384,200	4,384,200	3,757,255
OPERATING LUMP SUM APPROPRIATION	69,676,300	69,921,100	69,921,100
RELIEF	—	221,080	220,369
REMOTE HOUSING REPLACEMENT	1,200,000	1,200,000	1,200,000
SEXUAL ASSAULT KIT TESTING	1,034,998	1,034,998	785,302
<b>REAL ESTATE DEPARTMENT, STATE</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	9,855	9,855
OPERATING LUMP SUM APPROPRIATION	2,904,400	2,911,700	2,489,766
<b>REGENTS, ARIZONA BOARD OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	34,040	34,040
ARIZONA TEACHERS INCENTIVE PROGRAM	90,000	90,000	90,000
AZ TRANSFER ARTICULATION SUPPORT SYSTEM	213,700	213,700	213,700
OPERATING LUMP SUM APPROPRIATION	2,352,500	2,363,400	2,363,400
WESTERN INTERSTATE COMMISSION OFFICE	153,000	153,000	153,000
WICHE STUDENT SUBSIDIES	4,078,000	4,078,000	4,078,000
<b>RETIREMENT SYSTEM, ARIZONA STATE</b>			
ADMIN ADJUSTMENT BRITS OPERATIONAL SUPPORT	—	2,728	2,728
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	286,928	286,928
BRITS OPERATIONAL SUPPORT	5,491,400	5,516,200	4,265,549
OPERATING LUMP SUM APPROPRIATION	24,556,200	24,901,000	22,716,601
TPT SIMPLIFICATION	970,400	982,500	869,370
VETERANS' INCOME TAX SETTLEMENT - ADMIN	—	96,046	5,380
<b>REVENUE, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	481,195	481,195
BRITS OPERATIONAL SUPPORT	2,006,100	2,030,300	1,920,675
INCOME TAX FRAUD PREVENTION	3,150,000	3,150,000	3,070,229
OPERATING LUMP SUM APPROPRIATION	39,296,700	39,832,000	35,523,104
UNCLAIMED PROPERTY ADMINISTRATION-AUDIT	1,218,500	1,603,142	1,600,368
<b>SCHOOL FACILITIES BOARD</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	15,524	15,524
BUILDING RENEWAL GRANT	51,085,800	76,085,800	76,085,800
NEW SCHOOL CONSTRUCTION	49,636,700	49,636,700	49,636,700
NEW SCHOOL FACILITIES DEBT SERVICE	134,287,300	134,287,300	134,287,300
OPERATING LUMP SUM APPROPRIATION	1,666,700	1,700,700	1,610,891
<b>SECRETARY OF STATE</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	338,420	338,420
BUILDING RENOVATION AND CODE COMPLIANCE	102,797	102,797	—
ELECTION FY18 CD8 SPECIAL	1,190,152	1,190,152	1,190,152
ELECTION SERVICES	4,000,000	4,000,000	3,610,006
HELP AMERICA VOTE ACT	1,444,747	1,444,747	263,325
LIBRARY GRANTS-IN-AID	844,701	844,701	605,000
OPERATING LUMP SUM APPROPRIATION	11,555,200	12,881,800	12,664,768
OTHER HELP AMERICA VOTE ACT PROJECTS	5,400,400	5,400,400	1,482,971
STATEWIDE RADIO READING SVC FOR BLIND	97,000	97,000	97,000
STATEWIDE VOTER REGISTRATION SYSTEM	2,063,300	2,063,300	923,663
<b>SENATE</b>			
OPERATING LUMP SUM APPROPRIATION	11,026,848	11,381,248	9,708,479
<b>SUPREME COURT</b>			
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	—	67,983	67,983
ADMIN ADJUSTMENT COMMISSION ON JUDICIAL CONDUCT	—	1,465	1,465
ADMIN ADJUSTMENT DOMESTIC RELATIONS	—	618	618

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
ADMIN ADJUSTMENT FOSTER CARE REVIEW BOARD	—	851	851
ADMIN ADJUSTMENT OPERATING LUMP SUM	—	6,188	6,188
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	16,641	16,641
ADMIN ADJUSTMENT SPECIAL WATER MASTER	—	215	215
ADULT INTENSIVE PROBATION	9,446,000	9,446,000	9,446,000
ADULT STANDARD PROBATION	14,671,100	14,671,100	14,671,100
AUTOMATION	6,849,400	6,883,900	6,060,160
CENTRALIZED SERVICE PAYMENTS	3,008,100	3,015,100	2,944,162
COMMISSION ON JUDICIAL CONDUCT	497,800	503,000	502,966
COUNTY REIMBURSEMENTS	187,900	187,900	187,900
COURT ORDERED REMOVAL	315,000	315,000	315,000
DOMESTIC RELATIONS	613,400	619,400	606,684
DRUG COURT	1,006,700	1,006,700	1,006,700
FOSTER CARE REVIEW BOARD	3,151,800	3,176,300	3,171,810
INTERSTATE COMPACT	351,700	351,700	351,700
JUDGES COMPENSATION	8,423,500	10,757,600	10,373,536
JUDICIAL NOMINATION - PERFORMANCE REVIEW	409,100	412,600	408,759
JUVENILE DIVERSION CONSEQUENCES	8,157,800	8,157,800	8,157,800
JUVENILE FAMILY COUNSELING	500,000	500,000	500,000
JUVENILE INTENSIVE PROBATION	5,301,000	5,301,000	5,301,000
JUVENILE STANDARD PROBATION	3,300,400	3,300,400	3,300,400
JUVENILE TREATMENT SERVICES	19,960,900	19,960,900	19,960,900
MODEL COURT	437,600	438,500	438,500
OPERATING LUMP SUM	3,860,800	3,873,400	3,873,133
OPERATING LUMP SUM APPROPRIATION	10,680,200	11,881,200	11,717,213
SPECIAL WATER MASTER	190,700	191,300	191,299
<b>TAX APPEALS, STATE BOARD OF</b>			
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	376	376
OPERATING LUMP SUM APPROPRIATION	277,700	280,400	275,071
<b>TOURISM, OFFICE OF</b>			
TOURISM FUND DEPOSIT	7,112,000	7,112,000	7,112,000
<b>TRANSPORTATION, DEPARTMENT OF</b>			
INTERSTATE 10 PROJECTS	15,706,381	15,706,381	13,768,457
MAG ICA NORTHWEST VALLEY TRANSIT	65,000	65,000	65,000
<b>TREASURER, STATE</b>			
ADMIN ADJUSTMENT JUSTICE OF THE PEACE SALARIES	—	345,843	345,843
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	24,621	24,621
BUDGET STABILIZATION INTEREST TRANSFERS	—	2,000,000	2,000,000
COM COL REIMBURSEMENT ARS 15-1469-01	—	2,902,300	2,902,300
JUSTICE OF THE PEACE SALARIES	1,205,100	1,205,100	770,884
OPERATING LUMP SUM APPROPRIATION	3,159,300	3,245,800	3,225,317
<b>UNIVERSITY OF ARIZONA</b>			
AGRICULTURE	26,155,612	28,397,500	28,397,500
ARIZONA COOPERATIVE EXTENSION	14,319,188	14,458,100	14,458,100
ARIZONA FINANCIAL AID TRUST	2,729,400	2,729,400	2,729,400
ARIZONA GEOLOGICAL SURVEY	941,000	941,000	941,000
CLINICAL RURAL ROTATION	353,400	353,400	353,400
CLINICAL TEACHING SUPPORT	8,587,000	8,587,000	8,587,000
FREEDOM CENTER	2,500,000	2,500,000	2,500,000
FREEDOM CENTER ONE TIME	—	1,000,000	1,000,000
LIVER RESEARCH INSTITUTE	440,100	438,200	438,200

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)



STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
MINING MINERAL AND NATURAL RESOURCES EDUCATIONAL MUSEUM	428,300	428,300	428,300
ONE TIME FUNDING	—	2,164,800	2,164,800
OPERATING LUMP SUM APPROPRIATION - HSC	34,495,700	34,363,400	34,363,400
OPERATING LUMP SUM APPROPRIATION - MAIN	128,277,900	128,901,300	128,901,300
PHOENIX MEDICAL CAMPUS	23,314,600	23,256,200	23,256,200
RESEARCH INFRASTRUCTURE FACILITIES	—	14,251,000	14,251,000
SIERRA VISTA CAMPUS	4,318,300	2,743,800	2,743,800
TELEMEDICINE NETWORK	1,669,000	1,669,000	1,669,000
<b>VETERANS' SERVICES, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT ARIZONA STATE VETERANS CEMETERIES	—	4,924	4,924
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	214,357	214,357
ADMIN ADJUSTMENT VETERANS BENEFIT COUNSELING	—	178,764	178,764
ADMIN ADJUSTMENT VETERANS' INCOME TAX SETTLEMENT	—	3,110	3,110
ARIZONA STATE VETERANS CEMETERIES	924,200	930,800	809,556
ASVH - YUMA CONSTRUCTION	9,200,000	9,200,000	—
ASVH FLAGSTAFF CONSTRUCTION	10,000,000	10,000,000	—
MILITARY FAMILY RELIEF FUND	15,291	15,291	—
OPERATING LUMP SUM APPROPRIATION	2,308,800	2,323,800	2,191,188
VETERANS BENEFIT COUNSELING	2,821,100	2,841,000	2,727,768
VETERANS' INCOME TAX SETTLEMENT	—	96,046	6,494
<b>WATER RESOURCES, DEPARTMENT OF</b>			
ADJUDICATION SUPPORT	1,724,800	1,740,100	1,722,812
ADMIN ADJUSTMENT ADJUDICATION SUPPORT	—	8,999	8,999
ADMIN ADJUSTMENT ASSURED - ADEQUATE WATER SUPPLY ADMIN	—	220,829	220,829
ADMIN ADJUSTMENT AUTOMATED GROUNDWATER MONITORING	—	51,228	51,228
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	92,493	92,493
ADMIN ADJUSTMENT RURAL WATER STUDIES	—	18,375	18,375
ARIZONA WATER PROTECTION FUND DEPOSIT	250,000	250,000	250,000
ASSURED - ADEQUATE WATER SUPPLY ADMIN	1,710,700	1,723,900	1,722,232
AUTOMATED GROUNDWATER MONITORING	408,700	411,500	351,041
CONSERVATION AND DROUGHT PROGRAM	406,900	410,200	220,740
LOWER COLORADO RIVER LITIGATION EXPENSES	1,484,578	1,484,578	—
NW BASINS PLANNING AREAS	—	100,000	48,320
OPERATING LUMP SUM APPROPRIATION	7,899,000	7,971,500	7,800,023
RURAL WATER STUDIES	1,154,100	1,162,600	1,123,235
<b>TOTAL GENERAL FUND BUDGETARY EXPENDITURES</b>	<b>\$ 22,502,058,153</b>	<b>\$ 24,793,248,469</b>	<b>\$ 23,631,556,892</b>

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
TRANSPORTATION AND AVIATION PLANNING,  
HIGHWAY MAINTENANCE AND SAFETY FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>TRANSPORTATION, DEPARTMENT OF</b>			
ADMIN ADJUSTMENT BUILDING RENEWAL	\$ —	\$ 35,961	\$ 35,961
ADMIN ADJUSTMENT DRIVER SAFETY & LIVESTOCK CONTROL	—	43,551	43,551
ADMIN ADJUSTMENT GRAND CANYON AIRPORT PROJECT	—	186,157	186,157
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	—	5,805,918	5,805,918
ADMIN ADJUSTMENT STATEWIDE DRAINAGE STRUCTURES	—	120,485	120,485
ADMIN ADJUSTMENT VEHICLE WASH SYSTEM	—	781	781
AIRPORT PLANNING AND DEVELOPMENT	46,359,075	46,359,075	5,118,515
ATTORNEY GENERAL LEGAL SERVICES	3,623,700	3,495,900	3,458,156
AUTHORIZED THIRD PARTY	2,000,000	2,013,700	2,013,697
BUILDING RENEWAL	8,565,311	8,565,311	3,953,187
DE ICER BUILDINGS	1,065,775	1,065,775	1,065,775
DRIVER SAFETY & LIVESTOCK CONTROL	800,000	800,000	174,182
FLAGSTAFF BUILDING EQUIPMENT	2,528,625	2,528,625	551,430
HIGHWAY DAMAGE RECOVERY ACCOUNT	4,000,000	4,000,000	3,920,481
HIGHWAY MAINTENANCE	176,501,809	178,615,609	150,478,816
INTERSTATE 10 PROJECTS	12,753,500	12,753,500	881,765
KEAMS CANYON	1,790,000	1,790,000	—
KINGMAN MATERIALS LAB	2,250,000	2,250,000	—
OPERATING LUMP SUM APPROPRIATION	205,196,400	205,371,500	193,088,071
RELIEF	—	487	487
SAFFORD EQUIPMENT SERVICE SHOP	4,000,000	4,000,000	2,241,649
SPREADER RACK BAYS	1,720,000	1,720,000	114,801
STATEWIDE HIGHWAY CONSTRUCTION	804,371,527	804,371,527	142,984,485
SWEEPS	1,128,000	1,128,000	1,128,000
TEMPE IMPOUND STORAGE YARD	240,000	240,000	240,000
VEHICLE REPLACEMENT	15,300,000	15,300,000	15,134,935
VEHICLE WASH SYSTEM	225,843	225,843	81,393
<b>TOTAL TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND BUDGETARY EXPENDITURES</b>	<b>\$ 1,294,419,565</b>	<b>\$ 1,302,787,705</b>	<b>\$ 532,822,678</b>

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES**  
 JUNE 30, 2019

**A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES**

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2018 that affect available appropriations during fiscal year 2019. The final budget represents any appropriation bills passed during fiscal year 2019 for fiscal year 2019 plus the original budget. Appropriation bills passed after the end of fiscal year 2019 for fiscal year 2019 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State’s budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

<u>Uses/outflows of resources</u>	<u>General Fund</u>	<u>Transportation &amp; Aviation Planning, Highway Maintenance &amp; Safety Fund</u>
Actual expenditure amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$ 23,631,557	\$ 532,823
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2018 to fiscal year end 2019.	34,042	155,226
Increase in unpaid payroll expenditures from fiscal year end 2018 to fiscal year end 2019. For budgetary reporting, final June 2018 payroll expenditures were charged to fiscal year 2019 budget and final June 2019 payroll expenditures were charged to fiscal year 2020 budget.	3,361	—
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	1,536,227	—
Distribution to counties and cities for Urban Revenue Sharing, derived from the State’s income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	696,304	—
Capital leases initiated during the fiscal year, which are not reported in budgetary expenditures.	689	—
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2019.	1,638,328	2,402,130
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(983,828)	(310,894)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 26,556,680</u>	<u>\$ 2,779,285</u>

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES**  
JUNE 30, 2019

**B. BUDGETARY BASIS OF ACCOUNTING**

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting (OSPB), unless an extension is granted for up to an additional 30 days by the OSPB Director. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on an annual basis. The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funds. Among the choices are the following:

Lump Sum - The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs, and subprograms without further Legislative or Executive Branch review.

Lump Sum with Special Line Items - The appropriation of an agency for each fiscal year consists of a dollar amount for an operating budget and dollar amounts for individual special line items. Special line items are particular programs for which the Legislature has a specific policy interest. These line items may or may not include Full Time Equivalent positions. Agencies are typically permitted to transfer funding between line items with ADOA approval but without further Legislative Branch review. Footnotes may require Joint Legislative Budget Committee review, however, prior to transfers between certain line items.

During the fiscal year, \$2.3 billion in supplemental appropriations, net of mid-year reversions and adjustments, were provided to the General Fund. The Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$8.4 million. These amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next fiscal year for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature may provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2019

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), as amended, the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,822 center lane miles (21,532 travel lane miles) of roads and 4,860 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2019 and beyond was adopted by the Transportation Board on June 16, 2017.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on "programmed" projects which may or may not be spent in the current year of the Program. Programmed expenditures consist of those items that are planned for the future, with contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were programmed for a prior year's Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State's success in achieving condition levels that exceed the established levels.

## **Roads**

The mission of the Arizona Department of Transportation's (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the PMS both work toward the same basic goal, the efficient, effective management of the State's assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called the "Present Serviceability Rating" (PSR).

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
 JUNE 30, 2019

PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State’s highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2019, an overall rating of 3.55 was achieved, as shown in the following graph:

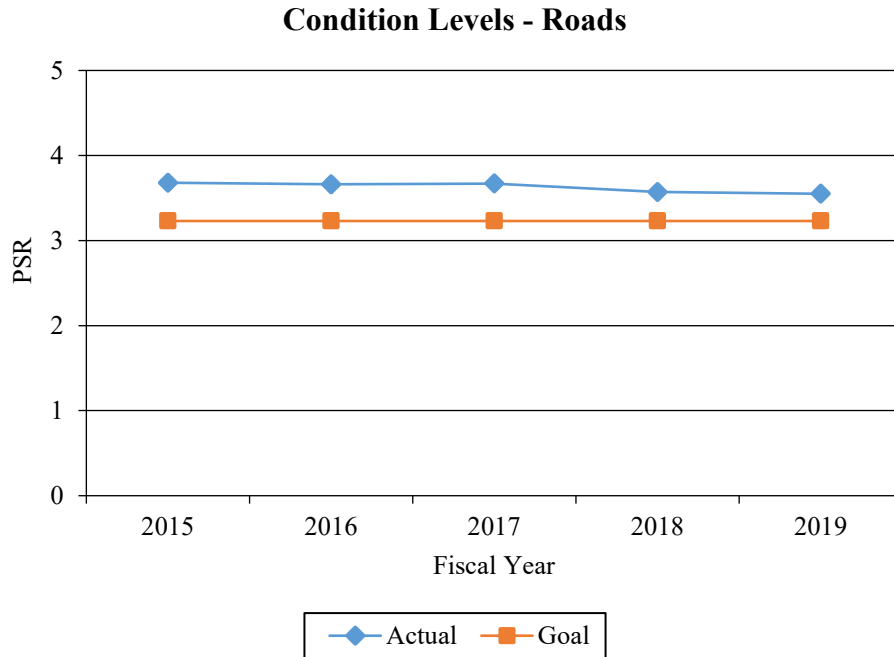


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT's PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2015 through 2019 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2015	\$249.5	\$300.6
2016	\$272.0	\$317.0
2017	\$322.4	\$186.4
2018	\$375.0	\$218.0
2019	\$364.6	\$231.0

**Bridges**

The State’s bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2019, the State owned and maintained 4,860 bridges with an approximate total deck area of 44,286,973 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the AASHTO’s Bridge Management System (BMS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, BMS is used for reporting bridge inventory and condition, on an annual basis, to the Federal Highway Administration (FHWA).

Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA’s “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.”

In 2015, the FHWA issued new rules which have had the effect of replacing the CRI as the summary statistic for bridge condition. Instead, the various states are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held against states that do not comply with this standard. Management of the bridge inventory is a major function of the State’s Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. In fiscal year 2019, 1.4% of bridges maintained by the states were classified as Poor.

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost-effective transportation system. Figure 2 indicates that approximately 55% of the bridges in the State were constructed prior to the 1970s while only 16% have been constructed since 2000.

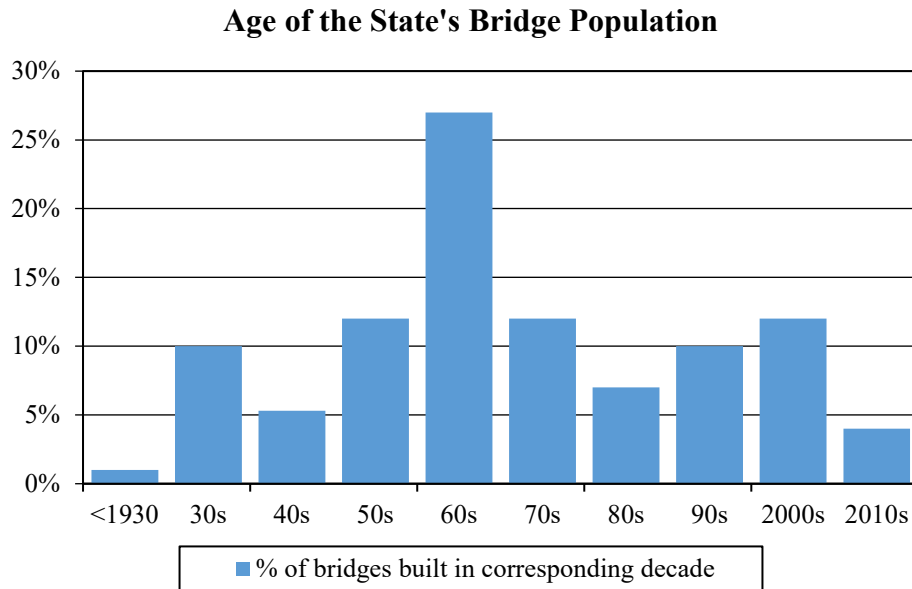


Figure 2

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**INFRASTRUCTURE ASSETS**  
JUNE 30, 2019

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2015 through 2019 were as follows:

<b>Fiscal Year</b>	<b>Estimated Expenditures (in millions)</b>	<b>Actual Expenditures (in millions)</b>
2015	\$13.7	\$21.9
2016	\$11.6	\$39.8
2017	\$28.8	\$23.4
2018	\$26.4	\$15.3
2019	\$28.1	\$17.8



STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**ARIZONA STATE RETIREMENT SYSTEM**  
 FOR THE LAST FIVE FISCAL YEARS (1)  
 JUNE 30, 2019  
 (Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
State's proportion of the net pension liability	21.87%	21.89%	21.75%	21.67%	21.36%
State's proportionate share of the net pension liability	\$ 3,050,477	\$ 3,410,699	\$ 3,510,533	\$ 3,375,283	\$ 3,160,809
State's covered payroll	\$ 2,175,916	\$ 2,087,717	\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
State's proportionate share of the net pension liability as a percentage of its covered payroll	140.19%	163.37%	172.15%	168.79%	163.01%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
ELECTED OFFICIALS' RETIREMENT PLAN**  
FOR THE LAST FIVE FISCAL YEARS (1)  
JUNE 30, 2019  
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
State's proportion of the net pension liability	15.09%	18.61%	18.44%	18.67%	18.16%
State's proportionate share of the net pension liability	\$ 130,335	\$ 226,750	\$ 174,204	\$ 145,898	\$ 121,797
State's covered payroll	\$ 12,256	\$ 10,895	\$ 12,794	\$ 12,987	\$ 12,604
State's proportionate share of the net pension liability as a percentage of its covered payroll	1,063.44%	2,081.23%	1,361.61%	1,123.42%	966.34%
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY,  
AS A NONEMPLOYER CONTRIBUTING ENTITY**  
**ELECTED OFFICIALS' RETIREMENT PLAN**  
FOR THE LAST FIVE FISCAL YEARS (1)  
JUNE 30, 2019  
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
State's proportion of the net pension liability	14.12%	13.99%	13.96%	19.33%	19.20%
State's proportionate share of the net pension liability	\$ 78,268	\$ 170,466	\$ 131,871	\$ 151,048	\$ 128,776
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS**  
**PSPRS DEPARTMENT OF PUBLIC SAFETY**  
FOR THE LAST FIVE FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total pension liability</b>					
Service cost	\$ 16,072	\$ 18,914	\$ 14,131	\$ 13,258	\$ 13,111
Interest on the total pension liability	86,027	79,711	78,000	77,421	66,664
Changes of benefit terms	—	10,719	27,674	—	23,768
Differences between expected and actual experience in the measurement of the pension liability	(13,749)	17,144	(9,237)	(6,328)	(3,711)
Changes of assumptions or other inputs	—	49,120	35,783	—	107,172
Benefit payments, including refunds of employee contributions	(74,045)	(74,906)	(84,231)	(70,586)	(69,497)
Net change in total pension liability	14,305	100,702	62,120	13,765	137,507
Total pension liability - beginning	1,191,509	1,090,807	1,028,687	1,014,922	877,415
Total pension liability - ending (a)	<u>\$ 1,205,814</u>	<u>\$ 1,191,509</u>	<u>\$ 1,090,807</u>	<u>\$ 1,028,687</u>	<u>\$ 1,014,922</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 52,147	\$ 61,001	\$ 52,115	\$ 36,889	\$ 31,458
Contributions - employee	7,271	8,899	9,334	7,857	7,587
Net investment income	24,371	38,483	1,963	12,867	46,223
Benefit payments, including refunds of employee contributions	(74,045)	(74,906)	(84,231)	(70,586)	(69,497)
Administrative expense	(370)	(341)	(283)	(317)	(372)
Other changes	785	(103)	545	150	393
Net change in plan fiduciary net position	10,159	33,033	(20,557)	(13,140)	15,792
Plan fiduciary net position - beginning	360,590	327,557	348,114	361,254	345,462
Plan fiduciary net position - ending (b)	<u>\$ 370,749</u>	<u>\$ 360,590</u>	<u>\$ 327,557</u>	<u>\$ 348,114</u>	<u>\$ 361,254</u>
<b>State's net pension liability - ending (a) - (b)</b>	<u>\$ 835,065</u>	<u>\$ 830,919</u>	<u>\$ 763,250</u>	<u>\$ 680,573</u>	<u>\$ 653,668</u>
Plan fiduciary net position as a percentage of the total pension liability	30.75%	30.26%	30.03%	33.84%	35.59%
Covered payroll	\$ 73,183	\$ 78,246	\$ 68,573	\$ 66,707	\$ 63,334
State's net pension liability as a percentage of covered payroll	1,141.06%	1,061.93%	1,113.05%	1,020.24%	1,032.10%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS**  
**CORP DEPARTMENT OF CORRECTIONS**  
FOR THE LAST FIVE FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total pension liability</b>					
Service cost	\$ 51,918	\$ 51,631	\$ 47,529	\$ 47,131	\$ 48,061
Interest on the total pension liability	136,973	113,227	111,087	108,123	92,486
Changes of benefit terms	(102,231)	239,128	2,464	—	21,354
Differences between expected and actual experience in the measurement of the pension liability	(72,298)	(11,373)	(36,180)	(30,179)	(3,818)
Changes of assumptions or other inputs	—	46,154	58,949	—	125,557
Benefit payments, including refunds of employee contributions	(103,053)	(92,181)	(90,460)	(84,586)	(83,365)
Net change in total pension liability	(88,691)	346,586	93,389	40,489	200,275
Total pension liability - beginning	1,876,561	1,529,975	1,436,586	1,396,097	1,195,822
Total pension liability - ending (a)	<u>\$ 1,787,870</u>	<u>\$ 1,876,561</u>	<u>\$ 1,529,975</u>	<u>\$ 1,436,586</u>	<u>\$ 1,396,097</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 66,030	\$ 62,909	\$ 60,984	\$ 43,105	\$ 40,166
Contributions - employee	27,055	28,539	27,824	27,734	27,722
Net investment income	63,503	94,033	4,831	28,414	96,216
Benefit payments, including refunds of employee contributions	(103,053)	(92,181)	(90,460)	(84,586)	(83,365)
Administrative expense	(961)	(823)	(683)	(704)	(757)
Other changes	232	(388)	(340)	(1,040)	(446)
Net change in plan fiduciary net position	52,806	92,089	2,156	12,923	79,536
Plan fiduciary net position - beginning	883,173	791,084	788,928	776,005	696,469
Plan fiduciary net position - ending (b)	<u>\$ 935,979</u>	<u>\$ 883,173</u>	<u>\$ 791,084</u>	<u>\$ 788,928</u>	<u>\$ 776,005</u>
<b>State's net pension liability - ending (a) - (b)</b>	<u>\$ 851,891</u>	<u>\$ 993,388</u>	<u>\$ 738,891</u>	<u>\$ 647,658</u>	<u>\$ 620,092</u>
Plan fiduciary net position as a percentage of the total pension liability	52.35%	47.06%	51.71%	54.92%	55.58%
Covered payroll	\$ 316,996	\$ 335,694	\$ 330,538	\$ 327,798	\$ 326,819
State's net pension liability as a percentage of covered payroll	268.74%	295.92%	223.54%	197.58%	189.74%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**ARIZONA STATE RETIREMENT SYSTEM**  
 FOR THE LAST SIX FISCAL YEARS (1)  
 FISCAL YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 256,422	\$ 236,938	\$ 224,788	\$ 220,982	\$ 217,388	\$ 206,040
State's contributions in relation to the statutorily required contribution	<u>256,422</u>	<u>236,938</u>	<u>224,788</u>	<u>220,982</u>	<u>217,388</u>	<u>206,040</u>
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 2,294,739	\$ 2,175,916	\$ 2,087,717	\$ 2,039,238	\$ 1,999,691	\$ 1,939,038
State's contributions as a percentage of covered payroll	11.17%	10.89%	10.77%	10.84%	10.87%	10.63%

(1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**ELECTED OFFICIALS' RETIREMENT PLAN**  
FOR THE LAST SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Statutorily required contribution (2)	\$ 8,261	\$ 3,564	\$ 3,389	\$ 3,805	\$ 3,928	\$ 3,870
State's contributions in relation to the statutorily required contribution (2)	8,261	3,564	3,389	3,805	3,928	3,870
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 12,445	\$ 12,256	\$ 10,895	\$ 12,794	\$ 12,987	\$ 12,604
State's contributions as a percentage of covered payroll	66.38%	29.08%	31.11%	29.74%	30.25%	30.70%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) The State appropriated \$5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS,**  
**AS A NONEMPLOYER CONTRIBUTING ENTITY**  
**ELECTED OFFICIALS' RETIREMENT PLAN**  
FOR THE LAST SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Statutorily required contribution (2)	\$ 4,125	\$ 4,115	\$ 4,171	\$ 4,078	\$ 4,066	\$ 4,092
State's contributions in relation to the statutorily required contribution (2)	4,125	4,115	4,171	4,078	4,066	4,092
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) The State appropriated \$5 million annually, in addition to payroll contributions. This amount is split between employer and nonemployer contributions based on the State's actual payroll contributions to the plan relative to the total of all participating employers' actual contributions.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**PSPRS DEPARTMENT OF PUBLIC SAFETY**  
FOR THE LAST SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017, as restated	2016	2015	2014
Actuarially determined contribution (2)	\$ 66,224	\$ 63,709	\$ 61,001	\$ 52,115	\$ 36,889	\$ 31,458
State's contributions in relation to the actuarially determined contribution (2)	66,224	63,709	61,001	52,115	36,889	31,458
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll (2)	\$ 72,826	\$ 73,183	\$ 78,246	\$ 68,573	\$ 66,707	\$ 63,334
State's contributions as a percentage of covered payroll	90.93%	87.05%	77.96%	76.00%	55.30%	49.67%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) State contributions reflect adjustments for employer-paid member contributions. Each year there is an immaterial difference between the estimated amount of employer-paid member contributions and the amount recognized by PSPRS. Fiscal year 2017 was restated using the employer contributions PSPRS recognized.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF STATE PENSION CONTRIBUTIONS**  
**CORP DEPARTMENT OF CORRECTIONS**  
FOR THE LAST SIX FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 85,872	\$ 66,031	\$ 62,909	\$ 60,984	\$ 43,105	\$ 40,166
State's contributions in relation to the actuarially determined contribution	85,872	66,031	62,909	60,984	43,105	40,166
State's contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 302,577	\$ 316,996	\$ 335,694	\$ 330,538	\$ 327,798	\$ 326,819
State's contributions as a percentage of covered payroll	28.38%	20.83%	18.74%	18.45%	13.15%	12.29%

- (1) The State implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time.

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN SCHEDULES  
 JUNE 30, 2019

**A. ACTUARIALLY DETERMINED CONTRIBUTION RATES**

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two 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 percent-of-pay, closed
Remaining amortization period, as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value, 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	PSPRS members with initial membership date before July 1, 2017, and CORP members with initial membership date before July 1, 2018:  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%. PSPRS members with initial membership on or after July 1, 2017: 7%
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 4.0% 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)

**B. 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, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS and CORP 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 and CORP 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.

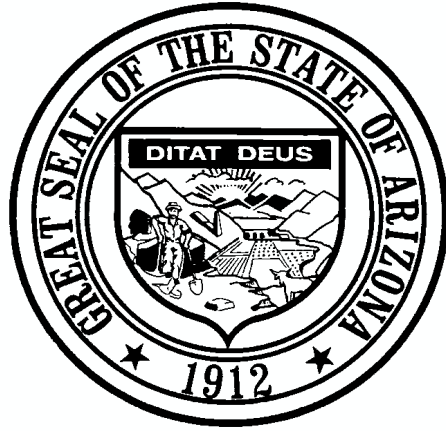
The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions 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.



STATE OF ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
**SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**ARIZONA DEPARTMENT OF ADMINISTRATION**  
FOR THE LAST TWO FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Reporting Fiscal Year (measurement date)	
	2019 (2018)	2018 (2017)
<b>Total OPEB liability</b>		
Service cost	\$ 62,281	\$ 87,252
Interest on the total OPEB liability	32,074	32,182
Changes of benefit terms	—	(83,199)
Differences between expected and actual experience in the measurement of the OPEB liability	—	(30,663)
Changes of assumptions or other inputs	(39,410)	(273,577)
Benefit payments	(26,183)	(28,848)
Net changes	28,762	(296,853)
Total OPEB liability - beginning	846,763	1,143,616
Total OPEB liability - ending (2)	<u>\$ 875,525</u>	<u>\$ 846,763</u>
Covered-employee payroll	\$ 3,270,734	\$ 3,184,746
 Total OPEB liability as a percentage of covered-employee payroll	 26.77%	 26.59%

- (1) The State implemented GASB 75 in fiscal year 2018. Therefore, ten years of data is not available, but will be accumulated over time.
- (2) There are no dedicated assets at this time to offset the total OPEB liability.



COMBINING FINANCIAL  
STATEMENTS AND  
SCHEDULES



# **NON-MAJOR GOVERNMENTAL FUNDS**

## **Special Revenue Funds**

*Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.*

## **Debt Service Funds**

*The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.*

## **Capital Projects Funds**

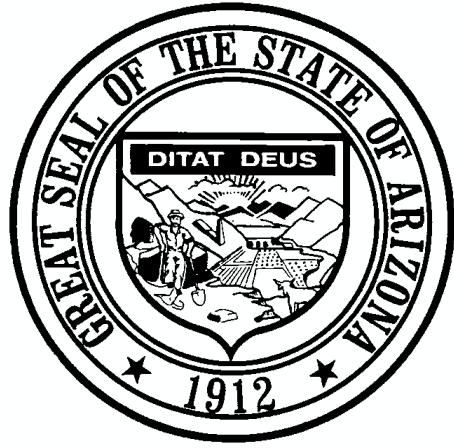
*Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).*

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
<b>ASSETS</b>				
Cash	\$ 2,807	\$ —	\$ —	\$ 2,807
Cash and pooled investments with State Treasurer	1,175,253	11,865	—	1,187,118
Collateral investment pool	683	—	—	683
Receivables, net of allowances:				
Taxes	93,299	—	—	93,299
Other	30,143	—	—	30,143
Due from U.S. Government	24,003	—	—	24,003
Due from component units	7,348	—	—	7,348
Due from other funds	105,711	3,751	—	109,462
Restricted assets:				
Cash and pooled investments with State Treasurer	365,655	4,592	66,598	436,845
Cash held by trustee	—	43,841	—	43,841
Inventories, at cost	541	—	—	541
<b>Total Assets</b>	<b>\$ 1,805,443</b>	<b>\$ 64,049</b>	<b>\$ 66,598</b>	<b>\$ 1,936,090</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	\$ 43,228	\$ —	\$ 12,118	\$ 55,346
Accrued liabilities	68,400	—	122	68,522
Obligations under securities loan agreements	683	—	—	683
Due to local governments	249,061	—	—	249,061
Due to others	16,535	—	—	16,535
Due to other funds	11,640	—	—	11,640
Unearned revenue	2,331	—	—	2,331
<b>Total Liabilities</b>	<b>391,878</b>	<b>—</b>	<b>12,240</b>	<b>404,118</b>
Deferred Inflows of Resources:				
Unavailable revenue	432	—	—	432
Fund Balances:				
Restricted	585,088	64,049	54,358	703,495
Committed	828,045	—	—	828,045
<b>Total Fund Balances</b>	<b>1,413,133</b>	<b>64,049</b>	<b>54,358</b>	<b>1,531,540</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,805,443</b>	<b>\$ 64,049</b>	<b>\$ 66,598</b>	<b>\$ 1,936,090</b>

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
<b>REVENUES</b>				
Taxes:				
Sales	\$ 614,348	\$ 64,120	\$ —	\$ 678,468
Tobacco	230,487	—	—	230,487
Motor vehicle and fuel	184,460	—	—	184,460
Other	116,016	—	—	116,016
Intergovernmental	250,391	—	—	250,391
Licenses, fees, and permits	367,378	—	—	367,378
Hospital and nursing facility assessments	316,040	—	—	316,040
Earnings on investments	105,068	3,289	3,513	111,870
Sales and charges for services	48,216	—	—	48,216
Fines, forfeitures, and penalties	199,676	—	—	199,676
Gaming	92,582	—	—	92,582
Other	34,597	105	—	34,702
Total Revenues	<u>2,559,259</u>	<u>67,514</u>	<u>3,513</u>	<u>2,630,286</u>
<b>EXPENDITURES</b>				
Current:				
General government	140,669	4,808	—	145,477
Health and welfare	733,632	—	—	733,632
Inspection and regulation	123,078	—	—	123,078
Education	889,567	—	—	889,567
Protection and safety	312,573	—	—	312,573
Transportation	—	—	39,238	39,238
Natural resources	153,538	—	—	153,538
Intergovernmental revenue sharing	9,655	—	—	9,655
Debt service:				
Principal	2,490	367,070	—	369,560
Interest and other fiscal charges	731	182,308	1,688	184,727
Capital outlay	30,633	—	298,567	329,200
Total Expenditures	<u>2,396,566</u>	<u>554,186</u>	<u>339,493</u>	<u>3,290,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>162,693</u>	<u>(486,672)</u>	<u>(335,980)</u>	<u>(659,959)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	150,764	492,832	—	643,596
Transfers out	(182,732)	(6,833)	—	(189,565)
Capital lease and installment purchase contracts	345	—	—	345
Grant anticipation notes issued	—	—	62,465	62,465
Bonds issued	—	—	262,010	262,010
Premium on debt issued	—	—	41,449	41,449
Total Other Financing Sources (Uses)	<u>(31,623)</u>	<u>485,999</u>	<u>365,924</u>	<u>820,300</u>
Net Change in Fund Balances	131,070	(673)	29,944	160,341
Fund Balances - Beginning	1,282,063	64,722	24,414	1,371,199
Fund Balances - Ending	<u>\$ 1,413,133</u>	<u>\$ 64,049</u>	<u>\$ 54,358</u>	<u>\$ 1,531,540</u>





## **NON-MAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS**

**The Public Safety and Correctional Programs Fund** accounts for law enforcement, military, custody, and related services provided to the general public.

**The Environmental Protection Fund** accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

**The Healthcare and Social Services Fund** accounts for health and welfare services provided to the general public.

**The Tobacco Tax and Healthcare Fund** accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

**The Judicial and Legal Services Fund** accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

**The Regulating and Licensing Fund** accounts for inspection and regulatory services provided to the general public.

**The Game and Fish Fund** accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

**The State Parks Development Fund** accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

**The Business Development Fund** accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

**The Educational Programs Fund** accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

**The Groundwater Protection and Conservation Fund** accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

**The Clean Elections System Fund** accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
<b>ASSETS</b>						
Cash	\$ 2,762	\$ —	\$ —	\$ —	\$ —	\$ 15
Cash and pooled investments with State Treasurer	125,242	127,305	236,158	4,937	137,567	184,882
Collateral investment pool	—	—	—	683	—	—
Receivables, net of allowances:						
Taxes	4,933	223	7,332	15,618	—	—
Other	1	991	7,653	—	6	4,452
Due from U.S. Government	—	—	24,003	—	—	—
Due from component units	—	—	—	—	—	—
Due from other funds	16,810	3,426	2,841	2,693	1,030	—
Inventories at cost	541	—	—	—	—	—
Restricted assets:						
Cash and pooled investments with State Treasurer	—	—	2,320	363,335	—	—
<b>Total Assets</b>	<b>\$ 150,289</b>	<b>\$ 131,945</b>	<b>\$ 280,307</b>	<b>\$ 387,266</b>	<b>\$ 138,603</b>	<b>\$ 189,349</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and other current liabilities	\$ 17,547	\$ 5,302	\$ 6,762	\$ 4,087	\$ 677	\$ 1,848
Accrued liabilities	9,809	955	49,196	586	1,283	3,796
Obligations under security loan agreements	—	—	—	683	—	—
Due to local governments	—	2,357	—	—	—	—
Due to others	—	—	—	16,023	27	480
Due to other funds	—	110	3,113	8,142	6	130
Unearned revenue	—	—	1,489	—	—	723
<b>Total Liabilities</b>	<b>27,356</b>	<b>8,724</b>	<b>60,560</b>	<b>29,521</b>	<b>1,993</b>	<b>6,977</b>
Deferred Inflows of Resources:						
Unavailable revenue	—	—	432	—	—	—
Fund Balances:						
Restricted	—	18,356	74,608	357,745	5,539	2,612
Committed	122,933	104,865	144,707	—	131,071	179,760
<b>Total Fund Balances</b>	<b>122,933</b>	<b>123,221</b>	<b>219,315</b>	<b>357,745</b>	<b>136,610</b>	<b>182,372</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 150,289</b>	<b>\$ 131,945</b>	<b>\$ 280,307</b>	<b>\$ 387,266</b>	<b>\$ 138,603</b>	<b>\$ 189,349</b>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 30	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,807
71,446	14,417	46,530	176,252	22,681	27,836	1,175,253
—	—	—	—	—	—	683
—	—	—	65,193	—	—	93,299
2,590	—	1	14,447	—	2	30,143
—	—	—	—	—	—	24,003
—	—	7,348	—	—	—	7,348
682	1,176	—	77,053	—	—	105,711
—	—	—	—	—	—	541
—	—	—	—	—	—	365,655
<u>\$ 74,748</u>	<u>\$ 15,593</u>	<u>\$ 53,879</u>	<u>\$ 332,945</u>	<u>\$ 22,681</u>	<u>\$ 27,838</u>	<u>\$ 1,805,443</u>
\$ 1,852	\$ 2,837	\$ 1,147	\$ 1,085	\$ —	\$ 84	\$ 43,228
2,137	207	202	153	50	26	68,400
—	—	—	—	—	—	683
—	—	—	246,704	—	—	249,061
—	—	5	—	—	—	16,535
139	—	—	—	—	—	11,640
119	—	—	—	—	—	2,331
<u>4,247</u>	<u>3,044</u>	<u>1,354</u>	<u>247,942</u>	<u>50</u>	<u>110</u>	<u>391,878</u>
—	—	—	—	—	—	432
13,497	—	—	85,003	—	27,728	585,088
<u>57,004</u>	<u>12,549</u>	<u>52,525</u>	<u>—</u>	<u>22,631</u>	<u>—</u>	<u>828,045</u>
<u>70,501</u>	<u>12,549</u>	<u>52,525</u>	<u>85,003</u>	<u>22,631</u>	<u>27,728</u>	<u>1,413,133</u>
<u>\$ 74,748</u>	<u>\$ 15,593</u>	<u>\$ 53,879</u>	<u>\$ 332,945</u>	<u>\$ 22,681</u>	<u>\$ 27,838</u>	<u>\$ 1,805,443</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
<b>REVENUES</b>						
Taxes:						
Sales	\$ 17,729	\$ 586	\$ 3,913	\$ —	\$ —	\$ —
Tobacco	4,904	—	7,412	218,171	—	—
Motor vehicle and fuel	140,690	29,855	2,416	—	—	—
Other	66,377	1,800	—	—	—	47,839
Intergovernmental	56,646	120	152,842	—	1,464	170
Licenses, fees, and permits	27,261	68,371	45,120	—	26,251	133,792
Hospital and nursing facility assessments	—	—	316,040	—	—	—
Earnings on investments	1,111	2,748	895	14,460	1,352	998
Sales and charges for services	17,012	—	2,941	—	696	3,585
Fines, forfeitures, and penalties	61,058	36,731	6,935	—	85,747	1,897
Gaming	—	—	24,840	—	—	10,966
Other	5,383	714	6,315	913	586	2,114
<b>Total Revenues</b>	<b>398,171</b>	<b>140,925</b>	<b>569,669</b>	<b>233,544</b>	<b>116,096</b>	<b>201,361</b>
<b>EXPENDITURES</b>						
Current:						
General government	30,752	18,255	3,776	538	63,363	2,199
Health and welfare	—	88,686	531,068	103,295	—	10,583
Inspection and regulation	—	1,183	—	—	25	121,870
Education	—	—	1,019	145,037	—	—
Protection and safety	312,573	—	—	—	—	—
Natural resources	55,305	496	—	—	—	2
Intergovernmental revenue sharing	—	9,655	—	—	—	—
Debt service:						
Principal	1,765	—	—	—	—	—
Interest and other fiscal charges	53	—	—	—	—	—
Capital outlay	15,902	812	453	6	—	258
<b>Total Expenditures</b>	<b>416,350</b>	<b>119,087</b>	<b>536,316</b>	<b>248,876</b>	<b>63,388</b>	<b>134,912</b>
Excess (Deficiency) of Revenues Over Expenditures	(18,179)	21,838	33,353	(15,332)	52,708	66,449
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	106,390	2	16,253	4,642	1,448	3,308
Transfers out	(64,824)	(25,299)	(20,579)	(786)	(4,509)	(51,575)
Capital lease and installment purchase contracts	345	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>41,911</b>	<b>(25,297)</b>	<b>(4,326)</b>	<b>3,856</b>	<b>(3,061)</b>	<b>(48,267)</b>
<b>Net Change in Fund Balances</b>	<b>23,732</b>	<b>(3,459)</b>	<b>29,027</b>	<b>(11,476)</b>	<b>49,647</b>	<b>18,182</b>
Fund Balances - Beginning	99,201	126,680	190,288	369,221	86,963	164,190
<b>Fund Balances - Ending</b>	<b>\$ 122,933</b>	<b>\$ 123,221</b>	<b>\$ 219,315</b>	<b>\$ 357,745</b>	<b>\$ 136,610</b>	<b>\$ 182,372</b>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 6	\$ —	\$ —	\$ 592,114	\$ —	\$ —	\$ 614,348
—	—	—	—	—	—	230,487
1,167	10,143	—	189	—	—	184,460
—	—	—	—	—	—	116,016
35,671	—	2,448	1,030	—	—	250,391
43,953	1,724	10,463	4,014	6,429	—	367,378
—	—	—	—	—	—	316,040
1,347	267	888	80,517	485	—	105,068
3,491	—	272	20,219	—	—	48,216
160	—	—	—	—	7,148	199,676
7,097	—	—	49,679	—	—	92,582
1,871	87	11,224	751	4,417	222	34,597
<u>94,763</u>	<u>12,221</u>	<u>25,295</u>	<u>748,513</u>	<u>11,331</u>	<u>7,370</u>	<u>2,559,259</u>
—	—	13,112	—	170	8,504	140,669
—	—	—	—	—	—	733,632
—	—	—	—	—	—	123,078
—	—	—	743,511	—	—	889,567
—	—	—	—	—	—	312,573
78,657	8,098	—	—	10,980	—	153,538
—	—	—	—	—	—	9,655
725	—	—	—	—	—	2,490
678	—	—	—	—	—	731
9,653	3,534	15	—	—	—	30,633
<u>89,713</u>	<u>11,632</u>	<u>13,127</u>	<u>743,511</u>	<u>11,150</u>	<u>8,504</u>	<u>2,396,566</u>
<u>5,050</u>	<u>589</u>	<u>12,168</u>	<u>5,002</u>	<u>181</u>	<u>(1,134)</u>	<u>162,693</u>
12,735	36	—	5,039	910	1	150,764
(8,367)	(421)	(5,135)	(342)	(895)	—	(182,732)
—	—	—	—	—	—	345
4,368	(385)	(5,135)	4,697	15	1	(31,623)
9,418	204	7,033	9,699	196	(1,133)	131,070
61,083	12,345	45,492	75,304	22,435	28,861	1,282,063
<u>\$ 70,501</u>	<u>\$ 12,549</u>	<u>\$ 52,525</u>	<u>\$ 85,003</u>	<u>\$ 22,631</u>	<u>\$ 27,728</u>	<u>\$ 1,413,133</u>

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ACCOUNTANCY, ARIZONA STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	\$ 29,314	\$ 29,314
OPERATING LUMP SUM APPROPRIATION	2,037,900	1,537,550
<b>ACUPUNCTURE BOARD OF EXAMINERS</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	10,166	10,166
OPERATING LUMP SUM APPROPRIATION	171,900	135,225
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	136,096	136,096
OPERATING LUMP SUM APPROPRIATION	1,499,800	1,032,322
<b>AGRICULTURE, ARIZONA DEPARTMENT OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	108,663	108,663
OPERATING LUMP SUM APPROPRIATION	1,445,200	1,424,986
<b>AHCCCS - ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM</b>		
ACA ADULT EXPANSION	28,420,100	26,231,931
ADMIN ADJUSTMENT ACA ADULT EXPANSION	119,071	119,071
ADMIN ADJUSTMENT PROPOSITION 204 SERVICES	5,871,380	5,871,380
ALTCS SERVICES	109,345,000	90,948,503
CRISIS SERVICES	2,250,200	2,250,200
PROPOSITION 204 SERVICES	299,569,300	254,234,433
TRADITIONAL MEDICAID SERVICES	68,040,500	66,143,919
<b>ATHLETIC TRAINING, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	4,936	4,936
OPERATING LUMP SUM APPROPRIATION	123,500	109,807
<b>ATTORNEY GENERAL - DEPARTMENT OF LAW</b>		
ADMIN ADJUSTMENT FEDERALISM UNIT	12,906	12,906
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	298,582	298,582
ADMIN ADJUSTMENT TOBACCO ENFORCEMENT	2,191	2,191
ADMIN ADJUSTMENT VICTIMS RIGHTS	11,437	11,437
CASE MANAGEMENT SYSTEM UPGRADE	1,489,000	317,363
FEDERALISM UNIT	1,004,500	718,008
GOVERNMENT ACCOUNTABILITY AND SPECIAL LITIGATION	961,300	693,093
GRANTS FOR OPIOID EDUCATION AND PREVENTION EFFORTS	400,600	153,845
OPERATING LUMP SUM APPROPRIATION	11,562,900	9,743,428
PAD NATIONAL MORTGAGE SETTLEMENT	16,878,574	542,868
TOBACCO ENFORCEMENT	737,900	157,241
VICTIMS RIGHTS	3,766,800	2,469,827
<b>AUDITOR GENERAL</b>		
ADMIN ADJUSTMENT SPECIAL AUDIT OF CENTRAL AZ WATER CONSERVATION DIST	169,961	169,961
<b>AUTOMOBILE THEFT AUTHORITY</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,395	6,395
ARIZONA VEHICLE THEFT TASK FORCE	3,650,000	3,650,000
LOCAL GRANTS	957,700	942,678
OPERATING LUMP SUM APPROPRIATION	651,200	584,848
REIMBURSABLE PROGRAMS	50,000	—
<b>BARBERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,538	1,538
OPERATING LUMP SUM APPROPRIATION	401,100	380,057

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>BEHAVIORAL HEALTH EXAMINERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	86,923	86,923
OPERATING LUMP SUM APPROPRIATION	1,772,300	1,410,554
<b>CHILD SAFETY, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT DCS IN-HOME MITIGATION	1,149,869	1,149,869
DCS - CASEWORKERS	207,100	—
DCS IN-HOME MITIGATION	1,459,300	—
<b>CHIROPRACTIC EXAMINERS, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	10,565	10,565
OPERATING LUMP SUM APPROPRIATION	429,700	327,275
<b>CONTRACTORS, REGISTRAR OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	31,093	31,093
OFFICE OF ADMINISTRATIVE HEARINGS COSTS	1,017,600	508,800
OPERATING LUMP SUM APPROPRIATION	11,282,500	9,182,624
<b>CORPORATION COMMISSION</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	192,268	192,268
ANNUAL REVERSION	24,871,917	24,871,917
CORPORATION FILINGS, SAME DAY SERVICE	401,200	—
INVESTIGATE-PROSECUTE SECUR FRD	26,509	—
OPERATING LUMP SUM APPROPRIATION	26,134,000	25,518,254
SWEEPS	144,156	144,156
UTILITY, AUDIT, STUDY, INVEST, HEAR	1,532,600	630,837
<b>CORRECTIONS, STATE DEPARTMENT OF</b>		
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	619,485	619,485
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,529,319	2,529,319
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	11,529,970	11,529,970
CASH TRANSFER TO BUILDING RENEWAL FUND	2,500,000	2,500,000
COMMUNITY CORRECTIONS	315,500	228,240
INMATE HEALTH CARE CONTRACTED SERVICES	10,000,000	10,000,000
OPERATING LUMP SUM APPROPRIATION	7,081,200	3,493,852
PRIVATE PRISON PER DIEM	27,311,500	19,237,907
SWEEPS	1,500,000	1,500,000
<b>COSMETOLOGY, BOARD OF</b>		
ADMIN ADJUSTMENT ANNUAL LEAVE PAYOUT	20,514	20,514
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	46,586	46,586
ANNUAL LEAVE PAYOUT	34,200	—
OPERATING LUMP SUM APPROPRIATION	1,892,100	1,784,917
<b>CRIMINAL JUSTICE COMMISSION, ARIZONA</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	342	342
ADMIN ADJUSTMENT VICTIM COMPENSATION - ASSISTANCE	36,960	36,960
CRIMINAL CASE STATISTICAL STUDY	200,000	200,000
CRIMINAL HISTORY REPOSITORY UPGRADE	600,000	11,325
OPERATING LUMP SUM APPROPRIATION	1,262,000	1,031,338
STATE AID TO COUNTY ATTORNEYS	973,700	790,565
VICTIM COMPENSATION - ASSISTANCE	4,222,400	3,989,442
<b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>		
EARLY CHILDHOOD & FAMILY EDUCATION PROGRAMS	2,070,000	1,460,452

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>DEAF AND HARD OF HEARING, COMMISSION FOR THE</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	89,946	89,946
INTERPRETER CERT AND LICENSURE	248,992	—
OPERATING LUMP SUM APPROPRIATION	4,421,500	2,911,364
SUPPORT SERVICES FOR THE DEAF-BLIND	192,000	788
<b>DENTAL EXAMINERS, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	21,231	21,231
OPERATING LUMP SUM APPROPRIATION	1,300,500	1,007,185
<b>ECONOMIC SECURITY, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT ADULT SERVICES	92,280	92,280
ADMIN ADJUSTMENT ATTORNEY GENERAL LEGAL SERVICES	2,371	2,371
ADMIN ADJUSTMENT DES OPERATING LUMP SUM	572,868	572,868
ADMIN ADJUSTMENT DOMESTIC VIOLENCE PREVENTION	100,000	100,000
ADMIN ADJUSTMENT HOME & COMMUNITY SERVICES - STATE ONLY	120,000	120,000
ADMIN ADJUSTMENT INDEPENDENT LIVING REHABILITATION SERVICES	13,401	13,401
ADMIN ADJUSTMENT REHABILITATION SERVICES	170,822	170,822
ADULT SERVICES	1,171,000	—
ATTORNEY GENERAL LEGAL SERVICES	97,800	3,276
DDD ARIZONA EARLY INTERVENTION PROGRAM	1,900,000	—
DDD COST EFFECTIVENESS STUDY	1,100,000	—
DDD PROGRAM EXPENSES SUPPLEMENTAL	1,000,000	—
DES OPERATING LUMP SUM	2,976,400	2,068,217
DOMESTIC VIOLENCE PREVENTION	4,100,000	2,021,746
HOME & COMMUNITY SERVICES - STATE ONLY	120,000	—
INDEPENDENT LIVING REHABILITATION SERVICES	1,123,400	1,048,726
JOBS	1,110,900	—
REHABILITATION SERVICES	654,700	404,028
SWEEPS	11,000	11,000
<b>EDUCATION, DEPARTMENT OF</b>		
ACCOUNTABILITY-SCHOOL SAFETY – PROP 301	11,759,126	7,655,353
ACHIEVEMENT TESTING – PROP 301	13,266,957	6,679,377
ADDITIONAL SCHOOL DAYS – PROP 301	86,280,500	86,280,500
ADULT EDUCATION	132,300	—
BASIC STATE AID ENTITLEMENT	86,280,500	—
CHARACTER EDUCATION – PROP 301	317,515	184,870
CLASSROOM SITE FUND	574,995,000	—
FAILING SCHOOL TUTORING – PROP 301	2,617,295	1,030,289
INSTRUCTIONAL IMPROVEMENT FUND	45,000,000	—
OPERATING LUMP SUM APPROPRIATION - ADMIN	4,401,500	188,314
SCHOOL SAFETY PROGRAM	7,800,000	—
TEACHER CERTIFICATION	2,208,900	1,786,647
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT EMISSIONS CONTROL - CONTRACTOR PAYMENTS	886,968	886,968
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	785,672	785,672
ADMIN ADJUSTMENT SAFE DRINKING WATER PROGRAM	4,179	4,179
EMISSIONS CONTROL - CONTRACTOR PAYMENTS	22,619,500	21,996,557
OPERATING LUMP SUM APPROPRIATION	30,432,200	23,907,355
SAFE DRINKING WATER PROGRAM	1,802,100	1,166,694

(Continued)



STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
SWEEPS	2,793,900	2,793,900
WQARF TRANSFERS	13,552,000	13,552,000
<b>FINANCIAL INSTITUTIONS, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,802	2,802
OPERATING LUMP SUM APPROPRIATION	4,012,600	3,642,601
<b>FUNERAL DIRECTORS AND EMBALMERS, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	14,829	14,829
DOCUMENT DIGITIZATION COSTS	75,000	—
OPERATING LUMP SUM APPROPRIATION	368,400	346,678
<b>GAME AND FISH DEPARTMENT, ARIZONA</b>		
ADMIN ADJUSTMENT GAME AND FISH TRUCKS	2,205	2,205
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	931,507	931,507
ADMIN ADJUSTMENT WATERCRAFT BOAT STRUCTURES	71,170	71,170
ADMIN ADJUSTMENT WATERCRAFT SAFETY EEQUIPMENT	9,846	9,846
BUILDING RENEWAL	1,150,566	416,052
CAPITAL IMPROVEMENTS	2,806,562	2,586,574
DAM MAINTENANCE	150,000	100,000
OPERATING LUMP SUM APPROPRIATION	38,694,600	32,986,482
PITTMAN-ROBERTSON-DINGELL-JOHNSON ACT	3,058,000	3,058,000
PROPERTY MAINTENANCE	300,000	224,999
SWEEPS	1,500,000	1,500,000
WATERCRAFT GRANT PROGRAM	1,000,000	556,948
<b>GAMING, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT CASINO OPERATION CERTIFICATION	9	9
ADMIN ADJUSTMENT DIVISION OF RACING - LUMP SUM	2,851	2,851
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	12,692	12,692
ADMIN ADJUSTMENT PROBLEM GAMBLING	7,675	7,675
ARIZONA BREEDERS AWARD	250,000	250,000
CASINO OPERATION CERTIFICATION	2,091,300	1,831,118
DIVISION OF RACING - LUMP SUM	1,901,100	1,893,736
OPERATING LUMP SUM APPROPRIATION	9,124,700	8,696,084
PROBLEM GAMBLING	2,290,600	2,028,697
<b>HEALTH SERVICES, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	1,383,965	1,383,965
ADMIN ADJUSTMENT FOLIC ACID	33,354	33,354
ADMIN ADJUSTMENT HIGH RISK PERINATAL SERVICES	39,001	39,001
ADMIN ADJUSTMENT NEWBORN SCREENING PROGRAM	395,248	395,248
ADMIN ADJUSTMENT RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	75,000	75,000
ADMIN ADJUSTMENT STATE LOAN REPAYMENT PROGRAM	220,820	220,820
AGENCYWIDE OPERATING LUMP SUM APPROPRIATION	18,268,800	16,235,065
ALZHEIMER DISEASE RESEARCH	3,000,000	3,000,000
EMERGENCY MEDICAL SERVICES LOCAL ALLOCATION	442,000	441,999
FOLIC ACID	400,000	337,712
GENOMICS-BASED MEDICAL RESEARCH	2,503,750	1,997,500
HIGH RISK PERINATAL SERVICES	450,000	385,615
HOMELESS PREGNANT WOMEN SERVICES	100,000	88,940
NEWBORN SCREENING PROGRAM	7,227,400	6,751,821
NURSING CARE SPECIAL PROJECTS	100,000	8

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPIOID ABUSE PREVENTION CAMPAIGN	400,600	319,677
RADIATION REGULATION	1,633,800	1,610,887
RENAL DENTAL CARE AND NUTRITION SUPPLEMENT	300,000	225,000
STATE LOAN REPAYMENT PROGRAM	1,000,000	939,982
SWEEPS	1,000,000	1,000,000
<b>HOMEOPATHIC AND INTEGRATED MEDICINE EXAMINERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,111	3,111
OPERATING LUMP SUM APPROPRIATION	90,700	37,246
<b>HOUSING, ARIZONA DEPARTMENT OF</b>		
OPERATING LUMP SUM APPROPRIATION	322,200	322,200
<b>INDUSTRIAL COMMISSION OF ARIZONA</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	179,026	179,026
OPERATING LUMP SUM APPROPRIATION	20,001,800	18,506,769
SWEEPS	7,000,000	7,000,000
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	16,328	16,328
OPERATING LUMP SUM APPROPRIATION	531,400	182,594
<b>LAND DEPARTMENT, STATE</b>		
NATURAL RESOURCE CONSERVATION DISTRICTS	230,600	113,847
NRCD ED CENTERS	30,000	26,033
<b>LEGISLATIVE COUNCIL</b>		
TELECOMMUNICATION FUND FOR THE DEAF	250,000	—
<b>MESSAGE THERAPY, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	217	217
OPERATING LUMP SUM APPROPRIATION	460,900	436,948
<b>MEDICAL EXAMINERS BOARD</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	37,199	37,199
MEDICAL BOARD LICENSURE COMPACT	50,000	—
OPERATING LUMP SUM APPROPRIATION	6,822,100	6,171,610
PERFORMANCE BASED INCENTIVE PROGRAM	165,000	154,197
<b>MINE INSPECTOR, STATE</b>		
ADMIN ADJUSTMENT AGGREGATE MINED LAND RECLAMATION	5,825	5,825
AGGREGATE MINED LAND RECLAMATION	112,900	49,373
<b>NATUROPATHIC PHYSICIANS MEDICAL BOARD</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	538	538
OPERATING LUMP SUM APPROPRIATION	187,400	136,912
<b>NAVIGABLE STREAM ADJUDICATION COMMISSION, ARIZONA</b>		
OPERATING LUMP SUM APPROPRIATION	200,000	—
<b>NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS, BOARD OF EXAMINERS OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,079	2,079
OPERATING LUMP SUM APPROPRIATION	443,600	420,627
<b>NURSING, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	5,600	5,600
CERTIFIED NURSING PROGRAM	536,700	536,455
OPERATING LUMP SUM APPROPRIATION	4,201,500	4,154,583
<b>OCCUPATIONAL THERAPY EXAMINERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,397	2,397

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	190,100	172,999
<b>OPTICIANS, STATE BOARD OF DISPENSING</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	567	567
OPERATING LUMP SUM APPROPRIATION	149,100	134,276
<b>OPTOMETRY, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	6,068	6,068
OPERATING LUMP SUM APPROPRIATION	243,800	215,070
<b>OSTEOPATHIC EXAMINERS, ARIZONA BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	37,271	37,271
OPERATING LUMP SUM APPROPRIATION	903,500	841,485
<b>PARENTS COMMISSION ON DRUG EDUCATION AND PREVENTION, ARIZONA</b>		
PARENTS COMM ON MIDDLE AND HIGH SCHOOL PREVENTION EDUCATION	300,000	—
<b>PHARMACY, ARIZONA STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	32,365	32,365
AZ POISON AND DRUG INFORMATION CENTER	200,000	200,000
CONTROLLED SUB PRESCRIP MONITORING PROGRAM	500,000	500,000
ONE TIME FUNDING LEAVE PAYOUT	26,685	—
OPERATING LUMP SUM APPROPRIATION	2,140,000	2,113,677
PRESCRIBER REPORT CARD	50,000	—
<b>PHYSICAL THERAPY EXAMINERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	4,542	4,542
OPERATING LUMP SUM APPROPRIATION	499,600	419,091
<b>PODIATRY EXAMINERS, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	255	255
OPERATING LUMP SUM APPROPRIATION	161,900	127,027
<b>POSTSECONDARY EDUCATION, COMMISSION FOR</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	164	164
AZ MINORITY ED POLICY ANALYSIS CENTER	36,500	16,599
LEVERAGING EDUCATIONAL ASSISTANCE PRTSHP	1,098,700	1,098,700
OPERATING LUMP SUM APPROPRIATION	186,700	140,289
TWELVE PLUS PARTNERSHIP	14,284	6,022
<b>PRIVATE POSTSECONDARY EDUCATION, STATE BOARD FOR</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,019	3,019
OPERATING LUMP SUM APPROPRIATION	417,800	381,334
<b>PSYCHOLOGIST EXAMINERS, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,330	1,330
OPERATING LUMP SUM APPROPRIATION	495,000	434,383
<b>PUBLIC SAFETY, DEPARTMENT OF</b>		
ACTIC	700,000	697,959
ADMIN ADJUSTMENT CAMERA IT INFRASTRUCTURE	468,207	468,207
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	83,329	83,329
ADMIN ADJUSTMENT PUBLIC SAFETY EQUIPMENT SURCHARGE	137,935	137,935
ADMIN ADJUSTMENT TROOPER VEHICLE IN-CAR CAMERAS	467,815	467,815
GIITEM	124,200	124,200
GIITEM PERSONNEL	124,200	124,200
MICROWAVE COMMUNICATION SYSTEM UPGRADE	1,238,613	25,968
MOTOR VEHICLE FUEL	1,070,400	1,070,400
OPERATING LUMP SUM APPROPRIATION	175,714,400	173,739,727

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
PEACE OFFICER TRAINING EQUIPMENT - OVERTIME PAY	500,000	197,807
PHARMACEUTICAL DIVERSION AND DRUG THEFT TASK FORCE	758,100	630,064
PUBLIC SAFETY EQUIPMENT	132,804	63,378
PUBLIC SAFETY EQUIPMENT SURCHARGE	2,890,000	2,798,070
RELIEF	285,822	285,822
REMOTE HOUSING REPLACEMENT	800,000	800,000
SWEEPS	7,650,172	7,650,172
<b>RESIDENTIAL UTILITY CONSUMER OFFICE</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	3,264	3,264
OPERATING LUMP SUM APPROPRIATION	1,197,600	968,852
PROFESSIONAL WITNESSES	234,363	14,420
SWEEPS	60,000	60,000
<b>RESPIRATORY CARE EXAMINERS, BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	1,665	1,665
OPERATING LUMP SUM APPROPRIATION	314,400	298,794
<b>RETIREMENT SYSTEM, ARIZONA STATE</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	4,166	4,166
OPERATING LUMP SUM APPROPRIATION	681,500	541,703
<b>REVENUE, DEPARTMENT OF</b>		
PRIME CONTRACTING NONCOMPLIANCE STUDY	75,000	75,000
<b>SUPREME COURT</b>		
ADMIN ADJUSTMENT CENTRALIZED SERVICE PAYMENTS	8,349	8,349
ADMIN ADJUSTMENT STATE AID	236,790	236,790
ADULT INTENSIVE PROBATION	1,535,200	460,876
ADULT STANDARD PROBATION	3,774,100	3,377,901
AUTOMATION	13,162,700	9,542,224
CENTRALIZED SERVICE PAYMENTS	449,900	46,081
COMMUNITY PUNISHMENT	2,310,300	1,162,990
COURT APPOINTED SPECIAL ADVOCATE	3,517,400	3,364,618
COURTHOUSE SECURITY	750,000	730,283
INTERSTATE COMPACT	92,800	80,636
JUVENILE CRIME REDUCTION	3,311,500	1,416,733
JUVENILE STANDARD PROBATION	150,000	—
OPERATING LUMP SUM	334,300	248,069
OPERATING LUMP SUM APPROPRIATION	3,127,400	2,180,790
STATE AID	5,661,200	4,008,314
<b>TECHNICAL REGISTRATION, STATE BOARD OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	91,354	91,354
OPERATING LUMP SUM APPROPRIATION	2,291,700	1,943,517
<b>TREASURER, STATE</b>		
LAW ENFORCEMENT AND BOATING SAFETY DIST	2,183,800	—
<b>VETERINARY MEDICAL EXAMINING BOARD, ARIZONA STATE</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	2,473	2,473
OPERATING LUMP SUM APPROPRIATION	605,500	453,421
<b>WATER RESOURCES, DEPARTMENT OF</b>		
ASSURED - ADEQUATE WATER SUPPLY ADMIN	268,500	120,227
LOWER COLORADO RIVER LITIGATION EXPENSES	979,328	198,483

(Continued)

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OPERATING LUMP SUM APPROPRIATION	<u>1,658,600</u>	<u>1,134,953</u>
<b>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES BEFORE ADJUSTMENTS</b>	2,038,952,480	1,140,004,436
<b>Less:</b> Department of Education's appropriations for Basic State Aid Entitlement, School Safety Program, Operating Lump Sum Appropriation - Admin, Classroom Site Fund, and Instructional Improvement Fund that were duplicate expenditure authorizations.	<u>(715,775,500)</u>	<u>—</u>
<b>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS BUDGETARY EXPENDITURES AFTER ADJUSTMENTS</b>	<u>\$ 1,323,176,980</u>	<u>\$ 1,140,004,436</u>

STATE OF ARIZONA  
**BUDGETARY COMPARISON SCHEDULE, EXPENDITURES**  
 LAND ENDOWMENTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
<b>ADMINISTRATION, ARIZONA DEPARTMENT OF</b>		
CAPITOL MALL ELEVATOR REPLACEMENT	\$ 4,100,000	\$ —
<b>CORRECTIONS, STATE DEPARTMENT OF</b>		
ADMIN ADJUSTMENT INMATE HEALTH CARE CONTRACTED SERVICES	375,000	375,000
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	9,387	9,387
ADMIN ADJUSTMENT PRIVATE PRISON PER DIEM	690,080	690,080
INMATE HEALTH CARE CONTRACTED SERVICES	1,500,000	1,500,000
OPERATING LUMP SUM APPROPRIATION	2,024,400	1,845,554
PRIVATE PRISON PER DIEM	2,062,500	2,062,500
<b>DEAF AND BLIND, ARIZONA SCHOOLS FOR THE</b>		
ADMIN ADJUSTMENT PHOENIX DAY SCHOOL FOR THE DEAF	21,148	21,148
ADMIN ADJUSTMENT PRESCHOOL-OUTREACH PROGRAMS	3,560	3,560
PHOENIX DAY SCHOOL FOR THE DEAF	5,225,051	4,448,494
PRESCHOOL-OUTREACH PROGRAMS	2,569,909	1,949,533
TUCSON CAMPUS	5,742,940	4,989,038
<b>EDUCATION, DEPARTMENT OF</b>		
BASIC STATE AID ENTITLEMENT	277,115,300	277,115,300
BASIC STATE AID SUPPLEMENTAL APPROPRIATION	6,833,400	—
<b>GENERAL ACCOUNTING OFFICE</b>		
COUNTY SHERIFF REENTRY PLANNING	500,000	500,000
<b>HEALTH SERVICES, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT ARIZONA STATE HOSPITAL - OPERATING	30,590	30,590
ARIZONA STATE HOSPITAL - OPERATING	650,000	649,718
<b>JUVENILE CORRECTIONS, DEPARTMENT OF</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	67,607	67,607
OPERATING LUMP SUM APPROPRIATION	4,011,600	2,969,027
<b>LAND DEPARTMENT, STATE</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	768,077	768,077
ADMIN ADJUSTMENT PROFESSIONAL SERVICE CONTRACTS	16,275	16,275
ADMIN ADJUSTMENT REASSESSMENT OF FEDERAL PERMITS	65,114	65,114
ADMIN ADJUSTMENT SURVEY ASSETS	26,185	26,185
ADMIN ADJUSTMENT WORKFLOW DIGITIZATION	28,918	28,918
OPERATING LUMP SUM APPROPRIATION	7,288,200	5,601,767
<b>PIONEERS' HOME, ARIZONA</b>		
ADMIN ADJUSTMENT OPERATING LUMP SUM APPROPRIATION	82,003	82,003
ADMIN ADJUSTMENT PRESCRIPTION DRUGS	7,335	7,335
CAPITAL IMPROVEMENTS	600,000	600,000
OPERATING LUMP SUM APPROPRIATION	6,559,000	6,405,695
PRESCRIPTION DRUGS	125,000	111,215
<b>TOTAL LAND ENDOWMENTS FUNDS BUDGETARY EXPENDITURES</b>	<b>\$ 329,098,579</b>	<b>\$ 312,939,120</b>

## **NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS**

**The Lottery Fund** administers the payment of principal and interest on the Lottery Revenue Bonds issued by the State of Arizona (acting by and through the Director of the Department of Administration).

**The Department of Transportation Fund** administers the payment of principal and interest on the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board.

**The Department of Administration Debt Instrument Fund** administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previous issuances.

**The School Facilities Debt Instrument Fund** administers the payment of principal and interest on revenue bonds and certificates of participation issued by the State of Arizona's School Facilities Board and the retirement of previous issuances.

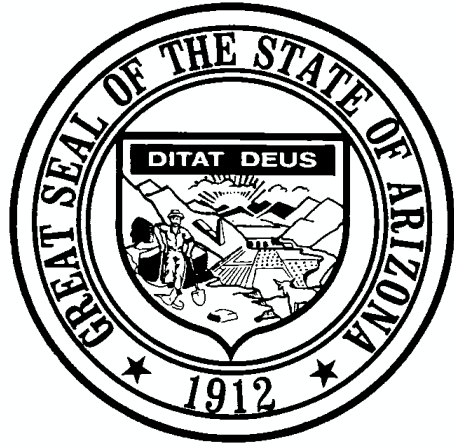
STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR DEBT SERVICE FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	<u>LOTTERY</u>	<u>DEPARTMENT OF TRANSPORTATION</u>	<u>DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT</u>	<u>SCHOOL FACILITIES DEBT INSTRUMENT</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash and pooled investments					
with State Treasurer	\$ —	\$ —	\$ 2,613	\$ 9,252	\$ 11,865
Due from other funds	3,751	—	—	—	3,751
Restricted assets:					
Cash and pooled investments					
with State Treasurer	—	877	3,715	—	4,592
Cash held by trustee	—	—	7,281	36,560	43,841
Total Assets	<u>\$ 3,751</u>	<u>\$ 877</u>	<u>\$ 13,609</u>	<u>\$ 45,812</u>	<u>\$ 64,049</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted	<u>\$ 3,751</u>	<u>\$ 877</u>	<u>\$ 13,609</u>	<u>\$ 45,812</u>	<u>\$ 64,049</u>
Total Fund Balances	<u>\$ 3,751</u>	<u>\$ 877</u>	<u>\$ 13,609</u>	<u>\$ 45,812</u>	<u>\$ 64,049</u>



STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	LOTTERY	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF ADMINISTRATION DEBT INSTRUMENT	SCHOOL FACILITIES DEBT INSTRUMENT	TOTAL
<b>REVENUES</b>					
Sales taxes	\$ —	\$ —	\$ —	\$ 64,120	\$ 64,120
Earnings on investments	—	2,872	260	157	3,289
Other	—	—	105	—	105
Total Revenues	—	2,872	365	64,277	67,514
<b>EXPENDITURES</b>					
Current:					
General government	—	—	4,808	—	4,808
Debt service:					
Principal	22,050	199,355	83,890	61,775	367,070
Interest and other fiscal charges	15,453	114,125	50,384	2,346	182,308
Total Expenditures	37,503	313,480	139,082	64,121	554,186
Excess (Deficiency) of Revenues Over Expenditures	(37,503)	(310,608)	(138,717)	156	(486,672)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	37,503	310,894	139,406	5,029	492,832
Transfers out	—	—	—	(6,833)	(6,833)
Total Other Financing Sources (Uses)	37,503	310,894	139,406	(1,804)	485,999
Net Change in Fund Balances	—	286	689	(1,648)	(673)
Fund Balances - Beginning	3,751	591	12,920	47,460	64,722
Fund Balances - Ending	\$ 3,751	\$ 877	\$ 13,609	\$ 45,812	\$ 64,049



# **NON-MAJOR GOVERNMENTAL FUND CAPITAL PROJECTS FUND**

**The Department of Transportation Financed Fund** administers the proceeds from the Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes issued by the Arizona Department of Transportation Board. These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

STATE OF ARIZONA  
**COMBINING BALANCE SHEET**  
NON-MAJOR CAPITAL PROJECTS FUND  
JUNE 30, 2019  
(Expressed in Thousands)

DEPARTMENT OF  
TRANSPORTATION  
FINANCED

---

**ASSETS**

Restricted assets:

Cash and pooled investments  
with State Treasurer

\$ 66,598

---

Total Assets

\$ 66,598

---

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable and other current  
liabilities

\$ 12,118

Accrued liabilities

122

---

Total Liabilities

12,240

---

Fund Balances:

Restricted

\$ 54,358

---

Total Fund Balances

54,358

---

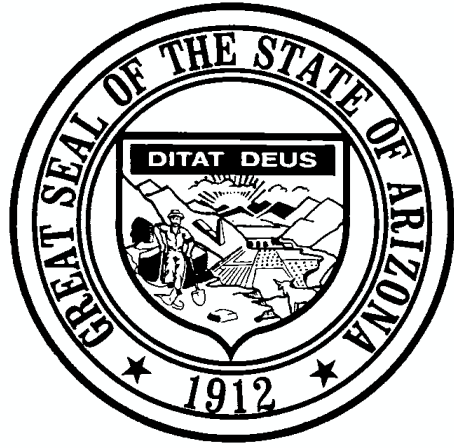
Total Liabilities and Fund Balances

\$ 66,598

---

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**  
NON-MAJOR CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED
<b>REVENUES</b>	
Earnings on investments	\$ 3,513
Total Revenues	<u>3,513</u>
<b>EXPENDITURES</b>	
Current:	
Transportation	39,238
Debt service:	
Interest and other fiscal charges	1,688
Capital outlay	<u>298,567</u>
Total Expenditures	<u>339,493</u>
(Deficiency) of Revenues Over Expenditures	<u>(335,980)</u>
<b>OTHER FINANCING SOURCES</b>	
Bonds issued	262,010
Grant anticipation notes issued	62,465
Premium on debt issued	<u>41,449</u>
Total Other Financing Sources	<u>365,924</u>
Net Change in Fund Balances	29,944
Fund Balances - Beginning	<u>24,414</u>
Fund Balances - Ending	<u>\$ 54,358</u>



## NON-MAJOR ENTERPRISE FUNDS

*Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.*

**The Insurance Department Guaranty Funds** pay for claims against insolvent insurance companies under certain property and casualty insurance contracts (also includes return of unearned premiums) and contractual obligations under certain life, annuity and disability insurance contracts.

**The Lottery Fund** accounts for the revenues received from the sale of lottery tickets, the receipt of license fees, prize payments, operational expenses, including consulting, promotional, and advertising expenses, and transfers of monies to other state funds.

**The Arizona Correctional Industries Fund** employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

**The Coliseum & Exposition Center Fund** provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

**The Industrial Commission Special Fund** accounts for the payment of workers' compensation claims that are not covered by the Risk Management Division of the Department of Administration, private insurance carriers, and self-insured employers.

**The Unemployment Compensation Fund** pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

**The Highway Expansion & Extension Loan Program** provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

**The Other** Enterprise Funds consist of the Veterans Administration Reimbursement Fund, the State Home for Veterans Trust Fund, the Tonto Natural Bridge Publications and Souvenirs Revolving Fund, and the escrow account shared between the Insurance Department Guaranty Funds and the Industrial Commission Special Fund.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 957	\$ —	\$ 52
Cash with U.S. Treasury	—	—	—
Cash and pooled investments with State Treasurer	142	96,306	10,788
Short-term investments	123,592	—	—
Receivables, net of allowances:			
Taxes	—	—	—
Interest	—	—	—
Other	278	8,633	5,763
Inventories, at cost	—	6,496	4,882
Other current assets	—	—	71
Total Current Assets	<u>124,969</u>	<u>111,435</u>	<u>21,556</u>
Noncurrent Assets:			
Investments	111,714	—	—
Net OPEB asset	1	—	19
Other noncurrent assets	—	10,697	—
Capital assets:			
Land and other non-depreciable	—	938	1,810
Buildings, equipment, and other depreciable, net of accumulated depreciation	—	14,420	5,741
Total Noncurrent Assets	<u>111,715</u>	<u>26,055</u>	<u>7,570</u>
Total Assets	<u>236,684</u>	<u>137,490</u>	<u>29,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	58	1,138	1,073
Related to OPEB	6	33	164
Total Deferred Outflows of Resources	<u>64</u>	<u>1,171</u>	<u>1,237</u>



<u>COLISEUM &amp; EXPOSITION CENTER</u>	<u>INDUSTRIAL COMMISSION SPECIAL FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	<u>HIGHWAY EXPANSION &amp; EXTENSION LOAN PROGRAM</u>	<u>OTHER</u>	<u>TOTAL</u>
\$ 60	\$ 32,264	\$ —	\$ —	\$ 10,289	\$ 43,622
—	—	1,101,115	—	—	1,101,115
5,784	1,401	—	1,196	21,119	136,736
—	—	—	—	—	123,592
—	—	76,626	—	—	76,626
—	1,175	—	—	—	1,175
8	1,839	7,206	—	11,314	35,041
—	—	—	—	—	11,378
—	—	—	—	—	71
<u>5,852</u>	<u>36,679</u>	<u>1,184,947</u>	<u>1,196</u>	<u>42,722</u>	<u>1,529,356</u>
—	290,771	—	—	—	402,485
7	—	—	—	42	69
—	—	—	—	—	10,697
70	2,997	—	—	2,892	8,707
<u>4,427</u>	<u>2,173</u>	<u>—</u>	<u>—</u>	<u>5,841</u>	<u>32,602</u>
<u>4,504</u>	<u>295,941</u>	<u>—</u>	<u>—</u>	<u>8,775</u>	<u>454,560</u>
<u>10,356</u>	<u>332,620</u>	<u>1,184,947</u>	<u>1,196</u>	<u>51,497</u>	<u>1,983,916</u>
542	—	—	—	2,387	5,198
<u>40</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>316</u>	<u>559</u>
<u>582</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,703</u>	<u>5,757</u>

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR ENTERPRISE FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other current liabilities	\$ —	\$ 9,433	\$ 2,873
Payable for securities purchased	—	—	—
Accrued liabilities	17	—	719
Due to U.S. Government	—	—	—
Due to others	—	67,562	—
Due to other funds	—	38,467	—
Unearned revenue	—	—	161
Current portion of accrued insurance losses	23,329	—	—
Current portion of other long-term liabilities	28	303	643
Total Current Liabilities	<u>23,374</u>	<u>115,765</u>	<u>4,396</u>
Noncurrent Liabilities:			
Accrued insurance losses	209,850	—	—
Net pension liability	401	5,496	7,177
Net OPEB liability	58	1,059	2,670
Total Noncurrent Liabilities	<u>210,309</u>	<u>6,555</u>	<u>9,847</u>
Total Liabilities	<u>233,683</u>	<u>122,320</u>	<u>14,243</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	76	715	908
Related to OPEB	17	268	702
Total Deferred Inflows of Resources	<u>93</u>	<u>983</u>	<u>1,610</u>
<b>NET POSITION</b>			
Net investment in capital assets	—	15,358	7,551
Restricted for:			
Unemployment Compensation	—	—	—
Other	3,504	—	—
Unrestricted (deficit)	(532)	—	6,959
Total Net Position	<u>\$ 2,972</u>	<u>\$ 15,358</u>	<u>\$ 14,510</u>

<u>COLISEUM &amp; EXPOSITION CENTER</u>	<u>INDUSTRIAL COMMISSION SPECIAL FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	<u>HIGHWAY EXPANSION &amp; EXTENSION LOAN PROGRAM</u>	<u>OTHER</u>	<u>TOTAL</u>
\$ 1,060	\$ 1,219	\$ 10	\$ —	\$ 1,125	\$ 15,720
—	71	—	—	—	71
106	—	55,959	—	833	57,634
—	—	87	—	—	87
—	—	12,814	—	—	80,376
—	—	1,331	—	—	39,798
—	—	—	—	—	161
—	11,369	—	—	—	34,698
172	—	—	—	601	1,747
<u>1,338</u>	<u>12,659</u>	<u>70,201</u>	<u>—</u>	<u>2,559</u>	<u>230,292</u>
—	219,667	—	—	—	429,517
2,891	—	—	—	15,994	31,959
<u>379</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,186</u>	<u>8,352</u>
<u>3,270</u>	<u>219,667</u>	<u>—</u>	<u>—</u>	<u>20,180</u>	<u>469,828</u>
<u>4,608</u>	<u>232,326</u>	<u>70,201</u>	<u>—</u>	<u>22,739</u>	<u>700,120</u>
419	—	—	—	2,450	4,568
126	—	—	—	1,134	2,247
<u>545</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,584</u>	<u>6,815</u>
4,497	5,170	—	—	8,733	41,309
—	—	1,114,746	—	—	1,114,746
—	—	—	—	18,249	21,753
<u>1,288</u>	<u>95,124</u>	<u>—</u>	<u>1,196</u>	<u>895</u>	<u>104,930</u>
<u>\$ 5,785</u>	<u>\$ 100,294</u>	<u>\$ 1,114,746</u>	<u>\$ 1,196</u>	<u>\$ 27,877</u>	<u>\$ 1,282,738</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET POSITION**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES
<b>OPERATING REVENUES</b>			
Sales and charges for services	\$ —	\$ 1,076,345	\$ 47,978
Assessments	9,232	—	—
Intergovernmental	—	—	—
Fines, forfeitures, and penalties	—	—	—
Settlement income	1,764	—	—
Other	—	276	—
Total Operating Revenues	<u>10,996</u>	<u>1,076,621</u>	<u>47,978</u>
<b>OPERATING EXPENSES</b>			
Cost of sales and benefits	17,302	809,306	34,504
Personal services	349	5,913	5,983
Contractual services	61	15,491	—
Depreciation and amortization	—	904	1,243
Insurance	—	44	—
Other	144	5,844	—
Total Operating Expenses	<u>17,856</u>	<u>837,502</u>	<u>41,730</u>
Operating Income (Loss)	<u>(6,860)</u>	<u>239,119</u>	<u>6,248</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on sale of capital assets	—	—	27
Investment income	8,398	747	189
Other non-operating revenue	—	—	—
Distributions	—	(14,964)	—
Other non-operating expense	(224)	—	—
Total Non-Operating Revenues (Expenses)	<u>8,174</u>	<u>(14,217)</u>	<u>216</u>
Income (Loss) Before Transfers	1,314	224,902	6,464
Transfers in	—	—	—
Transfers out	(18)	(215,397)	(9,000)
Change in Net Position	1,296	9,505	(2,536)
Total Net Position - Beginning	<u>1,676</u>	<u>5,853</u>	<u>17,046</u>
Total Net Position - Ending	<u>\$ 2,972</u>	<u>\$ 15,358</u>	<u>\$ 14,510</u>

COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	OTHER	TOTAL
\$ 12,350	\$ —	\$ —	\$ —	\$ 38,489	\$ 1,175,162
—	—	421,477	—	—	430,709
—	—	2,501	—	—	2,501
1	—	2,260	—	—	2,261
—	95	—	—	18,249	20,108
47	—	18	—	48	389
<u>12,398</u>	<u>95</u>	<u>426,256</u>	<u>—</u>	<u>56,786</u>	<u>1,631,130</u>
564	(15,055)	230,259	—	38	1,076,918
4,614	—	—	—	21,220	38,079
231	—	—	—	9,307	25,090
392	310	—	—	385	3,234
230	—	—	—	206	480
6,999	—	—	—	2,432	15,419
<u>13,030</u>	<u>(14,745)</u>	<u>230,259</u>	<u>—</u>	<u>33,588</u>	<u>1,159,220</u>
<u>(632)</u>	<u>14,840</u>	<u>195,997</u>	<u>—</u>	<u>23,198</u>	<u>471,910</u>
—	—	—	—	—	27
33	17,241	21,932	676	415	49,631
—	2,270	808	—	—	3,078
—	—	—	—	—	(14,964)
—	(3,643)	—	—	—	(3,867)
<u>33</u>	<u>15,868</u>	<u>22,740</u>	<u>676</u>	<u>415</u>	<u>33,905</u>
(599)	30,708	218,737	676	23,613	505,815
15	—	—	—	—	15
<u>(502)</u>	<u>—</u>	<u>(5,022)</u>	<u>(30,000)</u>	<u>—</u>	<u>(259,939)</u>
(1,086)	30,708	213,715	(29,324)	23,613	245,891
6,871	69,586	901,031	30,520	4,264	1,036,847
<u>\$ 5,785</u>	<u>\$ 100,294</u>	<u>\$ 1,114,746</u>	<u>\$ 1,196</u>	<u>\$ 27,877</u>	<u>\$ 1,282,738</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ —	\$ 462,555	\$ 48,922
Receipts from assessments	8,954	—	—
Receipts from grants and contracts	—	—	—
Receipts from settlement income	1,764	—	—
Payments to suppliers, prize winners, claimants, or insurance companies	(24,344)	(197,907)	(15,321)
Payments to employees	(431)	(6,164)	(24,967)
Other receipts	—	—	—
Other payments	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>(14,057)</u>	<u>258,484</u>	<u>8,634</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other Funds	—	—	—
Distributions	—	(14,964)	—
Transfers to other funds	(18)	(197,680)	(9,000)
Net Cash (Used) by Non-capital Financing Activities	<u>(18)</u>	<u>(212,644)</u>	<u>(9,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets	—	—	27
Acquisition and construction of capital assets	—	(7,470)	(2,419)
Net Cash (Used) by Capital and Related Financing Activities	<u>—</u>	<u>(7,470)</u>	<u>(2,392)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investments	249,164	—	—
Interest and dividends from investments	8,174	715	190
Change in cash collateral received from securities lending transactions	—	—	—
Purchase of investments	(242,981)	—	—
Net Cash Provided by Investing Activities	<u>14,357</u>	<u>715</u>	<u>190</u>
Net Increase (Decrease) in Cash and Cash Equivalents	282	39,085	(2,568)
Cash and Cash Equivalents - Beginning	817	57,221	13,408
Cash and Cash Equivalents - Ending	<u>\$ 1,099</u>	<u>\$ 96,306</u>	<u>\$ 10,840</u>

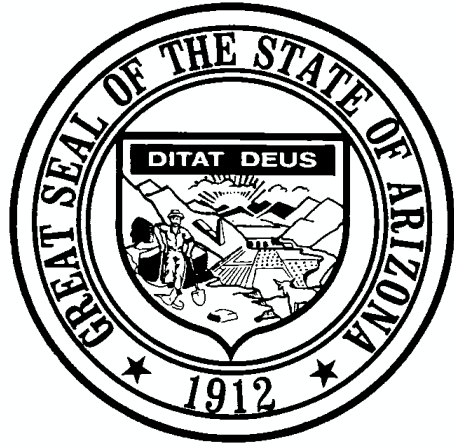
COLISEUM & EXPOSITION CENTER	INDUSTRIAL COMMISSION SPECIAL FUND	UNEMPLOYMENT COMPENSATION	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM	OTHER	TOTAL
\$ 12,350	\$ —	\$ —	\$ —	\$ 38,850	\$ 562,677
—	—	450,219	—	—	459,173
—	—	2,501	—	—	2,501
—	95	—	—	10,289	12,148
(7,309)	(12,508)	(228,283)	—	(12,259)	(497,931)
(4,712)	—	—	—	(21,731)	(58,005)
47	2,270	2,277	—	48	4,642
(52)	—	—	—	—	(52)
<u>324</u>	<u>(10,143)</u>	<u>226,714</u>	<u>—</u>	<u>15,197</u>	<u>485,153</u>
15	—	—	—	—	15
—	—	—	(30,000)	—	(44,964)
<u>(502)</u>	<u>—</u>	<u>(3,641)</u>	<u>—</u>	<u>—</u>	<u>(210,841)</u>
<u>(487)</u>	<u>—</u>	<u>(3,641)</u>	<u>(30,000)</u>	<u>—</u>	<u>(255,790)</u>
—	—	—	—	—	27
<u>(294)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,977)</u>	<u>(12,160)</u>
<u>(294)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,977)</u>	<u>(12,133)</u>
—	164,497	—	—	—	413,661
33	7,414	21,932	676	415	39,549
—	(1,877)	—	—	—	(1,877)
—	(140,065)	—	—	—	(383,046)
<u>33</u>	<u>29,969</u>	<u>21,932</u>	<u>676</u>	<u>415</u>	<u>68,287</u>
(424)	19,826	245,005	(29,324)	13,635	285,517
<u>6,268</u>	<u>13,839</u>	<u>856,110</u>	<u>30,520</u>	<u>17,773</u>	<u>995,956</u>
<u>\$ 5,844</u>	<u>\$ 33,665</u>	<u>\$ 1,101,115</u>	<u>\$ 1,196</u>	<u>\$ 31,408</u>	<u>\$ 1,281,473</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	INSURANCE DEPARTMENT GUARANTY FUNDS	LOTTERY	ARIZONA CORRECTIONAL INDUSTRIES
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (6,860)	\$ 239,119	\$ 6,248
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	—	904	1,243
Miscellaneous expense	—	—	—
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables, net of allowances	(278)	(784)	(156)
Decrease in inventories, at cost	—	978	5
Decrease in other assets	—	1,334	7
Decrease in net OPEB asset	1	—	7
(Increase) decrease in deferred pension outflows of resources	(2)	(414)	47
(Increase) in deferred OPEB outflows of resources	(3)	(2)	(55)
Increase (decrease) in accounts payable	—	(5,960)	459
Increase in accrued liabilities	—	23,378	104
Increase in due to U.S. Government	—	—	—
Increase (decrease) in due to others	—	—	—
Increase in unearned revenue	—	—	95
(Decrease) in accrued insurance losses	(6,837)	—	—
(Decrease) in net pension liability	(99)	(98)	(50)
Increase in net OPEB liability	—	47	200
Increase (decrease) in other liabilities	(1)	—	25
Increase (decrease) in deferred pension inflows of resources	21	(17)	398
Increase (decrease) in deferred OPEB inflows of resources	1	(1)	57
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,057)</u>	<u>\$ 258,484</u>	<u>\$ 8,634</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES</b>			
Increase in fair value of investments	<u>\$ 4,198</u>	<u>\$ —</u>	<u>\$ —</u>
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ 4,198</u>	<u>\$ —</u>	<u>\$ —</u>



<u>COLISEUM &amp; EXPOSITION CENTER</u>	<u>INDUSTRIAL COMMISSION SPECIAL FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	<u>HIGHWAY EXPANSION &amp; EXTENSION LOAN PROGRAM</u>	<u>OTHER</u>	<u>TOTAL</u>
\$ (632)	\$ 14,840	\$ 195,997	\$ —	\$ 23,198	\$ 471,910
392	310	—	—	385	3,234
(52)	(376)	—	—	—	(428)
(1)	—	19,651	—	(7,599)	10,833
—	—	—	—	—	983
—	—	—	—	—	1,341
3	—	—	—	20	31
(78)	—	—	—	(252)	(699)
(18)	—	—	—	(126)	(204)
715	(15)	—	—	(267)	(5,068)
—	—	10,818	—	139	34,439
—	—	87	—	—	87
—	—	161	—	(9)	152
—	—	—	—	—	95
—	(24,902)	—	—	—	(31,739)
(130)	—	—	—	(1,626)	(2,003)
35	—	—	—	346	628
(11)	—	—	—	124	137
94	—	—	—	756	1,252
7	—	—	—	108	172
<u>\$ 324</u>	<u>\$ (10,143)</u>	<u>\$ 226,714</u>	<u>\$ —</u>	<u>\$ 15,197</u>	<u>\$ 485,153</u>
<u>\$ —</u>	<u>\$ 8,858</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,056</u>
<u>\$ —</u>	<u>\$ 8,858</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,056</u>



## INTERNAL SERVICE FUNDS

*Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.*

**The Risk Management Fund** provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

**The Transportation Equipment Fund** administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

**The Health Insurance Trust Fund (HITF)** administers the State's benefits program available to State employees and retirees.

**The Telecommunication Fund** receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

**The Automation Operations Fund** receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

**The Retiree Accumulated Sick Leave Fund** accounts for monies paid out to retirees for their accumulated sick leave.

**The Motor Pool Fund** receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

**The Other** Internal Service Funds consist of the Personnel Division Funds, the Information Technology Fund, the Special Services Fund, the Surplus Property Funds, the Legal Services Cost Allocation Fund, the Stimulus Statewide Administration Funds, and the Construction Insurance Fund.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
INTERNAL SERVICE FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
<b>ASSETS</b>				
Current Assets:				
Cash and pooled investments with State Treasurer	\$ 84,497	\$ 5,683	\$ 116,980	\$ 943
Receivables, net of allowances:				
Other	72	1,381	36,251	146
Due from other funds	—	220	—	—
Inventories, at cost	—	2,011	—	—
Other current assets	3,719	—	10,995	—
Total Current Assets	<u>88,288</u>	<u>9,295</u>	<u>164,226</u>	<u>1,089</u>
Noncurrent Assets:				
Net OPEB asset	34	—	6	2
Capital assets:				
Buildings, equipment, and other depreciable, net of accumulated depreciation	53	71,392	14	38
Total Noncurrent Assets	<u>87</u>	<u>71,392</u>	<u>20</u>	<u>40</u>
Total Assets	<u>88,375</u>	<u>80,687</u>	<u>164,246</u>	<u>1,129</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	2,891	1,600	332	120
Related to OPEB	193	107	40	14
Total Deferred Outflows of Resources	<u>3,084</u>	<u>1,707</u>	<u>372</u>	<u>134</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and other current liabilities	2,757	1,083	26,714	69
Accrued liabilities	416	478	102	26
Due to U.S. Government	10,065	—	—	—
Due to other funds	—	712	—	—
Current portion of accrued insurance losses	64,398	—	83,843	—
Current portion of other long-term liabilities	585	695	155	—
Total Current Liabilities	<u>78,221</u>	<u>2,968</u>	<u>110,814</u>	<u>95</u>
Noncurrent Liabilities:				
Accrued insurance losses	367,699	—	—	—
Net pension liability	13,060	11,139	2,499	821
Net OPEB liability	2,051	3,345	508	153
Other long-term liabilities	—	—	—	—
Total Noncurrent Liabilities	<u>382,810</u>	<u>14,484</u>	<u>3,007</u>	<u>974</u>
Total Liabilities	<u>461,031</u>	<u>17,452</u>	<u>113,821</u>	<u>1,069</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	1,805	2,184	395	130
Related to OPEB	594	796	141	42
Total Deferred Inflows of Resources	<u>2,399</u>	<u>2,980</u>	<u>536</u>	<u>172</u>
<b>NET POSITION</b>				
Net investment in capital assets	53	71,392	14	38
Unrestricted (deficit)	(372,024)	(9,430)	50,247	(16)
Total Net Position	<u>\$ (371,971)</u>	<u>\$ 61,962</u>	<u>\$ 50,261</u>	<u>\$ 22</u>

<u>AUTOMATION OPERATIONS</u>	<u>RETIREE ACCUMULATED SICK LEAVE</u>	<u>MOTOR POOL</u>	<u>OTHER</u>	<u>TOTAL</u>
\$ 11,218	\$ 3,503	\$ 3,071	\$ 30,987	\$ 256,882
1,130	—	926	106	40,012
3,784	—	—	7	4,011
—	—	—	34	2,045
552	—	—	—	15,266
<u>16,684</u>	<u>3,503</u>	<u>3,997</u>	<u>31,134</u>	<u>318,216</u>
11	—	1	31	85
1,704	—	10,872	509	84,582
<u>1,715</u>	<u>—</u>	<u>10,873</u>	<u>540</u>	<u>84,667</u>
<u>18,399</u>	<u>3,503</u>	<u>14,870</u>	<u>31,674</u>	<u>402,883</u>
589	11	63	1,846	7,452
72	1	7	182	616
<u>661</u>	<u>12</u>	<u>70</u>	<u>2,028</u>	<u>8,068</u>
2,664	—	422	1,194	34,903
211	—	8	478	1,719
2,133	—	—	—	12,198
—	—	67	—	779
—	—	—	—	148,241
320	10,037	14	664	12,470
<u>5,328</u>	<u>10,037</u>	<u>511</u>	<u>2,336</u>	<u>210,310</u>
—	—	—	—	367,699
4,245	78	536	11,831	44,209
788	20	110	1,886	8,861
—	155,634	—	—	155,634
<u>5,033</u>	<u>155,732</u>	<u>646</u>	<u>13,717</u>	<u>576,403</u>
<u>10,361</u>	<u>165,769</u>	<u>1,157</u>	<u>16,053</u>	<u>786,713</u>
670	12	85	1,861	7,142
223	6	30	546	2,378
<u>893</u>	<u>18</u>	<u>115</u>	<u>2,407</u>	<u>9,520</u>
1,704	—	10,872	509	84,582
<u>6,102</u>	<u>(162,272)</u>	<u>2,796</u>	<u>14,733</u>	<u>(469,864)</u>
<u>\$ 7,806</u>	<u>\$ (162,272)</u>	<u>\$ 13,668</u>	<u>\$ 15,242</u>	<u>\$ (385,282)</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET POSITION**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST	TELE- COMMUNICATION
<b>OPERATING REVENUES</b>				
Sales and charges for services	\$ 98,467	\$ 26,273	\$ 863,845	\$ 1,606
Other	—	104	21	—
Total Operating Revenues	<u>98,467</u>	<u>26,377</u>	<u>863,866</u>	<u>1,606</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and benefits	—	14,633	879,601	122
Personal services	11,453	11,062	2,959	972
Contractual services	28,193	425	1,931	188
Depreciation and amortization	8	14,401	6	18
Insurance	46,804	—	1,666	18
Other	1,491	919	955	166
Total Operating Expenses	<u>87,949</u>	<u>41,440</u>	<u>887,118</u>	<u>1,484</u>
Operating Income (Loss)	<u>10,518</u>	<u>(15,063)</u>	<u>(23,252)</u>	<u>122</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain (loss) on sale of capital assets	—	974	—	—
Investment income	—	120	—	—
Gain on extinguishment of debt	—	—	1,842	—
Other non-operating revenue	—	—	—	—
Other non-operating expense	(6,226)	—	—	—
Total Non-Operating Revenues (Expenses)	<u>(6,226)</u>	<u>1,094</u>	<u>1,842</u>	<u>—</u>
Income (Loss) Before Contributions and Transfers	4,292	(13,969)	(21,410)	122
Capital grants and contributions	—	7,948	—	—
Transfers in	—	9,376	—	—
Transfers out	(2,707)	—	(366)	(54)
Change in Net Position	1,585	3,355	(21,776)	68
Total Net Position - Beginning	<u>(373,556)</u>	<u>58,607</u>	<u>72,037</u>	<u>(46)</u>
Total Net Position - Ending	<u>\$ (371,971)</u>	<u>\$ 61,962</u>	<u>\$ 50,261</u>	<u>\$ 22</u>

AUTOMATION OPERATIONS	RETIREE			TOTAL
	ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	
\$ 27,205	\$ 15,447	\$ 7,238	\$ 27,928	\$ 1,068,009
—	—	2	3,188	3,315
<u>27,205</u>	<u>15,447</u>	<u>7,240</u>	<u>31,116</u>	<u>1,071,324</u>
12,405	18,302	3,791	179	929,033
3,105	165	391	12,411	42,518
2,397	3	66	3,090	36,293
745	—	2,690	200	18,068
95	—	238	753	49,574
4,140	—	6	8,811	16,488
<u>22,887</u>	<u>18,470</u>	<u>7,182</u>	<u>25,444</u>	<u>1,091,974</u>
<u>4,318</u>	<u>(3,023)</u>	<u>58</u>	<u>5,672</u>	<u>(20,650)</u>
(189)	—	31	—	816
—	—	—	—	120
2,815	—	—	—	4,657
6	—	—	—	6
<u>(2,133)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,359)</u>
<u>499</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>(2,760)</u>
4,817	(3,023)	89	5,672	(23,410)
—	—	894	—	8,842
—	—	—	25	9,401
<u>(5,668)</u>	<u>—</u>	<u>(256)</u>	<u>(2,175)</u>	<u>(11,226)</u>
(851)	(3,023)	727	3,522	(16,393)
<u>8,657</u>	<u>(159,249)</u>	<u>12,941</u>	<u>11,720</u>	<u>(368,889)</u>
<u>\$ 7,806</u>	<u>\$ (162,272)</u>	<u>\$ 13,668</u>	<u>\$ 15,242</u>	<u>\$ (385,282)</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services / premiums	\$ 98,416	\$ 26,492	\$ 860,226
Payments to suppliers or insurance companies	(63,107)	(15,071)	(888,989)
Payments to employees	(11,728)	(12,520)	(3,420)
Payments to retirees	—	—	—
Other receipts	—	104	1,863
Other payments	(6,226)	—	—
Net Cash Provided (Used) by Operating Activities	<u>17,355</u>	<u>(995)</u>	<u>(30,320)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	—	16	—
Transfers to other funds	(2,707)	—	(366)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(2,707)</u>	<u>16</u>	<u>(366)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets	9	1,875	—
Transfers from other funds	—	9,360	—
Acquisition and construction of capital assets	—	(9,433)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>9</u>	<u>1,802</u>	<u>—</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends from investments	—	119	—
Net Cash Provided by Investing Activities	<u>—</u>	<u>119</u>	<u>—</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,657	942	(30,686)
Cash and Cash Equivalents - Beginning	<u>69,840</u>	<u>4,741</u>	<u>147,666</u>
Cash and Cash Equivalents - Ending	<u>\$ 84,497</u>	<u>\$ 5,683</u>	<u>\$ 116,980</u>



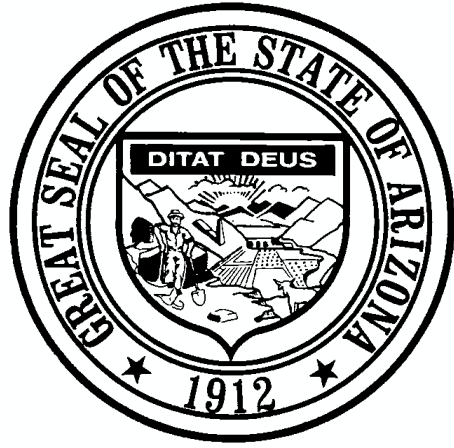
TELE- COMMUNICATION	AUTOMATION OPERATIONS	RETIREE ACCUMULATED SICK LEAVE	MOTOR POOL	OTHER	TOTAL
\$ 1,753	\$ 27,956	\$ 15,447	\$ 7,309	\$ 28,031	\$ 1,065,630
(471)	(17,827)	(3)	(4,016)	(12,406)	(1,001,890)
(1,035)	(4,846)	(85)	(489)	(12,141)	(46,264)
—	—	(14,476)	—	—	(14,476)
—	2,821	—	2	3,158	7,948
—	(2,133)	—	—	—	(8,359)
<u>247</u>	<u>5,971</u>	<u>883</u>	<u>2,806</u>	<u>6,642</u>	<u>2,589</u>
—	—	—	—	25	41
(54)	(5,668)	—	(256)	(2,175)	(11,226)
(54)	(5,668)	—	(256)	(2,150)	(11,185)
—	1	—	—	—	1,885
—	—	—	—	—	9,360
(26)	—	—	(1,769)	(261)	(11,489)
(26)	1	—	(1,769)	(261)	(244)
—	—	—	—	—	119
—	—	—	—	—	119
167	304	883	781	4,231	(8,721)
776	10,914	2,620	2,290	26,756	265,603
<u>\$ 943</u>	<u>\$ 11,218</u>	<u>\$ 3,503</u>	<u>\$ 3,071</u>	<u>\$ 30,987</u>	<u>\$ 256,882</u>

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF CASH FLOWS**  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	HEALTH INSURANCE TRUST
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 10,518	\$ (15,063)	\$ (23,252)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	8	14,401	6
Miscellaneous income (expense)	(6,226)	—	1,842
Net changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables, net of allowances	(71)	438	(3,611)
(Increase) decrease in due from other funds	—	(220)	—
Decrease in inventories, at cost	—	789	—
Decrease in other assets	390	—	209
Decrease in net OPEB asset	20	—	5
(Increase) decrease in deferred pension outflows of resources	1,459	(63)	23
(Increase) in deferred OPEB outflows of resources	(78)	(7)	(14)
Increase (decrease) in accounts payable	609	43	(2,723)
Increase (decrease) in accrued liabilities	(29)	(23)	(2)
Increase (decrease) in due to U.S. Government	6,226	—	(1,842)
Increase (decrease) in due to other funds	—	—	—
Increase (decrease) in accrued insurance losses	6,156	—	(493)
Increase (decrease) in net pension liability	(2,442)	(2,132)	(564)
Increase (decrease) in net OPEB liability	104	80	(20)
Increase (decrease) in other liabilities	(68)	6	(1)
Increase in deferred pension inflows of resources	729	746	119
Increase (decrease) in deferred OPEB inflows of resources	50	10	(2)
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,355</u>	<u>\$ (995)</u>	<u>\$ (30,320)</u>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES</b>			
Contribution of capital assets from other funds	<u>\$ —</u>	<u>\$ 7,948</u>	<u>\$ —</u>
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ —</u>	<u>\$ 7,948</u>	<u>\$ —</u>

<u>TELE- COMMUNICATION</u>	<u>AUTOMATION OPERATIONS</u>	<u>RETIREE ACCUMULATED SICK LEAVE</u>	<u>MOTOR POOL</u>	<u>OTHER</u>	<u>TOTAL</u>
\$ 122	\$ 4,318	\$ (3,023)	\$ 58	\$ 5,672	\$ (20,650)
18	745	—	2,690	200	18,068
—	688	—	—	—	(3,696)
146	(21)	—	67	60	(2,992)
—	761	—	3	(1)	543
—	—	—	20	83	892
—	527	—	—	—	1,126
1	11	—	1	14	52
(8)	63	(11)	11	316	1,790
(6)	(31)	—	(1)	(78)	(215)
23	1,365	—	(2)	407	(278)
(21)	44	—	(13)	48	4
—	(682)	—	—	—	3,702
—	—	—	67	(63)	4
—	—	—	—	—	5,663
(99)	(1,864)	78	(76)	(1,044)	(8,143)
19	(54)	—	25	164	318
—	(9)	3,826	(81)	20	3,693
47	120	12	30	777	2,580
5	(10)	1	7	67	128
<u>\$ 247</u>	<u>\$ 5,971</u>	<u>\$ 883</u>	<u>\$ 2,806</u>	<u>\$ 6,642</u>	<u>\$ 2,589</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 894</u>	<u>\$ —</u>	<u>\$ 8,842</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 894</u>	<u>\$ —</u>	<u>\$ 8,842</u>



# PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

*Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.*

**The Arizona State Retirement System (ASRS)** is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

**The Public Safety Personnel Retirement System (PSPRS)** is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

**The Elected Officials' Retirement Plan (EORP)** is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

**The Corrections Officer Retirement Plan (CORP)** is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

- **The Administrative Office of the Courts Probation Officers (AOC)** is a cost-sharing, multiple- employer pension plan within CORP that benefits county probation officers.

*Other Employee Benefit Trust Funds account for health insurance premium subsidies paid by the ASRS, PSPRS, EORP, CORP, and AOC, as well as long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.*

**The ASRS Health Benefit Supplement Fund** is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

**The ASRS Long-Term Disability Fund** is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

**The PSPRS Health Benefit Supplement Fund** is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

**The EORP Health Benefit Supplement Fund** is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

**The CORP Health Benefit Supplement Fund** is a benefit agent multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

**The AOC Health Benefit Supplement Fund** is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

STATE OF ARIZONA  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

PENSION TRUST FUNDS					
	ASRS	PSPRS	EORP	CORP	AOC
<b>ASSETS</b>					
Cash	\$ 16,296	\$ 261,106	\$ 9,601	\$ 36,594	\$ 10,885
Receivables, net of allowances:					
Accrued interest and dividends	40,561	8,425	303	1,673	498
Securities sold	16,822	8,093	291	1,607	478
Futures contracts	4,598	—	—	—	—
Contributions	89,590	12,291	6,307	13,063	2,801
Court fees	—	—	926	—	—
Due from other funds	—	—	—	—	—
Other	22,985	13,278	1,100	101	30
Total receivables	<u>174,556</u>	<u>42,087</u>	<u>8,927</u>	<u>16,444</u>	<u>3,807</u>
Investments, at fair value:					
Short-term investments	542,757	—	—	—	—
Fixed income securities	11,081,666	450,393	16,205	89,418	26,598
Equity	22,212,434	2,616,659	94,150	519,494	154,527
Global trading strategies	—	679,515	24,449	134,907	40,129
Real assets	—	657,095	23,643	130,455	38,805
Real estate	5,834,902	588,324	21,168	116,802	34,744
Private equity	—	1,020,743	36,727	202,652	60,280
Private credit	—	1,184,090	42,604	235,081	69,927
Collateral investment pool	137,089	359,806	12,946	71,433	21,249
Other investments	—	344,620	12,400	68,419	20,351
Total investments	<u>39,808,848</u>	<u>7,901,245</u>	<u>284,292</u>	<u>1,568,661</u>	<u>466,610</u>
Property and equipment, net of accumulated depreciation	<u>—</u>	<u>2,803</u>	<u>205</u>	<u>352</u>	<u>105</u>
Total Assets	<u>39,999,700</u>	<u>8,207,241</u>	<u>303,025</u>	<u>1,622,051</u>	<u>481,407</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	<u>—</u>	<u>1,174</u>	<u>44</u>	<u>237</u>	<u>70</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	9,516	1,833	3,437	7,837	2,331
Payable for securities purchased	12,997	10,889	392	2,162	643
Obligation under securities loan agreements	137,089	359,806	12,946	71,433	21,249
Futures contracts payable	5,833	—	—	—	—
Due to other funds	9,123	—	—	—	—
Net pension liability	<u>—</u>	<u>5,370</u>	<u>201</u>	<u>1,083</u>	<u>322</u>
Total Liabilities	<u>174,558</u>	<u>377,898</u>	<u>16,976</u>	<u>82,515</u>	<u>24,545</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	<u>—</u>	<u>604</u>	<u>28</u>	<u>148</u>	<u>44</u>
<b>NET POSITION</b>					
Restricted for:					
Pension benefits	39,825,142	7,829,913	286,065	1,539,625	456,888
Other post-employment benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Position	<u>\$ 39,825,142</u>	<u>\$ 7,829,913</u>	<u>\$ 286,065</u>	<u>\$ 1,539,625</u>	<u>\$ 456,888</u>

OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY FUND	HEALTH BENEFIT SUPPLEMENT FUND					TOTAL	
	ASRS	ASRS	PSPRS	EORP	CORP		AOC
	ASRS	ASRS	PSPRS	EORP	CORP		AOC
\$ 72	\$ 706	\$ 11,077	\$ 723	\$ 10,002	\$ 997	\$ 358,059	
170	1,957	364	26	117	11	54,105	
71	729	349	25	113	11	28,589	
19	199	—	—	—	—	4,816	
1,073	1,514	190	—	2	38	126,869	
—	—	—	—	—	—	926	
702	8,421	—	—	—	—	9,123	
6,298	10,550	—	—	—	—	54,342	
8,333	23,370	903	51	232	60	278,770	
2,281	121,532	—	—	—	—	666,570	
46,569	480,083	19,445	1,380	6,263	624	12,218,644	
93,345	962,294	112,972	8,016	36,387	3,627	26,813,905	
—	—	29,338	2,082	9,449	942	920,811	
—	—	28,370	2,013	9,138	911	890,430	
24,521	252,781	25,401	1,802	8,181	815	6,909,441	
—	—	44,070	3,127	14,194	1,415	1,383,208	
—	—	51,122	3,627	16,466	1,641	1,604,558	
576	5,939	15,534	1,102	5,003	499	631,176	
—	—	14,879	1,056	4,792	478	466,995	
167,292	1,822,629	341,131	24,205	109,873	10,952	52,505,738	
—	—	—	—	—	—	3,465	
175,697	1,846,705	353,111	24,979	120,107	12,009	53,146,032	
—	—	—	—	—	—	1,525	
250	441	—	—	—	—	25,645	
55	563	470	33	152	15	28,371	
576	5,939	15,534	1,102	5,003	499	631,176	
25	253	—	—	—	—	6,111	
—	—	—	—	—	—	9,123	
—	—	—	—	—	—	6,976	
906	7,196	16,004	1,135	5,155	514	707,402	
—	—	—	—	—	—	824	
—	—	—	—	—	—	49,937,633	
174,791	1,839,509	337,107	23,844	114,952	11,495	2,501,698	
\$ 174,791	\$ 1,839,509	\$ 337,107	\$ 23,844	\$ 114,952	\$ 11,495	\$ 52,439,331	

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

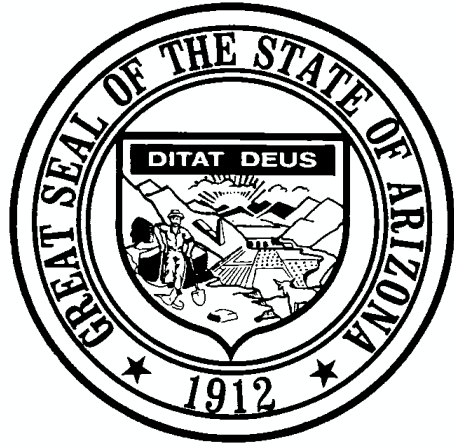
PENSION TRUST FUNDS

	ASRS	PSPRS	EORP	CORP	AOC
<b>ADDITIONS:</b>					
Member contributions	\$ 1,194,100	\$ 121,955	\$ 3,986	\$ 38,278	\$ 9,951
Employer contributions	1,180,966	832,026	42,207	137,441	38,962
Non-employer entity contributions	—	19,985	5,000	—	—
Member purchase of service credit	16,252	6,992	295	404	75
Court fees	—	—	10,944	—	—
Investment income:					
Net increase in fair value of investments	2,088,357	304,263	10,901	60,341	17,415
Interest income	70,949	9,269	323	1,873	541
Dividends	390,889	73,520	2,590	14,803	4,272
Other investment income	28,787	58,301	2,043	11,682	3,372
Securities lending income	6,374	12,322	431	2,490	719
Total investment income	2,585,356	457,675	16,288	91,189	26,319
Less investment expenses:					
Investment activity expenses	186,051	44,467	1,590	9,267	2,675
Securities lending expenses	368	9,287	323	1,881	543
Net investment income	2,398,937	403,921	14,375	80,041	23,101
Other additions	1,666	317	—	—	72
Total Additions	4,791,921	1,385,196	76,807	256,164	72,161
<b>DEDUCTIONS:</b>					
Retirement, disability, and survivor benefits	3,169,788	818,430	64,858	125,481	30,406
Health insurance subsidy	—	—	—	—	—
Refunds to withdrawing members, including interest	261,975	15,633	266	28,530	2,166
Administrative expense	26,802	7,251	318	1,448	423
Other deductions	163	145	47	661	120
Total Deductions	3,458,728	841,459	65,489	156,120	33,115
Change in net position restricted for:					
Pension benefits	1,333,193	543,737	11,318	100,044	39,046
Other post-employment benefits	—	—	—	—	—
Net Position - Beginning, as restated	38,491,949	7,286,176	274,747	1,439,581	417,842
Net Position - Ending	\$ 39,825,142	\$ 7,829,913	\$ 286,065	\$ 1,539,625	\$ 456,888



OTHER EMPLOYEE BENEFIT TRUST FUNDS

LONG-TERM DISABILITY FUND	HEALTH BENEFIT SUPPLEMENT FUND					TOTAL
ASRS	ASRS	PSPRS	EORP	CORP	AOC	
\$ 16,434	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,384,704
16,633	47,386	5,302	—	29	661	2,301,613
—	—	—	—	—	—	24,985
38	13	—	—	—	—	24,069
—	—	—	—	—	—	10,944
8,900	90,534	14,829	918	4,805	469	2,601,732
304	7,479	176	27	57	6	91,004
1,648	16,984	2,175	218	705	69	507,873
122	1,311	1,822	172	590	58	108,260
27	277	268	36	87	8	23,039
11,001	116,585	19,270	1,371	6,244	610	3,331,908
681	8,085	1,600	134	136	13	254,699
2	16	145	27	47	5	12,644
10,318	108,484	17,525	1,210	6,061	592	3,064,565
—	9,610	—	—	—	—	11,665
43,423	165,493	22,827	1,210	6,090	1,253	6,822,545
50,063	—	—	—	—	—	4,259,026
—	115,631	16,733	1,067	3,752	550	137,733
—	—	—	—	—	—	308,570
1,504	1,160	302	26	108	11	39,353
509	—	—	—	—	—	1,645
52,076	116,791	17,035	1,093	3,860	561	4,746,327
—	—	—	—	—	—	2,027,338
(8,653)	48,702	5,792	117	2,230	692	48,880
183,444	1,790,807	331,315	23,727	112,722	10,803	50,363,113
\$ 174,791	\$ 1,839,509	\$ 337,107	\$ 23,844	\$ 114,952	\$ 11,495	\$ 52,439,331



# INVESTMENT TRUST FUNDS

*Investment Trust Funds account for assets held by the State Treasurer in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest cash with the State Treasurer's Office.*

**Central Arizona Water Conservation District** is an Investment Trust Account composed of corporate debt, money market mutual funds, and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

**Local Government Investment Pool** is an Investment Trust Account composed of corporate debt, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

**Local Government Investment Pool - FF&C** is an Investment Trust Account composed of corporate notes, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

**Local Government Investment Pool - Medium-Term** is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities.

**Local Government Investment Pool - Medium-Term FF&C** is an Investment Trust Account for participants who want to invest their monies for a longer time period composed of corporate notes, money market mutual funds, certificates of deposit, repurchase agreements, and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

**Lehman Brothers Pool** is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
INVESTMENT TRUST FUNDS  
JUNE 30, 2019  
(Expressed in Thousands)

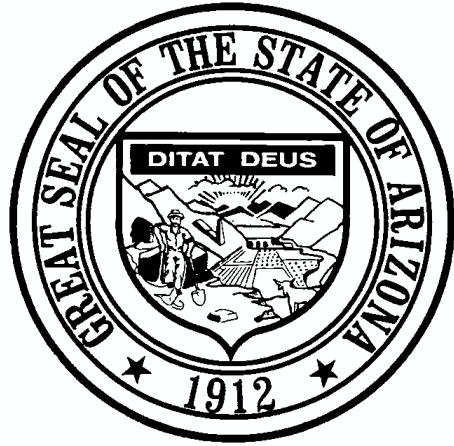
	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM
<b>ASSETS</b>				
Cash and pooled investments with State Treasurer	\$ —	\$ —	\$ —	\$ 983
Receivables, net of allowances:				
Accrued interest and dividends	1,240	527	458	1,336
Investments, at fair value:				
Fixed income securities	387,488	1,414,457	1,548,759	363,978
Collateral investment pool	—	—	45,741	1,842
Total investments	<u>387,488</u>	<u>1,414,457</u>	<u>1,594,500</u>	<u>365,820</u>
Total Assets	<u>388,728</u>	<u>1,414,984</u>	<u>1,594,958</u>	<u>368,139</u>
<b>LIABILITIES</b>				
Payable for securities purchased	4,000	—	38,760	6,989
Management fee payable	17	77	71	16
Obligations under securities loan agreements	—	—	45,741	1,842
Total Liabilities	<u>4,017</u>	<u>77</u>	<u>84,572</u>	<u>8,847</u>
<b>NET POSITION</b>				
Held in trust for pool participants	<u>\$ 384,711</u>	<u>\$ 1,414,907</u>	<u>\$ 1,510,386</u>	<u>\$ 359,292</u>
Net position consist of:				
Participant shares outstanding	382,722	1,414,907	1,510,386	346,891
Participants' net position value (net position/shares outstanding)	\$ 1.01	\$ 1.00	\$ 1.00	\$ 1.04

LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
\$ —	\$ —	\$ 983
231	—	3,792
97,127	147	3,811,956
—	—	47,583
<u>97,127</u>	<u>147</u>	<u>3,859,539</u>
<u>97,358</u>	<u>147</u>	<u>3,864,314</u>
—	—	49,749
4	—	185
—	—	47,583
<u>4</u>	<u>—</u>	<u>97,517</u>
<u>\$ 97,354</u>	<u>\$ 147</u>	<u>\$ 3,766,797</u>
96,368	17,670	3,768,944
\$ 1.01	\$ 0.01	

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**INVESTMENT TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL - FF&C	LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM
<b>ADDITIONS:</b>				
Investment income:				
Net increase (decrease) in fair value of investments	\$ 3,852	\$ 44	\$ 245	\$ 3,947
Interest income	10,119	36,777	28,982	8,793
Securities lending income	60	8	361	55
Total investment income	<u>14,031</u>	<u>36,829</u>	<u>29,588</u>	<u>12,795</u>
Less: Investment activity expenses				
Investment activity expenses	216	857	699	192
Securities lending expenses	41	2	122	47
Net investment income	<u>13,774</u>	<u>35,970</u>	<u>28,767</u>	<u>12,556</u>
Capital share and individual account transactions:				
Shares sold	165,166	3,162,365	2,032,685	24,287
Reinvested interest income	9,760	35,963	28,702	8,264
Shares redeemed	(178,339)	(3,140,201)	(1,845,515)	(17,464)
Transfers in (out)	—	1,639	—	—
Net capital share and individual account transactions	<u>(3,413)</u>	<u>59,766</u>	<u>215,872</u>	<u>15,087</u>
Total Additions	<u>10,361</u>	<u>95,736</u>	<u>244,639</u>	<u>27,643</u>
<b>DEDUCTIONS:</b>				
Dividends to investors	<u>13,774</u>	<u>35,970</u>	<u>28,767</u>	<u>12,556</u>
Total Deductions	<u>13,774</u>	<u>35,970</u>	<u>28,767</u>	<u>12,556</u>
Change in net position held in trust for pool participants	(3,413)	59,766	215,872	15,087
Net Position - Beginning	<u>388,124</u>	<u>1,355,141</u>	<u>1,294,514</u>	<u>344,205</u>
Net Position - Ending	<u>\$ 384,711</u>	<u>\$ 1,414,907</u>	<u>\$ 1,510,386</u>	<u>\$ 359,292</u>

LOCAL GOVERNMENT INVESTMENT POOL - MEDIUM-TERM FF&C	LEHMAN BROTHERS POOL	TOTAL
\$ 1,507	\$ (121)	\$ 9,474
2,155	—	86,826
—	—	484
<u>3,662</u>	<u>(121)</u>	<u>96,784</u>
53	—	2,017
—	—	212
<u>3,609</u>	<u>(121)</u>	<u>94,555</u>
1,999	—	5,386,502
2,747	—	85,436
(36,519)	—	(5,218,038)
—	(1,639)	—
<u>(31,773)</u>	<u>(1,639)</u>	<u>253,900</u>
<u>(28,164)</u>	<u>(1,760)</u>	<u>348,455</u>
3,609	—	94,676
<u>3,609</u>	<u>—</u>	<u>94,676</u>
(31,773)	(1,760)	253,779
<u>129,127</u>	<u>1,907</u>	<u>3,513,018</u>
<u>\$ 97,354</u>	<u>\$ 147</u>	<u>\$ 3,766,797</u>





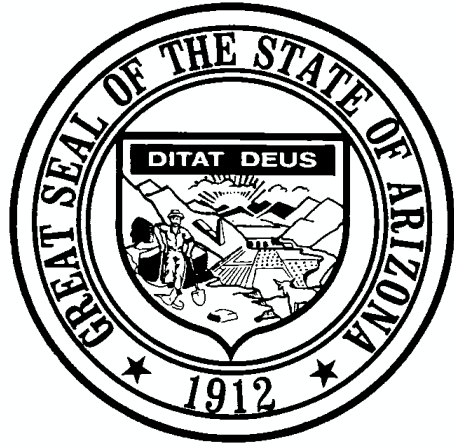
# AGENCY FUNDS

*Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.*

**The Treasurer Custodial Securities Fund** consists of securities held by the State Treasurer for various State agencies as required by statute.

**The Other Treasurer Funds** account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

**The Other Funds** consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.



STATE OF ARIZONA  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 JUNE 30, 2019  
 (Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
<b>ASSETS</b>				
Cash	\$ —	\$ —	\$ 4,132	\$ 4,132
Cash and pooled investments with State Treasurer	—	17,115	58,379	75,494
Receivables, net of allowances:				
Accrued interest	—	—	3	3
Other	—	—	7	7
Due from others	—	—	77,388	77,388
Custodial securities in safekeeping	449,999	—	6,023	456,022
 Total Assets	 <u>\$ 449,999</u>	 <u>\$ 17,115</u>	 <u>\$ 145,932</u>	 <u>\$ 613,046</u>
<b>LIABILITIES</b>				
Due to local governments	\$ —	\$ 51	\$ 10,423	\$ 10,474
Due to others	449,999	17,064	135,509	602,572
 Total Liabilities	 <u>\$ 449,999</u>	 <u>\$ 17,115</u>	 <u>\$ 145,932</u>	 <u>\$ 613,046</u>

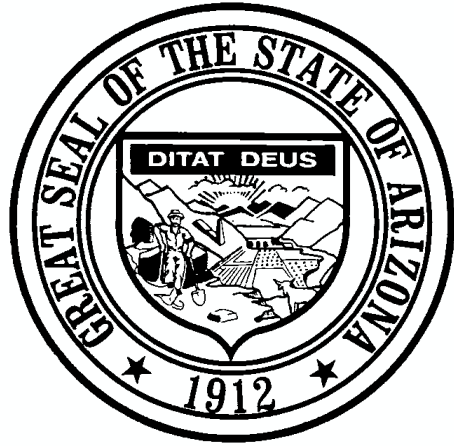
STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

	BALANCE JUNE 30, 2018	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2019
<b>TREASURER CUSTODIAL SECURITIES FUND</b>				
Assets:				
Custodial securities in safekeeping	\$ 443,610	\$ 139,098	\$ 132,709	\$ 449,999
Total Assets	<u>\$ 443,610</u>	<u>\$ 139,098</u>	<u>\$ 132,709</u>	<u>\$ 449,999</u>
Liabilities:				
Due to others	\$ 443,610	\$ 139,098	\$ 132,709	\$ 449,999
Total Liabilities	<u>\$ 443,610</u>	<u>\$ 139,098</u>	<u>\$ 132,709</u>	<u>\$ 449,999</u>
<b>OTHER TREASURER FUNDS</b>				
Assets:				
Cash	\$ 3	\$ —	\$ 3	\$ —
Cash and pooled investments with State Treasurer	25,579	31,105	39,569	17,115
Receivables, net of allowances:				
Other	10	15	25	—
Total Assets	<u>\$ 25,592</u>	<u>\$ 31,120</u>	<u>\$ 39,597</u>	<u>\$ 17,115</u>
Liabilities:				
Due to local governments	\$ 237	\$ 34,850	\$ 35,036	\$ 51
Due to others	25,355	13,898	22,189	17,064
Total Liabilities	<u>\$ 25,592</u>	<u>\$ 48,748</u>	<u>\$ 57,225</u>	<u>\$ 17,115</u>
<b>OTHER FUNDS</b>				
Assets:				
Cash	\$ 6,600	\$ 729,068	\$ 731,536	\$ 4,132
Cash and pooled investments with State Treasurer	58,107	165,304	165,032	58,379
Receivables, net of allowances:				
Accrued interest	2	3	2	3
Other	6	904	903	7
Due from others	78,842	77,388	78,842	77,388
Custodial securities in safekeeping	6,096	6,023	6,096	6,023
Total Assets	<u>\$ 149,653</u>	<u>\$ 978,690</u>	<u>\$ 982,411</u>	<u>\$ 145,932</u>
Liabilities:				
Due to local governments	\$ 10,372	\$ 127,004	\$ 126,953	\$ 10,423
Due to others	139,281	1,085,527	1,089,299	135,509
Total Liabilities	<u>\$ 149,653</u>	<u>\$ 1,212,531</u>	<u>\$ 1,216,252</u>	<u>\$ 145,932</u>

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Expressed in Thousands)

	BALANCE JUNE 30, 2018	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2019
<b>COMBINED TOTAL ALL AGENCY FUNDS</b>				
Assets:				
Cash	\$ 6,603	\$ 729,068	\$ 731,539	\$ 4,132
Cash and pooled investments with State Treasurer	83,686	196,409	204,601	75,494
Receivables, net of allowances:				
Accrued interest	2	3	2	3
Other	16	919	928	7
Due from others	78,842	77,388	78,842	77,388
Custodial securities in safekeeping	449,706	145,121	138,805	456,022
	<u>\$ 618,855</u>	<u>\$ 1,148,908</u>	<u>\$ 1,154,717</u>	<u>\$ 613,046</u>
Total Assets				
Liabilities:				
Due to local governments	\$ 10,609	\$ 161,854	\$ 161,989	\$ 10,474
Due to others	608,246	1,238,523	1,244,197	602,572
	<u>\$ 618,855</u>	<u>\$ 1,400,377</u>	<u>\$ 1,406,186</u>	<u>\$ 613,046</u>
Total Liabilities				



## **NON-MAJOR COMPONENT UNITS**

*Component units are legally separate entities for which the State is considered to be financially accountable. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.*

**The Arizona Power Authority** purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws.

**The Rio Nuevo Multipurpose Facilities District (Rio Nuevo)** utilizes tax incremental financing to help develop multipurpose facilities in the downtown Tucson area.

**The Arizona Public School Credit Enhancement** program assists achievement district schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financings issued by or on behalf of achievement district schools.

**The Arizona Commerce Authority** is charged with the following responsibilities: job creation and expansion of capital investment through business attraction, expansion and retention, including business incubation and entrepreneurship; creation, monitoring, and execution of a comprehensive economic and workforce strategy; management and administration of economic development and workforce programs; providing statewide marketing leadership; utilization of all means necessary, prudent and practical to integrate private sector-based innovation, flexibility, focus and responsiveness; and advancement of public policy to meet the State's economic development objectives.

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR COMPONENT UNITS  
JUNE 30, 2019  
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT
<b>ASSETS</b>			
Current Assets:			
Cash	\$ —	\$ 11,495	\$ —
Cash and pooled investments with State Treasurer	7,120	—	105,182
Restricted investments held by trustee	722	—	—
Receivables, net of allowances:			
Loans and notes	—	—	—
Other	2,012	—	—
Due from primary government	—	3,477	—
Other current assets	500	26	—
Total Current Assets	<u>10,354</u>	<u>14,998</u>	<u>105,182</u>
Noncurrent Assets:			
Restricted assets:			
Cash held by trustee	—	21,844	—
Investments held by trustee	1,762	—	—
Loans and notes receivable, net of allowances	—	11,194	—
Other noncurrent assets	23,310	—	—
Capital assets:			
Land and other non-depreciable	—	18,186	—
Buildings, equipment, and other depreciable, net of accumulated depreciation	79	78,372	—
Total Noncurrent Assets	<u>25,151</u>	<u>129,596</u>	<u>—</u>
Total Assets	<u>35,505</u>	<u>144,594</u>	<u>105,182</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	321	—	—
Loss on debt refundings	—	5,081	—
Total Deferred Outflows of Resources	<u>321</u>	<u>5,081</u>	<u>—</u>



<u>ARIZONA COMMERCE AUTHORITY</u>	<u>TOTAL</u>
\$ 10,324	\$ 21,819
93,664	205,966
—	722
523	523
1,894	3,906
—	3,477
98	624
<u>106,503</u>	<u>237,037</u>
—	21,844
—	1,762
1,250	12,444
—	23,310
—	18,186
<u>769</u>	<u>79,220</u>
<u>2,019</u>	<u>156,766</u>
<u>108,522</u>	<u>393,803</u>
—	321
<u>—</u>	<u>5,081</u>
<u>—</u>	<u>5,402</u>

(Continued)

STATE OF ARIZONA  
**COMBINING STATEMENT OF NET POSITION**  
NON-MAJOR COMPONENT UNITS  
JUNE 30, 2019  
(Expressed in Thousands)

	ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 2,647	\$ 17,875	\$ —
Accrued liabilities	297	419	—
Unearned revenue	—	1,391	—
Current portion of long-term debt	550	9,069	—
Total Current Liabilities	<u>3,494</u>	<u>28,754</u>	<u>—</u>
Noncurrent Liabilities:			
Unearned deferred revenue	—	5,517	—
Net pension liability	908	—	—
Long-term debt	25,475	81,001	80,000
Total Noncurrent Liabilities	<u>26,383</u>	<u>86,518</u>	<u>80,000</u>
Total Liabilities	<u>29,877</u>	<u>115,272</u>	<u>80,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	121	—	—
Total Deferred Inflows of Resources	<u>121</u>	<u>—</u>	<u>—</u>
<b>NET POSITION</b>			
Net investment in capital assets	79	56,083	—
Restricted for:			
Debt service	2,484	6,769	—
Loans and other financial assistance	—	—	—
Other	—	—	—
Unrestricted (deficit)	<u>3,265</u>	<u>(28,449)</u>	<u>25,182</u>
Total Net Position	<u>\$ 5,828</u>	<u>\$ 34,403</u>	<u>\$ 25,182</u>

ARIZONA COMMERCE AUTHORITY	TOTAL
\$ 567	\$ 21,089
332	1,048
1,144	2,535
—	9,619
<u>2,043</u>	<u>34,291</u>
—	5,517
—	908
—	186,476
<u>—</u>	<u>192,901</u>
<u>2,043</u>	<u>227,192</u>
—	121
<u>—</u>	<u>121</u>
769	56,931
—	9,253
26,593	26,593
12,864	12,864
<u>66,253</u>	<u>66,251</u>
<u>\$ 106,479</u>	<u>\$ 171,892</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

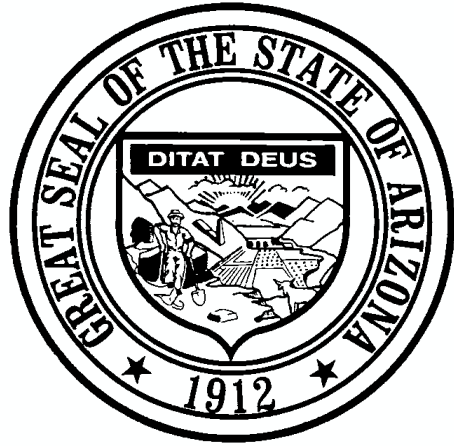
<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Arizona Power Authority	\$ 21,471	\$ 21,496	\$ —
Rio Nuevo	8,795	1,990	—
Arizona Public School Credit Enhancement	—	284	—
Arizona Commerce Authority	30,465	1,460	4,522
Total	<u>\$ 60,731</u>	<u>\$ 25,230</u>	<u>\$ 4,522</u>

General Revenues:

Unrestricted investment earnings  
Unrestricted grants and contributions  
Payments from primary government  
Miscellaneous  
Change in Net Position  
Net Position - Beginning, as restated  
Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

ARIZONA POWER AUTHORITY	RIO NUEVO	ARIZONA PUBLIC SCHOOL CREDIT ENHANCEMENT	ARIZONA COMMERCE AUTHORITY	TOTAL
\$ 25	\$ —	\$ —	\$ —	\$ 25
—	(6,805)	—	—	(6,805)
—	—	284	—	284
—	—	—	(24,483)	(24,483)
194	322	131	2,612	3,259
—	—	—	66	66
—	15,462	—	25,300	40,762
—	214	—	—	214
219	9,193	415	3,495	13,322
5,609	25,210	24,767	102,984	158,570
<u>\$ 5,828</u>	<u>\$ 34,403</u>	<u>\$ 25,182</u>	<u>\$ 106,479</u>	<u>\$ 171,892</u>



## **NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS**

*Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB, with the exception of the ASU Preparatory Academy, Inc. (ASU Prep) and the Campus Research Corporation (CRC). The ASU Prep is included because of its close affiliation to the State and that the State believes it would be misleading to exclude. The CRC is included because the U of A approves the budget and can access its resources.*

**The Northern Arizona University Foundation** receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission.

**Sun Angel Foundation** receives funds primarily through donations, and contributes funds to the ASU in support of various athletic programs.

**Arizona State University Research Park, Inc.** manages a research park to promote and support research activities in coordination with the ASU.

**The Arizona State University Alumni Association** receives funds primarily through donations, dues, and affinity partners, which are used to promote the welfare of the ASU and its alumni.

**The Arizona State University Preparatory Academy, Inc.** prepares Arizona K-12 students for success with a university-embedded academic program that empowers them to complete college, compete globally, and contribute to their communities.

**The University of Arizona Law College Association (Law Association)** was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

**The University of Arizona Campus Research Corporation** was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

**The University of Arizona Alumni Association** was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

**The University of Arizona Eller Executive Education** was established to advance the missions of the Eller College of Management and the U of A through noncredit, non-degree programs for business, government, and nonprofit leaders.

STATE OF ARIZONA  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS  
JUNE 30, 2019  
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
<b>ASSETS</b>				
Cash and cash equivalent investments	\$ 998	\$ 5,990	\$ 4,086	\$ 561
Receivables:				
Pledges receivable	10,556	31,078	—	20
Other receivables	16,674	281	38,634	146
Total receivables	<u>27,230</u>	<u>31,359</u>	<u>38,634</u>	<u>166</u>
Investments:				
Investments in securities	177,096	—	—	18,943
Other investments	14,322	—	—	—
Total investments	<u>191,418</u>	<u>—</u>	<u>—</u>	<u>18,943</u>
Net direct financing leases	4,394	—	—	—
Property and equipment, net of accumulated depreciation	—	15	5,605	—
Other assets	<u>229</u>	<u>225</u>	<u>2,136</u>	<u>122</u>
Total Assets	<u>224,269</u>	<u>37,589</u>	<u>50,461</u>	<u>19,792</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	316	134	123	104
Liability under endowment trust agreements	34,982	—	—	—
Long-term debt	—	—	2,160	—
Deferred revenue	5,433	—	12,555	30
Other liabilities	<u>2,927</u>	<u>—</u>	<u>2,565</u>	<u>17</u>
Total Liabilities	<u>43,658</u>	<u>134</u>	<u>17,403</u>	<u>151</u>
<b>NET ASSETS</b>				
With donor restrictions	172,850	36,491	—	236
Without donor restrictions	<u>7,761</u>	<u>964</u>	<u>33,058</u>	<u>19,405</u>
Total Net Assets	<u>\$ 180,611</u>	<u>\$ 37,455</u>	<u>\$ 33,058</u>	<u>\$ 19,641</u>

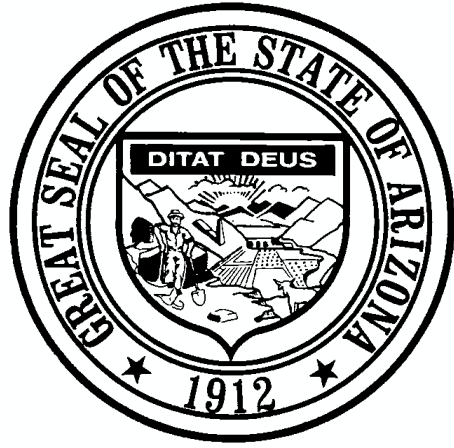


ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 3,223	\$ 846	\$ 7,509	\$ 631	\$ 223	\$ 24,067
5,093	338	—	256	—	47,341
1,052	36	757	2,284	60	59,924
<u>6,145</u>	<u>374</u>	<u>757</u>	<u>2,540</u>	<u>60</u>	<u>107,265</u>
—	11,563	—	7,891	—	215,493
—	167	—	36	—	14,525
—	<u>11,730</u>	—	<u>7,927</u>	—	<u>230,018</u>
—	—	—	—	—	4,394
11,570	—	28,660	143	—	45,993
<u>293</u>	<u>7</u>	<u>6,364</u>	<u>97</u>	<u>—</u>	<u>9,473</u>
<u>21,231</u>	<u>12,957</u>	<u>43,290</u>	<u>11,338</u>	<u>283</u>	<u>421,210</u>
6,048	57	2,382	205	154	9,523
—	—	—	—	—	34,982
4,764	—	5,823	17	—	12,764
800	—	2,644	3,466	53	24,981
—	—	116	—	—	5,625
<u>11,612</u>	<u>57</u>	<u>10,965</u>	<u>3,688</u>	<u>207</u>	<u>87,875</u>
6,113	10,384	—	265	—	226,339
<u>3,506</u>	<u>2,516</u>	<u>32,325</u>	<u>7,385</u>	<u>76</u>	<u>106,996</u>
<u>\$ 9,619</u>	<u>\$ 12,900</u>	<u>\$ 32,325</u>	<u>\$ 7,650</u>	<u>\$ 76</u>	<u>\$ 333,335</u>

STATE OF ARIZONA  
**COMBINING STATEMENT OF ACTIVITIES**  
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	SUN ANGEL FOUNDATION	ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION
<b>REVENUES</b>				
Contributions	\$ 12,847	\$ 16,411	\$ —	\$ 1,211
Rental revenue	—	—	10,824	—
Sales and services	—	384	—	1,649
Net investment income	6,945	141	21	1,442
Grants and aid	—	—	—	—
Other revenues	2,491	214	73	107
Total Revenues	22,283	17,150	10,918	4,409
<b>EXPENSES</b>				
Program services:				
Payments to Universities	—	21,556	3,565	—
Leasing related expenses	—	—	—	—
Payments on behalf of Universities	—	—	—	—
Other program services	9,619	—	—	—
Management and general expenses	674	1,012	1,107	3,466
Fundraising expenses	4,786	—	—	—
Interest	—	—	163	—
Depreciation and amortization	—	—	388	—
Other expenses	—	1,429	150	—
Total Expenses	15,079	23,997	5,373	3,466
Increase (decrease) in Net Assets, before gain	7,204	(6,847)	5,545	943
Gain on acquisition	—	—	—	—
Increase (decrease) in Net Assets	7,204	(6,847)	5,545	943
Net Assets - Beginning	173,407	44,302	27,513	18,698
Net Assets - Ending	\$ 180,611	\$ 37,455	\$ 33,058	\$ 19,641

ARIZONA STATE UNIVERSITY PREPARATORY ACADEMY, INC.	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	UNIVERSITY OF ARIZONA ELLER EXECUTIVE EDUCATION	TOTAL
\$ 12,191	\$ 819	\$ —	\$ 338	\$ —	\$ 43,817
—	—	15,521	—	—	26,345
2,282	—	—	963	1,347	6,625
—	739	79	518	—	9,885
29,545	—	—	—	—	29,545
871	164	285	2,574	—	6,779
<u>44,889</u>	<u>1,722</u>	<u>15,885</u>	<u>4,393</u>	<u>1,347</u>	<u>122,996</u>
—	—	—	—	121	25,242
—	—	12,209	—	—	12,209
—	1,410	—	3,435	871	5,716
—	—	—	—	—	9,619
47,915	161	1,394	422	525	56,676
—	97	—	377	—	5,260
—	—	—	—	—	163
—	—	—	—	—	388
—	—	—	—	—	1,579
<u>47,915</u>	<u>1,668</u>	<u>13,603</u>	<u>4,234</u>	<u>1,517</u>	<u>116,852</u>
(3,026)	54	2,282	159	(170)	6,144
<u>3,334</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,334</u>
308	54	2,282	159	(170)	9,478
<u>9,311</u>	<u>12,846</u>	<u>30,043</u>	<u>7,491</u>	<u>246</u>	<u>323,857</u>
<u>\$ 9,619</u>	<u>\$ 12,900</u>	<u>\$ 32,325</u>	<u>\$ 7,650</u>	<u>\$ 76</u>	<u>\$ 333,335</u>



# STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)



# STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

**Financial Trends - Schedules 1 through 4** contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

**Revenue Capacity - Schedules 5 through 9** contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

**Debt Capacity - Schedules 10 through 21** present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

**Demographic and Economic Information - Schedules 22 and 23** offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

**Operating Information - Schedules 24 through 26** contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA  
SCHEDULE 1  
**NET POSITION BY COMPONENT (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated (14)	2017, as restated	2016, as restated	2015, as restated
<b>GOVERNMENTAL ACTIVITIES:</b>					
Net investment in capital assets (5,8)	\$ 22,109,991	\$ 21,486,658	\$ 20,583,563	\$ 19,722,730	\$ 18,790,889
Restricted (3,12)	8,136,654	7,552,460	7,368,184	6,856,271	7,170,289
Unrestricted (6,8,11,15)	<u>(3,923,640)</u>	<u>(5,437,227)</u>	<u>(5,848,655)</u>	<u>(5,205,689)</u>	<u>(5,685,921)</u>
Total Governmental Activities Net Position	<u>\$ 26,323,005</u>	<u>\$ 23,601,891</u>	<u>\$ 22,103,092</u>	<u>\$ 21,373,312</u>	<u>\$ 20,275,257</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Net investment in capital assets (4,8,9)	\$ 2,073,576	\$ 1,994,555	\$ 1,879,901	\$ 1,761,694	\$ 1,642,507
Restricted (7,13)	1,809,076	1,669,917	1,332,162	1,191,605	895,616
Unrestricted (2,4,6,8,9,10,11)	<u>131,346</u>	<u>(17,239)</u>	<u>27,301</u>	<u>288,164</u>	<u>215,120</u>
Total Business-type Activities Net Position	<u>\$ 4,013,998</u>	<u>\$ 3,647,233</u>	<u>\$ 3,239,364</u>	<u>\$ 3,241,463</u>	<u>\$ 2,753,243</u>
<b>PRIMARY GOVERNMENT:</b>					
Net investment in capital assets (4,5,9)	\$ 24,183,567	\$ 23,481,213	\$ 22,463,464	\$ 21,484,424	\$ 20,433,396
Restricted (3,7,12,13)	9,945,730	9,222,377	8,700,346	8,047,876	8,065,905
Unrestricted (2,4,6,8,9,10,11,15)	<u>(3,792,294)</u>	<u>(5,454,466)</u>	<u>(5,821,354)</u>	<u>(4,917,525)</u>	<u>(5,470,801)</u>
Total Primary Government Net Position	<u>\$ 30,337,003</u>	<u>\$ 27,249,124</u>	<u>\$ 25,342,456</u>	<u>\$ 24,614,775</u>	<u>\$ 23,028,500</u>

- (1) This schedule reports using the accrual basis of accounting.
- (2) Fiscal year 2012 unrestricted net position was restated as a result of GASB Statement No. 61 in which Northern Arizona Capital Facilities Corporation was reclassified from a discrete non-major university component unit to a blended university component unit.
- (3) Fiscal year 2012 restricted net position was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Fiscal year 2013 unrestricted net position for the Universities was restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (5) Fiscal year 2014 net investment in capital assets was restated due to a correction of an error related to the private prisons' capital leases.
- (6) Fiscal year 2014 unrestricted net position has been restated due to the implementation of GASB Statement No. 68.
- (7) Fiscal year 2014 restricted net position was restated due to the fund reclassification of the Insurance Department Guaranty Fund.
- (8) Fiscal year 2015 net investment in capital assets and unrestricted net position was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (9) Fiscal year 2015 net investment in capital assets and unrestricted net position for the Universities was restated due to the implementation of GASB Statement No. 72.
- (10) Fiscal year 2016 unrestricted net position for the Universities was restated due to the reclassification of Thunderbird School of Global Management from a discrete non-major university component unit to a blended university component unit.
- (11) Fiscal year 2017 unrestricted net position has been restated due to the implementation of GASB Statement No. 75.
- (12) Fiscal year 2017 restricted net position has been restated due to correction of error of intergovernmental revenue for the General Fund.
- (13) Fiscal year 2017 restricted net position has been restated due to correction of error of accrued insurance losses for the Insurance Department Guaranty Fund.
- (14) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (15) Fiscal year 2018 unrestricted net position has been restated due to correction of error of investment earnings for the Land Endowments Funds.



Fiscal Year				
2014, as restated	2013, as restated	2012, as restated	2011	2010
\$ 18,053,540	\$ 17,410,055	\$ 16,940,512	\$ 16,326,569	\$ 15,738,121
6,829,299	6,116,083	5,447,576	5,125,527	4,648,280
<u>(5,841,106)</u>	<u>(2,527,441)</u>	<u>(3,351,315)</u>	<u>(4,243,824)</u>	<u>(4,155,346)</u>
<u>\$ 19,041,733</u>	<u>\$ 20,998,697</u>	<u>\$ 19,036,773</u>	<u>\$ 17,208,272</u>	<u>\$ 16,231,055</u>
\$ 1,581,436	\$ 1,526,777	\$ 1,483,416	\$ 1,397,683	\$ 1,352,658
723,590	531,972	496,444	501,437	550,102
<u>(51,586)</u>	<u>1,049,391</u>	<u>810,810</u>	<u>695,862</u>	<u>576,426</u>
<u>\$ 2,253,440</u>	<u>\$ 3,108,140</u>	<u>\$ 2,790,670</u>	<u>\$ 2,594,982</u>	<u>\$ 2,479,186</u>
\$ 19,634,976	\$ 18,936,832	\$ 18,423,928	\$ 17,724,252	\$ 17,090,779
7,552,889	6,648,055	5,944,020	5,626,964	5,198,382
<u>(5,892,692)</u>	<u>(1,478,050)</u>	<u>(2,540,505)</u>	<u>(3,547,962)</u>	<u>(3,578,920)</u>
<u>\$ 21,295,173</u>	<u>\$ 24,106,837</u>	<u>\$ 21,827,443</u>	<u>\$ 19,803,254</u>	<u>\$ 18,710,241</u>

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET POSITION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated (8)	2017 (7)	2016 (7)	2015 (7)
<b>EXPENSES</b>					
<b>Governmental Activities:</b>					
General government	\$ 793,504	\$ 933,641	\$ 862,738	\$ 807,320	\$ 923,659
Health and welfare (5)	16,873,025	16,254,160	15,661,167	15,152,650	14,296,714
Inspection and regulation	149,976	156,149	163,416	168,719	159,874
Education	7,161,842	6,538,614	6,369,100	6,136,303	5,859,267
Protection and safety	1,601,975	1,954,842	1,662,550	1,585,620	1,568,732
Transportation	842,112	834,697	799,882	858,958	786,028
Natural resources	235,835	230,505	216,318	208,563	204,939
Intergovernmental revenue sharing	3,708,063	3,480,014	3,349,498	3,176,183	2,966,400
Interest on long-term debt	172,071	153,914	193,099	210,326	230,871
Total Governmental Activities Expenses	<u>31,538,403</u>	<u>30,536,536</u>	<u>29,277,768</u>	<u>28,304,642</u>	<u>26,996,484</u>
<b>Business-type Activities:</b>					
Universities (4)	5,476,780	5,166,157	4,893,271	4,637,567	4,378,481
Unemployment Compensation (2)	—	—	—	—	—
Industrial Commission Special Fund (6)	—	—	—	—	—
Lottery (2)	—	—	—	—	—
Other	1,178,051	1,156,810	1,105,470	1,014,941	1,041,261
Total Business-type Activities Expenses	<u>6,654,831</u>	<u>6,322,967</u>	<u>5,998,741</u>	<u>5,652,508</u>	<u>5,419,742</u>
Total Primary Government Expenses (5)	<u>\$ 38,193,234</u>	<u>\$ 36,859,503</u>	<u>\$ 35,276,509</u>	<u>\$ 33,957,150</u>	<u>\$ 32,416,226</u>
<b>PROGRAM REVENUES</b>					
<b>Governmental Activities:</b>					
Charges for services:					
General government	\$ 279,469	\$ 218,721	\$ 195,805	\$ 196,179	\$ 188,356
Health and welfare	508,029	490,929	447,334	423,690	411,914
Inspection and regulation	176,676	163,278	170,043	166,075	157,624
Transportation	215,860	166,221	149,297	143,697	113,163
Other activities	267,491	263,412	267,315	261,428	252,989
Operating grants and contributions (9)	15,659,663	15,042,818	14,732,701	13,532,247	13,200,146
Capital grants and contributions	519,021	718,794	716,455	870,644	706,089
Total Governmental Activities					
Program Revenues	<u>17,626,209</u>	<u>17,064,173</u>	<u>16,678,950</u>	<u>15,593,960</u>	<u>15,030,281</u>
<b>Business-type Activities:</b>					
Charges for services:					
Universities	2,907,908	2,799,919	2,708,519	2,519,048	2,303,791
Lottery (2)	—	—	—	—	—
Other activities	1,628,240	1,598,155	1,461,686	1,468,139	1,345,566
Operating grants and contributions	1,659,758	1,573,533	1,488,002	1,452,562	1,320,612
Capital grants and contributions	27,255	20,699	27,368	11,911	43,321
Total Business-type Activities					
Program Revenues	<u>6,223,161</u>	<u>5,992,306</u>	<u>5,685,575</u>	<u>5,451,660</u>	<u>5,013,290</u>
Total Primary Government					
Program Revenues	<u>\$ 23,849,370</u>	<u>\$ 23,056,479</u>	<u>\$ 22,364,525</u>	<u>\$ 21,045,620</u>	<u>\$ 20,043,571</u>
<b>NET (EXPENSE) REVENUE</b>					
Governmental activities	\$ (13,912,194)	\$ (13,472,363)	\$ (12,598,818)	\$ (12,710,682)	\$ (11,966,203)
Business-type activities	(431,670)	(330,661)	(313,166)	(200,848)	(406,452)
Total Primary Government Net (Expense)	<u>\$ (14,343,864)</u>	<u>\$ (13,803,024)</u>	<u>\$ (12,911,984)</u>	<u>\$ (12,911,530)</u>	<u>\$ (12,372,655)</u>

2014 (7)	Fiscal Year			
	2013, as restated	2012, as restated	2011	2010
\$ 763,830	\$ 836,431	\$ 840,189	\$ 929,107	\$ 941,813
12,768,332	12,168,426	11,992,408	12,558,119	13,090,357
160,797	161,480	151,937	149,649	157,786
5,573,656	5,372,267	5,331,848	5,467,543	5,706,667
1,408,049	1,400,413	1,380,999	1,299,205	1,451,571
791,006	754,510	808,967	857,194	511,397
200,868	204,179	213,339	196,210	183,535
2,778,299	2,685,378	2,473,881	2,462,178	2,585,683
279,525	355,975	350,483	341,801	261,518
<u>24,724,362</u>	<u>23,939,059</u>	<u>23,544,051</u>	<u>24,261,006</u>	<u>24,890,327</u>
4,078,053	3,888,145	3,629,568	3,533,977	3,343,377
—	—	1,069,531	1,655,364	2,103,028
36,895	38,614	83,290	27,196	67,750
—	—	496,830	439,069	432,150
1,130,299	1,329,816	113,347	115,442	126,029
<u>5,245,247</u>	<u>5,256,575</u>	<u>5,392,566</u>	<u>5,771,048</u>	<u>6,072,334</u>
<u>\$ 29,969,609</u>	<u>\$ 29,195,634</u>	<u>\$ 28,936,617</u>	<u>\$ 30,032,054</u>	<u>\$ 30,962,661</u>
\$ 188,943	\$ 188,462	\$ 189,175	\$ 191,738	\$ 208,316
222,173	138,605	135,345	124,113	109,405
157,149	156,164	150,557	149,890	143,329
113,267	119,862	108,877	114,453	123,372
255,391	247,776	263,548	257,520	293,091
12,172,836	11,588,834	11,357,470	12,580,013	13,735,263
546,680	651,999	778,572	745,559	576,027
<u>13,656,439</u>	<u>13,091,702</u>	<u>12,983,544</u>	<u>14,163,286</u>	<u>15,188,803</u>
2,056,307	1,892,356	1,752,509	1,601,077	1,432,055
—	—	646,675	583,537	551,492
1,325,046	1,289,456	584,240	560,502	509,254
1,343,922	1,570,854	1,705,773	2,212,673	2,260,071
41,250	15,210	53,571	14,799	12,563
<u>4,766,525</u>	<u>4,767,876</u>	<u>4,742,768</u>	<u>4,972,588</u>	<u>4,765,435</u>
<u>\$ 18,422,964</u>	<u>\$ 17,859,578</u>	<u>\$ 17,726,312</u>	<u>\$ 19,135,874</u>	<u>\$ 19,954,238</u>
\$ (11,067,923)	\$ (10,847,357)	\$ (10,560,507)	\$ (10,097,720)	\$ (9,701,524)
(478,722)	(488,699)	(649,798)	(798,460)	(1,306,899)
<u>\$ (11,546,645)</u>	<u>\$ (11,336,056)</u>	<u>\$ (11,210,305)</u>	<u>\$ (10,896,180)</u>	<u>\$ (11,008,423)</u>

(Continued)

STATE OF ARIZONA  
SCHEDULE 2  
**CHANGES IN NET POSITION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated (8)	2017 (7)	2016 (7)	2015 (7)
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION</b>					
<b>Governmental Activities:</b>					
Taxes:					
Sales	\$ 7,673,015	\$ 7,194,123	\$ 6,775,704	\$ 6,455,837	\$ 6,290,950
Income	5,579,102	4,946,644	4,500,902	4,511,674	4,430,602
Tobacco	287,875	298,369	316,073	318,902	314,522
Property	42,208	55,112	46,798	51,735	52,241
Motor vehicle and fuel	2,202,693	1,950,380	1,875,392	1,823,998	1,694,779
Other	701,912	638,988	655,363	616,580	560,920
Unrestricted investment earnings	165,228	42,463	50,009	58,250	87,115
Unrestricted grants and contributions	29,964	35,324	35,032	115,097	39,847
Gain (loss) on sale of trust land	201,327	161,953	47,503	75,042	97,231
Miscellaneous general revenues (3)	245,486	178,298	117,933	247,462	232,658
Transfers	(495,502)	(530,492)	(529,455)	(465,840)	(601,539)
Total Governmental Activities	<u>16,633,308</u>	<u>14,971,162</u>	<u>13,891,254</u>	<u>13,808,737</u>	<u>13,199,326</u>
<b>Business-type Activities:</b>					
Sales taxes	81,418	75,642	72,696	69,927	64,757
Unrestricted investment earnings	136,913	50,825	81,363	68,795	37,839
Unrestricted grants and contributions	—	—	—	548	—
Miscellaneous general revenues	77,764	79,617	79,726	65,143	138,931
Contributions to permanent endowments	6,838	5,702	3,276	5,472	5,740
Extraordinary items	—	—	—	—	—
Transfers	495,502	530,492	529,455	465,840	601,539
Total Business-type Activities	<u>798,435</u>	<u>742,278</u>	<u>766,516</u>	<u>675,725</u>	<u>848,806</u>
Total Primary Government	<u>\$ 17,431,743</u>	<u>\$ 15,713,440</u>	<u>\$ 14,657,770</u>	<u>\$ 14,484,462</u>	<u>\$ 14,048,132</u>
<b>CHANGE IN NET POSITION</b>					
Governmental activities	\$ 2,721,114	\$ 1,498,799	\$ 1,292,436	\$ 1,098,055	\$ 1,233,123
Business-type activities	366,765	411,617	453,350	474,877	442,354
Total Primary Government	<u>\$ 3,087,879</u>	<u>\$ 1,910,416</u>	<u>\$ 1,745,786</u>	<u>\$ 1,572,932</u>	<u>\$ 1,675,477</u>

- (1) This schedule reports using the accrual basis of accounting.
- (2) For fiscal year 2013, Unemployment Compensation and Lottery changed from major to non-major funds.
- (3) Fiscal year 2012 miscellaneous general revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Fiscal year 2013 expenses for the Universities were restated as a result of GASB Statement No. 65 to expense debt issuance costs.
- (5) For fiscal year 2015, Health and Welfare expenses continue to climb as a result of enrollment increases.
- (6) For fiscal year 2015, Industrial Commission Special Fund changed from a major to a non-major fund.
- (7) Historical data has not been restated for footnote items (5) - (13) in Schedule 1.
- (8) Beginning in fiscal year 2018, the Arizona Industries for the Blind was no longer part of the State's reporting entity.
- (9) Fiscal year 2018 unrestricted net position has been restated due to correction of error of investment earnings for the Land Endowments Fund.

2014 (7)	Fiscal Year			
	2013, as restated	2012, as restated	2011	2010
\$ 5,948,055	\$ 6,518,480	\$ 6,296,151	\$ 5,942,250	\$ 5,029,050
3,963,197	3,974,998	3,706,698	3,366,783	2,809,995
314,313	316,050	317,369	320,657	332,893
41,215	27,429	30,656	32,038	31,417
1,650,579	1,592,911	1,581,909	1,565,525	1,583,790
547,481	531,186	522,510	550,430	535,435
79,215	18,705	79,190	29,183	37,665
37,926	45,746	40,678	16,468	13,213
83,695	174,095	125,479	(154,359)	64,005
176,035	144,403	265,214	140,854	204,295
<u>(578,361)</u>	<u>(534,722)</u>	<u>(576,846)</u>	<u>(734,892)</u>	<u>(809,864)</u>
<u>12,263,350</u>	<u>12,809,281</u>	<u>12,389,008</u>	<u>11,074,937</u>	<u>9,831,894</u>
63,669	57,490	55,309	52,913	52,318
108,296	62,017	49,501	68,401	70,766
107	5	3,468	—	—
78,837	148,743	155,757	50,510	52,072
6,561	3,192	3,270	3,656	3,020
3,900	—	—	3,884	7,080
<u>578,361</u>	<u>534,722</u>	<u>576,846</u>	<u>734,892</u>	<u>809,864</u>
<u>839,731</u>	<u>806,169</u>	<u>844,151</u>	<u>914,256</u>	<u>995,120</u>
<u>\$ 13,103,081</u>	<u>\$ 13,615,450</u>	<u>\$ 13,233,159</u>	<u>\$ 11,989,193</u>	<u>\$ 10,827,014</u>
\$ 1,195,427	\$ 1,961,924	\$ 1,828,501	\$ 977,217	\$ 130,370
<u>361,009</u>	<u>317,470</u>	<u>194,353</u>	<u>115,796</u>	<u>(311,779)</u>
<u>\$ 1,556,436</u>	<u>\$ 2,279,394</u>	<u>\$ 2,022,854</u>	<u>\$ 1,093,013</u>	<u>\$ (181,409)</u>

STATE OF ARIZONA  
SCHEDULE 3  
**FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated	2017, as restated	2016	2015, as restated
<b>GENERAL FUND:</b>					
Reserved for:					
School facilities improvements	\$ —	\$ —	\$ —	\$ —	\$ —
Continuing appropriations	—	—	—	—	—
Other fund balance reservations	—	—	—	—	—
Unreserved	—	—	—	—	—
Nonspendable (2)	6,617	11,632	9,990	9,669	9,168
Restricted (2,6)	339,116	44,401	133,472	91,833	241,919
Committed (2)	150,050	113,204	93,343	126,484	99,145
Unassigned (2,4,7)	685,583	—	(258,262)	(78,903)	(325,380)
<b>Total General Fund</b>	<b>\$ 1,181,366</b>	<b>\$ 169,237</b>	<b>\$ (21,457)</b>	<b>\$ 149,083</b>	<b>\$ 24,852</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>					
Reserved for:					
Highway construction	\$ —	\$ —	\$ —	\$ —	\$ —
Other construction	—	—	—	—	—
Permanent funds	—	—	—	—	—
Continuing appropriations	—	—	—	—	—
Debt service	—	—	—	—	—
Other fund balance reservations	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Nonspendable (2,8)	6,062,682	5,934,995	5,603,620	5,124,432	5,181,556
Restricted (2,3)	1,659,621	1,482,258	1,479,706	1,488,010	1,573,453
Committed (2)	1,225,528	1,060,444	964,570	937,949	825,740
Unassigned (2,5)	—	(14,491)	(18,752)	(21,325)	(27,562)
<b>Total All Other Governmental Funds</b>	<b>\$ 8,947,831</b>	<b>\$ 8,463,206</b>	<b>\$ 8,029,144</b>	<b>\$ 7,529,066</b>	<b>\$ 7,553,187</b>

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Additionally, as a result of the reclassification, fund balance for fiscal year 2010 was restated.
- (3) Fiscal year 2012 restricted fund balance was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Fiscal year 2015 unassigned fund balance was restated as a result of funds being reclassified from the General Fund to Other Internal Service Funds.
- (5) Fiscal year 2015 unassigned fund balance was restated due to the fund reclassification of the Arizona Highways Magazine Fund.
- (6) Fiscal year 2017 restricted fund balance was restated due to correction of error of intergovernmental revenue for the General Fund.
- (7) Beginning in fiscal year 2018, negative unassigned fund balance for the General Fund is being reduced against restricted and committed fund balance.
- (8) Fiscal year 2018 nonspendable fund balance has been restated due to correction of error of investment earnings for the Land Endowments Fund.

Fiscal Year				
2014	2013	2012, as restated	2011	2010, as restated (2)
\$ —	\$ —	\$ —	\$ —	\$ 14,764
—	—	—	—	55,354
—	—	—	—	232
—	—	—	—	(817,348)
9,600	844	891	716	—
124,390	192,187	246,977	317,471	—
79,837	73,237	109,469	141,183	—
(189,238)	156,935	(437,035)	(1,162,531)	—
<u>\$ 24,589</u>	<u>\$ 423,203</u>	<u>\$ (79,698)</u>	<u>\$ (703,161)</u>	<u>\$ (746,998)</u>
\$ —	\$ —	\$ —	\$ —	\$ 809,497
—	—	—	—	45,403
—	—	—	—	2,674,953
—	—	—	—	116,350
—	—	—	—	26,389
—	—	—	—	40,327
—	—	—	—	821,491
4,878,682	4,160,485	3,472,005	3,244,080	—
1,741,674	1,860,872	1,762,356	1,531,992	—
734,446	661,110	514,085	452,447	—
(29,744)	(26,266)	(33,861)	(39,009)	—
<u>\$ 7,325,058</u>	<u>\$ 6,656,201</u>	<u>\$ 5,714,585</u>	<u>\$ 5,189,510</u>	<u>\$ 4,534,410</u>

STATE OF ARIZONA  
SCHEDULE 4  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated	2017, as restated	2016	2015 (4)
<b>REVENUES</b>					
Taxes:					
Sales	\$ 7,655,588	\$ 7,173,126	\$ 6,732,684	\$ 6,450,967	\$ 6,281,286
Income	5,498,061	4,892,382	4,473,790	4,513,219	4,398,928
Tobacco	287,875	298,369	316,073	318,902	314,522
Property	42,208	55,112	46,798	51,735	52,241
Motor vehicle and fuel	2,202,693	1,950,380	1,875,392	1,823,998	1,694,779
Other	701,912	638,988	655,363	616,580	560,920
Intergovernmental (5)	15,602,794	15,040,118	14,731,475	14,166,387	13,606,650
Licenses, fees, and permits	650,484	582,918	573,867	542,064	486,331
Hospital and nursing facility assessments	316,040	318,199	292,049	299,608	291,324
Earnings (loss) on investments (6)	489,398	559,956	639,717	175,444	295,125
Sales and charges for services (2)	261,538	243,820	229,099	188,667	193,553
Fines, forfeitures, and penalties	220,513	156,666	136,161	159,647	152,728
Gaming	99,679	95,367	89,310	91,748	89,512
Tobacco settlement	98,938	101,761	101,522	98,907	99,975
Proceeds from sale of trust land	141,616	119,122	179,028	91,022	123,483
Other (3)	285,136	213,776	167,229	264,474	254,522
Total Revenues	<u>34,554,473</u>	<u>32,440,060</u>	<u>31,239,557</u>	<u>29,853,369</u>	<u>28,895,879</u>
<b>EXPENDITURES</b>					
Current:					
General government (2)	871,251	814,922	787,284	714,313	843,159
Health and welfare	16,783,865	16,182,335	15,813,515	15,074,454	14,388,149
Inspection and regulation	160,878	160,254	160,362	165,009	158,495
Education	7,169,071	6,541,180	6,364,016	6,132,751	5,857,390
Protection and safety	1,594,892	1,521,638	1,487,181	1,456,651	1,402,225
Transportation	852,491	752,575	732,029	815,811	700,080
Natural resources	225,242	216,169	198,567	189,614	189,302
Intergovernmental revenue sharing	3,708,063	3,480,014	3,349,498	3,176,183	2,966,400
Debt service:					
Principal	489,522	561,195	639,779	517,389	560,497
Interest and other fiscal charges	208,954	213,992	229,932	249,704	270,872
Capital outlay	867,114	933,204	894,210	814,002	783,926
Total Expenditures	<u>32,931,343</u>	<u>31,377,478</u>	<u>30,656,373</u>	<u>29,305,881</u>	<u>28,120,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,623,130</u>	<u>1,062,582</u>	<u>583,184</u>	<u>547,488</u>	<u>775,384</u>



Fiscal Year				
2014	2013	2012, as restated	2011	2010, as restated
\$ 5,933,824	\$ 6,530,609	\$ 6,312,870	\$ 5,971,141	\$ 5,017,977
4,012,603	4,034,631	3,715,082	3,398,972	2,805,426
314,313	316,050	317,369	320,657	332,893
41,215	27,429	30,656	32,038	31,417
1,650,579	1,592,911	1,581,909	1,565,525	1,585,919
547,481	531,186	522,510	550,430	535,435
11,752,711	11,592,676	11,843,908	13,019,744	13,562,547
475,833	476,972	477,344	452,629	425,526
91,578	—	—	—	—
739,859	499,919	190,055	438,068	422,564
185,682	182,075	188,806	186,325	203,725
171,161	181,216	168,240	184,950	224,000
86,326	86,507	85,535	80,455	77,554
100,765	149,125	101,067	99,130	105,394
86,319	225,659	137,405	95,500	78,564
208,858	169,119	297,065	164,658	230,223
<u>26,399,107</u>	<u>26,596,084</u>	<u>25,969,821</u>	<u>26,560,222</u>	<u>25,639,164</u>
750,163	812,770	838,776	933,313	923,977
12,643,455	12,216,622	12,029,530	12,818,468	13,054,472
161,318	160,636	153,947	153,718	157,461
5,572,414	5,369,538	5,332,141	5,467,695	5,702,963
1,360,387	1,349,146	1,351,251	1,288,577	1,417,428
687,798	683,607	745,306	820,417	584,363
193,043	194,714	202,677	191,429	175,568
2,778,299	2,685,168	2,473,535	2,459,934	2,574,539
493,592	412,617	386,027	383,591	288,172
312,024	329,773	344,903	357,754	286,027
829,630	765,339	769,716	824,417	1,291,341
<u>25,782,123</u>	<u>24,979,930</u>	<u>24,627,809</u>	<u>25,699,313</u>	<u>26,456,311</u>
<u>616,984</u>	<u>1,616,154</u>	<u>1,342,012</u>	<u>860,909</u>	<u>(817,147)</u>

(Continued)

STATE OF ARIZONA  
SCHEDULE 4  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year				
	2019	2018, as restated	2017, as restated	2016	2015 (4)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 993,164	\$ 858,631	\$ 866,241	\$ 914,817	\$ 856,446
Transfers out	(1,486,841)	(1,375,640)	(1,303,531)	(1,367,979)	(1,392,301)
Proceeds from sale of capital assets	343	3,524	1,294	1,203	259
Capital lease and installment purchase contracts	1,034	—	43,248	3,579	1,025
Proceeds from notes and loans	—	—	—	—	783
Bonds issued	262,010	—	—	—	—
Certificates of participation issued	—	—	119,880	—	—
Grant anticipation notes issued	62,465	62,595	—	—	—
Refunding bonds issued	—	—	312,900	—	754,285
Refunding certificates of participation issued	—	31,570	—	427,540	—
Refunding grant anticipation notes issued	—	—	90,410	—	—
Payment to refunded bond escrow agent	—	—	(389,350)	(62,630)	(900,813)
Payment to refunded certificates of participation escrow agent	—	(31,345)	—	(422,841)	—
Payment to refunded grant anticipation notes escrow agent	—	—	(112,128)	—	—
Premium on debt issued	41,449	12,839	117,390	58,933	149,554
Total Other Financing Sources (Uses)	<u>(126,376)</u>	<u>(437,826)</u>	<u>(253,646)</u>	<u>(447,378)</u>	<u>(530,762)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 1,496,754</u>	<u>\$ 624,756</u>	<u>\$ 329,538</u>	<u>\$ 100,110</u>	<u>\$ 244,622</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	2.20%	2.50%	2.90%	2.70%	3.00%

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) In fiscal year 2010, amounts were restated as a result of implementing GASB Statement No. 54.
- (3) Fiscal year 2012 other revenues was restated as a result of an agency fund being reclassified to a special revenue fund.
- (4) Historical data has not been restated for footnote items (4) - (5) in Schedule 3.
- (5) Fiscal year 2017 intergovernmental revenue was restated due to correction of error for the General Fund.
- (6) Fiscal year 2018 earnings on investments has been restated due to correction of error for the Land Endowments Fund.

Fiscal Year				
2014	2013	2012, as restated	2011	2010, as restated
\$ 904,261	\$ 782,420	\$ 821,072	\$ 862,040	\$ 1,106,250
(1,397,332)	(1,256,408)	(1,323,778)	(1,574,406)	(1,872,212)
900	1,636	1,815	3,712	3,088
113,914	15,158	8,166	4,583	187,836
29,130	51,550	9,541	11,113	32,628
—	194,295	259,460	180,000	425,420
—	—	—	150,110	998,795
—	—	—	158,585	—
—	837,340	455,900	—	—
305,675	62,630	—	—	—
—	—	43,825	—	—
—	(954,372)	(560,228)	—	—
(310,059)	(42,096)	—	—	—
—	—	—	—	—
6,770	136,210	90,753	42,291	77,709
(346,741)	(171,637)	(193,474)	(161,972)	959,514
<u>\$ 270,243</u>	<u>\$ 1,444,517</u>	<u>\$ 1,148,538</u>	<u>\$ 698,937</u>	<u>\$ 142,367</u>
3.20%	3.10%	3.10%	3.00%	2.30%

STATE OF ARIZONA  
SCHEDULE 5  
**NET TAXABLE SALES BY CLASSIFICATION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
<b>CLASSIFICATION (5)</b>						
Transporting (2)	\$ 31,542	\$ 31,022	\$ 39,944	\$ 56,139	\$ 57,588	\$ 54,981
Mining, oil and gas	164,066	154,510	140,648	154,947	111,808	116,678
Mining severance	690,060	982,475	735,086	607,840	994,478	1,047,580
Utilities	10,315,450	10,337,793	9,920,286	10,031,989	9,856,234	9,923,490
Communications	1,917,973	2,067,005	2,000,877	2,306,786	2,565,400	2,965,233
Private car and pipelines	33,457	30,131	22,117	2,577	6,498	5,616
Publishing	56,071	84,595	87,179	105,270	106,357	101,751
Job printing	241,963	219,210	237,887	236,324	259,672	321,225
Restaurants and bars	15,232,888	14,347,556	13,571,567	12,715,254	12,053,486	11,085,652
Amusements	1,482,455	1,445,107	1,323,661	1,342,700	1,252,514	1,096,945
Commercial lease (3)	—	(4)	50	2	6	2
Personal property rentals	4,762,330	4,276,040	3,947,160	3,689,976	3,453,882	3,355,048
Contracting	13,610,523	11,801,258	10,252,613	9,601,228	10,653,405	11,269,503
Retail	71,664,595	67,429,685	63,922,406	61,614,309	58,463,542	55,257,510
MRRA amount (7)	177,361	167,434	155,624	160,125	26,816	—
Hotel/motel	3,646,904	3,342,980	3,058,663	2,819,143	2,675,510	2,334,373
Rental occupancy tax (6)	(1)	—	—	(503)	—	—
Use tax	7,316,160	6,590,501	6,069,074	5,703,365	5,659,094	4,749,508
Use tax-utilities	945	2,512	34,764	38,945	48,070	62,511
Membership camping (6)	—	—	—	—	—	—
<b>Total</b>	<b>\$ 131,344,742</b>	<b>\$ 123,309,810</b>	<b>\$ 115,519,606</b>	<b>\$ 111,186,416</b>	<b>\$ 108,244,360</b>	<b>\$ 103,747,606</b>
Direct sales tax rate (4)	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

- (1) Net taxable sales are based upon tax receipts.  
(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."  
(3) Commercial lease rate dropped to 0% effective July 1, 1997.  
(4) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2010 and 2014 through 2019. The sales tax rate was 6.6% for fiscal years 2011 through 2013. For fiscal years 2010 through 2019, the tax rate for non-metal mining, oil and gas was 3.125% and the mining severance was 2.5%. For fiscal years 2010 through 2017 the jet fuel and jet fuel use tax was \$.0305 per gallon. As of fiscal year 2018 jet fuel and jet fuel tax amount per gallon were no longer being reported by the Arizona Department of Revenue as the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund. The hotel/motel tax rate was 5.5% for fiscal years 2010 and 2014 through 2019. The hotel/motel tax rate was 6.5% for fiscal years 2011 through 2013. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house. The 1.00% rate increase approved under Proposition 100 on May 18, 2010 increased the state transaction privilege and use rate by one percentage point beginning June 1, 2010 and ending May 31, 2013, which is reflected in this table.  
(5) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.  
(6) Effective November 1, 2006, membership camping and rental occupancy were repealed.  
(7) MRRA - Maintenance, Repair, Replacement or Alteration projects.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2019 and prior.

Fiscal Year

	2013	2012	2011	2010
\$	41,324	\$ 52,137	\$ 41,555	\$ 41,990
	115,775	105,614	96,514	102,900
	1,193,176	1,623,111	1,609,451	1,164,231
	9,900,238	9,474,521	9,394,361	9,354,244
	3,061,730	3,190,962	2,853,538	3,618,208
	6,250	1,186	1,908	1,640
	84,673	92,505	98,343	103,681
	235,349	252,603	266,564	236,985
	10,544,419	9,996,825	9,311,826	9,020,795
	1,051,581	1,037,059	994,092	1,051,919
	2	1	2	141
	3,254,822	3,257,588	3,056,386	3,127,828
	10,092,876	9,543,335	8,983,261	9,311,612
	51,276,108	48,178,714	45,898,838	42,913,933
	—	—	—	—
	2,221,059	2,156,864	2,039,283	1,949,718
	—	(3)	43	(62)
	5,186,464	5,302,844	4,610,921	5,464,504
	10,283	10,022	10,040	(35,594)
	—	—	1	10
\$	98,276,129	\$ 94,275,888	\$ 89,266,927	\$ 87,428,683
	6.60%	6.60%	6.60%	5.60%

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STATE OF ARIZONA  
SCHEDULE 6  
**SALES TAX REVENUE PAYERS BY CLASSIFICATION**  
CURRENT YEAR AND NINE YEARS AGO  
(Expressed in Thousands)

<u>CLASSIFICATION</u>	Fiscal Year 2019		Fiscal Year 2010	
	Tax Collections	Percentage of Total	Tax Collections	Percentage of Total
Transporting	\$ 1,577	0.02%	\$ 2,099	0.04%
Non-metal mining, oil and gas	5,127	0.07	3,214	0.07
Mining severance	17,252	0.24	29,099	0.60
Timbering severance – Ponderosa (1)	—	—	2	—
Utilities	515,772	7.04	467,626	9.63
Communications	95,899	1.31	180,885	3.72
Private car and pipelines	1,673	0.02	82	—
Publishing	2,804	0.04	5,183	0.11
Job Printing	12,098	0.17	11,846	0.24
Restaurants and bars	761,644	10.40	450,980	9.28
Amusements	74,123	1.01	52,590	1.08
Commercial lease	—	—	7	—
Personal property rentals	238,116	3.25	156,364	3.22
Contracting	680,526	9.29	465,418	9.58
Retail	3,583,230	48.90	2,145,311	44.17
MRRRA amount (3)	8,868	0.12	—	—
Hotel/motel	200,580	2.74	107,222	2.21
Rental occupancy tax (1)	—	—	2	—
Use tax utilities	47	—	(1,780)	(0.04)
Use tax	362,027	4.94	271,764	5.59
License fees	558	0.01	726	0.01
Jet fuel tax (4)	(15)	—	4,461	0.09
Jet fuel use tax (4)	(25)	—	828	0.02
Non sufficient funds	336	—	(1)	—
Telecommunications service assistance	—	—	(189)	—
Mandatory EFT fees	2,919	0.04	—	—
Education tax (2)	760,874	10.39	504,391	10.38
Total	\$ 7,326,010	100.00%	\$ 4,858,130	100.00%

(1) Effective November 1, 2006 these rates were repealed.

(2) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are non-metal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification; rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.

(3) MRRRA - Maintenance, Repair, Replacement or Alteration projects.

(4) Effective August 1, 2017, the taxes collected are designated for the Arizona Department of Transportation's State Aviation Fund.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2019 and 2010.

STATE OF ARIZONA  
SCHEDULE 7  
**PERSONAL INCOME BY INDUSTRY (3)**  
FOR THE LAST TEN CALENDAR YEARS  
(Expressed in Thousands)

<b>CLASSIFICATION</b>	Calendar Year Ended December 31					
	2018	2017	2016	2015	2014	2013
Farm earnings	\$ 1,208,644	\$ 1,353,246	\$ 1,509,628	\$ 1,355,849	\$ 1,060,100	\$ 1,287,943
Forestry and fishing	570,009	547,399	526,912	504,604	450,122	410,413
Mining	1,872,949	1,626,957	1,378,325	1,463,533	1,567,360	1,535,771
Utilities	1,956,084	1,910,584	1,810,662	1,663,008	1,659,154	1,575,092
Construction	13,538,962	12,160,338	10,694,496	9,870,934	9,419,581	8,936,081
Manufacturing	16,479,731	15,199,324	14,537,552	14,269,223	13,808,974	13,491,102
Wholesale trade	9,947,444	9,700,806	9,136,966	8,883,456	8,547,894	8,379,655
Retail trade	14,749,771	14,248,784	13,661,831	13,466,702	13,146,907	12,141,782
Transportation and warehousing	7,443,873	6,698,996	6,359,051	6,014,260	5,559,475	5,144,768
Information	5,083,408	4,630,716	4,598,604	4,339,989	4,132,456	3,618,183
Finance and insurance	17,217,659	16,027,285	14,379,906	13,168,173	12,133,895	11,729,712
Real estate, rental, and leasing	5,903,237	5,571,788	5,754,264	5,192,554	4,487,239	3,978,669
Professional and technical services	17,082,711	15,996,222	15,062,487	14,510,417	13,841,425	13,297,525
Managing companies/enterprises	3,215,267	3,555,393	3,295,463	3,225,830	3,187,130	2,936,240
Administrative and waste services	13,601,262	12,738,576	11,853,435	11,528,705	10,978,476	10,355,952
Educational services	3,273,670	3,275,653	3,289,915	3,236,759	3,115,225	2,949,383
Health care and social assistance	26,846,877	25,326,977	23,827,865	22,512,208	21,447,106	20,769,650
Arts, entertainment, and recreation	2,962,582	2,805,015	2,610,824	2,371,749	2,400,656	2,112,394
Accommodation and food services	8,815,741	8,281,604	7,552,849	7,113,573	6,560,676	6,521,538
Other services, except public administration	7,684,985	7,191,846	6,955,288	6,745,288	6,570,188	6,080,178
Government and government enterprises	33,779,164	32,425,915	31,307,725	30,735,570	29,853,609	29,595,243
Other (1)	104,678,886	98,339,594	92,373,601	88,960,378	83,482,383	76,008,313
<b>Total</b>	<b>\$ 317,912,916</b>	<b>\$ 299,613,018</b>	<b>\$ 282,477,649</b>	<b>\$ 271,132,762</b>	<b>\$ 257,410,031</b>	<b>\$ 242,855,587</b>
Average effective rate (2)	1.58%	1.52%	1.46%	1.46%	1.46%	1.43%

(1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.

(2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.

(3) Personal income estimates for years 2009 through 2017 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.



Calendar Year Ended December 31

	2012	2011	2010	2009
\$	879,963	\$ 1,164,879	\$ 669,030	\$ 488,896
	413,431	402,679	396,628	375,683
	1,502,892	1,280,116	1,078,519	1,153,066
	1,529,337	1,573,611	1,511,977	1,545,727
	8,118,792	8,108,091	8,016,693	8,749,456
	13,380,267	12,460,753	12,068,384	12,020,959
	8,559,568	7,991,859	7,659,150	7,751,468
	12,146,323	11,656,655	11,072,563	10,800,566
	5,131,165	4,878,063	4,571,147	4,491,638
	3,127,135	2,942,316	2,947,558	3,194,780
	10,810,316	9,956,813	9,602,994	9,427,533
	2,554,638	1,983,914	1,613,131	1,696,302
	12,960,670	12,551,489	11,780,747	11,874,073
	2,609,040	2,338,045	2,256,188	2,415,511
	9,563,967	9,145,822	8,835,016	8,976,824
	2,998,261	2,775,797	2,617,427	2,341,086
	20,196,102	19,644,652	18,869,260	18,018,004
	1,878,111	1,491,117	1,418,812	1,394,976
	6,217,391	5,749,296	5,451,478	5,446,447
	6,005,102	5,503,582	5,240,526	4,927,586
	28,887,169	28,692,183	28,598,016	28,466,755
	77,376,454	74,073,570	69,248,397	66,417,971
\$	<u>236,846,094</u>	<u>\$ 226,365,302</u>	<u>\$ 215,523,641</u>	<u>\$ 211,975,307</u>
	1.44%	1.37%	1.33%	1.14%

STATE OF ARIZONA  
SCHEDULE 8  
**PERSONAL INCOME TAX RATES**  
FOR THE LAST TEN CALENDAR YEARS  
(Expressed in Thousands)

Calendar Year Ended December 31

	2018	2017	2016	2015	2014
<b><u>AVERAGE EFFECTIVE RATE (3)</u></b>					
Personal Income Tax Revenue (1)	\$ 5,010,333	\$ 4,545,242	\$ 4,131,621	\$ 3,968,883	\$ 3,761,764
Personal Income (2)	317,912,916	299,613,018	282,477,649	271,132,762	257,410,031
Average Effective Rate (3)	1.58%	1.53%	1.47%	1.47%	1.46%
<b><u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u></b>					
\$0 - \$10	2.59%	2.59%	2.59%	2.59%	2.59%
\$10 - \$25	2.88%	2.88%	2.88%	2.88%	2.88%
\$25 - \$50	3.36%	3.36%	3.36%	3.36%	3.36%
\$50 - \$150	4.24%	4.24%	4.24%	4.24%	4.24%
\$150 and over	4.54%	4.54%	4.54%	4.54%	4.54%

- (1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
- (2) Personal income is reported on a calendar basis. Years 2009 through 2017 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
- (3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue Annual Reports/Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA  
SCHEDULE 9  
**PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL**  
FOR THE TAXABLE YEARS 2016 AND 2009 (1)  
(Expressed in Thousands, Except Number of Filers)

Taxable Year Ended December 31, 2016

	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<b><u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u></b>				
\$50 and under	1,957,773	64.97%	497,182	12.16%
\$50 - \$100	621,456	20.62%	812,752	19.87%
\$100 - \$500	414,597	13.76%	1,763,121	43.11%
\$500 and over	19,557	0.65%	1,016,507	24.86%
Total	3,013,383	100.00%	\$ 4,089,562	100.00%

- (1) The taxable year 2016 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.
- (2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2016, filed from January 2017 forward (or 2009, filed from January 2010 forward).
- (3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports.

Calendar Year Ended December 31

	2013		2012		2011		2010		2009
\$	3,463,266	\$	3,398,902	\$	3,099,177	\$	2,870,565	\$	2,423,215
	242,855,587		236,846,094		226,365,302		215,523,641		211,975,307
	1.43%		1.44%		1.37%		1.34%		1.15%
	2.59%		2.59%		2.59%		2.59%		2.59%
	2.88%		2.88%		2.88%		2.88%		2.88%
	3.36%		3.36%		3.36%		3.36%		3.36%
	4.24%		4.24%		4.24%		4.24%		4.24%
	4.54%		4.54%		4.54%		4.54%		4.54%

Taxable Year Ended December 31, 2009

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,739,297	68.43%	\$ 395,695	15.47%
525,351	20.67%	643,653	25.17%
267,017	10.51%	1,014,846	39.69%
9,837	0.39%	503,105	19.67%
2,541,502	100.00%	\$ 2,557,299	100.00%

STATE OF ARIZONA  
SCHEDULE 10  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>GOVERNMENTAL ACTIVITIES:</b>					
Revenue bonds	\$ 2,366,595	\$ 2,371,765	\$ 2,640,330	\$ 2,899,875	\$ 3,141,190
Grant anticipation notes	223,885	177,420	129,475	147,320	194,670
Certificates of participation	1,393,865	1,585,995	1,804,395	1,891,460	2,030,805
Capital leases (3)	152,153	189,581	215,084	334,909	408,784
Installment purchase contracts	—	—	—	176	349
Notes payable	—	—	22,179	22,179	22,179
Premiums and discounts on debt	444,111	453,713	516,456	492,349	492,048
Deferred amount on refundings (2)	—	—	—	—	—
Total Governmental Activities	<u>4,580,609</u>	<u>4,778,474</u>	<u>5,327,919</u>	<u>5,788,268</u>	<u>6,290,025</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Revenue bonds	3,296,480	3,109,245	3,010,525	2,701,665	2,675,430
Certificates of participation	451,831	502,636	557,506	600,556	637,986
Capital leases	124,952	131,134	134,399	141,117	168,960
Installment purchase contracts	62	769	1,460	2,114	2,805
Notes payable	13,999	—	—	—	—
Premiums and discounts on debt	361,083	342,647	325,412	268,474	231,178
Deferred amount on refundings (2)	—	—	—	—	—
Total Business-type Activities	<u>4,248,407</u>	<u>4,086,431</u>	<u>4,029,302</u>	<u>3,713,926</u>	<u>3,716,359</u>
Total Primary Government	<u>\$ 8,829,016</u>	<u>\$ 8,864,905</u>	<u>\$ 9,357,221</u>	<u>\$ 9,502,194</u>	<u>\$ 10,006,384</u>
Debt as a Percentage of					
Personal Income (1)	2.8%	3.0%	3.3%	3.5%	3.9%
Amount of Debt per Capita (1)	\$ 1,231	\$ 1,258	\$ 1,347	\$ 1,391	\$ 1,486

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (1) See Schedule 22 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2019 contains data for the calendar year ending December 31, 2018.
- (2) Implementation of GASB Statement No. 65 in fiscal year 2014 required the amortization of deferred amount on refundings to be reported as deferred outflow of resources.
- (3) For fiscal year 2014, capital leases related to private prisons were restated due to a correction of an error.

Fiscal Year				
2014, as restated	2013	2012	2011	2010
\$ 3,406,195	\$ 3,606,720	\$ 3,593,420	\$ 3,529,115	\$ 3,522,605
247,710	296,240	335,230	392,495	304,480
2,200,675	2,360,595	2,495,825	2,611,255	2,571,125
423,513	360,316	391,184	400,540	412,919
—	—	177	245	901
89,865	105,817	55,666	59,891	60,712
427,865	474,747	396,465	342,602	334,721
—	(19,945)	(813)	(1,221)	(5,197)
<u>6,795,823</u>	<u>7,184,490</u>	<u>7,267,154</u>	<u>7,334,922</u>	<u>7,202,266</u>
2,302,035	2,237,710	1,942,755	1,742,125	1,692,825
676,345	714,735	756,980	812,706	840,719
132,957	135,519	163,637	167,841	171,448
4,098	5,758	8,397	10,511	13,043
—	—	12,643	292	360
130,315	123,051	87,993	41,393	39,705
—	(46,096)	(33,391)	(20,875)	(23,100)
<u>3,245,750</u>	<u>3,170,677</u>	<u>2,939,014</u>	<u>2,753,993</u>	<u>2,735,000</u>
<u>\$ 10,041,573</u>	<u>\$ 10,355,167</u>	<u>\$ 10,206,168</u>	<u>\$ 10,088,915</u>	<u>\$ 9,937,266</u>
4.1%	4.4%	4.5%	4.7%	4.7%
\$ 1,513	\$ 1,579	\$ 1,577	\$ 1,574	\$ 1,567

STATE OF ARIZONA  
SCHEDULE 11  
**LEGAL DEBT MARGIN INFORMATION**  
**ARIZONA STATE UNIVERSITY**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2019	\$ 2,680,000	\$ 214,400	\$ 120,600	\$ 93,800	4.50%
2018	2,520,000	201,600	113,400	88,200	4.50
2017	2,311,364	184,909	101,700	83,209	4.40
2016	2,152,083	172,167	103,300	68,867	4.80
2015	2,044,231	163,538	106,300	57,238	5.20
2014	1,844,828	147,586	107,000	40,586	5.80
2013	1,710,909	136,873	94,100	42,773	5.50
2012	1,612,000	128,960	80,600	48,360	5.00
2011	1,606,250	128,500	77,100	51,400	4.80
2010	1,894,737	151,579	108,000	43,579	5.70

- (1) For fiscal years 2010 through 2019, projections are based upon the University's fiscal years 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, and 2021-2023 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA  
SCHEDULE 12  
**LEGAL DEBT MARGIN INFORMATION**  
**UNIVERSITY OF ARIZONA**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2019	\$ 2,146,000	\$ 171,680	\$ 107,300	\$ 64,380	5.00%
2018	2,034,000	162,720	101,700	61,020	5.00
2017	1,954,000	156,320	97,700	58,620	5.00
2016	1,902,083	152,167	91,300	60,867	4.80
2015	1,856,098	148,488	76,100	72,388	4.10
2014	1,739,216	139,137	88,700	50,437	5.10
2013	1,683,019	134,642	89,200	45,442	5.30
2012	1,611,765	128,941	82,200	46,741	5.10
2011	1,556,364	124,509	85,600	38,909	5.50
2010	1,817,647	145,412	92,700	52,712	5.10

- (1) For fiscal years 2010 through 2019, projections are based upon the University's fiscal years 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, and 2021-2023 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA  
SCHEDULE 13  
**LEGAL DEBT MARGIN INFORMATION**  
**NORTHERN ARIZONA UNIVERSITY**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year (1)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (2)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2019	\$ 586,000	\$ 46,880	\$ 29,300	\$ 17,580	5.00%
2018	591,304	47,304	27,200	20,104	4.60
2017	572,340	45,787	26,900	18,887	4.70
2016	534,694	42,776	26,200	16,576	4.90
2015	514,673	41,174	22,800	18,374	4.43
2014	485,265	38,821	24,700	14,121	5.09
2013	453,039	36,243	24,600	11,643	5.43
2012	427,586	34,207	24,800	9,407	5.80
2011	405,109	32,409	22,200	10,209	5.48
2010	423,601	33,888	28,000	5,888	6.61

- (1) For fiscal years 2010 through 2019, projections are based upon the University's fiscal years 2012-2014, 2013-2015, 2014-2016, 2015-2017, 2016-2018, 2017-2019, 2018-2020, 2019-2021, 2020-2022, and 2021-2023 capital improvement plans, respectively.
- (2) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA  
SCHEDULE 14  
**PLEDGED-REVENUE COVERAGE**  
**ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year	(1) (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ 656,751	\$ 78,670	\$ 65,562	\$ 144,232	4.55
2018	624,919	76,125	68,104	144,229	4.33
2017	610,998	74,855	68,419	143,274	4.26
2016	589,476	70,195	74,248	144,443	4.08
2015	566,352	61,660	75,937	137,597	4.12
2014	537,768	58,485	80,495	138,980	3.87
2013	512,971	60,540	78,198	138,738	3.70
2012	392,648	67,885	71,113	138,998	2.82
2011	504,175	71,770	83,960	155,730	3.24
2010	502,874	68,140	87,661	155,801	3.23

- (1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.
- (2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2010 is net of \$44 million and 2011 is net of \$45 million distribution to the State General Fund.

## STATE OF ARIZONA

## SCHEDULE 15

**PLEDGED-REVENUE COVERAGE****ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ 311,188	\$ 104,685	\$ 39,031	\$ 143,716	2.17
2018	290,949	68,270	31,411	99,681	2.92
2017	274,553	67,495	33,257	100,752	2.73
2016	262,971	65,585	38,001	103,586	2.54
2015	254,871	70,940	32,652	103,592	2.46
2014	243,786	58,600	44,988	103,588	2.35
2013	227,800	55,870	47,721	103,591	2.20
2012	216,281	55,460	48,129	103,589	2.09
2011	206,545	45,970	42,496	88,466	2.33
2010	199,672	33,315	38,225	71,540	2.79

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

## STATE OF ARIZONA

## SCHEDULE 16

**PLEDGED-REVENUE COVERAGE****SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	(2) Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ 760,874	\$ 61,775	\$ 2,345	\$ 64,120	11.87
2018	712,904	60,955	3,248	64,203	11.10
2017	670,788	60,290	3,923	64,213	10.45
2016	645,012	59,800	4,417	64,217	10.04
2015	626,401	57,920	6,274	64,194	9.76
2014	601,854	46,720	9,575	56,295	10.69
2013	567,824	43,680	13,487	57,167	9.93
2012	542,395	41,405	22,804	64,209	8.45
2011	514,346	39,215	25,088	64,303	8.00
2010	504,391	37,230	27,074	64,304	7.84

(1) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.

(2) Principal does not include sinking fund deposits of \$1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018 that will be sufficient to retire bonds with a par amount of \$20,000 upon maturity, in fiscal year 2018.



## STATE OF ARIZONA

## SCHEDULE 17

**PLEDGED-REVENUE COVERAGE****SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS (2)**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ —	\$ —	\$ —	\$ —	—
2018	63,929	22,190	1,110	23,300	2.74
2017	72,263	21,130	2,166	23,296	3.10
2016	43,506	20,180	3,115	23,295	1.87
2015	53,241	19,380	3,911	23,291	2.29
2014	57,345	19,275	4,971	24,246	2.37
2013	49,645	18,315	5,933	24,248	2.05
2012	39,155	17,400	6,846	24,246	1.61
2011	42,191	16,535	7,714	24,249	1.74
2010	38,147	15,710	8,539	24,249	1.57

(1) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed \$72,263. Expendable trust revenues in excess of \$72,263 must be deposited in the Classroom Site Fund.

(2) The School Facilities Board State School Trust Revenue Bonds were paid off in fiscal year 2018.

## STATE OF ARIZONA

## SCHEDULE 18

**PLEDGED-REVENUE COVERAGE****LOTTERY REVENUE BONDS**

FOR THE LAST NINE FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2019

(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ 225,981	\$ 22,050	\$ 15,453	\$ 37,503	6.03
2018	207,505	21,025	16,476	37,501	5.53
2017	193,255	20,065	17,437	37,502	5.15
2016	200,769	19,205	18,297	37,502	5.35
2015	172,108	18,305	19,194	37,499	4.59
2014	174,374	17,445	20,055	37,500	4.65
2013	174,373	16,790	20,710	37,500	4.65
2012	96,200	—	20,709	20,709	4.65
2011	96,200	—	21,630	21,630	4.45

(1) No debt service payments were due prior to fiscal year 2011.

(2) Pledged revenues consist of lottery revenue deposited to the Lottery Fund net of operating expenses of the lottery.

STATE OF ARIZONA  
SCHEDULE 19  
**PLEDGED REVENUE COVERAGE**  
**ARIZONA STATE UNIVERSITY REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service				Coverage
		Principal	Interest	Net Payments (Receipts) On Swap Agreements	Total	
2019	\$ 1,781,282	\$ 43,940	\$ 67,070	\$ 1,525	\$ 112,535	15.83
2018	1,647,622	36,065	59,178	1,901	97,144	16.96
2017	1,555,687	30,185	57,740	2,472	90,397	17.21
2016	1,450,651	40,155	47,148	2,991	90,294	16.07
2015	1,300,624	45,650	50,246	3,393	99,289	13.10
2014	1,161,306	44,770	43,623	3,507	91,900	12.64
2013	1,047,661	33,965	41,477	3,631	79,073	13.25
2012	977,828	31,215	39,560	3,612	74,387	13.15
2011	876,770	28,595	35,051	3,791	67,437	13.00
2010	782,727	26,975	33,003	3,716	63,694	12.29

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

STATE OF ARIZONA  
SCHEDULE 20  
**PLEDGED-REVENUE COVERAGE**  
**UNIVERSITY OF ARIZONA REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2019	\$ 1,837,801	\$ 1,670,427	\$ 167,374	\$ 34,925	\$ 57,305	\$ 92,230	1.81
2018	1,752,904	1,618,246	134,658	34,725	51,893	86,618	1.55
2017	1,721,399	1,490,565	230,834	33,080	49,394	82,474	2.80
2016	1,684,171	1,451,735	232,436	25,205	45,534	70,739	3.29
2015	1,567,859	1,374,458	193,401	21,575	37,732	59,307	3.26
2014	1,400,095	1,261,247	138,848	22,600	38,250	60,850	2.28
2013	1,356,478	1,199,559	156,919	21,895	34,556	56,451	2.78
2012	1,226,227	1,126,649	99,578	17,375	31,480	48,855	2.04
2011	1,215,062	1,056,408	158,654	24,720	28,571	53,291	2.98
2010	1,128,091	962,469	165,622	23,860	24,593	48,453	3.42

(1) Gross Revenues and Direct Operating Expenses include current operating unrestricted funds only since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA  
SCHEDULE 21  
**PLEDGED-REVENUE COVERAGE**  
**NORTHERN ARIZONA UNIVERSITY REVENUE BONDS**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019  
(Expressed in Thousands)

Fiscal Year	(1), (2), (3) Gross Revenues	Debt Service			Coverage
		Principal	Interest	Total	
2019	\$ 363,737	\$ 14,510	\$ 22,197	\$ 36,707	9.91
2018	355,778	12,175	22,677	34,852	10.21
2017	345,708	11,790	22,831	34,621	9.99
2016	323,986	6,500	23,149	29,649	10.93
2015	303,860	6,500	20,310	26,810	11.33
2014	283,468	6,615	17,305	23,920	11.85
2013	263,733	6,610	15,474	22,084	11.94
2012	246,098	5,835	15,028	20,863	11.80
2011	220,538	24,310	14,712	39,022	5.65
2010	198,197	6,545	10,912	17,457	11.35

- (1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.  
(2) Fiscal year 2011 includes debt defeasance of \$18.7 million.  
(3) Fiscal year 2013 gross revenue was revised by NAU in fiscal year 2014.

STATE OF ARIZONA  
SCHEDULE 22  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1,3)	Personal Income (3) (in thousands)	Per Capita Personal (2) Income	Unemployment Rate
2018	7,171,646	\$ 317,912,916	\$ 44,329	4.9
2017	7,048,876	299,613,018	42,505	4.6
2016	6,945,452	282,477,649	40,671	4.9
2015	6,833,596	271,132,762	39,676	5.4
2014	6,733,840	257,410,031	38,226	6.1
2013	6,634,999	242,855,587	36,602	7.0
2012	6,556,629	236,846,094	36,123	7.7
2011	6,473,497	226,365,302	34,968	8.5
2010	6,407,774	215,523,641	33,635	9.6
2009	6,343,154	211,975,307	33,418	10.6

- (1) These are midyear population estimates of the U.S. Bureau of the Census.  
(2) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census.  
(3) Population and personal income estimates were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).  
U.S. Bureau of the Census (also for population).  
Office of Employment and Population Statistics at Arizona Department of Administration (for unemployment rate).

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STATE OF ARIZONA  
SCHEDULE 23  
**PRINCIPAL EMPLOYERS**  
CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2018 (1)			Calendar Year Ended December 31, 2009		
	Full-Time Count of Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	37,655	1	1.10%	52,420	1	1.67%
Banner Health	36,213	2	1.05	27,431	3	0.87
Wal-Mart Stores, Inc.	33,814	3	0.98	31,280	2	1.00
Wells Fargo & Co.	15,062	4	0.44	14,000	5	0.45
City of Phoenix	13,894	5	0.40	16,375	4	0.52
Arizona State University	13,480	6	0.39	12,043	8	0.38
Raytheon Missile Systems	12,000	7	0.35	11,500	9	0.37
HonorHealth	11,308	8	0.33	—	—	—
Dignity Health	11,206	9	0.33	—	—	—
University of Arizona	10,659	10	0.31	—	—	—
Apollo Group Inc.	—	—	—	12,299	7	0.39
Honeywell International	—	—	—	10,145	10	0.32
Maricopa County	—	—	—	12,996	6	0.41
<b>Total</b>	<b>195,291</b>		<b>5.68%</b>	<b>200,489</b>		<b>6.38%</b>

(1) Beginning with Calendar Year December 31, 2017, the Phoenix Business Journal has requested total full-time and part-time employee counts from employers (the part-time employee counts are not reported in this schedule). Previously, the full-time equivalent totals were requested.

Source: Phoenix Business Journal, Book of Lists 2018-2019 and the State of Arizona CAFR 2010.

STATE OF ARIZONA  
SCHEDULE 24  
**STATE EMPLOYEES BY FUNCTION (1)**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
<b>FULL-TIME EQUIVALENT EMPLOYEES</b>						
General government:						
Lottery	98.8	98.8	98.8	98.8	98.8	98.8
Arizona State Retirement System	245.9	250.9	250.9	250.9	246.9	246.9
Department of Revenue	880.8	880.8	880.8	880.8	880.8	861.8
All other	2,325.4	2,321.4	2,280.4	2,331.6	2,308.6	2,229.6
Health and welfare:						
Department of Economic Security	4,323.8	4,289.4	4,218.0	4,147.7	3,882.6	5,654.1
Department of Child Safety	3,193.1	3,193.1	3,057.1	3,057.1	3,045.1	—
Arizona Health Care Cost Containment System	2,339.3	2,326.3	2,326.3	2,214.3	2,208.3	2,217.3
Department of Health Services	1,100.0	1,065.5	1,036.5	1,176.7	1,176.7	1,176.7
All other	947.6	959.6	961.6	961.6	949.6	946.6
Inspection and regulation	1,534.2	1,563.7	1,651.4	1,656.4	1,650.4	1,643.9
Education:						
Universities	17,680.4	17,239.3	16,721.0	15,635.7	15,635.7	15,607.7
All other	889.9	844.9	843.9	843.9	840.9	838.9
Protection and safety:						
Department of Corrections	9,556.0	9,541.0	9,540.0	9,534.0	9,534.0	9,384.0
Department of Juvenile Corrections	738.5	738.5	738.5	738.5	738.5	738.5
Department of Public Safety	1,966.7	1,945.7	1,908.7	1,907.7	1,907.7	1,904.7
All other	99.1	98.6	98.6	98.6	97.6	95.6
Department of Transportation	4,552.0	4,552.0	4,552.0	4,548.0	4,548.0	4,548.0
Natural resources	795.2	795.2	733.5	733.5	730.5	716.5
<b>Total</b>	<b>53,266.7</b>	<b>52,704.7</b>	<b>51,898.0</b>	<b>50,815.8</b>	<b>50,480.7</b>	<b>48,909.6</b>

- (1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.
- (2) The change in fiscal year 2015 full-time equivalent employees was primarily due to the result of a division within the Department of Economic Security being established as the Department of Child Safety.

Source: The Executive Budget (Detail). Includes only those positions funded by appropriated funds approved in the Executive Budget.

Fiscal Year

2013	2012	2011	2010
97.8	104.0	104.0	104.0
233.9	236.0	236.0	236.0
860.3	935.0	935.0	863.0
2,214.4	2,427.6	2,646.5	2,746.5
5,453.5	3,726.0	3,726.0	4,201.0
—	—	—	—
2,217.3	1,407.3	1,423.0	1,484.0
1,176.7	1,513.3	1,513.3	1,538.6
946.6	1,098.5	954.5	966.5
1,649.8	1,801.2	1,807.7	1,820.7
15,478.7	16,964.2	15,754.2	15,664.5
834.4	886.5	896.0	972.4
10,118.2	10,015.2	10,015.2	9,755.9
738.5	1,001.7	1,001.7	1,050.7
1,903.7	2,139.8	2,081.8	2,099.8
90.1	112.6	117.9	118.4
4,548.0	4,548.0	4,548.0	4,548.0
716.5	930.2	937.2	956.7
49,278.4	49,847.1	48,698.0	49,126.7

STATE OF ARIZONA  
SCHEDULE 25  
**OPERATING INDICATORS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS (1)  
FISCAL YEAR ENDED JUNE 30, 2019

	Fiscal Year						
	2019	2018	2017	2016	2015	2014	2013
<b><u>FUNCTIONS/PROGRAMS</u></b>							
General government:							
Number of tax returns received (in millions)	6.4	6.4	6.0	5.9	5.7	5.7	5.5
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,872,169	1,849,093	1,922,724	1,849,578	1,709,550	1,508,690	1,318,650
Average monthly number of recipients of temporary assistance for needy families	N/A	16,195	18,762	22,171	27,272	32,888	39,050
Average monthly number of persons receiving food stamp benefits	N/A	875,241	946,184	980,536	1,027,845	1,070,674	1,116,068
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	69.6	67.2	64.4	65.0	65.4	70.6	66.5
Incident rate per 100 full-time workers (3)	3.1	3.0	3.1	3.1	3.2	3.5	3.4
Education:							
Public school enrollment, grades K-12 (4)	1,120,146	1,093,867	1,110,425	1,105,592	1,098,701	1,084,276	1,077,703
Protection and safety:							
Number of miles patrolled by the Highway Patrol	20,262,923	19,976,488	18,771,511	19,843,962	19,280,016	19,222,811	18,914,572
State prison adult inmate population	42,312	42,113	42,200	42,902	42,611	41,773	40,273
Transportation:							
Number of registered vehicles (5)	8,821,690	8,518,715	8,247,514	7,970,946	7,694,309	7,453,046	7,180,797
Number of driver licenses issued (6)	5,369,964	5,285,723	5,165,719	5,083,085	4,979,520	1,188,903	1,159,695
Natural resources:							
Game and Fish Department's license and tag sales (7)	N/A	530,500	519,555	524,781	726,285	822,923	848,617
Universities:							
University full-time equivalent students (8)	176,594	170,861	165,536	158,681	148,819	141,264	136,884
Unemployment compensation:							
Number of initial unemployment claims filed	197,855	214,590	223,084	223,141	229,770	257,951	261,418
Industrial Commission special fund:							
No-insurance awards issued	950	1,030	1,112	1,982	1,599	1,303	1,618
Number of vocational rehabilitation awards issued	38	65	65	111	125	170	136
Lottery:							
Total lottery sales (in millions)	\$ 1,076.3	\$ 981.2	\$ 852.0	\$ 870.9	\$ 750.0	\$ 723.9	\$ 692.9
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (9)	—	—	—	—	—	—	6,370

N/A = Not available

- (1) Some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002.
- (3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2019 contains data for the calendar year ending December 31, 2018. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).
- (4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2019 contains data from the October 1, 2018 enrollment figures.
- (5) Count represents the total number of vehicles registered as of the end of the fiscal year.
- (6) Through fiscal year 2014, count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30. Beginning fiscal year 2015, count represents the total number of driver licenses.
- (7) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2019 contains data for the calendar year ending December 31, 2018. Beginning fiscal year 2016, total number of tag sales was not available.
- (8) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2019 contains data for the fall 2018 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.
- (9) Approximate number of members enrolled as of June 1. Healthcare Group ceased operations on December 31, 2013.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.



Fiscal Year		
2012	2011	2010
5.4	5.4	5.2
1,314,210	1,392,810	1,392,420
39,194	44,842	82,127
1,123,068	1,049,522	986,413
67.9	66.4	75.2
3.5	3.5	3.7
1,066,740	1,062,200	1,068,987
19,465,944	19,953,766	21,275,292
39,877	40,181	40,477
6,823,906	6,839,659	6,740,536
1,184,630	1,196,675	1,241,977
815,488	826,385	874,442
134,051	129,653	122,734
288,097	311,472	363,189
1,365	882	1,781
125	132	128
\$ 646.7	\$ 583.5	\$ 551.5
7,080	8,260	10,760

STATE OF ARIZONA  
SCHEDULE 26  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
FOR THE LAST TEN FISCAL YEARS  
FISCAL YEAR ENDED JUNE 30, 2019

<b><u>FUNCTIONS/PROGRAMS</u></b>	Fiscal Year						
	2019	2018	2017	2016	2015	2014	2013
Protection and safety:							
Number of adult prison facilities (2)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (1)	6,822	6,775	6,780	6,822	6,800	6,800	6,751
Number of bridges (1)	4,860	4,855	4,810	4,858	4,798	4,787	4,754
Natural resources:							
State Trust acres	9,207,430	9,215,392	9,215,795	9,216,213	9,217,704	9,223,617	9,223,873
Universities:							
Number of facilities (3)	1,238	1,251	1,267	1,268	1,258	1,212	1,705
Gross square feet (in thousands) (3)	48,693	48,248	47,437	44,665	46,054	44,658	41,141

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, and other business-type activity functions.

- (1) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
- (2) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
- (3) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, Corrections, and the Universities.

Fiscal Year		
2012	2011	2010
10	10	10
6,751	6,722	6,789
4,754	4,741	4,700
9,302,256	9,252,495	9,258,071
1,711	1,740	1,737
39,933	37,967	37,589

## ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, General Accounting Office, Financial Reporting Section:

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